

**Western NSW  
Local Health District**

**Financial Statements**

for the year ended 30 June 2018





## INDEPENDENT AUDITOR'S REPORT

### Western NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

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

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

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Renee Meimaroglou  
Director, Financial Audit Service

29 August 2018  
SYDNEY

**Western 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 Western 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 Western 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.

  
Scott McLachlan  
**Chief Executive**  
28 August 2018

  
Josh Carey  
**Executive Director Finance**  
28 August 2018

**Western NSW Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2018**

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual	
2018	2018	2017		2018	2018	2017	
\$000	\$000	\$000		\$000	\$000	\$000	
<b>Expenses excluding losses</b>							
<b>Operating Expenses</b>							
----	----	----					
514,896	516,101	482,567	Employee Related Expenses	2	536,599	538,039	495,238
65,903	65,584	63,537	Personnel Services	3	----	----	----
262,372	260,948	257,009	Visiting Medical Officers		65,903	65,584	63,537
46,449	46,486	47,828	Other Expenses	4	262,372	260,948	257,009
4,116	4,034	2,747	Depreciation and Amortisation	1(n), 5	46,449	46,486	47,828
16,267	16,115	16,280	Grants and Subsidies	6	4,116	4,034	2,747
12,344	12,585	13,130	Finance Costs	1(h), 7	16,267	16,115	16,280
			Payments to Affiliated Health Organisations	8	12,344	12,585	13,130
<b>922,347</b>	<b>921,853</b>	<b>883,098</b>	<b>Total Expenses excluding losses</b>		<b>944,050</b>	<b>943,791</b>	<b>895,769</b>
<b>Revenue</b>							
724,607	724,277	687,042	NSW Ministry of Health Recurrent Allocations	1(i)	724,607	724,277	687,042
43,019	43,888	39,455	NSW Ministry of Health Capital Allocations	1(i)	43,019	43,888	39,455
(308)	(308)	(744)	Transfers to the NSW Ministry of Health		(308)	(308)	(744)
----	----	----	Acceptance by the Crown Entity of Employee Benefits	1(e)(ii),12	21,703	21,938	12,671
111,051	116,013	117,758	Sale of Goods and Services	1(i), 9	111,051	116,013	117,758
760	408	561	Investment Revenue	1(i),10	760	408	561
35,801	35,553	19,393	Grants and Other Contributions	1(i),11	35,801	35,553	19,393
6,759	2,147	8,420	Other Income	13	6,759	2,147	8,420
<b>921,689</b>	<b>921,978</b>	<b>871,885</b>	<b>Total Revenue</b>		<b>943,392</b>	<b>943,916</b>	<b>884,556</b>
(511)	(550)	405	<b>Gain / (Loss) on Disposal</b>	14	(511)	(550)	405
(535)	(246)	(414)	<b>Other Gains / (Losses)</b>	15	(535)	(246)	(414)
<b>(1,704)</b>	<b>(671)</b>	<b>(11,222)</b>	<b>Net Result</b>	31	<b>(1,704)</b>	<b>(671)</b>	<b>(11,222)</b>
<b>Other Comprehensive Income</b>							
<b>Items that will not be reclassified to net result</b>							
(2,982)	----	26,552	Changes in Revaluation Surplus of				
(2,982)	----	26,552	Property, Plant and Equipment	20	(2,982)	----	26,552
			<b>Total Other Comprehensive Income</b>		<b>(2,982)</b>	<b>----</b>	<b>26,552</b>
<b>(4,686)</b>	<b>(671)</b>	<b>15,330</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(4,686)</b>	<b>(671)</b>	<b>15,330</b>

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2018	2018	2017		2018	2018	2017
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
19,270	24,916	31,966	16	19,270	24,916	31,966
19,264	22,070	23,605	17	19,264	22,070	23,605
2,938	2,737	2,737	18	2,938	2,737	2,737
5,660	----	----	19	5,660	----	----
<u>47,132</u>	<u>49,723</u>	<u>58,308</u>		<u>47,132</u>	<u>49,723</u>	<u>58,308</u>
456	602	1,152	21	456	602	1,152
<b>47,588</b>	<b>50,325</b>	<b>59,460</b>		<b>47,588</b>	<b>50,325</b>	<b>59,460</b>
<b>Non-Current Assets</b>						
163	240	240	17	163	240	240
<b>Property, Plant &amp; Equipment</b>						
889,600	899,417	880,627	20	889,600	899,417	880,627
73,303	67,891	68,283	20	73,303	67,891	68,283
51,418	49,936	52,459	20	51,418	49,936	52,459
891	672	1,012	20	891	672	1,012
<u>1,015,212</u>	<u>1,017,916</u>	<u>1,002,381</u>		<u>1,015,212</u>	<u>1,017,916</u>	<u>1,002,381</u>
<b>1,015,375</b>	<b>1,018,156</b>	<b>1,002,621</b>		<b>1,015,375</b>	<b>1,018,156</b>	<b>1,002,621</b>
<b>1,062,963</b>	<b>1,068,481</b>	<b>1,062,081</b>		<b>1,062,963</b>	<b>1,068,481</b>	<b>1,062,081</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
60,701	64,295	57,770	24	60,701	64,295	57,770
1,595	647	1,147	25	1,595	647	1,147
70,859	68,110	67,219	26	70,859	68,110	67,219
8	20	20	27	8	20	20
<u>133,163</u>	<u>133,072</u>	<u>126,156</u>		<u>133,163</u>	<u>133,072</u>	<u>126,156</u>
<b>Non-Current Liabilities</b>						
164,528	166,122	166,122	25	164,528	166,122	166,122
1,008	1,008	853	26	1,008	1,008	853
<u>165,536</u>	<u>167,130</u>	<u>166,975</u>		<u>165,536</u>	<u>167,130</u>	<u>166,975</u>
<b>298,699</b>	<b>300,202</b>	<b>293,131</b>		<b>298,699</b>	<b>300,202</b>	<b>293,131</b>
<b>764,264</b>	<b>768,279</b>	<b>768,950</b>		<b>764,264</b>	<b>768,279</b>	<b>768,950</b>
<b>EQUITY</b>						
253,146	256,128	256,128		253,146	256,128	256,128
511,118	512,151	512,822		511,118	512,151	512,822
<u>764,264</u>	<u>768,279</u>	<u>768,950</u>		<u>764,264</u>	<u>768,279</u>	<u>768,950</u>

The accompanying notes form part of these financial statements.



**Western NSW Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2018**

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2017</b>		512,822	256,128	768,950
<b>Net Result for the year</b>		(1,704)	----	(1,704)
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	(2,982)	(2,982)
<b>Total Other Comprehensive Income</b>		----	(2,982)	(2,982)
<b>Total Comprehensive Income for the year</b>		(1,704)	(2,982)	(4,686)
<b>Balance at 30 June 2018</b>		<b>511,118</b>	<b>253,146</b>	<b>764,264</b>
<b>Balance at 1 July 2016</b>		524,044	229,576	753,620
<b>Net Result for the year</b>		(11,222)	----	(11,222)
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	20	----	26,552	26,552
<b>Total Other Comprehensive Income</b>		----	26,552	26,552
<b>Total Comprehensive Income for the year</b>		(11,222)	26,552	15,330
<b>Balance at 30 June 2017</b>		<b>512,822</b>	<b>256,128</b>	<b>768,950</b>

The accompanying notes form part of these financial statements.

Western 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 \$000	2018 \$000	2017 \$000		2018 \$000	2018 \$000	2017 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
---	---	---	Employee Related	(517,522)	(521,549)	(484,369)
(362,021)	(357,164)	(348,366)	Suppliers for Goods and Services	(362,021)	(357,164)	(348,366)
(18,437)	(18,597)	(17,730)	Grants and Subsidies	(18,437)	(18,597)	(17,730)
(16,266)	(16,115)	(16,280)	Finance Costs	(16,266)	(16,115)	(16,280)
(517,522)	(521,549)	(484,369)	Other	---	---	---
<u>(914,246)</u>	<u>(913,425)</u>	<u>(866,745)</u>	<b>Total Payments</b>	<u>(914,246)</u>	<u>(913,425)</u>	<u>(866,745)</u>
<b>Receipts</b>						
724,607	724,277	687,042	NSW Ministry of Health Recurrent Allocations	724,607	724,277	687,042
43,019	43,888	39,455	NSW Ministry of Health Capital Allocations	43,019	43,888	39,455
(308)	(308)	(744)	Asset Sale Proceeds Transferred to the NSW Ministry of Health	(308)	(308)	(744)
9,355	9,355	8,583	Reimbursements from the Crown Entity	9,355	9,355	8,583
116,225	118,472	122,363	Sale of Goods and Services	116,225	118,472	122,363
760	408	561	Interest Received	760	408	561
38,528	38,310	20,713	Grants and Other Contributions	38,528	38,310	20,713
38,006	34,283	38,733	Other	38,006	34,283	38,733
<u>970,192</u>	<u>968,685</u>	<u>916,706</u>	<b>Total Receipts</b>	<u>970,192</u>	<u>968,685</u>	<u>916,706</u>
<u><b>55,946</b></u>	<u><b>55,260</b></u>	<u><b>49,961</b></u>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><b>55,946</b></u>	<u><b>55,260</b></u>	<u><b>49,961</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
1,059	---	871	Proceeds from Sale of Property, Plant & Equipment	1,059	---	871
22,794	22,794	---	Proceeds from Sale of Financial Assets	22,794	22,794	---
(62,895)	(61,810)	(44,442)	Purchases of Property, Plant & Equipment	(62,895)	(61,810)	(44,442)
(28,454)	(22,794)	---	Purchases of Financial Assets	(28,454)	(22,794)	---
<u>(67,496)</u>	<u>(61,810)</u>	<u>(43,571)</u>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(67,496)</u>	<u>(61,810)</u>	<u>(43,571)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
---	---	5,421	Proceeds from Borrowings and Advances	---	---	5,421
(1,146)	(500)	(317)	Repayment of Borrowings and Advances	(1,146)	(500)	(317)
<u>(1,146)</u>	<u>(500)</u>	<u>5,104</u>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(1,146)</u>	<u>(500)</u>	<u>5,104</u>
(12,696)	(7,050)	11,494	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(12,696)	(7,050)	11,494
31,966	31,966	20,472	Opening Cash and Cash Equivalents	31,966	31,966	20,472
<u><b>19,270</b></u>	<u><b>24,916</b></u>	<u><b>31,966</b></u>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>19,270</b></u>	<u><b>24,916</b></u>	<u><b>31,966</b></u>

The accompanying notes form part of these financial statements.

Western 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 Western 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 23), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Western 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 28 August 2018.

**b) Basis of Preparation**

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

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

The Secretary of NSW Health, the Chair of the Western 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 cash flows to ensure that debts can be paid when they become due and payable.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.

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

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

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

**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.

Western 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**

**d) Statement of Compliance**

The financial statements and notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

**e) Employee Benefits and Other Provisions**

**i) Salaries and Wages, Annual Leave, Sick Leave, Allocated Days Off (ADO) and On-Costs**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.2% 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 26.

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.

**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.

Western 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**

**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.

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

Refer to Note 9 (b) for further details.

*Use of Outside Facilities*

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

Western 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 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.

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

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

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

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

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

**k) Interstate Patient Flows**

Interstate patient flows are funded through the State Pool, based on activity and consistent with the price determined in the service level agreement. The funding is recognised as recurrent allocation received from the immediate parent.

**l) Acquisition of Property, Plant and Equipment**

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

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

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

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

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

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

Western 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:

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

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

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

**o) Revaluation of Non-Current Assets**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and takes into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 20 and Note 22 for further information regarding fair value.

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

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

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

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

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

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

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

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

**1. Statement of Significant Accounting Policies**

**p) Impairment of Property, Plant and Equipment**

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

**q) Restoration Costs**

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

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

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

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

**s) 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.

**w) Investments**

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

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

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

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

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



Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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**1. Statement of Significant Accounting Policies**

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

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

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

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

**x) Impairment of Financial Assets**

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

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

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

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

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

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

**z) 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.

**aa) Borrowings**

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

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

**ab) 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).

Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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**1. Statement of Significant Accounting Policies**

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 22 and Note 37 for further disclosures regarding fair value measurements of non-financial and financial assets.

**ac) Equity Transfers**

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

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

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

**ad) Equity and Reserves**

**(i) Accumulated Funds**

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

**(ii) Revaluation Surplus**

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with 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.

**ae) Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 29.

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.

**af) Adjusted Budget Amounts**

NSW Health's budget is shown at a consolidated level when presented in parliament each year (i.e. in the NSW Government Budget Papers). 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 Agreement 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 36.

**ag) Changes in Accounting Policy, Including New or Revised Australian Accounting Standards**

**(i) Effective for the First Time in 2017-18**

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

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows applies to annual periods beginning on or after 1 January 2017. The standard amends AASB 107 Statement of Cash Flows to require additional disclosures for financing activities in the Statement of Cash Flows. A reconciliation of liabilities arising from financing activities has been added to Note 33 of these financial statements.

Western 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**

**(ii) Issued But Not Yet Effective**

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

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

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

The lease expense recognition pattern for leases will generally be accelerated as compared to today. Some key Statement of Financial Position metrics may also be impacted. Also, the Statement of Cash Flows for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

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

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

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

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

AASB 1059 Service Concession Arrangements is applicable for annual periods beginning on or after 1 January 2019 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.

Western NSW Local Health District  
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**1. Statement of Significant Accounting Policies**

**Overview of Assessment Activities**

NSW Health designed a project roadmap to implement the above five new accounting standards by their application date. The project consists of four phases: Scoping, Data gathering, In Depth Analysis and Implementation. The Scoping phase has been completed and the Data Gathering phase begun. An external project consultant and project manager will be appointed, with various steering committees and project teams to 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.

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

**Potential Impact on the District's Financial Report**

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

*Leases*

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

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

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

*Financial Instruments*

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

*Service Concession Arrangements*

- \* No significant impact is 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.

Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>2. Employee Related Expenses</b>		
----	----	Salaries and Wages (including annual leave and ADO)	464,453	438,196
----	----	Superannuation - Defined Benefit Plans	4,080	4,441
----	----	Superannuation - Defined Contribution Plans	41,580	39,054
----	----	Long Service Leave	19,557	8,193
----	----	Redundancies	738	450
----	----	Workers' Compensation Insurance	6,103	4,862
----	----	Fringe Benefits Tax	88	42
-----	-----		<b>536,599</b>	<b>495,238</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	615	638
----	----	Employee Related Expenses Capitalised - Plant and Equipment	61	----
-----	-----		<b>676</b>	<b>638</b>
		'Employee Related Expenses Capitalised' relates to local employee-related work directly associated with Health Infrastructure redevelopment projects.		
		<b>3. Personnel Services</b>		
464,453	438,196	Salaries and Wages	----	----
41,580	39,054	Superannuation - Defined Contribution Plans	----	----
1,934	(37)	Long Service Leave	----	----
738	450	Redundancies	----	----
6,103	4,862	Workers' Compensation Insurance	----	----
88	42	Fringe Benefits Tax	----	----
<b>514,896</b>	<b>482,567</b>		<b>-----</b>	<b>-----</b>
		Personnel services of Western NSW Local Health District was provided by its controlled entity, Western NSW Local Health District Special Purpose Service Entity.		
		The amounts below are capitalised and do not form part of the above total personnel services:		
615	638	Personnel Services Expenses Capitalised - Land and Buildings	----	----
61	----	Personnel Services Expenses Capitalised - Plant and Equipment	----	----
<b>676</b>	<b>638</b>		<b>-----</b>	<b>-----</b>
		'Personnel Services Expenses Capitalised' relates to local employee-related work directly associated with Health Infrastructure redevelopment projects.		

Western NSW Local Health District  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>4. Other Expenses</b>		
143	404	Advertising	143	404
200	213	Auditor's Remuneration - Audit of Financial Statements	200	213
3,974	3,371	Blood and Blood Products	3,974	3,371
529	1,020	Consultancies	529	1,020
2,043	1,139	Contractors	2,043	1,139
8,361	7,761	Domestic Supplies and Services	8,361	7,761
26,099	28,813	Drug Supplies	26,099	28,813
8,420	8,398	Food Supplies	8,420	8,398
8,202	7,369	Fuel, Light and Power	8,202	7,369
19,229	17,862	Patient Transport Costs	19,229	17,862
16,158	17,031	Information Management Expenses	16,158	17,031
856	930	Insurance	856	930
24,827	22,468	Maintenance (See 4(b) below)	24,827	22,468
31,884	30,246	Medical and Surgical Supplies	31,884	30,246
2,460	2,469	Motor Vehicle Expenses	2,460	2,469
2,571	3,072	Postal and Telephone Costs	2,571	3,072
1,420	1,216	Printing and Stationery	1,420	1,216
2,112	1,896	Rates and Charges	2,112	1,896
3,372	3,123	Rental	3,372	3,123
34,521	33,559	Specialised Services (Allied Health, Dental, Dialysis, Imaging, Pathology)	34,521	33,559
6,108	5,896	Staff Related Costs	6,108	5,896
6,812	6,566	Travel Related Costs	6,812	6,566
52,071	52,187	Other (See 4(a) below)	52,071	52,187
<b>262,372</b>	<b>257,009</b>		<b>262,372</b>	<b>257,009</b>

Western NSW Local Health District  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>4. Other Expenses</b>		
		<b>a) Other Includes:</b>		
3,431	4,605	Contract for Patient Services	3,431	4,605
8,538	8,420	Corporate Support Services	8,538	8,420
502	530	Courier and Freight	502	530
4,144	3,896	Isolated Patient Travel and Accommodation Assistance Scheme	4,144	3,896
558	388	Legal Services	558	388
136	284	Membership/Professional Fees	136	284
2,890	3,229	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	2,890	3,229
26,234	25,687	Public Private Partnership Contracted Services	26,234	25,687
164	376	Other Operating Lease Expense - Minimum Lease Payments	164	376
280	248	Quality Assurance/Accreditation	280	248
620	496	Security Services	620	496
4,574	4,028	Other Miscellaneous	4,574	4,028
<b>52,071</b>	<b>52,187</b>		<b>52,071</b>	<b>52,187</b>
		<b>b) Reconciliation of Total Maintenance</b>		
7,315	6,564	Maintenance Contracts	7,315	6,564
13,347	11,181	New/Replacement Equipment under \$10,000	13,347	11,181
4,165	4,723	Repairs Maintenance/Non Contract	4,165	4,723
		Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 4)		
24,827	22,468		24,827	22,468
		Employee Related/Personnel Services Maintenance Expense included in Notes 2 and 3		
5,120	4,900		5,120	4,900
<b>29,947</b>	<b>27,368</b>		<b>29,947</b>	<b>27,368</b>

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

The majority of 'Domestic Supplies and Services', 'Patient Transport Costs', 'Information Management Expenses' and 'Specialised Services' expenses were paid to Health Administration Corporation, an entity controlled by the immediate parent.

'Corporate Support Services' were paid to Health Administration Corporation, an entity controlled by the immediate parent.

Some 'Food Supplies' were paid to 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.

Western 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>				
33,692	35,530	Depreciation - Buildings	33,692	35,530
10,410	9,986	Depreciation - Plant and Equipment	10,410	9,986
2,007	1,975	Depreciation - Infrastructure Systems	2,007	1,975
340	337	Amortisation - Leasehold Improvements	340	337
<b>46,449</b>	<b>47,828</b>		<b>46,449</b>	<b>47,828</b>
<b>6. Grants and Subsidies</b>				
1,979	2,038	Non-Government Organisations	1,979	2,038
29	30	Grants to Research Organisations	29	30
99	56	Grants paid to entities controlled by the immediate parent	99	56
2,009	623	Other Grants	2,009	623
<b>4,116</b>	<b>2,747</b>		<b>4,116</b>	<b>2,747</b>
<p>'Other Grants' largely comprises payments to an external provider of Mental Health services.</p>				
<b>7. Finance Costs</b>				
16,115	16,264	Public Private Partnership Lease Interest Charges	16,115	16,264
152	16	Interest on Loans	152	16
<b>16,267</b>	<b>16,280</b>		<b>16,267</b>	<b>16,280</b>
<b>8. Payments to Affiliated Health Organisations</b>				
<b>Recurrent Sourced</b>				
9,798	9,910	Lourdes Hospital and Community Services	9,798	9,910
2,546	3,220	St Vincent's Outreach Service	2,546	3,220
<b>12,344</b>	<b>13,130</b>		<b>12,344</b>	<b>13,130</b>



Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>9. Sale of Goods and Services</b>				
a) Sale of Goods comprise the following:-				
436	458	Pharmacy Sales	436	458
1,634	1,857	Sale of Prosthesis	1,634	1,857
60	68	Other	60	68
b) Rendering of Services comprise the following:-				
		Patient Fees		
52,446	53,208	- Inpatient Fees	52,446	53,208
20	116	- Nursing Home Fees	20	116
1,944	1,749	- Non Inpatient Fees	1,944	1,749
7,841	10,196	Department of Veterans' Affairs	7,841	10,196
300	300	Staff-Meals and Accommodation	300	300
16,382	15,762	Infrastructure Fees - Monthly Facility Charge	16,382	15,762
19	28	Cafeteria/Kiosk	19	28
1,834	2,003	Clinical Services (excluding Clinical Drug Trials)	1,834	2,003
255	151	Commercial Activities	255	151
48	39	Fees for Medical Records	48	39
29	31	Information Retrieval	29	31
14,233	18,114	Highly Specialised Drugs	14,233	18,114
187	201	Meals on Wheels	187	201
4,328	4,069	Motor Accident Authority Third Party	4,328	4,069
50	15	Patient Transport Fees	50	15
91	93	Private Use of Motor Vehicles	91	93
-----	259	Salary Packaging Fee	-----	259
236	236	Hosted Services Provided to entities controlled by immediate parent	236	236
260	230	Services Provided to Non NSW Health Organisations	260	230
4	13	Shared Corporate Services	4	13
7,374	7,549	Multi Purpose Service Centre Fees	7,374	7,549
1,040	1,013	Other	1,040	1,013
<b>111,051</b>	<b>117,758</b>		<b>111,051</b>	<b>117,758</b>

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

All of the 'Shared Corporate Services' revenue was earned from entities controlled by the immediate parent.

Some of the 'Services Provided to Non NSW Health Organisations' revenue was earned from entities controlled by the ultimate parent.

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

**10. Investment Revenue**

760	561	Interest	760	561
<b>760</b>	<b>561</b>		<b>760</b>	<b>561</b>

Western 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>11. Grants and Other Contributions</b>				
----	70	Clinical Drug Trials	----	70
5,149	5,018	Commonwealth Government Grants	5,149	5,018
995	2,069	Industry Contributions/Donations	995	2,069
3,867	3,813	Cancer Institute Grants	3,867	3,813
		Grants & Contributions received from entities controlled by the ultimate parent		
21,706	3,094	Grants & Contributions received from entities controlled by the immediate parent	21,706	3,094
393	1,526	Research Grants	393	1,526
24	12	Other Grants	24	12
3,667	3,791		3,667	3,791
<b>35,801</b>	<b>19,393</b>		<b>35,801</b>	<b>19,393</b>

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

The majority of grants that were received from entities controlled by the ultimate parent were capital grants received from the Crown Finance Entity, with prior year comparatives for both grants received by entities controlled by the immediate and ultimate parents having been restated.

The majority of grants that were received from entities controlled by the immediate parent were received from the Cancer Institute (capital grants) and the Health Education and Training Institute.

'Other Grants' includes funding for breast care nursing, medical specialist training and chemotherapy.

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

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

----	----	Superannuation-defined benefit	4,080	4,441
----	----	Long Service Leave	17,623	8,230
<b>-----</b>	<b>-----</b>		<b>21,703</b>	<b>12,671</b>

**13. Other Income**

8	7	Bad Debts Recovered	8	7
130	126	Commissions	130	126
23	13	Conference and Training Fees	23	13
271	339	Insurance Refunds	271	339
1,047	942	Lease and Rental	1,047	942
127	101	Sale of Merchandise, Old Wares and Books	127	101
52	59	Sponsorship	52	59
1,980	2,759	Treasury Managed Fund Hindsight Adjustment	1,980	2,759
3,121	4,074	Other	3,121	4,074
<b>6,759</b>	<b>8,420</b>		<b>6,759</b>	<b>8,420</b>

Some 'Lease and Rental' revenue was received from Health Administration Corporation, an entity controlled by the immediate parent.

'Other' revenue comprises various revenue, including the annual transfer of residual staff specialist Trust monies to Restricted Financial Assets.

Western 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>14. Gain / (Loss) on Disposal</b>				
12,213	4,711	Property, Plant and Equipment	12,213	4,711
<u>(11,846)</u>	<u>(4,303)</u>	Accumulated Depreciation	<u>(11,846)</u>	<u>(4,303)</u>
<b>367</b>	<b>408</b>	<b>Written Down Value</b>	<b>367</b>	<b>408</b>
25	774	Proceeds from Disposal	25	774
<hr/>				
<b>(342)</b>	<b>366</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(342)</b>	<b>366</b>
<hr/>				
1,203	10	Assets Held for Sale	1,203	10
<u>1,034</u>	<u>49</u>	Proceeds from Disposal	<u>1,034</u>	<u>49</u>
<hr/>				
<b>(169)</b>	<b>39</b>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<b>(169)</b>	<b>39</b>
<hr/>				
<b>(511)</b>	<b>405</b>	<b>Total Gain/(Loss) on Disposal</b>	<b>(511)</b>	<b>405</b>
<hr/>				
<b>15. Other Gains / (Losses)</b>				
(535)	(414)	Impairment of Receivables	(535)	(414)
<hr/>				
<b>(535)</b>	<b>(414)</b>		<b>(535)</b>	<b>(414)</b>
<hr/>				

Western 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>16. Cash and Cash Equivalents</b>				
10,735	18,014	Cash at Bank and On Hand	10,735	18,014
8,535	13,952	Short Term Deposits	8,535	13,952
<u>19,270</u>	<u>31,966</u>		<u>19,270</u>	<u>31,966</u>
<p>For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.</p> <p>Cash &amp; cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:</p>				
<u>19,270</u>	<u>31,966</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>19,270</u>	<u>31,966</u>
<u>19,270</u>	<u>31,966</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>19,270</u>	<u>31,966</u>

Refer to Note 37 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Western 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>17. Receivables</b>		
		<b>Current</b>		
5,826	6,238	Sale of Goods and Services	5,826	6,238
3,631	6,809	Intra Health Receivables	3,631	6,809
4,992	5,248	Goods and Services Tax	4,992	5,248
3,762	3,796	Other Debtors	3,762	3,796
18,211	22,091	<b>Sub Total</b>	18,211	22,091
(524)	(325)	Less Allowance for Impairment	(524)	(325)
17,687	21,766	<b>Sub Total</b>	17,687	21,766
1,577	1,839	Prepayments	1,577	1,839
<b>19,264</b>	<b>23,605</b>		<b>19,264</b>	<b>23,605</b>
<b>19,264</b>	<b>23,605</b>		<b>19,264</b>	<b>23,605</b>
<p>'Intra Health Receivables' include amounts receivable from the immediate parent and entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from the Ministry of Health, Health Administration Corporation, the Cancer Institute and Far West Local Health District.</p> <p>The majority of 'Prepayments' relates to balances with Roads &amp; Maritime Services, an entity controlled by the ultimate parent.</p> <p>'Other Debtors' includes salaries and wages and annual leave recoveries relating to the Public Private Partnership operating at Bathurst and Orange.</p>				
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(216)	(227)	Balance at Commencement of Reporting Period	(216)	(227)
204	379	Amounts written off during the year	204	379
8	7	Amounts recovered during the year	8	7
(251)	(375)	(Increase)/decrease in Allowance Recognised in the Net Result	(251)	(375)
(255)	(216)	Balance at 30 June 2018	(255)	(216)
b) Movement in the Allowance for Impairment				
Other Debtors				
(109)	(78)	Balance at Commencement of Reporting Period	(109)	(78)
75	----	Amounts written off during the year	75	----
----	34	Amounts recovered during the year	----	34
(235)	(65)	(Increase)/decrease in Allowance Recognised in the Net Result	(235)	(65)
(269)	(109)	Balance at 30 June 2018	(269)	(109)
<b>(524)</b>	<b>(325)</b>		<b>(524)</b>	<b>(325)</b>
<b>(524)</b>	<b>(325)</b>		<b>(524)</b>	<b>(325)</b>

Western 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. Receivables</b>				
<b>Non-Current</b>				
74	98	Sale of Goods and Services	74	98
215	249	Other Debtors	215	249
289	347	<b>Sub Total</b>	289	347
(134)	(107)	Less Allowance for Impairment	(134)	(107)
155	240	<b>Sub Total</b>	155	240
8	-----	Prepayments	8	-----
<b>163</b>	<b>240</b>		<b>163</b>	<b>240</b>
a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(27)	(6)	Balance at Commencement of Reporting Period	(27)	(6)
13	-----	Amounts written off during the year	13	-----
(60)	(21)	(Increase)/decrease in Allowance Recognised in the Net Result	(60)	(21)
(74)	(27)	Balance at 30 June 2018	(74)	(27)
b) Movement in the Allowance for Impairment				
Other Debtors				
(80)	(160)	Balance at Commencement of Reporting Period	(80)	(160)
9	33	Amounts written off during the year	9	33
11	47	(Increase)/decrease in Allowance Recognised in the Net Result	11	47
(60)	(80)	Balance at 30 June 2018	(60)	(80)
<b>(134)</b>	<b>(107)</b>		<b>(134)</b>	<b>(107)</b>
c) The current and non-current sale of goods and services				
balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
842	805	Patient Fees - Compensable	842	805
174	179	Patient Fees - Ineligible	174	179
2,743	3,518	Patient Fees - Inpatient & Other	2,743	3,518
<b>3,759</b>	<b>4,502</b>		<b>3,759</b>	<b>4,502</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 37.

Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>18. Inventories</b>		
1,433	1,306	Drugs	1,433	1,306
1,505	1,431	Medical and Surgical Supplies	1,505	1,431
<b>2,938</b>	<b>2,737</b>		<b>2,938</b>	<b>2,737</b>
		<b>19. Other Financial Assets</b>		
		<b>Current</b>		
5,660	-----	Other Loans and Deposits	5,660	-----
<b>5,660</b>	<b>-----</b>		<b>5,660</b>	<b>-----</b>

In accordance with AASB 107 *Statement of Cash Flows*, 'Other Loans and Deposits' comprises a term deposit with an initial maturity in excess of three months.

Western NSW Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>20. Property, Plant and Equipment</b>		
		<b>Land and Buildings - Fair Value</b>		
1,487,320	1,454,450	Gross Carrying Amount	1,487,320	1,454,450
<u>597,720</u>	<u>573,823</u>	Less: Accumulated Depreciation and Impairment	<u>597,720</u>	<u>573,823</u>
<b><u>889,600</u></b>	<b><u>880,627</u></b>	Net Carrying Amount	<b><u>889,600</u></b>	<b><u>880,627</u></b>
		<b>Plant and Equipment - Fair Value*</b>		
130,717	121,259	Gross Carrying Amount	130,717	121,259
<u>57,414</u>	<u>52,976</u>	Less: Accumulated Depreciation and Impairment	<u>57,414</u>	<u>52,976</u>
<b><u>73,303</u></b>	<b><u>68,283</u></b>	Net Carrying Amount	<b><u>73,303</u></b>	<b><u>68,283</u></b>
		<b>Infrastructure Systems - Fair Value</b>		
88,450	87,484	Gross Carrying Amount	88,450	87,484
<u>37,032</u>	<u>35,025</u>	Less: Accumulated Depreciation and Impairment	<u>37,032</u>	<u>35,025</u>
<b><u>51,418</u></b>	<b><u>52,459</u></b>	Net Carrying Amount	<b><u>51,418</u></b>	<b><u>52,459</u></b>
		<b>Leasehold Improvements - Fair Value*</b>		
3,087	2,868	Gross Carrying Amount	3,087	2,868
<u>2,196</u>	<u>1,856</u>	Less: Accumulated Depreciation and Impairment	<u>2,196</u>	<u>1,856</u>
<b><u>891</u></b>	<b><u>1,012</u></b>	Net Carrying Amount	<b><u>891</u></b>	<b><u>1,012</u></b>
<b><u>1,015,212</u></b>	<b><u>1,002,381</u></b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b><u>1,015,212</u></b>	<b><u>1,002,381</u></b>

\* 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.



Western NSW Local Health District  
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**PARENT & CONSOLIDATION**

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

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2018</b>					
Net carrying amount at start of year	880,627	68,283	52,459	1,012	1,002,381
Additions	51,575	11,054	76	219	62,924
Recognition of Assets Held for Sale	(507)	----	----	----	(507)
Disposals	(21)	(346)	----	----	(367)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	212	----	----	212
Net Revaluation Increment Less Revaluation Decrements					
Recognised in Reserves	(2,982)	----	----	----	(2,982)
Depreciation Expense	(33,692)	(10,410)	(2,007)	(340)	(46,449)
Reclassifications	(5,400)	4,510	890	----	----
<b>Net carrying amount at end of year</b>	<b>889,600</b>	<b>73,303</b>	<b>51,418</b>	<b>891</b>	<b>1,015,212</b>

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Leasehold Improvements \$000	Total \$000
<b>2017</b>					
Net carrying amount at start of year	877,531	55,037	45,230	1,349	979,147
Additions	25,801	13,834	4,760	----	44,395
Recognition of Assets Held for Sale	(146)	----	----	----	(146)
Disposals	(46)	(362)	----	----	(408)
Transfers within NSW Health Entities through Statement of Comprehensive Income	----	669	----	----	669
Net Revaluation Increment Less Revaluation Decrements					
Recognised in Reserves	22,108	----	4,444	----	26,552
Depreciation Expense	(35,530)	(9,986)	(1,975)	(337)	(47,828)
Reclassifications	(9,091)	9,091	----	----	----
<b>Net carrying amount at end of year</b>	<b>880,627</b>	<b>68,283</b>	<b>52,459</b>	<b>1,012</b>	<b>1,002,381</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 22.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 1(l)].
- (ii) Indices provided by Liquid Pacific Holdings P/L were not applied as they were deemed immaterial.

Western NSW Local Health District  
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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>21. Non-Current Assets Held for Sale</b>		
		<b>Assets Held for Sale</b>		
		Land and Buildings		
456	1,152		456	1,152
<u>456</u>	<u>1,152</u>		<u>456</u>	<u>1,152</u>

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

These assets comprise land and buildings associated with properties in Molong and the former Orange Base Hospital.

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**PARENT & CONSOLIDATION**

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

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

**a) Fair Value Hierarchy**

2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	7,675	790,799	798,475
- Infrastructure Systems	----	----	43,940	43,940
Non-Current Assets Held for Sale (Note 21)	----	456	----	456
	-----	-----	-----	-----
	<b>-----</b>	<b>8,131</b>	<b>834,739</b>	<b>842,871</b>

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

The above figures exclude Work in Progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

2017	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Property, Plant and Equipment (Note 20)				
- Land and Buildings	----	5,390	830,171	835,561
- Infrastructure Systems	----	----	46,038	46,038
Non-Current Assets Held for Sale (Note 21)	----	1,152	----	1,152
	-----	-----	-----	-----
	<b>-----</b>	<b>6,542</b>	<b>876,209</b>	<b>882,751</b>

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

The above figures exclude Work in Progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 20.

## PARENT & CONSOLIDATION

### 22. Fair Value Measurement of Non-Financial Assets

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

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

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices (refer to note 20 reconciliation).

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

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

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

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

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

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

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**PARENT & CONSOLIDATION**

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

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

<b>2018</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2017	830,171	46,038	876,209
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	(5,925)	----	(5,925)
Disposals	(21)	----	(21)
Depreciation	(32,630)	(1,990)	(34,620)
Reclassification	(796)	(108)	(904)
Fair value as at 30 June 2018	<b><u>790,799</u></b>	<b><u>43,940</u></b>	<b><u>834,739</u></b>

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

<b>2017</b>	<b>Land and Buildings \$000</b>	<b>Infrastructure Systems \$000</b>	<b>Total Level 3 Recurring \$000</b>
Fair value as at 1 July 2016	690,061	42,781	732,842
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Changes in revaluation surplus of property, plant and equipment'	25,186	4,444	29,630
Transfers from Level 2	148,905	----	148,905
Disposals	(80)	----	(80)
Depreciation	(35,376)	(1,975)	(37,351)
Reclassification	1,476	788	2,264
Fair value as at 30 June 2017	<b><u>830,171</u></b>	<b><u>46,038</u></b>	<b><u>876,209</u></b>

There were transfers between level 2 during the year due to the reclassification of Work in Progress and allocation of assets to Held for Sale.

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**23. 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.

<b>Category</b>	<b>Opening Equity 1 July 2017 \$000</b>	<b>Expense 2018 \$000</b>	<b>Revenue 2018 \$000</b>	<b>Closing Equity 30 June 2018 \$000</b>
Facility Improvements	6,896	30	713	7,579
Patient Welfare	1,203	36	153	1,320
Private Practice Disbursements (No.2 Accounts)	6,130	987	2,026	7,170
Public Contributions	3,986	627	762	4,121
Research	127	420	345	52
Staff Welfare	117	3	4	119
Training and Education incl. Conferences	400	12	11	398
	<b>18,860</b>	<b>2,113</b>	<b>4,013</b>	<b>20,760</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.

<b>Category</b>	<b>Purpose</b>
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Private Practice Disbursements (No.2 Accounts)	Staff specialists' private practice arrangements to improve the level of clinical services provided.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenities improvements.
Training and Education incl. Conferences	Professional training, education and conferences.

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>24. Payables</b>		
		<b>Current</b>		
----	----	Accrued Salaries, Wages and On-Costs	15,752	14,081
----	----	Taxation and Payroll Deductions	1,873	1,633
17,625	15,714	Accrued Liability - Purchase of Personnel Services	----	----
23,670	24,319	Creditors	23,670	24,319
		Other Creditors		
7,772	4,793	- Payables to Entities Controlled by the Immediate Parent	7,772	4,793
11,634	12,944	- Other	11,634	12,944
<u>60,701</u>	<u>57,770</u>		<u>60,701</u>	<u>57,770</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.

'Other' creditors includes balances payable for the Public Private Partnership, Dental services and Imaging services.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 37.

		<b>25. Borrowings</b>		
		<b>Current</b>		
590	571	Other Loans and Deposits	590	571
1,005	576	Public Private Partnership	1,005	576
<u>1,595</u>	<u>1,147</u>		<u>1,595</u>	<u>1,147</u>
		<b>Non-Current</b>		
4,181	4,771	Other Loans and Deposits	4,181	4,771
160,347	161,351	Public Private Partnership	160,347	161,351
<u>164,528</u>	<u>166,122</u>		<u>164,528</u>	<u>166,122</u>

'Other Loans and Deposits' represent monies to be repaid to the NSW Treasury, an entity controlled by the ultimate parent.

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

Final repayment of the Public Private Partnership borrowings is scheduled for September 2035.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in Note 37.

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>25. Borrowings</b>				
<b>a) Finance Leases</b>				
Minimum lease payments in relation to finance leases are payable as follows:				
16,589	16,381	Within one year	16,589	16,381
70,571	69,514	Later than one year and not later than five years	70,571	69,514
268,718	289,686	Later than five years	268,718	289,686
355,878	375,581	<b>Minimum Lease Payments</b>	355,878	375,581
194,526	213,654	Less: Future Finance Charges	194,526	213,654
161,352	161,927	<b>Present Value of Minimum Lease Payments</b>	161,352	161,927
The present value of finance lease payments is as follows:				
1,005	576	Within one year	1,005	576
9,932	7,434	Later than one year and not later than five years	9,932	7,434
150,415	153,917	Later than five years	150,415	153,917
161,352	161,927	<b>Present Value of Minimum Lease Payments Classified as:</b>	161,352	161,927
1,005	576	Current (Note 25)	1,005	576
160,347	161,351	Non-Current (Note 25)	160,347	161,351
161,352	161,927		161,352	161,927

In December 2007, a private sector company, Pinnacle Healthcare (OAHS) Pty Limited, was engaged to finance, design and construct the new Orange Hospital and new health facilities including Orange Tertiary Mental Health and other expansion works. Pinnacle would also refurbish existing buildings and provide facilities management services for these hospital facilities and the new Bathurst Hospital under a Project Deed.

In 2008/09, NSW Health requested a contract variation to expand the Orange Hospital and health facilities to accommodate additional clinical services. Following the change procedures in the Project Deed and subsequently government approval, the Project Deed was amended through the Deed of Amendment No. 1 in June 2010.

Upon construction completion of the new facilities including the Orange Hospital in March 2011, Western NSW Local Health District (LHD) recognised these facilities as an asset of \$162.1 million under the original PPP financing arrangements. In addition, the District recognised the liability to Pinnacle Healthcare, payable over the period to 2035 for the construction of the new Orange Hospital, Orange Tertiary Mental Health and refurbished facilities.



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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
		<b>26. Provisions</b>		
		<b>Current</b>		
----	----	Annual Leave - Short Term Benefit	48,449	45,393
----	----	Annual Leave - Long Term Benefit	9,044	10,910
----	----	Long Service Leave Consequential On-Costs	11,590	9,810
----	----	Provision for Other Employee Benefits*	1,776	1,106
70,859	67,219	Provision for Personnel Services Liability	----	----
<b>70,859</b>	<b>67,219</b>		<b>70,859</b>	<b>67,219</b>
		*ADO and Sick Leave liabilities have been reclassified 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	1,008	853
1,008	853	Provision for Personnel Services Liability	----	----
<b>1,008</b>	<b>853</b>		<b>1,008</b>	<b>853</b>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
----	----	Provisions - Current	70,859	67,219
----	----	Provisions - Non-Current	1,008	853
----	----	Accrued Salaries, Wages and On-Costs (Note 24)	17,625	15,714
89,492	83,786	Liability - Purchase of Personnel Services	----	----
<b>89,492</b>	<b>83,786</b>		<b>89,492</b>	<b>83,786</b>
		<b>27. Other Liabilities</b>		
		<b>Current</b>		
8	20	Income in Advance	8	20
<b>8</b>	<b>20</b>		<b>8</b>	<b>20</b>

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>28. Commitments for Expenditure</b>				
a) <b>Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of buildings, plant and equipment and infrastructure systems, contracted for at balance date and not provided for:				
71,579	36,905	Within one year	71,579	36,905
39,510	3,867	Later than one year and not later than five years	39,510	3,867
----	----	Later than five years	----	----
<u>111,089</u>	<u>40,772</u>	<b>Total Capital Expenditure Commitments (Including GST)</b>	<u>111,089</u>	<u>40,772</u>
<p>The majority of 'capital commitments' contracted but not provided for relate to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent. Prior year comparatives have been restated to include GST on projects managed on behalf of the District by Health Infrastructure.</p>				
b) <b>Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
4,997	4,080	Within one year	4,997	4,080
5,716	5,617	Later than one year and not later than five years	5,716	5,617
73	40	Later than five years	73	40
<u>10,786</u>	<u>9,737</u>	<b>Total Operating Lease Commitments (Including GST)</b>	<u>10,786</u>	<u>9,737</u>

The operating lease commitments above are for motor vehicles, medical equipment and real property.

The above operating lease commitments include \$0.2 million in property rental relating to an entity controlled by a Board member.

**c) Contingent Asset Related to Commitments for Expenditure**

The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments' of \$121.9 million as at 30 June 2018 includes input tax credits of \$11.0 million that are expected to be recoverable from the Australian Taxation Office (2017: \$4.5 million). These input tax credits include those associated with capital commitments relating to projects managed by Health Infrastructure, with the prior year comparative having been restated as a result.

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**PARENT & CONSOLIDATION**

**29. Trust Funds**

The District holds trust funds of \$1.5 million which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Third Party Funds		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at the beginning of the financial year	276	339	50	48	----	9	1,024	1,117	1,350	1,513
Revenue	499	317	2	2	8,245	7,385	7,705	6,794	16,452	14,498
Expenses	(326)	(380)	(1)	(1)	(8,245)	(7,394)	(7,703)	(6,887)	(16,276)	(14,660)
Balance at the end of the financial year	<b>450</b>	<b>276</b>	<b>51</b>	<b>50</b>	<b>----</b>	<b>----</b>	<b>1,026</b>	<b>1,024</b>	<b>1,526</b>	<b>1,350</b>

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

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

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

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**30. Contingent Liabilities and Assets**

The District is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

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PARENT			CONSOLIDATION	
2018 \$000	2017 \$000		2018 \$000	2017 \$000
<b>31. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
55,946	49,961	Net Cash Flows from Operating Activities	55,946	49,961
(46,449)	(47,828)	Depreciation and Amortisation	(46,449)	(47,828)
(535)	(414)	Impairment of Receivables	(535)	(414)
12	74	(Increase)/ Decrease Income in Advance	12	74
(3,795)	(3,119)	(Increase)/ Decrease in Provisions	(3,795)	(3,119)
(3,955)	(3,275)	Increase / (Decrease) in Prepayments and Other Assets	(3,955)	(3,275)
(2,659)	(7,695)	(Increase)/ Decrease in Payables from Operating Activities	(2,659)	(7,695)
(511)	405	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	(511)	405
242	669	Assets donated or brought to account for the first time	242	669
<u>(1,704)</u>	<u>(11,222)</u>	<b>Net Result</b>	<u>(1,704)</u>	<u>(11,222)</u>
<b>32. Non-Cash Financing and Investing Activities</b>				
242	669	Assets Received by Donation	242	669
<u>242</u>	<u>669</u>		<u>242</u>	<u>669</u>

**PARENT & CONSOLIDATION**

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

	2017 \$000	Cash Flow \$000	Non-cash Changes Other \$000	2018 \$000
Borrowings and Advances	167,269	(1,146)	-----	166,123

**34. 2017/18 Voluntary Services**

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

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

**35. 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.

## PARENT AND CONSOLIDATION

### 36. Adjusted Budget Review - Parent and Consolidated

#### Net Result

The actual Net Result was lower than adjusted budget by \$1 million. Capital allocations from the NSW Ministry of Health were unfavourable to budget as a result of timing differences relating to certain capital projects including the Orange Health Service car park. Doubtful debts provisioning was higher than budget following analysis of sundry debtors including outstanding motor vehicle fleet rebates.

#### Assets and Liabilities

Total Assets were \$6 million lower than the adjusted budget position. Of this, Current Assets were \$3 million lower largely as a result of the settlement of intra health debtors relating to Wi-Fi funding and \$3 million due to a revaluation decrement to Property, Plant and Equipment. Total Liabilities were \$2 million lower than the adjusted budget position due to a decline in borrowings associated with the principal component of repayments for the PPP and NSW energy efficient loans increasing. A decline in payables was partially offset by an increase in leave provisions which were primarily driven by the impact of actuarial adjustments.

#### Cash Flows

Net cash outflows from investing activities were \$6 million higher than budget as a result of investing additional Restricted Financial Assets funds into longer-term deposits with maturities exceeding three months. As these investments are not classified as cash and cash equivalents, closing cash and cash equivalents was similarly lower than the budgeted balance.

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

	<b>\$000</b>
Initial Allocation, 1 July 2017	692,762
Award Increases	11,610
Special Projects:	
Integrated Care	4,400
Keep Them Safe	2,490
Mental Health, Drug & Alcohol	1,000
Miscellaneous	509
Nurse Strategy	1,097
Other:	
Hospital in the Home Services	533
Increasing Access to Elective Surgery Initiative	976
Isolated Patients Travel and Accommodation Assistance Scheme	1,512
Medical Training	656
Miscellaneous	759
Outpatient Medical Imaging Services	2,490
Pathology Tests Performed in Correctional Facilities	589
Rural Doctors Obstetric and Anaesthetic Incentive Grants	485
Visiting Medical Officer Fees for Services Retrospective Increases	719
Voluntary Redundancy	525
Winter Funding	1,164
	724,277
Balance as per Statement of Comprehensive Income	724,277

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### 37. 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 regular basis.

#### (a) Financial Instrument Categories

##### PARENT AND CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2018 \$000	2017 \$000
Cash and Cash Equivalents (note 16)	N/A	19,270	31,966
Receivables (note 17)*	Loans and receivables (at amortised cost)	12,850	16,758
Other Financial Assets (note 19)	Loans and receivables (at amortised cost)	5,660	----
		37,780	48,724
<b>Financial Liabilities</b>			
Borrowings (note 25)	Financial liabilities measured at amortised cost	166,123	167,269
Payables (note 24)**	Financial liabilities measured at amortised cost	58,828	56,137
		224,951	223,406

Notes

\* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).

\*\* Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).

#### (b) Credit Risk

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

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

Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

##### 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% in 2017/18 compared to 2% 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.

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### 37. Financial Instruments

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

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

	2018	2017
	\$000	\$000
Neither past due nor impaired	11,504	15,228
Past due but not impaired <sup>1,2</sup>		
< 3 months overdue	1,108	955
3 - 6 months overdue	120	183
> 6 months overdue	118	392
Impaired <sup>1,2</sup>		
< 3 months overdue	9	41
3 - 6 months overdue	166	37
> 6 months overdue	483	354
<b>Total<sup>1,2</sup></b>	<b>13,508</b>	<b>17,190</b>

#### Notes

<sup>1</sup> Each column in the table reports "gross receivables".

<sup>2</sup> 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.



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**37. 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>	58,828	----	----	58,828	58,828	----	----
Borrowings:							
- Loans and Deposits	5,354	5,354	----	----	722	2,890	1,742
- Public Private Partnership	355,878	----	355,878	----	16,589	70,571	268,718
	<u>420,060</u>	<u>5,354</u>	<u>355,878</u>	<u>58,828</u>	<u>76,139</u>	<u>73,461</u>	<u>270,460</u>
<b>2017</b>							
Payables:							
- Creditors <sup>2</sup>	56,137	----	----	56,137	56,137	----	----
Borrowings:							
- Loans and Deposits	6,077	6,077	----	----	722	2,890	2,465
- Public Private Partnership	375,581	----	375,581	----	16,381	69,514	289,686
	<u>437,795</u>	<u>6,077</u>	<u>375,581</u>	<u>56,137</u>	<u>73,240</u>	<u>72,404</u>	<u>292,151</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*).

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**37. Financial Instruments**

**(d) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The District's exposures to market risk are primarily through interest rate risk on the District's borrowings, bank accounts and term deposits. 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 as for 2017. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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

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

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

	Carrying Amount	-1% Net Result	Equity	+1% Net Result	Equity
	\$000	\$000	\$000	\$000	\$000
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	19,270	(193)	(193)	193	193
Receivables	12,850	----	----	----	----
Other Financial Assets	5,660	(57)	(57)	57	57
<b>Financial Liabilities</b>					
Payables*	58,828	----	----	----	----
Borrowings	166,123	1,661	1,661	(1,661)	(1,661)
<b>2017</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	31,966	(320)	(320)	320	320
Receivables	16,758	----	----	----	----
<b>Financial Liabilities</b>					
Payables*	56,137	----	----	----	----
Borrowings	167,269	1,673	1,673	(1,673)	(1,673)

\*Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).

### 38. Related Party Transactions

#### PARENT AND CONSOLIDATION

Key management personnel compensation is as follows:

	2018 \$000	2017 \$000
Short-term employee benefits	538	678
Post-employment benefits	48	43
	<u>586</u>	<u>721</u>

During the financial year, Western NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$0.337 million (2017: \$0.359 million) 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

##### Lease of property controlled by one of the key management personnel

The District leased office and residential accommodation from a superannuation fund and a property trust controlled by one of its key management personnel. The leases are in accordance with standard market terms and conditions. The total incurred during the period was \$0.254 million (2017: \$0.242 million).

#### Transactions with ultimate parent

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

### 39. Events After the Reporting Period

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

**END OF AUDITED FINANCIAL STATEMENTS**