

**Southern NSW  
Local Health District**

**Financial Statements**

for the year ended 30 June 2019





## INDEPENDENT AUDITOR'S REPORT

### Southern NSW Local Health District

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Southern NSW Local Health District (the District), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 2019, 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(ah) The note states that AASB 1055 'Budgetary Reporting' is not applicable to the District. It also states that, unlike the requirement in AASB 1055 'Budgetary Reporting' to present original budget information, the District's financial statements present adjusted budget information.

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

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

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

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

My objectives are to:

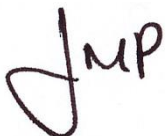
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



Jan-Michael Perez  
Director, Financial Audit Service

Delegate of the Auditor-General for New South Wales

12 September 2019  
SYDNEY

**Southern NSW Local Health District  
Certification of the Financial Statements  
for the year ended 30 June 2019**

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

- 1) The financial statements of the Southern NSW Local Health District for the year ended 30 June 2019 have been prepared in accordance with:
  - a) Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
  - b) the requirements of the *Public Finance and Audit Act 1983 (the Act)*, the *Public Finance and Audit Regulation 2015*;
  - c) NSW Treasurer's Directions issued under the Act.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Southern NSW Local Health District; and
- 3) We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.



Jude Constable  
Acting Chief Executive  
12 September 2019



Mukunthan Ganeshalingam  
Acting Director of Finance  
12 September 2019

Southern NSW Local Health District  
Notes to and forming part of the Financial Statements  
for the period ended 30 June 2019

**Financial Statements:**

<u>Note</u>	<u>Description</u>	<u>Page</u>
	Statement of Comprehensive Income	5
	Statement of Financial Position	6
	Statement of Changes in Equity	7
	Statement of Cash Flows	8

**Notes to the Financial Statements:**

<u>Note</u>	<u>Description</u>	<u>Page</u>
1	Statement of Significant Accounting Policies	9
	a) The Reporting Entity	9
	b) Basis of Preparation	9
	c) Comparative Information	9
	d) Statement of Compliance	9
	e) Employee Benefits and Other Provisions	9
	i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs	9, 10
	ii) Long Service Leave and Superannuation	10
	iii) Consequential On-Costs	10
	iv) Other Provisions	10
	f) Insurance	10
	g) Grants and Subsidies	10
	h) Payments to Affiliated Health Organisations	10
	i) Finance Costs	10
	j) Income Recognition	10, 11
	k) Accounting for the Goods & Services Tax (GST)	12
	l) Interstate Patient Flows	12
	m) Acquisition of Property, Plant and Equipment	12
	n) Capitalisation Thresholds	12
	o) Depreciation of Property, Plant and Equipment	12
	p) Revaluation of Non-Current Assets	13
	q) Impairment of Property, Plant and Equipment	13
	r) Restoration Costs	13
	s) Maintenance	13
	t) Leased Assets	13
	u) Inventories	14
	v) Receivables	14
	w) Impairment of Financial Assets	14, 15
	x) De-recognition of financial assets and financial liabilities	15
	y) Payables	15
	z) Fair Value Hierarchy	15
	aa) Equity Transfers	15
	ab) Equity and Reserves	16
	i) Accumulated Funds	16
	ii) Revaluation Surplus	16
	ac) Trust Funds	16
	ad) Adjusted Budgeted Amounts	16
	ae) Changes in Accounting Policy, including new or revised Australian Accounting Standards	16
	i) Effective for the first time in 2018-19	16, 17
	ii) Issued but not yet effective	17, 18, 19
2	Employee Related Expenses	20
3	Personnel Services	20

Southern NSW Local Health District  
Notes to and forming part of the Financial Statements  
for the period ended 30 June 2019

**Financial Statements:**

	<u>Note</u>	<u>Description</u>	<u>Page</u>
	4	Other Expenses	21
		a) Other Includes	22
		b) Reconciliation of Total Maintenance	22
	5	Depreciation	23
	6	Grants and Subsidies	23
	7	Sale of Goods and Services	24
		a) Sale of Goods	24
		b) Rendering of Services	24
	8	Investment Revenue	24
	9	Grants and Other Contributions	25
	10	Acceptance by the Crown Entity of Employee Benefits	25
	11	Other Income	25
	12	Gain / (Losses) on Disposal	26
	13	Other Gains / (Losses)	26
	14	Cash and Cash Equivalents	27
	15	Receivables	28
		a) Movement in the Allowance for Expected Credit losses	28
		b) Movement in the Allowance for Impairment	28
		c) The current and non-current sale of goods and services balances	29
	16	Inventories	30
Parent and Consolidation	17	Property, Plant and Equipment	31
	17	Property, Plant and Equipment - Reconciliation	32
Parent and Consolidation	18	Fair Value Measurement of Non-Financial Assets	33
		a) Fair Value Hierarchy	33
		b) Valuation Techniques, Inputs and Processes	33
		c) Reconciliation of Recurring Level 3 Fair Value Measurements	34
	19	Restricted Assets	35
	20	Payables	38
	21	Provisions	37
	22	Other Current Liabilities	37
	23	Commitments	38
		a) Capital Commitments	38
		b) Operating Lease Commitments	38
		c) Input Tax Receivable Related to Commitments for Expenditure	38
Parent and Consolidation	24	Trust Funds	39
Parent and Consolidation	25	Contingent Liabilities and Assets	40
		a) Other Contingent Liabilities and Assets	40
	26	Reconciliation of Cash Flows from Operating Activities to Net Result	41
	27	2018/19 Voluntary Services	42
	28	Unclaimed Monies	42
Parent and Consolidation	29	Adjusted Budget Review	43, 44
	30	Increase/(Decrease) in Net Assets from Equity Transfers	45
Parent and Consolidation	31	Financial Instruments	46
		a) Financial Instrument Categories	46
		i) As at 30 June 2019 under AASB 9	46
		ii) As at 30 June 2018 under AASB 139 (comparative period)	46
		b) Financial Risk	47
		i) Credit Risk	47, 48
		ii) Liquidity Risk	48, 49
		iii) Market Risk	50
	32	Related Party Transactions	51
	33	Events after the Reporting Period	51

**Southern NSW Local Health District**  
Statement of Comprehensive Income for the year ended 30 June 2019

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
<b>Continuing Operations</b>						
<b>Expenses excluding losses</b>						
-	-	-				
253,853	239,693	243,269	2	267,663	253,799	252,074
44,478	37,681	37,441	3	-	-	-
126,620	127,115	126,427	4	44,478	37,681	37,441
16,247	16,236	16,305	4	126,620	127,115	126,427
1,000	1,010	865	1(o), 5	16,247	16,236	16,305
			6	1,000	1,010	865
<b>442,198</b>	<b>421,735</b>	<b>424,307</b>		<b>456,008</b>	<b>435,841</b>	<b>433,112</b>
<b>Revenue</b>						
368,921	352,264	343,874	1(j)	368,921	352,264	343,874
26,636	27,393	11,143	1(j)	26,636	27,393	11,143
-	-	-				
46,320	44,891	48,894	1(e)(iii), 10	13,810	14,106	8,805
87	47	90	1(j), 7	46,320	44,891	48,894
11,300	8,661	8,516	1(j), 8	87	47	90
1,864	1,523	1,218	1(j), 9	11,300	8,661	8,516
			11	1,864	1,523	1,218
<b>455,128</b>	<b>434,779</b>	<b>413,735</b>		<b>468,938</b>	<b>448,885</b>	<b>422,540</b>
<b>12,930</b>	<b>13,044</b>	<b>(10,572)</b>		<b>12,930</b>	<b>13,044</b>	<b>(10,572)</b>
(9)	-	(25)	12	(9)	-	(25)
(27)	(35)	-	15	(27)	(35)	-
-	-	(3)	13	-	-	(3)
<b>12,894</b>	<b>13,009</b>	<b>(10,600)</b>	26	<b>12,894</b>	<b>13,009</b>	<b>(10,600)</b>
-	-	-		-	-	-
<b>12,894</b>	<b>13,009</b>	<b>(10,600)</b>		<b>12,894</b>	<b>13,009</b>	<b>(10,600)</b>
<b>Other Comprehensive Income</b>						
<i>Items that will not be reclassified to Net Result in subsequent periods</i>						
43,549	-	(125)	17	43,549	-	(125)
<b>43,549</b>	<b>-</b>	<b>(125)</b>		<b>43,549</b>	<b>-</b>	<b>(125)</b>
<b>56,443</b>	<b>13,009</b>	<b>(10,725)</b>		<b>56,443</b>	<b>13,009</b>	<b>(10,725)</b>

The accompanying notes form part of these financial statements.



**Southern NSW Local Health District**  
**Statement of Financial Position as at 30 June 2019**

PARENT			CONSOLIDATION				
Actual	Adjusted Budget Unaudited	Actual		Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018			2019	2019	2018
\$000	\$000	\$000			\$000	\$000	\$000
<b>ASSETS</b>							
<b>Current Assets</b>							
3,913	(543)	6,127	Cash and Cash Equivalents	14	3,913	(543)	6,127
10,332	9,772	9,753	Receivables	15	10,332	9,772	9,753
766	849	849	Inventories	16	766	849	849
<b>15,011</b>	<b>10,078</b>	<b>16,729</b>	<b>Total Current Assets</b>		<b>15,011</b>	<b>10,078</b>	<b>16,729</b>
<b>Non-Current Assets</b>							
67	138	192	Receivables	15	67	138	192
379,982	336,601	319,105	Property, Plant & Equipment	17			
21,937	25,042	24,561	- Land and Buildings		379,982	336,601	319,105
17,088	15,364	15,866	- Plant and Equipment		21,937	25,042	24,561
			- Infrastructure Systems		17,088	15,364	15,866
<b>419,007</b>	<b>377,007</b>	<b>359,532</b>	<b>Total Property, Plant &amp; Equipment</b>		<b>419,007</b>	<b>377,007</b>	<b>359,532</b>
<b>419,074</b>	<b>377,145</b>	<b>359,724</b>	<b>Total Non-Current Assets</b>		<b>419,074</b>	<b>377,145</b>	<b>359,724</b>
<b>434,085</b>	<b>387,223</b>	<b>376,453</b>	<b>Total Assets</b>		<b>434,085</b>	<b>387,223</b>	<b>376,453</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
27,886	27,118	29,904	Payables	20	27,886	27,118	29,904
29,711	28,078	27,595	Provisions	21	29,711	28,078	27,595
1,334	473	473	Other Current Liabilities	22	1,334	473	473
<b>58,931</b>	<b>55,669</b>	<b>57,972</b>	<b>Total Current Liabilities</b>		<b>58,931</b>	<b>55,669</b>	<b>57,972</b>
<b>Non-Current Liabilities</b>							
454	454	390	Provisions	21	454	454	390
<b>454</b>	<b>454</b>	<b>390</b>	<b>Total Non-Current Liabilities</b>		<b>454</b>	<b>454</b>	<b>390</b>
<b>59,385</b>	<b>56,123</b>	<b>58,362</b>	<b>Total Liabilities</b>		<b>59,385</b>	<b>56,123</b>	<b>58,362</b>
<b>374,700</b>	<b>331,100</b>	<b>318,091</b>	<b>Net Assets</b>		<b>374,700</b>	<b>331,100</b>	<b>318,091</b>
<b>EQUITY</b>							
44,776	464	464	Reserves		44,776	464	464
329,924	330,636	317,627	Accumulated Funds		329,924	330,636	317,627
<b>374,700</b>	<b>331,100</b>	<b>318,091</b>	<b>Total Equity</b>		<b>374,700</b>	<b>331,100</b>	<b>318,091</b>

The accompanying notes form part of these financial statements.

**Southern NSW Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

	Notes	Accumulated Funds \$000	Revaluation Surplus \$000	Total \$000
<b>Balance at 1 July 2018</b>		317,627	464	318,091
Changes in Accounting Policy		31	-	31
<b>Restated balance at 1 July 2018</b>	1ae)(i)	<u>317,658</u>	<u>464</u>	<u>318,122</u>
<b>Net Result for the Year</b>		12,894	-	12,894
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-	43,549	43,549
Reclassification of revaluation increments / (decrements) to accumulated funds on disposal of assets		(763)	763	-
<b>Total Other Comprehensive Income</b>		<u>(763)</u>	<u>44,312</u>	<u>43,549</u>
<b>Total Comprehensive Income for the Year</b>		<u>12,131</u>	<u>44,312</u>	<u>56,443</u>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase / (Decrease) in Net Assets From Equity Transfers	30	135	-	135
<b>Balance at 30 June 2019</b>		<u>329,924</u>	<u>44,776</u>	<u>374,700</u>
<b>Balance at 1 July 2017</b>		328,227	589	328,816
<b>Net Result for the Year</b>		(10,600)	-	(10,600)
<b>Other Comprehensive Income:</b>				
Net Change in Revaluation Surplus of Property, Plant and Equipment	17	-	(125)	(125)
<b>Total Other Comprehensive Income</b>		<u>-</u>	<u>(125)</u>	<u>(125)</u>
<b>Total Comprehensive Income for the Year</b>		<u>(10,600)</u>	<u>(125)</u>	<u>(10,725)</u>
<b>Balance at 30 June 2018</b>		<u>317,627</u>	<u>464</u>	<u>318,091</u>

The accompanying notes form part of these financial statements.

**Southern NSW Local Health District**  
**Statement of Cash Flows for the year ended 30 June 2019**

PARENT			CONSOLIDATION			
Actual	Adjusted Budget Unaudited	Actual	Notes	Actual	Adjusted Budget Unaudited	Actual
2019	2019	2018		2019	2019	2018
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
-	-	-				
(190,054)	(180,057)	(173,361)		(254,993)	(246,567)	(245,607)
(1,099)	(1,109)	(955)		(190,054)	(180,057)	(173,361)
(254,993)	(246,567)	(245,607)		(1,099)	(1,109)	(955)
<u>(446,146)</u>	<u>(427,733)</u>	<u>(419,923)</u>		<u>(446,146)</u>	<u>(427,733)</u>	<u>(419,923)</u>
<b>Receipts</b>						
368,921	352,264	343,874		368,921	352,264	343,874
26,636	27,393	11,143		26,636	27,393	11,143
4,358	4,358	5,148		4,358	4,358	5,148
47,114	45,612	47,920		47,114	45,612	47,920
87	47	90		87	47	90
10,840	9,211	7,898		10,840	9,211	7,898
17,378	15,888	16,396		17,378	15,888	16,396
<u>475,334</u>	<u>454,773</u>	<u>432,469</u>		<u>475,334</u>	<u>454,773</u>	<u>432,469</u>
<b>29,188</b>	<b>27,040</b>	<b>12,546</b>		<b>29,188</b>	<b>27,040</b>	<b>12,546</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
4	-	270		4	-	270
(31,406)	(33,710)	(15,384)		(31,406)	(33,710)	(15,384)
<u>(31,402)</u>	<u>(33,710)</u>	<u>(15,114)</u>		<u>(31,402)</u>	<u>(33,710)</u>	<u>(15,114)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
(2,214)	(6,670)	(2,568)		(2,214)	(6,670)	(2,568)
6,127	6,127	8,695	14	6,127	6,127	8,695
<u>3,913</u>	<u>(543)</u>	<u>6,127</u>	14	<u>3,913</u>	<u>(543)</u>	<u>6,127</u>

The accompanying notes form part of these financial statements.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**a) The Reporting Entity**

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

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

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

- \* The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 19), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- \* The Southern NSW Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2019 have been authorised for issue by the Acting Chief Executive on 11 September 2019.

**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 (AAS) (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 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

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

Other circumstances why the going concern assumption is appropriate include:

- \* Allocated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- \* The District has the capacity to review timing of subsidy 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 held for sale and certain financial assets and liabilities 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, other than those shown within text, are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the District's presentation and functional 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.

**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, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 18.1% are applied to the value of leave payable at 30 June 2019 (comparable on-costs for 30 June 2018 were 17.3%). 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 21.

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 the long-term 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 are recognised 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.

**h) Payments to Affiliated Health Organisations**

Payments to non-government affiliated health organisations generally comprise contributions in cash or in kind. Non-government affiliated health organisations support the NSW Ministry of Health's role of 'system manager' in relation to the NSW public health system. The payments are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

**i) Finance Costs**

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing 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.

**j) 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 goods, usually on delivery of the goods.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

*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. Revenue for non admitted patient services is recognised by the NSW Ministry of Health in the form of a block grant.

*Investment Revenue*

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For financial assets that become credit impaired the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

*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. This is a monthly charge raised by the District based on a percentage of receipts generated.

*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.

*Other Income*

Other income includes lease income from operating leases where the District is the lessor. Income is recognised on a straight-line basis over the lease term.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**k) 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.

**l) Interstate Patient Flows**

Interstate patient flows are funded through the NSW State Pool Account, 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.

**m) 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.

Health Administration Corporation, a controlled entity of the immediate parent, manages the approved major capital works program for the NSW Ministry of Health and its controlled entities. Health Administration Corporation receives NSW Ministry of Health Capital Allocations and grants on behalf of the District and makes payments to contractors and suppliers. Health Administration Corporation initially records all costs incurred as work in progress or expenses and subsequently transfers all costs to the District. The costs are then accordingly reflected in The District financial statements. The District acquires most assets in this manner.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Refer to Note 1(aa) for assets transferred as a result of equity transfer.

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

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

Land and buildings are owned by the Health Administration Corporation. 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.

**n) 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.

**o) 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.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

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

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

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

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 17 and Note 18 for further information regarding fair value.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The District 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.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same 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, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is 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.

**q) 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.

**r) Restoration Costs**

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.

**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.

*As a lessee:*

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.



**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**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) Receivables**

*Recognition and Measurement*

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement under AASB 9 Financial Instruments (from 1 July 2018)**

The District holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains / (losses).

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the District's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the District's net investment outstanding in respect of the leases.

**Classification and measurement under AASB 139 Financial Instruments: Recognition and Measurement (for comparative period ended 30 June 2018)**

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Amounts due from lessees under finance leases are classified as loans and receivables and recognised at the amount of the consolidated entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

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

**w) Impairment of Financial Assets**

**Impairment under AASB 9 (from 1 July 2018)**

The District recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the District expects to receive, discounted at the original effective interest rate.

*Receivables*

For trade receivables, the District applies a simplified approach in calculating ECLs. The District recognises a loss allowance based on lifetime ECLs at each reporting date. The District has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

*Other Financial Assets*

ECLs are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECLs are based on default events possible within the next 12-months (i.e. a 12-month ECL). If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (i.e. a lifetime ECL). In addition, the District considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**Impairment of financial assets under AASB 139 (for the comparative period ended 30 June 2018)**

All financial assets, except those measured at fair value through profit or loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the District will not be able to collect all amounts due, as a result of one or more events that occurred after the initial recognition of the asset, the estimated cash flows have been affected.

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

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

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

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire, or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement and either:

- the District has transferred substantially all the risks and rewards of the asset; or
- the District has neither transferred nor retained substantially all the risks and rewards for the asset, but has transferred control.

When the District has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the District has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the District continuing involvement in the asset. In that case, the District also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

**y) Payables**

These amounts represent liabilities for goods and services provided to the District and other amounts. Payables are recognised initially at fair value, net of directly attributable transaction costs.

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

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

**z) Fair Value Hierarchy**

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

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

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

Refer to Notes 18 and 32 for further disclosures regarding fair value measurements of non-financial and financial assets.

**aa) 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.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

**ab) Equity**

**(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(p).

**ac) Trust Funds**

The District receives monies in a trustee capacity for various trusts as set out in Note 24.

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.

**ad) Adjusted Budget Amounts**

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

Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements are explained in Note 29.

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

**(i) Effective for the first time in 2018-19**

The accounting policies applied in 2018-19 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:

The District has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments. Disclosures (AASB 7R).

The District applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The effect of adopting AASB 9 on the Statement of Financial Position (increase / (decrease)) as at 1 July 2018 is set out below:

	Notes	1 July 2018 \$'000
Assets		
Receivables	15	31
<b>Total Adjustment on equity</b>		<b>31</b>
Accumulated funds		(31)

**a) Classification and measurement of financial instruments**

On 1 July 2018 (the date of initial application of AASB 9), the District's management has assessed which business models apply to the financial assets by the District and has classified its financial instruments into the appropriate AASB 9 categories. The classification and measurement requirements of AASB 9 did not have a material impact to the District.

The impact of transition to AASB 9 on reserves and accumulated funds is, as follows:

	Notes	Accumulated funds \$'000	Total change in equity \$'000
Closing balance 30 June 2018 - AASB 139		317,627	317,627
Recognition of AASB 9 expected credit losses	15	31	31
<b>Total impact</b>		<b>31</b>	<b>31</b>
Opening balance 1 July 2018 - AASB 9		317,658	317,658

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

The District continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the District's financial assets:

- Trade receivables and other financial assets (i.e., term deposits) classified as 'Loans and receivables' (L&R) under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

- The District has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the District's financial liabilities.

In summary, upon the adoption of AASB 9, the District had the following required or elected reclassifications as at 1 July 2018:

AASB 139 measurement category	Measurement category		Carrying amount		Difference \$'000
	AASB 139	AASB 9	Original \$'000	New \$'000	
Receivables	L&R	Amortised cost	9,945	9,976	31

**b) Impairment**

The adoption of AASB 9 has changed the District's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the District to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9:

	Allowance for impairment under AASB 139 as at 30 June 2018	Re-measurement	ECL under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(39)	32	(7)

**(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:

AASB 16 Leases replaces all existing lease 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 new standard will gross up the Statement of Financial Position and change Statement of Comprehensive Income and cash flow presentation. Rent and lease expense will be replaced by depreciation and interest expense in Statement of Comprehensive Income. This results in a front-loaded lease expense, decreasing the net result and equity position. The Statement of Cash Flows for lessees will also 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 a 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.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

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

AASB 1059 Service Concession Arrangements is applicable to public sector entities only and is effective for annual periods beginning on or after 1 January 2020. This standard requires the grantor to recognise a service concession asset in a service concession arrangement where it controls the asset. A corresponding financial liability and/or grant of right liability is also recognised depending on the nature of the consideration exchanged. Service concession assets (including those provided by the operator, an upgrade to or a major component replacement of an existing asset of the grantor; and existing assets of the grantor – also applicable to previously unrecognised intangible assets except goodwill) are initially measured at current replacement cost based on AASB 13 Fair Value Measurement principles. They are subsequently accounted for under AASB 116 Property, Plant & Equipment or AASB 138 Intangible Assets. Service concession liabilities are initially measured at the same amount as the service concession asset and subsequently measured using either the 'financial liability' model applying AASB 9 Financial Instruments or, the 'grant of right' model under AASB 1059 Service Concession Arrangements. AASB 1059 Service Concession Arrangements requires retrospective application.

**Overview of Assessment Activities**

The Ministry of Health has formed a project team to lead the implementation of the new accounting standards. The objective of the project is to continuously analyse and assess the impact of the new accounting standards. This includes changes to our accounting policies, internal and external reporting requirements, IT systems, business processes and associated internal controls with the objectives of quantifying the expected first time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

The project team has conducted various data gathering tasks with health entities around leases and certain revenue streams.

Work currently underway includes:

- \* Implementation of an IT solution for lease management and accounting
- \* comprehensive review and capture of lease information
- \* review of accounting policies and processes surrounding leases and revenue.

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

While the consolidated entity, controlled by the ultimate parent, is yet to complete full implementation and adoption of the new accounting standards, the following summaries work undertaken by the District so far and the known and expected impacts:

**Leases**

The District has compiled a lease register and calculated the likely impact of the new leasing standards, to be as follows.

- \* The total assets and liabilities on the Statement of Financial Position will increase by approximately \$4,490 thousand on the date of transition (on 1 July 2019). In subsequent years, this component of total equity is expected to decrease due to a reduction in capitalised assets being on a straight line basis whilst the liability reduces the principal amount of repayments.
- \* Interest expenses will increase by approximately \$102 thousand in the 2019-2020 financial year 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 leases life. This effect may be partially mitigated due to the number of leases held by the District 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. For 2019-2020 financial year, depreciation expense is expected to be higher by approximately \$1,926 thousand.
- \* Operating cash flows will be higher as repayment of the principal portion of all lease liabilities will be classified as financing activities.
- \* The assessment outcomes are based on certain assumptions and are indicative only. There are likely to be variances with the actual impacts to be reported in 2019-2020 financial year and onwards.

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

District in consultation with the NSW Ministry of Health has performed a preliminary impact assessment by the major revenue lines. The review has not indicated any material impact arising from the adoption of the new revenue accounting standard. The likely impacts are:

- \* Deferral of 'Grants and Other Contributions' revenue. The impacts are not expected to be material as most funds received correlates to the level of activities performed during the year and most contracts are short to medium term only. Some timing differences are expected between inflow of funds and the level of activity, which may require some deferral or accrual of grant and other contribution revenue.
- \* Specific quantitative and qualitative disclosures will be required under AASB 15 Revenue from Contracts with Customers.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**1. Statement of Significant Accounting Policies**

*Service Concession Arrangements*

There will be no impact because the District has no service concessions.

**Application Date**

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>2. Employee Related Expenses</b>		
-	-	Salaries and Wages (including Annual Leave and ADO)	229,663	220,386
-	-	Superannuation - Defined Benefit Plans	1,716	1,958
-	-	Superannuation - Defined Contribution Plans	20,058	19,231
-	-	Long Service Leave	12,896	7,443
-	-	Redundancies	1,032	1,112
-	-	Workers' Compensation Insurance	2,247	1,940
-	-	Fringe Benefits Tax	52	4
-	-		<b>267,663</b>	<b>252,074</b>
		The amounts below are capitalised and do not form part of the above total employee related costs:		
-	-	Employee Related Expenses Capitalised - Land and Buildings	-	163
-	-	Employee Related Expenses Capitalised - Plant and Equipment	-	83
-	-		-	<b>246</b>
		<b>3. Personnel Services</b>		
229,663	220,386	Salaries and Wages (including Annual Leave and ADO)	-	-
20,058	19,231	Superannuation - Defined Contribution Plans	-	-
801	596	Long Service Leave	-	-
1,032	1,112	Redundancies	-	-
2,247	1,940	Workers' Compensation Insurance	-	-
52	4	Fringe Benefits Tax	-	-
<b>253,853</b>	<b>243,269</b>		-	-
		Personnel services of Southern NSW Local Health District were provided by its controlled entity, Southern NSW Local Health District Special Purpose Service Entity,		
		The amounts below are capitalised and do not form part of the above total personnel services:		
-	163	Personnel Services Expenses Capitalised - Land and Buildings	-	-
-	83	Personnel Services Expenses Capitalised - Plant and Equipment	-	-
-	<b>246</b>		-	-

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>4. Other Expenses</b>		
68	94	Advertising	68	94
99	97	Auditor's Remuneration - Audit of Financial Statements	99	97
1,469	1,623	Blood and Blood Products	1,469	1,623
1,446	746	Consultancies	1,446	746
593	442	Contractors	593	442
13,276	12,651	Domestic Supplies and Services	13,276	12,651
7,963	8,354	Drug Supplies	7,963	8,354
9,815	9,495	Food Supplies	9,815	9,495
4,355	3,773	Fuel, Light and Power	4,355	3,773
10,626	9,951	Patient Transport Costs	10,626	9,951
6,752	7,323	Information Management Expenses	6,752	7,323
719	478	Insurance	719	478
7,942	8,245	Maintenance (See Note 4(b))	7,942	8,245
15,049	15,147	Medical and Surgical Supplies	15,049	15,147
1,250	1,154	Motor Vehicle Expenses	1,250	1,154
1,024	1,069	Postal and Telephone Costs	1,024	1,069
920	711	Printing and Stationery	920	711
749	714	Rates and Charges	749	714
2,112	1,533	Rental	2,112	1,533
1,186	1,138	Hosted Services Purchased from Entities Controlled by the Immediate Parent	1,186	1,138
19,039	17,442	Specialised Services (Dental, Radiology, Pathology, Allied Health )	19,039	17,442
4,373	5,031	Staff Related Costs	4,373	5,031
4,218	4,377	Travel Related Costs	4,218	4,377
11,577	14,839	Other (See Note 4(a))	11,577	14,839
<b>126,620</b>	<b>126,427</b>		<b>126,620</b>	<b>126,427</b>



**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT		CONSOLIDATION	
2019	2018	2019	2018
\$000	\$000	\$000	\$000
		<b>4. Other Expenses</b>	
		<b>a) Other Includes:</b>	
611	856	611	856
4,161	4,284	4,161	4,284
373	393	373	393
2,320	2,042	2,320	2,042
25	62	25	62
101	62	101	62
1,407	1,531	1,407	1,531
402	449	402	449
-	6	-	6
593	1,078	593	1,078
1,584	4,076	1,584	4,076
<b>11,577</b>	<b>14,839</b>	<b>11,577</b>	<b>14,839</b>
		<b>b) Reconciliation of Total Maintenance</b>	
2,939	2,475	2,939	2,475
2,012	3,082	2,012	3,082
2,977	2,680	2,977	2,680
14	8	14	8
7,942	8,245	7,942	8,245
1,359	1,408	1,359	1,408
<b>9,301</b>	<b>9,653</b>	<b>9,301</b>	<b>9,653</b>

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

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

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

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

Hosted services Purchased from entities controlled by the immediate parent were paid to Murrumbidgee local Health District, an entity controlled by the immediate parent.

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

Some 'Other Miscellaneous' were paid to entities controlled by the immediate parent.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>5. Depreciation and Amortisation</b>		
11,423	11,524	Depreciation - Buildings	11,423	11,524
4,303	4,274	Depreciation - Plant and Equipment	4,303	4,274
521	507	Depreciation - Infrastructure Systems	521	507
<u>16,247</u>	<u>16,305</u>		<u>16,247</u>	<u>16,305</u>
		<b>6. Grants and Subsidies</b>		
104	101	Grants Paid to Entities Controlled by the Immediate Parent	104	101
896	764	Other Grants	896	764
<u>1,000</u>	<u>865</u>		<u>1,000</u>	<u>865</u>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>7. Sale of Goods and Services</b>		
		<b>a) Sale of Goods comprise the following:-</b>		
2	4	Pharmacy Sales	2	4
470	535	Sale of Prosthesis	470	535
2	1	Other	2	1
		<b>b) Rendering of Services comprise the following:-</b>		
		Patient Fees:		
18,233	17,727	- Inpatient Fees	18,233	17,727
886	896	- Nursing Home Fees	886	896
1,486	1,154	- Non Inpatient Fees	1,486	1,154
5,621	8,713	Department of Veterans' Affairs	5,621	8,713
224	179	Staff Meals and Accommodation	224	179
1,399	1,779	Infrastructure Fees - Monthly Facility Charge	1,399	1,779
5,095	5,167	Clinical Services (excluding Clinical Drug Trials)	5,095	5,167
88	107	Commercial Activities	88	107
35	31	Fees for Medical Records	35	31
23	15	Information Retrieval	23	15
2,825	2,968	Highly Specialised Drugs	2,825	2,968
2,106	1,814	Motor Accident Authority Third Party	2,106	1,814
71	62	Patient Transport Fees	71	62
72	61	Private Use of Motor Vehicles	72	61
33	180	Salary Packaging Fee	33	180
4,826	4,807	Hosted Services Provided to Entities Controlled by Immediate Parent	4,826	4,807
292	236	Services Provided to Non NSW Health Organisations	292	236
50	-	Shared Corporate Services	50	-
2,361	2,304	Multi Purpose Service Centre Fees	2,361	2,304
120	154	Other	120	154
<b>46,320</b>	<b>48,894</b>		<b>46,320</b>	<b>48,894</b>
		The majority of 'Motor Accident Authority Third Party' revenue was received from the State Insurance Regulatory Authority (SIRA), an entity controlled by the ultimate parent.		
		<b>8. Investment Revenue</b>		
87	90	Interest	87	90
<b>87</b>	<b>90</b>		<b>87</b>	<b>90</b>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
<b>9. Grants and Other Contributions</b>				
3,121	3,008	Commonwealth Government Grants	3,121	3,008
1,597	2,020	Industry Contributions / Donations	1,597	2,020
659	726	Cancer Institute Grants Received from an Entity Controlled by the Immediate Parent	659	726
2,827	1,145	Grants & Contributions Received from Entities Controlled by the Ultimate Parent	2,827	1,145
1,057	163	Grants & Contributions Received from Entities Controlled by the Immediate Parent	1,057	163
2,039	1,454	Other Grants	2,039	1,454
<u>11,300</u>	<u>8,516</u>		<u>11,300</u>	<u>8,516</u>

The majority of 'Grants & Contributions Received from Entities Controlled by the Ultimate Parent' were received from the Immediate Parent.

The majority of 'Grants & Contributions Received from Entities Controlled by the Immediate Parent' were received from the Immediate Parent. Some Grants received from the Health Education and Training Institute.

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

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

-	-	Superannuation - Defined Benefit Plans	1,716	1,958
-	-	Long Service Leave Provision	12,094	6,847
<u>-</u>	<u>-</u>		<u>13,810</u>	<u>8,805</u>

**11. Other Income**

Other Income comprises the following:-

4	4	Commissions	4	4
39	45	Conference and Training Fees	39	45
144	-	Discounts	144	-
347	334	Insurance Refunds	347	334
398	378	Lease and Rental	398	378
9	-	Sale of Merchandise, Old Wares and Books	9	-
867	387	Treasury Managed Fund Hindsight Adjustment	867	387
56	70	Other	56	70
<u>1,864</u>	<u>1,218</u>		<u>1,864</u>	<u>1,218</u>

The majority of 'Lease and Rental' income was received from entities controlled by the immediate parent.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>12. Gains / (Losses) on Disposal</b>		
952	372	Property, Plant and Equipment	952	372
(939)	(277)	Less: Accumulated Depreciation	(939)	(277)
<u>13</u>	<u>95</u>	<b>Written Down Value</b>	<u>13</u>	<u>95</u>
4	70	Less: Proceeds from Disposal	4	70
<u>(9)</u>	<u>(25)</u>	<b>Gain / (Loss) on Disposal of Property, Plant and Equipment</b>	<u>(9)</u>	<u>(25)</u>
-	200	Assets Held for Sale	-	200
-	200	Less: Proceeds from Disposal	-	200
<u>-</u>	<u>-</u>	<b>Gain / (Loss) on Disposal of Assets Held for Sale</b>	<u>-</u>	<u>-</u>
<u>(9)</u>	<u>(25)</u>	<b>Total Gains / (Losses) on Disposal</b>	<u>(9)</u>	<u>(25)</u>
		<b>13. Other Gains / (Losses)</b>		
-	(3)	Impairment of Receivables	-	(3)
<u>-</u>	<u>(3)</u>		<u>-</u>	<u>(3)</u>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
<b>14. Cash and Cash Equivalents</b>				
3,913	6,127	Cash at Bank and On Hand	3,913	6,127
<u>3,913</u>	<u>6,127</u>		<u>3,913</u>	<u>6,127</u>
<p>For the purposes of the Statement of Cash Flows, 'Cash and Cash Equivalents' includes cash at bank, cash on hand, short-term deposits with original maturities 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 and 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>				
3,913	6,127	Cash and Cash Equivalents (per Statement of Financial Position)	3,913	6,127
<u>3,913</u>	<u>6,127</u>	<b>Closing Cash and Cash Equivalents (per Statement of Cash Flows)</b>	<u>3,913</u>	<u>6,127</u>

Refer to Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>15. Receivables</b>		
		<b>Current</b>		
4,066	4,255	Sale of Goods and Services	4,066	4,255
2,753	2,719	Intra Health Receivables	2,753	2,719
2,839	1,878	Goods and Services Tax	2,839	1,878
188	415	Other Debtors	188	415
<u>9,846</u>	<u>9,267</u>	<b>Sub Total</b>	<u>9,846</u>	<u>9,267</u>
(17)	-	Less: Allowance for Expected Credit Losses *	(17)	-
-	(35)	Less: Allowance for Impairment **	-	(35)
<u>9,829</u>	<u>9,232</u>	<b>Sub Total</b>	<u>9,829</u>	<u>9,232</u>
503	521	Prepayments	503	521
<u>10,332</u>	<u>9,753</u>		<u>10,332</u>	<u>9,753</u>
<p>'Intra Health Receivables' includes amounts receivable from entities controlled by the immediate parent. The majority of the balance at reporting date was receivable from Health Infrastructure and Murrumbidgee Local Health District.</p>				
<b>a) * Movement in the Allowance for Expected Credit Losses</b>				
<b>Sale of Goods and Services</b>				
(14)	-	Balance as at 30 June 2018 under AASB 139	(14)	-
7	-	Amounts restated through opening Accumulated Funds	7	-
(7)	-	Balance at 1 July 2018 under AASB 9	(7)	-
(9)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(9)	-
<u>(16)</u>	<u>-</u>	<b>Balance at 30 June 2019</b>	<u>(16)</u>	<u>-</u>
<b>Other Debtors</b>				
(25)	-	Balance as at 30 June 2018 under AASB 139	(25)	-
25	-	Amounts restated through opening Accumulated Funds	25	-
-	-	Balance at 1 July 2018 under AASB 9	-	-
17	-	Amounts Written Off During the Year	17	-
(18)	-	(Increase) / Decrease in Allowance Recognised in the Net Result	(18)	-
<u>(1)</u>	<u>-</u>	<b>Balance at 30 June 2019</b>	<u>(1)</u>	<u>-</u>
<u>(17)</u>	<u>-</u>		<u>(17)</u>	<u>-</u>
<b>b) ** Movement in the Allowance for Impairment</b>				
<b>Sale of Goods and Services</b>				
-	(14)	Balance at 1 July 2017	-	(14)
-	15	Amounts Written Off During the Year	-	15
-	(15)	(Increase) / Decrease in Allowance Recognised in the Net Result	-	(15)
<u>-</u>	<u>(14)</u>	<b>Balance at 30 June 2018</b>	<u>-</u>	<u>(14)</u>
<b>Other Debtors</b>				
-	(44)	Balance at 1 July 2017	-	(44)
-	7	Amounts Written Off During the Year	-	7
-	15	(Increase) / Decrease in Allowance Recognised in the Net Result	-	15
<u>-</u>	<u>(21)</u>	<b>Balance at 30 June 2018</b>	<u>-</u>	<u>(21)</u>
<u>-</u>	<u>(35)</u>		<u>-</u>	<u>(35)</u>
<b>Non-Current</b>				
67	192	Prepayments	67	192
<u>67</u>	<u>192</u>		<u>67</u>	<u>192</u>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT		CONSOLIDATION	
2019	2018	2019	2018
\$000	\$000	\$000	\$000
<b>15. Receivables</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:			
298	246	298	246
71	41	71	41
3,385	3,553	3,385	3,553
<u>3,754</u>	<u>3,840</u>	<u>3,754</u>	<u>3,840</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 31.



**Southern NSW Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2019</b>	<b>2018</b>		<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
		<b>16. Inventories</b>		
727	796	Drug Supplies	727	796
39	53	Engineering Supplies	39	53
<u>766</u>	<u>849</u>		<u>766</u>	<u>849</u>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>17. Property, Plant and Equipment</b>		
		<b>Land and Buildings - Fair Value</b>		
578,648	495,941	Gross Carrying Amount	578,648	495,941
198,666	176,836	Less: Accumulated Depreciation and Impairment	198,666	176,836
<u>379,982</u>	<u>319,105</u>	<b>Net Carrying Amount</b>	<u>379,982</u>	<u>319,105</u>
		<b>Plant and Equipment - Fair Value*</b>		
47,808	46,157	Gross Carrying Amount	47,808	46,157
25,871	21,596	Less: Accumulated Depreciation and Impairment	25,871	21,596
<u>21,937</u>	<u>24,561</u>	<b>Net Carrying Amount</b>	<u>21,937</u>	<u>24,561</u>
		<b>Infrastructure Systems - Fair Value</b>		
21,260	20,399	Gross Carrying Amount	21,260	20,399
4,172	4,533	Less: Accumulated Depreciation and Impairment	4,172	4,533
<u>17,088</u>	<u>15,866</u>	<b>Net Carrying Amount</b>	<u>17,088</u>	<u>15,866</u>
<u>419,007</u>	<u>359,532</u>	<b>Total Property, Plant and Equipment at Net Carrying Amount</b>	<u>419,007</u>	<u>359,532</u>

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

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

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

	Land and Buildings \$000	Plant and Equipment \$000	Infrastructure Systems \$000	Total \$000
<b>2019</b>				
Net Carrying Amount at Beginning of Year	319,105	24,561	15,867	359,533
Additions	30,505	1,680	-	32,185
Disposals	(12)	(1)	-	(13)
Net Revaluation Increment Less Revaluation Decrements	41,807	-	1,742	43,549
Depreciation Expense	(11,423)	(4,303)	(521)	(16,247)
<b>Net Carrying Amount at End of Year</b>	<b>379,982</b>	<b>21,937</b>	<b>17,088</b>	<b>419,007</b>
<b>2018</b>				
Net Carrying Amount at Beginning of Year	316,910	26,015	16,081	359,006
Additions	13,194	2,915	292	16,401
Reclassification to Assets Held for Sale	650	-	-	650
Disposals	-	(95)	-	(95)
Net Revaluation Increment Less Revaluation Decrements	(125)	-	-	(125)
Depreciation Expense	(11,524)	(4,274)	(507)	(16,305)
<b>Net Carrying Amount at End of Year</b>	<b>319,105</b>	<b>24,561</b>	<b>15,866</b>	<b>359,532</b>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 18.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**18. 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**

<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Property, Plant and Equipment (Note 17)				
- Land and Buildings	-	2,262	331,488	333,750
- Infrastructure Systems	-	-	17,088	17,088
	-	<b>2,262</b>	<b>348,576</b>	<b>350,838</b>

There were no transfers between level 1 and 2 during the year ended 30 June 2019.

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 17.

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

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

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Opteon Solutions for the 2018/19 financial year. Opteon Solutions is an independent entity and is not an associated entity of the District.

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 valuer is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre.

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

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

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

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

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

<b>2019</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 2018	150,455	2,392	152,847
Additions	149,328	13,296	162,624
Revaluation Increments / (Decrements) recognised in Other Comprehensive Income – included in line item 'Changes in Revaluation Surplus of Property, Plant and Equipment' (Note 17)	41,138	1,742	42,880
Disposals	(12)	-	(12)
Depreciation expense	(9,421)	(342)	(9,763)
<b>Fair Value as at 30 June 2019</b>	<b>331,488</b>	<b>17,088</b>	<b>348,576</b>

2019 Additions includes transfer of \$146.2M Land and Buildings previously classified as Level 1.

<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	158,014	2,545	160,559
Depreciation expense	(7,559)	(153)	(7,712)
<b>Fair Value as at 30 June 2018</b>	<b>150,455</b>	<b>2,392</b>	<b>152,847</b>

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**19. 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. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2019.

Category	Opening Equity 1 July 2018 \$000	Expense 2019 \$000	Revenue 2019 \$000	Closing Equity 30 June 2019 \$000
Community Welfare	77	15	681	743
Facility Improvements	1,798	383	439	1,854
Patient Welfare	92	7	20	105
Public Contributions	1,094	291	162	965
Research	60	-	24	84
Staff Welfare	15	1	2	16
Training and Education Including Conferences	560	24	14	550
	<b>3,696</b>	<b>721</b>	<b>1,342</b>	<b>4,317</b>

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

Category	Purpose
Community Welfare	Improvements to service access, health literacy, public and preventative health care.
Facility Improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Patient Welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Public Contributions	Donations or legacies received without any donor-specified conditions as to its use.
Research	Research to gain knowledge, understanding and insight.
Staff Welfare	Staff benefits such as staff recognition awards, functions and staff amenity
Training and Education Including Conferences	Professional training, education and conferences.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>20. Payables</b>		
		<b>Current</b>		
		Accrued Salaries, Wages and On-Costs	8,070	7,027
		Taxation and Payroll Deductions	765	824
8,835	7,851	Accrued Liability - Purchase of Personnel Services	-	-
10,626	11,701	Creditors	10,626	11,701
		Other Creditors		
	231	- Capital Works	-	231
5,119	7,110	- Payables to Entities Controlled by the Immediate Parent	5,119	7,110
3,306	3,011	- Other	3,306	3,011
<u>27,886</u>	<u>29,904</u>		<u>27,886</u>	<u>29,904</u>

'Creditors' include some amounts owing to entities controlled by the ultimate parent.

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

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 31.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>21. Provisions</b>		
		<b>Current</b>		
-	-	Annual Leave - Short Term Benefit	21,295	20,664
-	-	Annual Leave - Long Term Benefit	2,601	1,980
-	-	Long Service Leave Consequential On-Costs	5,218	4,481
-	-	Provision for Other Employee Benefits	597	470
29,711	27,595	Provision for Personnel Services Liability	-	-
<u>29,711</u>	<u>27,595</u>		<u>29,711</u>	<u>27,595</u>
		<b>Non-Current</b>		
-	-	Long Service Leave Consequential On-Costs	454	390
454	390	Provision for Personnel Services Liability	-	-
<u>454</u>	<u>390</u>		<u>454</u>	<u>390</u>
		<b>Aggregate Employee Benefits and Related On-Costs</b>		
-	-	Provisions - Current	29,711	27,595
-	-	Provisions - Non-Current	454	390
-	-	Accrued Salaries, Wages and On-Costs, Taxation and Payroll Deductions (Note 20)	8,835	7,851
39,000	35,836	Liability - Purchase of Personnel Services	-	-
<u>39,000</u>	<u>35,836</u>		<u>39,000</u>	<u>35,836</u>
		<b>22. Other Liabilities</b>		
		<b>Other Current Liabilities</b>		
1,334	473	Unearned Revenue	1,334	473
<u>1,334</u>	<u>473</u>		<u>1,334</u>	<u>473</u>

As at 30 June 2019 the District had received the following income prior to the services/activities being provided/achieved:- E-Health \$1,049 thousand, Coordinaire \$214 thousand, Snowy Hydro Grant \$22 Thousand and others \$48 thousand.



**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

<b>PARENT</b>			<b>CONSOLIDATION</b>	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
		<b>23. Commitments</b>		
		<b>a) Capital Commitments</b>		
43,533	13,593	Within one year	43,533	13,593
6,768	4,250	Later than one year and not later than five years	6,768	4,250
<b>50,301</b>	<b>17,843</b>	<b>Total (Including GST)</b>	<b>50,301</b>	<b>17,843</b>
		The majority of 'Capital Commitments' contracted but not provided for related to capital works overseen by the Health Administration Corporation, an entity controlled by the immediate parent.		
		<b>b) Operating Lease Commitments</b>		
		<i>Entity as Lessee</i>		
		Future minimum rentals payable under non-cancellable operating leases at balance date are, as follows:		
1,861	1,874	Within one year	1,861	1,874
1,670	1,527	Later than one year and not later than five years	1,670	1,527
<b>3,531</b>	<b>3,401</b>	<b>Total (Including GST)</b>	<b>3,531</b>	<b>3,401</b>
		<b>c) Input Tax Receivable Related to Commitments for Expenditure</b>		
		The total 'Capital Expenditure Commitments' and 'Operating Lease Commitments (Entity as Lessee)' of \$53.85M as at 30 June 2019 includes input tax credits of \$4.59M that are expected to be recoverable from the Australian Taxation Office (2018 \$1.89M).		

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**24. Trust Funds**

The District holds trust funds of \$307 thousand which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

	Patient Trust		Third Party Funds		Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Balance at the beginning of the financial year	150	147	284	169	434	316
Add : Receipts	19	20	193	472	212	492
Less : Payments	(20)	(16)	(319)	(358)	(339)	(374)
<b>Balance at the end of the financial year</b>	<b>149</b>	<b>151</b>	<b>158</b>	<b>283</b>	<b>307</b>	<b>434</b>

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

<b>Category</b>	<b>Purpose</b>
Patient Trust	The safe custody of patients' valuables including monies.
Third Party Funds	A sum of money held in trust on behalf of external parties, e.g. external foundations, volunteer groups and auxiliaries.

**Southern NSW Local Health District  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**25. Contingent Liabilities and Assets**

- a) As at 30 June 2019 there are no known other contingent liabilities and assets

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

PARENT			CONSOLIDATION	
2019	2018		2019	2018
\$000	\$000		\$000	\$000
<b>26. Reconciliation of Cash Flows from Operating Activities to Net Result</b>				
29,188	12,546	Net Cash Used on Operating Activities	29,188	12,546
(16,247)	(16,305)	Depreciation and Amortisation Expense	(16,247)	(16,305)
(27)	(3)	Allowance for impairment	(27)	(3)
(861)	(326)	(Increase) / Decrease in Unearned Revenue	(861)	(326)
(2,316)	(2,358)	Decrease / (Increase) in Provisions	(2,316)	(2,358)
377	2,001	Increase / (Decrease) in Prepayments and Other Assets	377	2,001
1,779	(7,147)	Decrease / (Increase) in Payables	1,779	(7,147)
(9)	(25)	Net Gain / (Loss) on Sale of Property, Plant and Equipment	(9)	(25)
1,010	1,017	Assets Donated or Brought to Account / Emerging Assets Recognised	1,010	1,017
<b>12,894</b>	<b>(10,600)</b>	<b>Net Result</b>	<b>12,894</b>	<b>(10,600)</b>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**27. 2018/19 Voluntary Services**

It is considered impracticable to quantify the monetary value of voluntary services provided to the District. Services received free, or for nominal consideration include:

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

**28. Unclaimed Monies**

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

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**PARENT AND CONSOLIDATION**

**29. Adjusted Budget Review**

The variance between the NSW Ministry of Health Recurrent Allocation actuals and Adjusted Budget is \$16.7 million being the value of cash assistance received to meet short term cash commitments. Cash assistance was required as a result of higher than budgeted cash payments for Employee Related Expenses and Visiting Medical Officers.

**Net Result**

The actual Net Result was lower than adjusted budget by \$115 thousand, primarily due to:

	<b>Favourable (Unfavourable)</b> <b>\$000</b>
<b>Expenses</b>	
Employee Related	(13,866)
Visiting Medical Officers	(6,796)
Other Operating Expenses	107
Depreciation	(11)
Repairs, maintenance and new and replacement items less than \$10 thousand	389
Grants and Subsidies	10
Total Expenditure unfavourable variance to budget	(20,167)
<b>Revenue</b>	
NSW Ministry of Health Recurrent Allocations	16,657
NSW Ministry of Health Capital Allocations	(757)
Acceptance by the Crown Entity of Employee Benefits	(296)
Sale of Goods and Services	1,429
Investment Revenue	40
Grants and Contributions	2,639
Other Revenue	341
Gain / (Loss) on Disposal	(9)
Other Gains / (Losses)	8
Total Revenue favourable variance to budget	20,052
<b>Net Result</b>	(115)

**Assets and Liabilities**

Total Assets were above budget by \$46,862 thousand largely due to an increase in Land and Buildings being \$43,381 thousand higher than budget, resulting from the revaluation of Property, Plant and Equipment during the year. Receivables were \$561 thousand higher than budget driven by Goods and Services Tax receivable. Total liabilities were higher than budget by \$3,262 thousand mainly as a result of an increase in the Annual Leave Provision and Revenue in Advance.

## 29. Adjusted Budget Review

### Cash Flows

Net cash flows from operating activities were \$2,148 thousand higher than budget. Payments for employee related expenses exceeded budget by \$8,426 thousand, and payments to suppliers for goods and services exceeded budget by \$9,997 thousand. Total receipts from operating activities were \$20,562 thousand higher than budget, which was mostly attributable to having received \$16,657 thousand in cash assistance through recurrent allocations and higher than budget Sale of Goods and Services. Investment activity cash outflows were \$2,308 thousand lower than budgeted during the year, mainly due to timing differences.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation of \$343,889 thousand are as follows:

	\$000
Initial Allocation	343,889
Adult Public Dental Services	1,200
Keep Them Safe	1,077
Depreciation	863
Nurse Midwife Strategy Reserve	732
Isolated Patients Travel and Accommodation Assistance Scheme IP AAS	485
Obstetric and Anaesthetic Incentive Grants	457
Regional Assessment Services	450
FY19 Voluntary Redundancies	385
Rural Generalist Medical and General Practitioner Procedural Training Programme	265
Joint Child Protection Response Program (JCPRP)	255
New Street Service	249
Winter 2018 Activity	210
Patient Reported Measure Project Officers	206
Workplace Culture and Safety	147
Allied Health Palliative care	118
Other Initiatives	1,276
<b>Balance as per Statement of Comprehensive Income</b>	<b><u>352,264</u></b>

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**30. Increase / (Decrease) in Net Assets from Equity Transfers**

**Equity transfers effected in the 2018/19 year were:**

- a) An equity transfer has been made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of \$135 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

**Equity transfers effected in the 2017/18 year were:**

Nil

	<b>2019</b>	<b>2018</b>
<b>Equity transfers effected comprised:</b>	<b>\$000</b>	<b>\$000</b>
a) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	(135)	-
	<b>(135)</b>	<b>-</b>

Assets and Liabilities transferred are as follows:

	<b>2019</b>	<b>2018</b>
<b>Assets</b>	<b>\$000</b>	<b>\$000</b>
<b>Liabilities</b>		
a) Annual Leave Provision	135	-
<b>Increase / (Decrease) in Net Assets From Equity Transfers</b>	<b>135</b>	<b>-</b>



**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

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

**a) Financial Instrument Categories**

**i. As at 30 June 2019 under AASB 9**

**PARENT AND CONSOLIDATION**

<b>Class</b>	<b>Category</b>	<b>Carrying Amount 2019 \$000</b>
Cash and Cash Equivalents (Note 14)	N/A	3,913
Receivables (Note 15) <sup>1</sup>	Amortised cost	6,990
<b>Total Financial Assets</b>		<b>10,903</b>
<b>Financial Liabilities</b>		
Payables (Note 20) <sup>2</sup>	Financial liabilities measured at amortised cost	27,121
<b>Total Financial Liabilities</b>		<b>27,121</b>

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

**ii. As at 30 June 2018 under AASB 139 (comparative period)**

**PARENT AND CONSOLIDATION**

<b>Class</b>	<b>Category</b>	<b>Carrying Amount 2018 \$000</b>
Cash and Cash Equivalents (Note 14)	N/A	6,127
Receivables (Note 15) <sup>1</sup>	Loans and receivables (at amortised cost)	7,354
<b>Total Financial Assets</b>		<b>13,481</b>
<b>Financial Liabilities</b>		
Payables (Note 20) <sup>2</sup>	Financial liabilities measured at amortised cost	29,080
<b>Total Financial Liabilities</b>		<b>29,080</b>

**Notes**

<sup>1</sup> Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**31. Financial Instruments**

**b) Financial Risk**

**i. 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 credit losses or allowance for impairment).

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

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

The District considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the District may also consider a financial asset to be in default when internal or external information indicates that the District is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the District.

**Cash and Cash Equivalents**

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 2.45% in 2018/19 compared to 2.35% in the previous year.

**Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 9**

**Receivables - Trade Debtors**

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The District applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The District has not identified any relevant factors, and accordingly not adjusted the historical loss rates based on no expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

The loss allowance for trade debtors (Sale of Goods and Services) as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2019</b>						
Expected credit loss rate	0.07%	0.00%	0.83%	0.93%	5.92%	0.39%
Estimated total gross carrying amount at default	3,003	424	363	107	169	4,066
Expected credit loss	2	-	3	1	10	16
<b>1 July 2018</b>						
Expected credit loss rate	0.05%	0.00%	2.13%	3.39%	6.25%	0.16%
Estimated total gross carrying amount at default	3,893	224	47	59	32	4,255
Expected credit loss	2	-	1	2	2	7

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019.

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**31. Financial Instruments**

**Accounting policy for impairment of Trade Debtors and Other Financial Assets under AASB 139 (comparative period only)**

**Receivables - Trade Debtors**

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

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

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

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

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

	2018 \$000
Neither past due nor impaired	6,848
Past due but not impaired <sup>1,2</sup>	
< 3 months overdue	342
3 - 6 months overdue	114
> 6 months overdue	50
Impaired <sup>1,2</sup>	
< 3 months overdue	-
3 - 6 months overdue	4
> 6 months overdue	31
<b>Total <sup>1,2</sup></b>	<b>7,389</b>

**Notes**

1 The table reports 'gross receivables'.

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 Financial Instruments: Disclosures. Therefore, the 'total' will not reconcile to the receivables total recognised in the Statement of Financial Position.

**Authority Deposits**

The District has placed funds on deposit with TCorp, which has been rated 'AAA' by Standard and Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. There were no indicators for impairment on these securities during the year.

**ii. 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 the use of overdrafts, loans and other advances.

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

During the current and prior year, 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).

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

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

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

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**31. 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			
	Weighted Average Effective Interest Rate	Nominal	Fixed Interest	Variable	Non - Interest	< 1 Yr	1-5 Yr	> 5Yr
		Amount <sup>1</sup>	Rate	Interest Rate	Bearing			
		\$000	\$000	\$000	\$000	\$000	\$000	
<b>2019</b>								
Payables:								
- Creditors <sup>2</sup>		27,121	-	-	27,121	27,121	-	
		<b>27,121</b>	-	-	<b>27,121</b>	<b>27,121</b>	-	
<b>2018</b>								
Payables:								
- Creditors <sup>2</sup>		29,080	-	-	29,080	29,080	-	
		<b>29,080</b>	-	-	<b>29,080</b>	<b>29,080</b>	-	

**Notes:**

<sup>1</sup> 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.

<sup>2</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**31. Financial Instruments**

**iii. Market Risk**

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or as at fair value through other comprehensive income or available for sale (until 30 June 2018). Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia 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.

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates:

		-1%		+1%	
	Carrying Amount \$000	Net Result \$000	Equity \$000	Net Result \$000	Equity \$000
<b>2019</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3,913	(39)	(39)	39	39
Receivables	6,990	-	-	-	-
<b>Financial Liabilities</b>					
Payables <sup>1</sup>	27,121	-	-	-	-
<b>2018</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	6,127	(61)	(61)	61	61
Receivables	7,354	-	-	-	-
<b>Financial Liabilities</b>					
Payables <sup>1</sup>	29,080	-	-	-	-

<sup>1</sup> Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).

**Southern NSW Local Health District**  
**Notes to and forming part of the Financial Statements**  
**for the year ended 30 June 2019**

**32. Related Party Transactions**

**PARENT AND CONSOLIDATION**

Key management personnel compensation is as follows:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	937	875
Post-Employment Benefits	50	43
	<u>987</u>	<u>918</u>

During the financial year, Southern NSW Local Health District obtained key management personnel services from the immediate parent and incurred \$327 thousand (2018: \$623 thousand) for these services.

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

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

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

There were no transactions with key management personnel and their close family members (2018: \$Nil).

**Transactions with the ultimate parent**

There were no transactions with the ultimate parent during the financial period (2018: \$Nil).

**33. Events After the Reporting Period**

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

**END OF AUDITED FINANCIAL STATEMENTS**