



## **Independent Auditor's Report**

### **Far West Local Health Network**

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Far West Local Health Network (the Network), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the six months then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Network and the consolidated entity. The consolidated entity comprises the Network and the entities it controlled at the period's end or from time to time during the period.

### **Opinion**

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Network and the consolidated entity, as at 30 June 2011, and of the financial performance for the six months then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cashflows.

My opinion should be read in conjunction with the rest of this report.

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

The Chief Executive is responsible for the preparation and fair presentation of financial statements that give a true and fair view 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 of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Network or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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 but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

9 November 2011  
SYDNEY



Health  
Far West  
Local Health Network

**Far West Local Health Network  
Certification of Parent/Consolidated Financial Statements  
for the Six Months Ended 30 June 2011**

Pursuant to Section 45F of the *Public Finance and Audit Act, 1983*, I state that in my opinion:

- 1) The financial statements have been prepared in accordance with:
  - Australian Accounting Standards (which include Australian Accounting Interpretations)
  - *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Far West Local Health Network
- 3) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

I further state the financial statements have been prepared in accordance with the NSW Department of Health's Accounts and Audit Determination for Public Health Organisations.



Stuart Riley  
Chief Executive

31 October 2011

**Far West Local Health Network**  
**Statement of Comprehensive Income for the Six Months Ended 30 June 2011**

PARENT			CONSOLIDATION		
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000	
<b>Expenses excluding losses</b>					
Operating Expenses					
0	0	Employee Related	22,364	26,017	
22,364	26,017	Personnel Services	0	0	
3,458	1,834	Visiting Medical Officers	3,458	1,834	
12,227	11,605	Other Operating Expenses	12,227	11,605	
1,289	1,260	Depreciation and Amortisation	1,289	1,260	
128	(143)	Grants and Subsidies	128	(143)	
<b>39,466</b>	<b>40,573</b>	<b>Total Expenses excluding losses</b>	<b>39,466</b>	<b>40,573</b>	
<b>Revenue</b>					
3,885	2,243	Sale of Goods and Services	3,885	2,243	
71	0	Investment Revenue	71	0	
1,485	1,526	Grants and Contributions	368	179	
273	(50)	Other Revenue	273	(50)	
<b>5,714</b>	<b>3,719</b>	<b>Total Revenue</b>	<b>4,597</b>	<b>2,372</b>	
(38)	0	Gain/(Loss) on Disposal	(38)	0	
(56)	0	Other Gains/(Losses)	(56)	0	
<b>33,846</b>	<b>36,854</b>	<b>Net Cost of Services</b>	<b>34,963</b>	<b>38,201</b>	
<b>Government Contributions</b>					
NSW Department of Health					
36,423	34,980	Recurrent Allocations	36,423	34,980	
NSW Department of Health					
953	1,054	Capital Allocations	953	1,054	
Acceptance by the Crown Entity of					
0	0	Employee Benefits	1,117	1,347	
<b>37,376</b>	<b>36,034</b>	<b>Total Government Contributions</b>	<b>38,493</b>	<b>37,381</b>	
<b>3,530</b>	<b>(820)</b>	<b>RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>3,530</b>	<b>(820)</b>	
<b>3,530</b>	<b>(820)</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011</b>	<b>3,530</b>	<b>(820)</b>	

The accompanying notes form part of these financial statements.

**Far West Local Health Network  
Statement of Financial Position as at 30 June 2011**

PARENT			CONSOLIDATION		
Actual 2011 \$000	Budget (unaudited) 2011 \$000	Notes	Actual 2011 \$000	Budget (unaudited) 2011 \$000	
<b>ASSETS</b>					
<b>Current Assets</b>					
1,342	728	Cash and Cash Equivalents	16	1,342	728
6,842	1,571	Receivables	17	6,842	1,571
259	302	Inventories	18	259	302
<b>8,443</b>	<b>2,601</b>	<b>Total Current Assets</b>		<b>8,443</b>	<b>2,601</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment					
76,815	77,244	- Land and Buildings	19	76,815	77,244
2,526	1,906	- Plant and Equipment	19	2,526	1,906
1,396	1,398	- Infrastructure Systems	19	1,396	1,398
80,737	80,548	Total Property, Plant and Equipment		80,737	80,548
<b>80,737</b>	<b>80,548</b>	<b>Total Non-Current Assets</b>		<b>80,737</b>	<b>80,548</b>
<b>89,180</b>	<b>83,149</b>	<b>Total Assets</b>		<b>89,180</b>	<b>83,149</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
4,522	2,658	Payables	21	4,522	2,658
5,807	6,120	Provisions	22	5,807	6,120
135	0	Other	23	135	0
10,464	8,778			10,464	8,778
<b>10,464</b>	<b>8,778</b>	<b>Total Current Liabilities</b>		<b>10,464</b>	<b>8,778</b>
<b>Non-Current Liabilities</b>					
27	133	Provisions	22	27	133
<b>27</b>	<b>133</b>	<b>Total Non-Current Liabilities</b>		<b>27</b>	<b>133</b>
<b>10,491</b>	<b>8,911</b>	<b>Total Liabilities</b>		<b>10,491</b>	<b>8,911</b>
<b>78,689</b>	<b>74,238</b>	<b>Net Assets</b>		<b>78,689</b>	<b>74,238</b>
<b>EQUITY</b>					
78,689	74,238	Accumulated Funds		78,689	74,238
<b>78,689</b>	<b>74,238</b>	<b>Total Equity</b>		<b>78,689</b>	<b>74,238</b>

The accompanying notes form part of these financial statements.

**Far West Local Health Network**  
**Statement of Changes in Equity for the Six Months ended 30 June 2011**

	Notes	Accumulated Funds	Asset Revaluation Surplus	Available For Sale Reserve	Total
		\$000	\$000	\$000	\$000
<b>Balance at 1 January 2011</b>		0	0	0	0
<b>Result For The Six Months Ended 30 June 2011</b>		3,530	0	0	3,530
<b>Other Comprehensive Income:</b>					
Net Increase/(Decrease) in Property, Plant & Equipment Available for Sale Financial Assets:		0	0	0	0
-Valuation Gains/(Losses)		0	0	0	0
-Transfers on Disposal		0	0	0	0
Changes in Restoration Liability		0	0	0	0
<b>Total Other Comprehensive Income</b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Comprehensive Income For The Six Months Ended 30 June 2011</b>		<u>3,530</u>	<u>0</u>	<u>0</u>	<u>3,530</u>
<b>Transactions With Owners In Their Capacity As Owners</b>					
Increase/(Decrease) in Net Assets From Equity Transfers	31	75,159	0	0	75,159
<b>Balance at 30 June 2011</b>		<u><b>78,689</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>78,689</b></u>

The accompanying notes form part of these financial statements.

**Far West Local Health Network**  
**Statement of Cash Flows for the Six Months Ended 30 June 2011**

PARENT			CONSOLIDATION	
Actual Budget (unaudited)			Actual Budget (unaudited)	
2011	2011	Notes	2011	2011
\$000	\$000		\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
0	0	Employee Related	(20,555)	(24,614)
(141)	157	Grants and Subsidies	(141)	157
(36,059)	(38,800)	Other	(15,504)	(14,186)
<b>(36,200)</b>	<b>(38,643)</b>	<b>Total Payments</b>	<b>(36,200)</b>	<b>(38,643)</b>
<b>Receipts</b>				
(1,265)	2,368	Sale of Goods and Services	(1,265)	2,368
40	0	Interest Received	40	0
1,237	1,363	Other	1,237	1,363
<b>12</b>	<b>3,731</b>	<b>Total Receipts</b>	<b>12</b>	<b>3,731</b>
<b>Cash Flows From Government</b>				
36,423	34,979	NSW Department of Health Recurrent Allocations	36,423	34,979
953	1,054	NSW Department of Health Capital Allocations	953	1,054
527	0	Cash Reimbursements from the Crown Entity	527	0
<b>37,903</b>	<b>36,033</b>	<b>Net Cash Flows From Government</b>	<b>37,903</b>	<b>36,033</b>
<b>1,715</b>	<b>1,121</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,715</b>	<b>1,121</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
8	0	Proceeds from Sale of Land and Buildings, Plant and Equipment and Infrastructure Systems	8	0
(1,272)	(1,284)	Purchases of Land and Buildings, Plant and Equipment and Infrastructure Systems	(1,272)	(1,284)
<b>(1,264)</b>	<b>(1,284)</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(1,264)</b>	<b>(1,284)</b>
<b>451</b>	<b>(163)</b>	<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>451</b>	<b>(163)</b>
0	0	Opening Cash and Cash Equivalents	0	0
891	891	Cash Transferred In as a Result of Equity Transfers	891	891
<b>1,342</b>	<b>728</b>	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,342</b>	<b>728</b>

The accompanying notes form part of these financial statements.







**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**1 The Health Service Reporting Entity**

The Far West Local Health Network, "the Network", was established under the provisions of the *Health Services Act 1997* with effect from 1 January 2011.

The Network, as a reporting entity, comprises all the operating activities of the Hospital facilities and the Community Health Centres under its control. It also encompasses the Special Purposes and Trust Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the Network. The Network is a not-for-profit entity (as profit is not its principal objective).

The Network controls the Far West Local Health Network Special Purpose Service Entity which was established as a Division of the Government Service on 1 January 2011 in accordance with the *Public Sector Employment and Management Act 2002* and the *Health Services Act 1997*. This Division provides personnel services to enable the Network to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the Network (as the parent entity), and the consolidated financial statements of the economic entity. Notes capture both the parent and consolidated values with notes 3, 4, 11, 25, 27 and 32 being especially relevant. Separate financial statements of the special purpose entity are not presented in the consolidated statements.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Department of Health and NSW Total State Sector Accounts.

These consolidated financial statements for the six months ended 30 June 2011 have been authorised for issue by the Director of Finance and the Chief Executive on 31 October 2011.

**2 Summary of Significant Accounting Policies**

**Basis of Preparation**

The Network's financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Act. The requirements of the Health Services Act 1997 and its regulations including the Accounts and Audit Determination for Public Health Organisations have also been observed.

Apart from the basis for the Network's budget figures, the financial statements comply with the Financial Reporting Code for Budget Dependent General Government Sector Agencies. Further information on the budget figures can be found at Note 2(w).

Notwithstanding the consolidated entity has a working capital deficiency of \$2.021 million and in recognition that a significant portion of current annual leave entitlements are not expected to be settled in the next 12 months, the financial statements of the Network have been prepared on a going concern basis.

As has been the case in prior years, the NSW Department of Health issued a letter of financial support on 21 September 2011 confirming that the Network receives each year funding from monies appropriated to the Minister from the Consolidated Fund in accordance with Section 127 of the Health Services Act 1997.

These appropriated funds, combined with other revenues earned, are applied to pay its debts as and when they become due and payable.

Other mitigating circumstances why the going concern basis is appropriate include:

\* Local Health Districts have the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.

\* The Network has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the entity and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Department throughout the financial year.

**Statement of Compliance**

The consolidated and parent entity's financial statements comply with Australian Accounting Standards which include Australian Accounting Interpretations .

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at "fair value through profit and loss" and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

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

No comparative information is given as this is the Network's first reporting period.

No new or revised accounting standards or interpretations are adopted earlier than their prescribed date of application. Set out below are changes to be effected, their date of application and the possible impact on the financial statements of the Far West Local Health Network.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**Accounting Standard/Interpretation**

AASB 2010-07, *Financial Instruments*, arising from the issuance of AASB 9, *Financial Instruments*, in December 2010, has mandatory application from 1 July 2013 and will not be early adopted by the Network.

AASB 1053 and AASB 2010-2, *Application of Tiers of Australian Accounting Standards*, have application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2010-6, *Disclosures on Transfers of Financial Assets*, has mandatory application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-8, *Deferred Tax: Recovery of Underlying Assets*, has mandatory application from 1 July 2012 but will have no impact on the Network.

AASB 2010-9, *Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2011 and is assessed as having no impact on the Network.

AASB 2010-10, *Removal of Fixed Dates for First Time Adopters*, has application from 1 July 2013 and is assessed as having no impact on the Network.

Other significant accounting policies used in the preparation of these financial statements are as follows:

**a) Employee Benefits and Other Provisions**

**i) Salaries & Wages, Annual Leave, Sick Leave and On-Costs**

At the consolidated level of reporting, liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

All Annual Leave employee benefits are reported as "Current" as there is an unconditional right to payment. Current liabilities are then further classified as "Short Term" or "Long Term" based on past trends and known resignations and retirements. Anticipated payments to be made in the next twelve months are reported as "Short Term". On-costs of 17.8% are applied to the value of leave payable at 30 June 2011, such on-costs being based on actuarial assessment.

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.

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

**ii) Long Service Leave and Superannuation**

Responsibility for Long Service Leave liability attached to employees of the Network transferred to the Crown Entity from the former Greater Western Area Health Service with effect from 31 December 2010 and, therefore do not appear in the financial statements of the Network. As is the case with other Budget Sector agencies both the Defined Benefit Superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) and Long Service Leave liabilities are assumed by the Crown Entity.

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 11/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The Network's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity. The Network 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". Any liability attached to Superannuation Guarantee Charge cover is reported in Note 21, "Payables".

The superannuation expense for the reporting period is determined by using the formulae specified by Treasury and communicated via the NSW Department of Health.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**iii) Other Provisions**

Other provisions exist when: the Network 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.

**b) Insurance**

The Network's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Agencies. The expense (premium) is determined by the Fund Manager based on past Area Health Service claim experience.

**c) Finance Costs**

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

**d) 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 agency transfers the significant risks and rewards of ownership of the assets.

*Rendering of Services*

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

*Patient Fees*

Patient Fees are derived from chargeable inpatients and non-inpatients on the basis of rates specified by the NSW Department of Health from time to time.

*Investment Revenue*

Interest revenue is recognised using the effective interest method as set out in AASB139, *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB117 *Leases on a straight line basis over the lease term*. Dividend revenue is recognised in accordance with AASB118 *Revenue* when the Network's right to receive payment is established.

Royalty revenue is recognised in accordance with AASB118 on an accrual basis in accordance with the substance of the relevant agreement.

*Debt Forgiveness*

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

*Use of Hospital Facilities*

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

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

*Use of Outside Facilities*

The Network uses a number of facilities owned and maintained by the local authorities in the area to deliver community health services for which no charges are raised by the authorities. Where material, the cost method of accounting is used for the initial recording of all such services. Cost is determined as the fair value of the services given and is then recognised as revenue with a matching expense.

*Grants and Contributions*

Grants and Contributions are generally recognised as revenues when the Network obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

*NSW Department of Health Allocations*

Payments are made by the NSW Department of Health on the basis of the allocation for the Network 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 "Result for the Period" on the basis that the allocation is earned in return for the health services provided on behalf of the Department. Allocations are normally recognised upon the receipt of Cash.

**e) 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 Network as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset 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 is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**f) Acquisition of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Network. 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 specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (See also assets transferred as a result of an equity transfer Note 2(t)).

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, ie the deferred payment amount is effectively discounted at an asset-specific rate.

Land and Buildings which are owned by the Health Administration Corporation or the State and administered by the Network are deemed to be controlled by the Network and are reflected as such in the financial statements.

**g) Capitalisation Thresholds**

Individual items of property, plant & equipment are capitalised where their cost is \$10,000 or above.

**h) 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 Network. Land is not a depreciable asset. All material separately identifiable components of assets are depreciated over their shorter useful lives.

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

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

"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.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

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

Physical non-current assets are valued in accordance with the NSW Department of Health's "Valuation of Physical Non-Current Assets at Fair Value" policy. This policy adopts fair value in accordance with AASB116, *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

The policy requirements of the NSW Department of Health require the Network to revalue its Land and Buildings and Infrastructure at minimum every three years by independent valuation.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

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

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the Result for the Year, the increment is recognised immediately as revenue in the Result for the Year.

Revaluation decrements are recognised immediately as expenses in the Result for the Year, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

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 asset revaluation reserve in respect of that asset is transferred to accumulated funds.

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

As a not-for-profit entity with no cash generating units, the Network is effectively exempt from AASB 136 *Impairment of Assets and impairment testing*. This is because AASB136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are regarded as material. Selling costs are regarded as immaterial.

**k) Restoration Costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

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

The Network has certain non-current assets (or disposal groups) classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

**m) 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.

**n) Leased Assets**

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

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. 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 charged to the Statement of Comprehensive Income in the periods in which they are incurred.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**o) Inventories**

Inventories are stated at cost adjusted when applicable for any loss of service potential. A loss of service potential is identified and measured based on the existence of a non current replacement cost that is lower than the carrying amount. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. All inventory at year end is to be consumed in the course of business and is not held for distribution.

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

**p) Loans and Receivables**

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

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

**q) Investments**

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

\* *Fair value through profit or loss - The Far West Local Health Network subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the Result for the Period.*

\* *Held-to-maturity investments – Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Far West Local Health Network has the positive intention and ability to hold to maturity are classified as "held-to-maturity". These investments are measured at amortised cost using the effective interest method. Changes are recognised in the Result for the Period when impaired, derecognised or through the amortisation process.*

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

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

**r) Payables**

These amounts represent liabilities for goods and services provided to the Network and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

**s) Borrowings**

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

The finance lease liability is determined in accordance with AASB 117, *Leases*.

**t) Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies is designated or required by Accounting Standards to be treated as contributions by owners and is recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB1004, *Contributions* and Australian 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 departments 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 agency recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**u) Equity and Reserves**

**(i) Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the Network's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

**(ii) Accumulated Funds**

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

**(iii) Separate Reserves**

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

**v) Trust Funds**

The Network receives monies in a trustee capacity for various trusts as set out in Note 25. As the Network performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Network's own objectives, they are not brought to account in the financial statements.

**w) Budgeted Amounts**

The budgeted amounts are drawn from the budgets agreed with the NSW Department of Health at the beginning of the financial reporting period and with any adjustments for the effects of additional supplementation provided. The budget figures are unaudited.

**x) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data of the former Area Health Service for the twelve months ended 31 December 2010 which is then applied to the current period's financial information. The same methodology is applied to attribute assets and liabilities to each service group.

In respect of assets and liabilities the Department requires that all Networks take action to identify those components that can be specifically identified and reported by service groups. Remaining values are attributed to service groups in accordance with values advised by the NSW Department of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.



**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011		2011
\$000		\$000
	<b>3. Employee Related</b>	
	Employee related expenses comprise the following:	
0	Salaries and Wages	15,233
0	Awards	1,618
0	Superannuation - Defined Benefit Plans	511
0	Superannuation - Defined Contribution Plans	1,392
0	Long Service Leave	606
0	Annual Leave	2,078
0	Sick Leave and Other Leave	545
0	Redundancies	6
0	Workers' Compensation Insurance	365
0	Fringe Benefits Tax	10
<u>0</u>		<u>22,364</u>
<u><b>0</b></u>		<u><b>22,364</b></u>
	The following additional information is provided:	
0	Employee Related Expenses Capitalised - Land and Buildings	0
0	Employee Related Expenses Capitalised - Plant and Equipment	0
	<b>4. Personnel Services</b>	
	Personnel Services comprise the purchase of the following:	
15,233	Salaries and Wages	0
1,618	Awards	0
511	Superannuation - Defined Benefit Plans	0
1,392	Superannuation - Defined Contribution Plans	0
606	Long Service Leave	0
2,078	Annual Leave	0
545	Sick Leave and Other Leave	0
6	Redundancies	0
365	Workers' Compensation Insurance	0
10	Fringe Benefits Tax	0
<u>22,364</u>		<u>0</u>
<u><b>22,364</b></u>		<u><b>0</b></u>
	The following additional information is provided:	
0	Personnel Services Expenses Capitalised - Land and Buildings	0
0	Personnel Services Expenses Capitalised - Plant and Equipment	0
	<b>5. Other Operating Expenses</b>	
70	Blood and Blood Products	70
232	Domestic Supplies and Services	232
810	Drug Supplies	810
237	Food Supplies	237
827	Fuel, Light and Power	827
4,967	General Expenses (See (b) below)	4,967
598	Hospital Ambulance Transport Costs	598
231	Information Management Expenses	231
98	Insurance	98
	Maintenance (See (c) below)	
101	Maintenance Contracts	101
288	New/Replacement Equipment under \$10,000	288
250	Repairs Maintenance/Non Contract	250
785	Medical and Surgical Supplies	785
96	Motor Vehicle Expenses	96
19	Postal and Telephone Costs	19
77	Printing and Stationery	77
77	Rates and Charges	77
51	Rental	51
1,575	Special Service Departments	1,575
355	Staff Related Costs	355
(1)	Sundry Operating Expenses (See (a) below)	(1)
484	Travel Related Costs	484
<u>12,227</u>		<u>12,227</u>
<u><b>12,227</b></u>		<u><b>12,227</b></u>



**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011</b>		<b>2011</b>
<b>\$000</b>		<b>\$000</b>
<b>6. Depreciation and Amortisation</b>		
982	Depreciation - Buildings	982
273	Depreciation - Plant and Equipment	273
34	Depreciation - Infrastructure Systems	34
<b>1,289</b>		<b>1,289</b>
<b>7. Grants and Subsidies</b>		
123	Community Aged Care Packages	123
5	Other	5
<b>128</b>		<b>128</b>

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**PARENT**

**CONSOLIDATION**

**2011**  
**\$000**

**2011**  
**\$000**

**8. Sale of Goods and Services**

(a) Sale of Goods comprise the following:-

35	Sale of Prosthesis	35
4	Other	4
42	Pharmacy Sales	42

(b) Rendering of Services comprise the following:-

2,540	Patient Fees	2,540
38	Staff-Meals and Accommodation	38
(52)	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	(52)
1	Cafeteria/Kiosk	1
683	Clinical Services (excluding Clinical Drug Trials)	683
7	Commercial Activities	7
2	Fees for Medical Records	2
255	Highly Specialised Drugs	255
1	Information Retrieval	1
39	Linen Service Revenues - Non Health Services	39
22	Meals on Wheels	22
25	Motor Accident Authority Third Party	25
4	Patient Transport Fees	4
5	Services Provided to Non NSW Health Organisations	5
234	Other	234

**3,885**

**3,885**

**9. Investment Revenue**

40	Interest - Other	40
31	Lease and Rental Income	31

**71**

**71**

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
<b>2011</b>		<b>2011</b>
<b>\$000</b>		<b>\$000</b>
	<b>10. Grants and Contributions</b>	
4	Clinical Drug Trials	4
12	Commonwealth Government Grants	12
141	Industry Contributions/Donations	141
89	NSW Government Grants	89
511	Personnel Services - Superannuation Defined Benefit Plans	0
606	Personnel Services - Long Service Leave	0
122	Other Grants	122
<u>1,485</u>		<u>368</u>
	<b>11. Other Revenue</b>	
	Other Revenue comprises the following:-	
11	Sale of Merchandise, Old Wares and Books	11
5	Sponsorship Income	5
204	Treasury Managed Fund Hindsight Adjustment	204
53	Other	53
<u>273</u>		<u>273</u>
	<b>12. Gain/(Loss) on Disposal</b>	
650	Property, Plant and Equipment	650
610	Less Accumulated Depreciation	610
<b>40</b>	<b>Written Down Value</b>	<b>40</b>
8	Less Proceeds from Disposal	8
<u><b>(32)</b></u>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<u><b>(32)</b></u>
0	Assets Held for Sale	0
(6)	Less Proceeds from Disposal	(6)
<u><b>(6)</b></u>	<b>Gain/(Loss) on Disposal of Assets Held for Sale</b>	<u><b>(6)</b></u>
<u><b>(38)</b></u>	<b>Total Gain/(Loss) on Disposal</b>	<u><b>(38)</b></u>
	<b>13. Other Gains/(Losses)</b>	
(56)	Impairment of Receivables	(56)
<u><b>(56)</b></u>		<u><b>(56)</b></u>

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**PARENT AND CONSOLIDATION**

**14. Conditions on Contributions**

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	0	0	77	77
Contributions recognised in equity transfer as at 1 January 2011 which were not expended in the current reporting period	4	0	694	698
Total amount of unexpended contributions as at balance date	4	0	771	775

Comment on restricted assets appears in note 20.

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**15. Service Groups of the Health Service**

**Service Group 1.1 - Primary and Community Based Services**

Service Description: This service group covers the provision of health services to persons attending community health centres or in the home, including health promotion activities, community based women's health, dental, drug and alcohol and HIV/AIDS services. It also covers the provision of grants to non-Government organisations for community health purposes.

Objective: This service group contributes to making prevention everybody's business and strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improved access to early intervention, assessment, therapy and treatment services for claims in a home or community setting
- reduced rate of avoidable hospital admissions for conditions identified in the State Plan that can be appropriately treated in the community and
- reduced rate of hospitalisation from fall-related injury for people aged 65 years and over.

**Service Group 1.2 - Aboriginal Health Services**

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This Service Group excludes most services for Aboriginal people provided directly by Local Health Networks and other general health services which are used by all members of the community).

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- the building of regional partnerships for the provision of health services
- raising the health status of Aboriginal people and
- promoting a healthy lifestyle.

**Service Group 1.3 - Outpatient Services**

Service Description: This service group covers the provision of services provided in outpatient clinics including low level emergency care, diagnostic and pharmacy services and radiotherapy treatment.

Objective: This service group contributes to creating better experiences for people using health services and ensuring a fair and sustainable health system by working towards a range of intermediate results including improving, maintaining or restoring the health of ambulant patients in a hospital setting through diagnosis, therapy, education and treatment services.

**Service Group 2.1 - Emergency Services**

Service Description: This service group covers the provision of emergency ambulance services and treatment of patients in designated emergency departments of public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results including reduced risk of premature death or disability by providing timely emergency diagnostic treatment and transport services.

**Service Group 2.2 - Inpatient Hospital Services**

Service Description: This service group covers the provision of health care to patients admitted to public hospitals.

Objective: This service group contributes to creating better experiences for people using the health system by working towards a range of intermediate results that include the following:

- timely treatment of booked surgical patients, resulting in improved clinical outcomes, quality of life and patient satisfaction and
- reduced rate of unplanned and unexpected hospital readmissions.

**Service Group 3.1 - Mental Health Services**

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Networks and community based organisations for people seriously affected by mental illness and mental health problems. It also includes the development of preventative programs which meet the needs of specific client groups.

Objective: This service group contributes to strengthening primary health and continuing care in the community by working towards a range of intermediate results that include the following:

- improving the health, wellbeing and social functioning of people with disabling mental disorders and
- reducing the incidence of suicide, mental health problems and mental disorders in the community.

**Service Group 4.1 - Rehabilitation and Extended Care Services**

Service Description: This service group covers the provision of appropriate health care services for persons with long-term physical and psycho-physical disabilities and for the frail-aged. It also includes the coordination of the Department's services for the aged and disabled, with those provided by other agencies and individuals.

Objective: This service group contributes to strengthening primary health and continuing care in the community and creating better experiences for people using the health system by working towards a range of intermediate results including improving or maintaining the wellbeing and independent functioning of people with disabilities or chronic conditions, the frail and terminally ill.

**Service Group 5.1 - Population Health Services**

Service Description: This service group covers the provision of health services targeted at broad population groups including environmental health protection, food and poisons regulation and monitoring of communicable diseases.

Objective: This service group contributes to making prevention everybody's business by working towards a range of intermediate results that include the following:

- reduced incidence of preventable disease and disability and
- improved access to opportunities and prerequisites for good health.

**Service Group 6.1 - Teaching and Research**

Service Description: This service group covers the provision of professional training for the needs of the New South Wales health system. It also includes strategic investment in research and development to improve the health and wellbeing of the people of New South Wales.

Objective: This service group contributes to ensuring a fair and sustainable health system by working towards a range of intermediate results that include the following:

- developing the skills and knowledge of the health workforce to support patient care and population health and
- extending knowledge through scientific enquiry and applied research aimed at improving the health and wellbeing of the people of New South Wales.



**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

	<b>PARENT</b>	<b>CONSOLIDATION</b>
	<b>2011</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>16. Cash and Cash Equivalents</b>		
Cash at Bank and On Hand	644	644
Short Term Deposits	698	698
	<u><b>1,342</b></u>	<u><b>1,342</b></u>
Cash & cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:		
Cash and Cash Equivalents (per Statement of Financial Position)	<u>1,342</u>	<u>1,342</u>
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u><b>1,342</b></u>	<u><b>1,342</b></u>

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

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Year Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011 \$000		2011 \$000
	<b>17. Receivables</b>	
	<b>Current</b>	
	(a) Sale of Goods and Services	
558	- Patient Fees	558
162	- Other	162
5,412	Intra Health Receivables NSW Health	5,412
710	Goods and Services Tax	710
	Other Debtors:	
33	- Accrued Income	33
20	- Other	20
<hr/>		<hr/>
6,895	<b>Sub Total</b>	6,895
<hr/>		<hr/>
(77)	Less Allowance for Impairment	(77)
<hr/>		<hr/>
6,818	<b>Sub Total</b>	6,818
<hr/>		<hr/>
24	Prepayments	24
<hr/>		<hr/>
<b>6,842</b>		<b>6,842</b>
	(b) Movement in the Allowance for Impairment	
	Sale of Goods and Services	
(85)	Balance at 1 January 2011	(85)
64	Amounts written off during the reporting period	64
(46)	Increase/(decrease) in Allowance Recognised in	(46)
(67)	Result for the Six Months Ended 30 June 2011	(67)
	Balance at 30 June	
	(c) Movement in the Allowance for Impairment	
	Other Debtors	
0	Balance at 1 January 2011	0
(10)	Increase/(decrease) in Allowance Recognised in	(10)
(10)	Result for the Six Months Ended 30 June 2011	(10)
	Balance at 30 June	
<hr/>		<hr/>
(77)		(77)
	(d) Sale of Goods and Services Receivables include:	
39	Patient Fees - Compensable	39
7	Patient Fees - Ineligible	7
512	Patient Fees - Other	512
<hr/>		<hr/>
<b>558</b>		<b>558</b>

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

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011		2011
\$000		\$000
	<b>18. Inventories Current - Held for Distribution</b>	
153	Drugs	153
<u>106</u>	Other Including Goods in Transit	<u>106</u>
<u><b>259</b></u>		<u><b>259</b></u>

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>		<b>CONSOLIDATION</b>
2011 \$000		2011 \$000
	<b>19. Property, Plant and Equipment</b>	
	<b>Land and Buildings - Fair Value</b>	
96,951	Gross Carrying Amount	96,951
13,539	WIP	13,539
33,675	Less Accumulated Depreciation and Impairment	33,675
<u>76,815</u>	Net Carrying Amount	<u>76,815</u>
	<b>Plant and Equipment - Fair Value</b>	
11,118	Gross Carrying Amount	11,118
436	WIP	436
9,028	Less Accumulated Depreciation and Impairment	9,028
<u>2,526</u>	Net Carrying Amount	<u>2,526</u>
	<b>Infrastructure Systems - Fair Value</b>	
2,701	Gross Carrying Amount	2,701
1,305	Less Accumulated Depreciation and Impairment	1,305
<u>1,396</u>	Net Carrying Amount	<u>1,396</u>
<u>80,737</u>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<u>80,737</u>

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**PARENT AND CONSOLIDATION**

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

	Land	Buildings	Work in Progress	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>						
Net Carrying Amount at 1 January 2011	1,114	63,081	12,950	2,066	1,430	<b>80,641</b>
Additions	0	0	1,089	237	0	<b>1,326</b>
Disposals	0	0	0	(40)	0	<b>(40)</b>
Administrative Restructures - Transfers In/(Out)	0	0	0	99	0	<b>99</b>
Depreciation Expense	0	(982)	0	(273)	(34)	<b>(1,289)</b>
Reclassifications	0	64	(64)	0	0	<b>0</b>
<b>Net Carrying Amount at 30 June 2011</b>	<b>1,114</b>	<b>62,163</b>	<b>13,975</b>	<b>2,089</b>	<b>1,396</b>	<b>80,737</b>

- (i) Land and Buildings include land owned by the Health Administration Corporation and administered by the Network [see note 2(f)].
- (ii) Land and Buildings were valued by Aon Valuation Consultants for Greater Western Area Health Service on 30 June 2009 [see note 2(i)]. Aon Valuation Consultants are not employees of the Network, nor were they employees of the Health Service.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (i). This factor gives consideration to the valuation of Physical Non-Current Assets at Fair Value. The following table details the indice applied to Non Current Assets as determined by the Department of Finance and Services:

Year	Land	Buildings	Infrastructure
09/10	1.01	1.04	1.04
10/11	1.00	1.00	1.00

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

**PARENT**

2011  
\$000

**20. Restricted Assets**

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

**Category**

775

**775**

**CONSOLIDATION**

2011  
\$000

775

**775**

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
**for the Six Months Ended 30 June 2011**

<b>PARENT</b>				<b>2011</b>	<b>2011</b>
	<b>2011</b>	<b>\$000</b>	<b>Current</b>	<b>\$000</b>	<b>\$000</b>
<b>21. Payables</b>					
	0		Accrued Salaries, Wages and On-Costs	1,098	
	0		Taxation and Payroll Deductions	131	
	1,229		Accrued Liability - Purchase of Personnel Services	0	
	1,743		Creditors	1,743	
			Other Creditors		
	939		- Intra Health Liability	939	
	611		- Other	611	
	<u>4,522</u>				<u>4,522</u>

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

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
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<b>PARENT</b>	<b>2011</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>22. Provisions</b>		
<b>Current Employee Benefits and Related On-Costs</b>		
Annual Leave - Short Term Benefit	0	2,710
Annual Leave - Long Term Benefit	0	2,166
Sick Leave	0	427
Long Service Leave On-Costs	0	504
Provision for Personnel Services Liability	<u>5,807</u>	<u>0</u>
<b>Total Current Provisions</b>	<u><b>5,807</b></u>	<u><b>5,807</b></u>
<b>Non-Current Employee Benefits and Related On-Costs</b>		
Long Service Leave On-Costs	0	27
Provision for Personnel Services Liability	<u>27</u>	<u>0</u>
<b>Total Non-Current Provisions</b>	<u><b>27</b></u>	<u><b>27</b></u>
<b>Aggregate Employee Benefits and Related On-Costs</b>		
Provisions - Current	5,807	5,807
Provisions - Non-Current	27	27
Accrued Salaries, Wages and On-Costs (note 21)	0	1,229
Accrued Liability - Purchase of Personnel Services (note 21)	<u>1,229</u>	<u>0</u>
	<u><b>7,063</b></u>	<u><b>7,063</b></u>



**Far West Local Health Network**  
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<b>PARENT</b>	<b>2011</b>	<b>CONSOLIDATION</b>
	<b>\$000</b>	<b>2011</b>
		<b>\$000</b>
<b>23. Other Liabilities</b>		
<b>Current</b>		
Income in Advance	135	135
	<hr/>	<hr/>
	<b>135</b>	<b>135</b>
	<hr/> <hr/>	<hr/> <hr/>

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
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<b>PARENT</b>	<b>2011</b>	<b>2011</b>	<b>CONSOLIDATION</b>
	<b>\$000</b>	<b>\$000</b>	
<b>24. Commitments for Expenditure</b>			
<b>(a) Capital Commitments</b>			
Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure and intangible assets, contracted for at balance date and not provided for:			
Not later than one year	725	725	
Later than one year and not later than five years	482	482	
	<u>1,207</u>		<u>1,207</u>
<b>Total Capital Expenditure Commitments (Including GST)</b>			
Of the commitments reported at 30 June 2011 it is expected that nil will be met from locally generated moneys.			
<b>(b) Other Expenditure Commitments</b>			
Aggregate other expenditure contracted for at balance date and not provided for:			
Not later than one year	257	257	
Later than one year and not later than five years	371	371	
Later than five years	47	47	
	<u>675</u>		<u>675</u>
<b>Total Other Expenditure Commitments (Including GST)</b>			
<b>(c) Operating Lease Commitments</b>			
Commitments in relation to non-cancellable operating leases are payable as follows:			
Not later than one year	637	637	
Later than one year and not later than five years	679	679	
Later than five years	12	12	
	<u>1,328</u>		<u>1,328</u>
<b>Total Operating Lease Commitments (Including GST)</b>			

**Far West Local Health Network**  
**Notes to and forming part of the Financial Statements**  
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<b>PARENT</b>		<b>CONSOLIDATION</b>
2011 \$000	24. Commitments for Expenditure (Continued)	2011 \$000

**(d) Contingent Asset Related to Commitments for Expenditure**

The total of "Commitments for Expenditure" above, i.e. \$3.210 million as at 30 June 2011 includes input tax credits of \$0.291 million that are expected to be recoverable from the Australian Taxation Office.

**Far West Local Health Network**  
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**PARENT AND CONSOLIDATION**

**25. Trust Funds**

The Network holds trust fund monies of \$0.208 million which are used for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts. These monies are excluded from the financial statements as the Network cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	Patient Trust	Refundable Deposits	Private Practice Trust Funds	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000
Cash Balance at the beginning of the financial reporting period	27	144	30	201
Receipts	1	6	1	8
Expenditure	0	(0)	0	(0)
	28	150	31	208

Cash Balance at the end of the financial reporting period

**Far West Local Health Network**  
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**PARENT AND CONSOLIDATED**

**26. Contingent Liabilities and Assets**

**a) Claims on Managed Fund**

The Networks are members of the NSW Treasury Managed Fund. The predecessor organisations were also members since 1 July 1989. The Fund will pay to or on behalf of the Network all sums which it shall become legally liable to pay by way of compensation or legal liability if sued except for employment related, discrimination and harassment claims that do not have statewide implications. The costs relating to such exceptions are to be absorbed by the Network. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the Network or the former Area Health Services. A Solvency Fund (now called Pre-Managed Fund Reserve) was established to deal with the insurance matters incurred before 1 July 1989 that were above the limit of insurance held or for matters that were incurred prior to 1 July 1989 that would have become verdicts against the State. That Solvency Fund will likewise respond to all claims against the Network.

**b) Workers Compensation Hindsight Adjustment**

Treasury Managed Fund normally calculates hindsight premiums each year. However, in regard to workers compensation the final hindsight adjustment for the 2004/05 fund year and an interim adjustment for the 2006/07 fund year were not calculated until 2010/11. As a result, the 2005/06 final and 2007/08 interim hindsight calculations pertaining to the former Great Western Area Health Service will be paid in 2011/12.

It is not possible for the Network to reliably quantify the benefit to be received.

**c) Affiliated Health Organisations**

Based on the definition of control in Australian Accounting Standard AASB127, Consolidated and Separate Financial Statements, Affiliated Health Organisations listed in Schedule 3 of the Health Services Act, 1997 are only recognised in the Network's consolidated financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship which may exist or be formulated between the administering bodies of the organisation, the Network and the Department.



**Far West Local Health Network**  
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**PARENT AND CONSOLIDATED**

**29. Unclaimed Moneys**

Unclaimed salaries and wages are paid to the credit of the NSW Treasury in accordance with the provisions of the *Industrial Relations Act, 1996*.

All money and personal effects of patients which are left in the custody of health services within the Network 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 Networks.

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.

**30. Budget Review - Parent and Consolidated**

**Net Cost of Services**

The actual Net Cost of Services was lower than budget by \$3.238 million, primarily due to a transfer of budget reserves from Health Reform transitional Office Western; retrospective budget received for prior award increases; and patient fees performance. Offsetting overruns were experienced in VMOs and Goods

**Result for the Year**

The result for the year was a surplus of \$3.530 million. This is a result of additional supplementation received from the Department of Health, and is also reflective of the requirement (per Australian Accounting Standards) to report capital allocations in the Statement of Comprehensive Income whereas the expenditure of such money is predominantly recognised in the Statement of Financial Position.

**Assets and Liabilities**

Current assets were significantly higher than budget as a result of short-term liquidity assistance provided to Western NSW Local Health Network.

Current liabilities were also higher than budget, due to overruns in VMO and other operating expenses.

**Cash Flows**

Closing cash and cash equivalents was higher than budget, primarily due to retrospective budget received for prior award increases, partially offset by an increase in debtors.

Movements in the level of the NSW Department of Health Recurrent Allocation that have occurred since the time of the initial allocation on 01/01/2011 are as follows:

	\$000
Initial Allocation, 01/01/2011	21,886
Special Projects:	
Aboriginal Health	77
Caring Together	86
Mental Health	(361)
Other:	
Additional Surgery Funding	150
Award Increases	1,588
Compacts	123
Liquidity Assistance	(164)
Long Service Leave Adjustment	(527)
Miscellaneous	45
Nurse Practitioner Funding	117
Nurse Strategy Funding	6
Reserve Transfer from Health Reform Transitional Office Western	8,252
Superannuation Adjustment	54
Telehealth Equipment	61
Transfer of Transition Organisation	3,503
VMO Funding Increase	84
Balance as per Statement of Comprehensive Income	34,980

Far West Local Health Network  
Notes to and forming part of the Financial Statements  
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**31. Increase/(Decrease) in Net Assets from Equity Transfers**

Net assets of \$75.061 million transferred from the former Greater Western Area Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the Network on that date in accordance with the provisions of the *Health Services Act 1989*.

Consistent with Treasury approval, Long Service Leave liability of \$76.512 million transferred from the Health Service with effect from 31 December 2010 from which time the Crown Entity assumed responsibility for Long Service Leave.

Other equity transfers effected in year were:

	<b>2011</b> <b>\$000</b>
Transfer of ventilator machine to Western NSW LHN	(44)
Transfer of CT machine from Western NSW LHN	142
	98
	98

Assets and Liabilities transferred are as follows:

	<b>2011</b> <b>\$000</b>
<b>Assets</b>	
Cash and Cash Equivalents	891
Receivables	1,173
Inventories	302
Land and Buildings	76,807
Plant and Equipment	2,503
Infrastructure Systems	1,430
	83,106
<b>Liabilities</b>	
Payables	2,260
Provisions	5,687
	7,947
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>75,159</b>



Far West Local Health Network  
Notes to and forming part of the Financial Statements  
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**32. Financial Instruments**

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

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

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

**(a) Financial Instrument Categories**

**PARENT AND CONSOLIDATION**

<b>Financial Assets Class:</b>	<b>Category</b>	<b>Carrying Amount</b>
		<b>2011 \$000</b>
Cash and Cash Equivalents (note 16)	N/A	1,342
Receivables (note 17) <sup>1</sup>	Loans and receivables (at amortised cost)	6,108
Total Financial Assets		<u>7,450</u>

**Financial Liabilities**

Payables (note 21) <sup>2</sup>	Financial liabilities measured at amortised cost	4,488
Total Financial Liabilities		<u>4,488</u>

**Notes**

1 Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

2 Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

**(b) Credit Risk**

Credit risk arises when there is the possibility of the Network's debtors defaulting on their contractual obligations, resulting in a financial loss to the Network. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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

**Far West Local Health Network**  
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**Cash**

Cash comprises cash on hand and bank balances deposited in accordance with Public Authorities (Financial Arrangements) Act approvals. Interest is earned on daily bank balances at rates of approximately 6% in 2010/11.

**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 Department of Health Accounting Manual 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 Network will not be able to collect all amounts due. The evidence includes past experience and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

The Network is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Of the total trade debtors balance at year end, \$0.477 million related to debtors that were not past due and not considered impaired and debtors of \$0.303 million were past due but not considered impaired. Together these represent 91% of total trade debtors.

The Receivables include Patient Fees Compensables which 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 Network's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

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.

	<b>\$000</b>		
<b>2011</b>	<b>Total</b> <sup>1,2</sup>	<b>Past due but not impaired</b> <sup>1,2</sup>	<b>Considered impaired</b> <sup>1,2</sup>
<3 months overdue	281	281	0
3 months - 6 months overdue	47	22	25
> 6 months overdue	52	0	52

**Notes**

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

2 The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

**(c) Liquidity Risk**

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

The Network has negotiated no loan outside of arrangements with the NSW Department of Health or NSW Treasury.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Network's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Department of Health has indicated its ongoing financial support for the Far West Local Health Network (refer Note 2).

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The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Department of Health. 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.

In those instances where settlement cannot be effected in accordance with the above, eg due to short term liquidity constraints, terms of payment are negotiated with creditors.

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

Far West Local Health Network  
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*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Int. Rate	Interest Rate Exposure \$'000			Maturity Dates		
		Nominal Amount 1	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>							
Payables:							
Accrued Salaries		1,229	0	0	1,229	1,229	0
Wages, On-Costs and Payroll Deductions		3,259	0	0	3,259	3,259	0
Creditors		4,488	0	0	4,488	4,488	0

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Network can be required to pay.

Far West Local Health Network  
Notes to and forming part of the Financial Statements  
for the Six Months Ended 30 June 2011

**32. Financial Instruments** (continued)

**d) Market Risk**

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

The effect on profit 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 Network 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 assumes that all other variables remain constant.

*Interest rate risk*

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

However, Networks are not permitted to borrow external to the NSW Department of Health (Energy loans which are negotiated through Treasury excepted).

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

A reasonably possible change of +/-1% is used consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Network's exposure to interest rate risk is set out below.

	<b>\$'000</b>				
	<b>Carrying Amount</b>	<b>-1%</b>		<b>+1%</b>	
		<b>Profit</b>	<b>Equity</b>	<b>Profit</b>	<b>Equity</b>
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,342	(13)	(13)	13	13

**33. Post Balance Date Events**

There are no known post balance date events which affect the 2010/11 financial statements. However, the Health Services Amendment (Local Health Districts and Boards) Act 2011 No. 4 established Local Health Districts with effect from 1 July 2011 in lieu of the previous network structure. A local health district board has been established for each District with the Minister selecting the membership of each board so that the membership has an appropriate mix of skills and expertise to oversee and provide guidance to the district.

A revised governance framework, endorsed by the Minister for Health, requires the dissolution of the three Health Reform Transitional Organisations which operated in 2010/11 to oversight the establishment of Local Health Districts and provide specialty services. Under the revised framework the majority of staff and services will be assigned to Local Health Districts.

END OF AUDITED FINANCIAL STATEMENTS