



## INDEPENDENT AUDITOR'S REPORT

### Nepean Blue Mountains Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Nepean Blue Mountains Local Health District (the District), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entity it controlled at the year's end or from time to time during the financial year.

### Opinion

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 2012, and of the financial performance and the 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* (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 cash flows.

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 of the 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 give a true and fair view and 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 of the financial statements that give a true and fair view 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 District or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- 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 other information that 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 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 roles by the possibility of losing clients or income.



Peter Boulous  
Director, Financial Audit Services

3 October 2012  
SYDNEY

**Nepean Blue Mountains Local Health District**  
**Certification of the Parent/Consolidated Financial Statements**  
**for the year ended 30 June 2012**

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:
  - a) Australian Accounting Standards (which include Australian Accounting Interpretations)
  - b) the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulations 2010* and the Treasurer's Directions;
  - c) the Financial Reporting Code for NSW Government Sector Entities
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Nepean Blue Mountains Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.

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

Kay Hyman  
**Chief Executive Officer**  
3 October 2012

Start of Audited Financial Statements

**Nepean Blue Mountains Local Health District**  
**Statement of Comprehensive Income for the year ended 30 June 2012**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2012	2012	Period ended 30 June 2011		2012	2012	Period ended 30 June 2011
\$000	\$000	\$000		\$000	\$000	\$000
<b>Expenses excluding losses</b>						
<b>Operating Expenses</b>						
-	-	-	Employee Related	3	340,185	157,679
340,185	344,751	157,679	Personnel Services	4	-	-
22,498	20,495	9,739	Visiting Medical Officers		22,498	9,739
192,980	179,462	102,942	Other Operating Expenses	5	192,980	102,942
18,165	19,235	9,007	Depreciation and Amortisation	2(i), 6	18,165	9,007
347	18	228	Grants and Subsidies	7	347	228
1,076	1,190	623	Finance Costs	8	1,076	623
3,165	3,360	-	Payments to Affiliated Health Organisations	9	3,165	-
<b>578,416</b>	<b>568,511</b>	<b>280,218</b>	<b>Total Expenses excluding losses</b>		<b>578,416</b>	<b>280,218</b>
<b>Revenue</b>						
477,225	476,401	227,634	NSW Ministry of Health Recurrent Allocations	2(d)	477,225	227,634
46,065	44,512	37,789	NSW Ministry of Health Capital Allocations	2(d)	46,065	37,789
-	-	(11)	Asset Sales Proceeds Transferred to the Ministry of Health		-	(11)
-	-	-	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	18,307	7,504
46,844	38,324	22,358	Sale of Goods and Services	10	46,844	22,358
737	1,755	669	Investment Revenue	11	737	669
24,865	26,369	10,053	Grants and Contributions	12	6,558	2,549
3,567	3,676	705	Other Revenue	14	3,567	705
<b>599,303</b>	<b>591,037</b>	<b>299,197</b>	<b>Total Revenue</b>		<b>599,303</b>	<b>299,197</b>
(270)	(225)	(5,124)	Gain / (Loss) on Disposal	15	(270)	(5,124)
(8,213)	(8,901)	(186)	Other Gains / (Losses)	16	(8,213)	(186)
<b>12,404</b>	<b>13,400</b>	<b>13,669</b>	<b>Net Result</b>	31	<b>12,404</b>	<b>13,669</b>
<b>Other Comprehensive Income</b>						
Net Increase/(Decrease) in						
Property, Plant & Equipment						
141	-	-	Asset Revaluation Surplus		141	-
<b>141</b>	<b>-</b>	<b>-</b>	<b>Total Other Comprehensive Income for the year</b>		<b>141</b>	<b>-</b>
<b>12,545</b>	<b>13,400</b>	<b>13,669</b>	<b>TOTAL COMPREHENSIVE INCOME</b>		<b>12,545</b>	<b>13,669</b>

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District  
Statement of Financial Position as at 30 June 2012**

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2012	2012	30 June 2011		2012	2012	30 June 2011
\$000	\$000	\$000		\$000	\$000	\$000
<b>ASSETS</b>						
<b>Current Assets</b>						
26,644	42,624	25,214	Cash and Cash Equivalents	19	26,644	25,214
13,332	11,170	14,093	Receivables	20	13,332	14,093
3,325	3,358	3,454	Inventories	21	3,325	3,454
<b>43,301</b>	<b>57,152</b>	<b>42,761</b>	<b>Total Current Assets</b>		<b>43,301</b>	<b>42,761</b>
<b>Non-Current Assets</b>						
793	762	762	Receivables	20	793	762
Property, Plant and Equipment						
445,436	448,440	431,312	- Land and Buildings	22	445,436	431,312
31,812	22,664	26,330	- Plant and Equipment	22(2)	31,812	26,330
3,326	2,291	2,291	- Infrastructure Systems	22(2)	3,326	2,291
<b>480,574</b>	<b>473,395</b>	<b>459,933</b>	<b>Total Property, Plant and Equipment</b>		<b>480,574</b>	<b>459,933</b>
<b>481,367</b>	<b>474,157</b>	<b>460,695</b>	<b>Total Non-Current Assets</b>		<b>481,367</b>	<b>460,695</b>
<b>524,668</b>	<b>531,309</b>	<b>503,456</b>	<b>Total Assets</b>		<b>524,668</b>	<b>503,456</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
44,283	41,861	43,303	Payables	24	44,283	43,303
2,435	3,444	2,907	Borrowings	25	2,435	2,907
51,562	46,571	43,206	Provisions	26	51,562	43,206
764	803	803	Other	27	764	803
<b>99,044</b>	<b>92,679</b>	<b>90,219</b>	<b>Total Current Liabilities</b>		<b>99,044</b>	<b>90,219</b>
<b>Non-Current Liabilities</b>						
8,398	22,492	10,847	Borrowings	25	8,398	10,847
284	495	146	Provisions	26	284	146
<b>8,682</b>	<b>22,987</b>	<b>10,993</b>	<b>Total Non-Current Liabilities</b>		<b>8,682</b>	<b>10,993</b>
<b>107,726</b>	<b>115,666</b>	<b>101,212</b>	<b>Total Liabilities</b>		<b>107,726</b>	<b>101,212</b>
<b>416,942</b>	<b>415,643</b>	<b>402,244</b>	<b>Net Assets</b>		<b>416,942</b>	<b>402,244</b>
<b>EQUITY</b>						
141	-	-	Reserves		141	-
416,801	415,644	402,244	Accumulated Funds		416,801	402,244
<b>416,942</b>	<b>415,644</b>	<b>402,244</b>	<b>Total Equity</b>		<b>416,942</b>	<b>402,244</b>

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District**  
**Statement of Changes in Equity for the year ended 30 June 2012**

	Notes	Accumulated Funds	Asset Revaluation Surplus	Total
		\$000	\$000	\$000
<b>Balance at 1 July 2011</b>		402,244	-	402,244
<b>Net Result for the year</b>		12,404	-	12,404
<b>Other Comprehensive Income:</b>				
Net Increase/(Decrease) in Property, Plant & Equipment		-	141	141
<b>Total Other Comprehensive Income</b>		-	141	141
<b>Total Comprehensive Income for the year</b>		12,404	141	12,545
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	35	2,153	-	2,153
<b>Balance at 30 June 2012</b>		<b>416,801</b>	<b>141</b>	<b>416,942</b>
<b>Balance at 1 January 2011</b>				
<b>Net Result for the year</b>		13,669	-	13,669
<b>Other Comprehensive Income:</b>				
<b>Total Other Comprehensive Income</b>		-	-	-
<b>Total Comprehensive Income for the year</b>		<b>13,669</b>	<b>-</b>	<b>13,669</b>
<b>Transactions With Owners In Their Capacity As Owners</b>				
Increase/(Decrease) in Net Assets From Equity Transfers	35	388,575	-	388,575
<b>Balance at 30 June 2011</b>		<b>402,244</b>	<b>-</b>	<b>402,244</b>

The accompanying notes form part of these financial statements.

**Nepean Blue Mountains Local Health District**  
Statement of Cash Flows for the year ended 30 June 2012

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2012	2012	Period ended 30 June 2011	Notes	2012	2012	Period ended 30 June 2011
\$000	\$000	\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
-	-	-		(330,819)	(346,793)	(157,586)
(3,965)	(3,107)	(251)		(3,965)	(3,107)	(251)
(917)	-	(685)		(917)	-	(685)
(561,153)	(512,154)	(246,057)		(230,334)	(165,361)	(88,471)
<b>(566,035)</b>	<b>(515,261)</b>	<b>(246,993)</b>		<b>(566,035)</b>	<b>(515,261)</b>	<b>(246,993)</b>
<b>Receipts</b>						
477,225	476,401	227,634		477,225	476,401	227,634
46,065	44,512	37,789		46,065	44,512	37,789
-	-	(11)		-	-	(11)
-	-	1,728		18,307	19,466	1,728
36,520	40,252	20,033		36,520	40,252	20,033
737	1,035	1,138		737	1,035	1,138
23,817	26,369	1,866		5,510	6,903	1,866
29,991	(13,927)	1,312		29,991	(13,927)	1,312
<b>614,355</b>	<b>574,642</b>	<b>291,489</b>		<b>614,355</b>	<b>574,642</b>	<b>291,489</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>48,320</b>	<b>59,381</b>	<b>44,496</b>	31	<b>48,320</b>	<b>59,381</b>	<b>44,496</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
42	-	435		42	-	435
-	-	-		-	-	-
(44,473)	(59,127)	(42,851)		(44,473)	(59,127)	(42,851)
-	-	-		-	-	-
<b>(44,431)</b>	<b>(59,127)</b>	<b>(42,416)</b>		<b>(44,431)</b>	<b>(59,127)</b>	<b>(42,416)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
-	-	11,103		-	-	11,103
(3,080)	13,253	(1,999)		(3,080)	13,253	(1,999)
<b>(3,080)</b>	<b>13,253</b>	<b>9,104</b>		<b>(3,080)</b>	<b>13,253</b>	<b>9,104</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>NET INCREASE / (DECREASE) IN CASH</b>						
809	13,507	11,184		809	13,507	11,184
25,214	29,117	-		25,214	29,117	-
621	-	14,030	35	621	-	14,030
<b>26,644</b>	<b>42,624</b>	<b>25,214</b>	19	<b>26,644</b>	<b>42,624</b>	<b>25,214</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>						

The accompanying notes form part of these financial statements.

Nepean Blue Mountains Local Health District  
Service Group Statements  
for the Year Ended 30 June 2012

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total					
	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **	2012	2011 **		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
<b>Expenses excluding losses</b>																										
Operating Expenses																										
Employee Related	25,922	12,015	136	63	25,650	11,889	37,080	17,187	172,610	80,006	32,726	15,169	37,727	17,487	2,688	1,246	5,646	2,617								
Visiting Medical Officers	291	126	-	-	1,148	497	2,476	1,072	16,970	7,346	982	425	580	251	-	-	51	22								
Other Operating Expenses	20,398	10,881	39	21	12,043	6,424	18,951	10,109	112,372	59,943	5,828	3,109	8,993	4,797	4,342	2,316	10,014	5,342								
Depreciation and Amortisation	1,418	703	2	1	3,374	1,673	2,003	993	10,318	5,116	131	65	756	375	117	58	46	23								
Grants and Subsidies	293	193	-	-	-	-	-	-	-	-	-	-	-	-	-	34	2	1								
Finance Costs	-	-	-	-	-	-	150	87	883	511	43	25	-	-	52	-	-	-								
Payments to Affiliated Health Organisations	241	-	1	-	239	-	345	-	1,606	351	304	-	-	-	25	-	53	-								
<b>Total Expenses excluding losses</b>	<b>48,563</b>	<b>23,918</b>	<b>178</b>	<b>85</b>	<b>42,454</b>	<b>20,483</b>	<b>61,005</b>	<b>29,448</b>	<b>314,759</b>	<b>152,922</b>	<b>40,014</b>	<b>18,793</b>	<b>48,407</b>	<b>22,910</b>	<b>7,224</b>	<b>3,654</b>	<b>15,812</b>	<b>8,005</b>								
<b>Revenue</b>																										
NSW Ministry of Health Recurrent Allocations ***																										
NSW Ministry of Health Capital Allocations ***																										
Asset Sale Proceeds Transferred to the NSW Ministry of Health																										
Acceptance by the Crown Entity																										
of Employee Benefits and Other Liabilities																										
Sale of Goods and Services	1,395	6,352	7	-	1,380	-	1,995	-	9,290	-	1,761	-	2,030	-	145	1,119	304	33								
Investment Revenue	511	244	-	-	8,465	4,040	281	134	33,035	15,767	266	127	2,145	1,024	117	56	2,024	966								
Grants and Contributions	1	1	-	-	92	129	-	-	501	339	4	5	6	9	-	-	133	186								
Other Revenue	51	20	-	-	3,129	1,216	10	4	1,057	411	26	10	1,714	666	-	-	571	222								
	262	25	-	-	787	75	199	19	357	399	94	9	787	75	252	24	829	79								
<b>Total Revenue</b>	<b>2,220</b>	<b>6,641</b>	<b>7</b>	<b>-</b>	<b>13,853</b>	<b>5,459</b>	<b>2,485</b>	<b>156</b>	<b>44,240</b>	<b>16,910</b>	<b>2,151</b>	<b>151</b>	<b>6,682</b>	<b>1,773</b>	<b>514</b>	<b>1,199</b>	<b>3,861</b>	<b>1,485</b>								
Gain / (Loss) on Disposal	(1)	(10)	-	-	-	(5)	(4)	(77)	(242)	(4,576)	-	-	(3)	(59)	(20)	(399)	-	(8)								
Other Gains / (Losses)	(68)	(2)	-	-	(1,501)	(34)	(44)	(1)	(5,786)	(131)	(44)	(1)	(397)	(9)			(353)	(8)								
<b>Net Result</b>	<b>(46,432)</b>	<b>(17,289)</b>	<b>(171)</b>	<b>(85)</b>	<b>(30,102)</b>	<b>(15,063)</b>	<b>(58,568)</b>	<b>(29,370)</b>	<b>(276,547)</b>	<b>(140,719)</b>	<b>(37,907)</b>	<b>(18,643)</b>	<b>(42,125)</b>	<b>(21,205)</b>	<b>(6,730)</b>	<b>(2,844)</b>	<b>(12,304)</b>	<b>(6,536)</b>								
<b>Other Comprehensive Income</b>																										
Increase/(Decrease) in Asset Revaluation Reserve	2	-	-	-	25	-	1	-	99	-	2	-	6	-	-	-	6	-								
<b>Total Other Comprehensive Income</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>99</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>								
<b>Total Comprehensive Income</b>	<b>(46,430)</b>	<b>(17,289)</b>	<b>(171)</b>	<b>(85)</b>	<b>(30,077)</b>	<b>(15,063)</b>	<b>(58,567)</b>	<b>(29,370)</b>	<b>(276,448)</b>	<b>(140,719)</b>	<b>(37,905)</b>	<b>(18,643)</b>	<b>(42,119)</b>	<b>(21,205)</b>	<b>(6,730)</b>	<b>(2,844)</b>	<b>(12,298)</b>	<b>(6,536)</b>								

Service Group Statements focus on the key measures of service delivery performance.

\* The purpose of each service group is summarised in Note 18.

\*\* Comparatives for 2011 are for the six months ended 30 June 2011.

\*\*\* Allocations are made on an entity basis and not to individual Service Groups. Consequently, allocations must be included in "Not Attributable" column.

The Service Group Statement allocated the current year's expenses and revenue's to each service group

No changes have occurred during the period between 1 January 2012 and 30 June 2012 which would materially impact this allocation.



Nepean Blue Mountains Local Health District  
Service Group Statements (Continued)  
for the Year Ended 30 June 2012

DISTRICT ASSETS AND LIABILITIES	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Not Attributable		Total			
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	\$000	\$000	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>ASSETS</b>																								
<b>Current Assets</b>																								
Cash and Cash Equivalents	4,790	4,533	3	3	1,434	1,357	2,891	2,736	14,834	14,037	782	826	855	809	709	671	302	286	-	-	-	-	25,214	25,214
Receivables	309	327	-	-	3,344	3,534	210	222	5,493	5,806	140	132	1,790	1,892	241	255	1,813	1,917	-	-	-	-	13,332	14,083
Inventories	351	365	1	1	208	216	326	339	1,937	2,011	100	104	155	161	75	78	172	179	-	-	-	-	3,325	3,454
<b>Total Current Assets</b>	5,450	5,225	4	4	4,986	5,107	3,427	3,297	22,264	21,854	1,026	1,058	2,800	2,862	1,025	1,004	2,287	2,382	-	-	-	-	43,301	42,761
<b>Non-Current Assets</b>																								
Receivables	19	18	-	-	199	191	12	12	327	314	8	8	106	102	15	14	107	103	-	-	-	-	793	762
Property, Plant and Equipment																								
- Land and Buildings	34,788	33,685	44	43	82,718	80,095	49,132	47,574	253,007	244,985	3,207	3,105	18,531	17,943	2,850	2,760	1,159	1,122	-	-	-	-	445,436	431,312
- Plant and Equipment	2,484	2,056	4	3	5,904	4,887	3,507	2,903	18,076	14,960	228	189	1,323	1,095	203	168	83	69	-	-	-	-	31,812	26,330
- Infrastructure Systems	260	179	-	-	617	425	367	253	1,888	1,301	25	25	17	138	95	22	15	6	-	-	-	-	3,326	2,291
<b>Total Non-Current Assets</b>	37,551	35,938	48	46	89,438	85,598	53,018	50,742	273,298	261,560	3,468	3,319	20,098	19,235	3,090	2,957	1,358	1,300	-	-	-	-	481,367	460,695
<b>TOTAL ASSETS</b>	43,001	41,163	52	50	94,424	90,705	56,445	54,039	295,562	283,414	4,526	4,345	22,898	22,097	4,115	3,961	3,645	3,682	-	-	-	-	524,668	503,456
<b>LIABILITIES</b>																								
<b>Current Liabilities</b>																								
Payables	7,961	7,785	4	4	2,383	2,330	4,805	4,699	24,653	24,106	1,342	1,372	1,421	1,390	1,178	1,152	506	495	-	-	-	-	44,283	43,303
Borrowings	-	-	-	-	-	-	341	407	1,997	2,384	97	116	-	-	-	-	-	-	-	-	-	-	2,435	2,907
Provisions	3,929	3,292	20	17	3,888	3,258	5,620	4,709	26,162	21,923	4,960	4,156	5,719	4,792	407	341	857	718	-	-	-	-	51,562	43,206
Other	137	144	-	-	41	43	83	87	424	447	24	24	25	26	20	21	10	10	-	-	-	-	764	803
<b>Total Current Liabilities</b>	12,027	11,221	24	21	6,312	5,631	10,849	9,902	53,236	48,860	6,453	5,639	7,165	6,208	1,605	1,514	1,373	1,223	-	-	-	-	99,044	90,219
<b>Non-Current Liabilities</b>																								
Borrowings	-	-	-	-	-	-	1,176	1,519	6,887	8,895	335	433	-	-	-	-	-	-	-	-	-	-	8,398	10,847
Provisions	21	11	-	-	21	11	31	16	145	74	27	14	31	16	2	1	6	3	-	-	-	-	284	146
<b>Total Non-Current Liabilities</b>	21	11	-	-	21	11	1,207	1,535	7,032	8,969	362	447	31	16	2	1	6	3	-	-	-	-	8,682	10,993
<b>TOTAL LIABILITIES</b>	12,048	11,232	24	21	6,333	5,642	12,056	11,437	60,268	57,829	6,815	6,086	7,196	6,224	1,607	1,515	1,379	1,226	-	-	-	-	107,726	101,212
<b>NET ASSETS</b>	30,953	29,931	28	29	88,091	85,063	44,389	42,602	235,294	225,585	(2,289)	(1,741)	15,702	15,873	2,508	2,446	2,266	2,456	-	-	-	-	416,942	402,244

\* The name and purpose of each service group is summarised in Note 18

Assets and liabilities that are specific to service groups are allocated accordingly. Remaining assets and liabilities are apportioned to service groups in accordance with the methodology advised in Note 2(ae), thereby ensuring that the benefit of each asset and the liabilities incurred in the provision of services are duly recognised in each service group.

Nepean Blue Mountains Local Health District  
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**1. The Reporting Entity**

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

The District as a reporting entity, comprises all the entities under its control, namely Nepean Hospital, Blue Mountains Hospital, Springwood Hospital, Lithgow Hospital, Portland Hospital.

The parent 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 District.

The District controls the Nepean Blue Mountains Local Health District 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 a District to exercise its functions.

As a consequence the values in the annual financial statements presented herein consist of the parent entity and the consolidated entity which comprises the parent and special purpose service division. 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.

The reporting entity is a NSW Government entity which is consolidated as part of the NSW Ministry of Health and NSW Total State Sector Accounts. The District is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2012 have been authorised for issue by the Chief Executive on 03 October 2012.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The District'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 Health Services

Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and its regulations, and the Treasurers' Direction. Apart from the basis for the District's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ac).

Notwithstanding the consolidated entity has a working capital deficiency of \$57.049M 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 District have been prepared on a going concern basis.

As has been the case in prior years, the NSW Ministry of Health issued a letter of financial support on 27 September 2012 confirming that the District 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 debts as and when they become due and payable.

Other mitigating circumstances why the going concern is appropriate include:

- \* The District has the capacity to review timing of subsidy cashflows to ensure that they can pay debts as and when they become due and payable.
- \* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefit from the EIP are retained by the district and assist in meeting its overall budget target. The EIP is monitored and evaluated by the Ministry throughout the financial year.

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

**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. The comparative period is a six month period as the entity was established on 1 January 2011.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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**Statement of Compliance**

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

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% are applied to the value of leave payable at 30 June 2012, such on-costs being based on actuarial assessment (Comparable on-costs for 30 June 2011 were also 17%).

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**

The District's liability for Long Service Leave and defined benefit superannuation are assumed by the Crown Entity.

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 26.

Long Service Leave is measured at present value in accordance with AASB119, *Employee Benefits*. This is based on the application of certain factors (specified in NSW Treasury Circular 12/06) to employees with five or more years of service, using current rates of pay. These approximate present value.

The District's liability for the closed superannuation pool schemes (State Authorities Superannuation Scheme and State Superannuation Scheme) is assumed by the Crown Entity.

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'.

Any liability attached to Superannuation Guarantee Charge cover is reported in Note 24, 'Payables'.

The superannuation expense for the reporting period is determined by using the formulae specified by the NSW Treasury. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**iii) Other Provisions**

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

**b) Insurance**

The District'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 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**

Nepean Blue Mountains Local Health District  
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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 Ministry of Health.

*High Cost Drugs*

High cost drug revenue is paid by the Commonwealth through Medicare and reflects the recoupment of costs incurred for Section 100 highly specialised drugs, in accordance with the terms of the Commonwealth agreement. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria is met in respect of day admitted patients, non admitted patients or patients on discharge.

*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 accidents.

Nepean Blue Mountains Local Health District  
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*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. Payment for inpatient services are based on admitted public activity whilst payments for non admitted patients are subject to a block grant paid to the credit of the NSW Ministry of Health.

*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.

*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 Ministry of Health. Charges consist of two components:

- \* a monthly charge raised by the Ministry 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 District use in the advancement of the District or individuals within it.

*Use of Outside Facilities*

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

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

*Grants and Contributions*

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

*NSW Ministry of Health Allocations*

Payments are made by the NSW Ministry of Health 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 Ministry. Allocations are normally recognised upon the receipt of Cash.

General operating expenses/revenues of \$3.165m have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments made to the Health Organisations concerned. The District is not deemed to own or control the various assets/liabilities of the aforementioned Health Organisations and such amounts have been excluded from the Statement of Financial Position. Any exceptions are specifically listed in the notes that follow.

**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 District 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) Interstate Patient Flows**

Districts recognise the value of inflows for acute inpatient treatment provided to residents from other States and territories. The revenue values reported within the financial statements have been based on 2010/11 activity data using standard cost weighted separation values to reflect estimated costs in 2011/12 for acute weighted inpatient separations.

The composition of interstate patient flow revenue is disclosed in Note 10.

**g) Acquisition of Assets**

Nepean Blue Mountains Local Health District  
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The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the District. 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(z)).

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, i.e. 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 District are deemed to be controlled by the District and are reflected as such in the financial statements.

Nepean Blue Mountains Local Health District  
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**h) Capitalisation Thresholds**

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

**i) 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 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%
Demountable	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.

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

Physical non-current assets are valued in accordance with the NSW Ministry 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 and AASB140, Investment Property.

Investment property is separately discussed at Note 2(o).

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.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is the depreciated replacement cost.

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District as at 1 January 2011 was completed in July 2012 and was based on an independent assessment

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 net result for the year, the increment is recognised immediately as revenue in the Net Result.

Nepean Blue Mountains Local Health District  
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Revaluation decrements are recognised immediately as expenses in the net 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.



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

As a not-for-profit entity with no cash generating units, the District 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.

**l) Assets Not Able to be Reliably Measured**

The District may at times hold certain assets that are not recognised in the Statement of Financial Position because the District is unable to measure reliably the value of the assets.

**m) 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.

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

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

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

**o) Investment Properties**

Investment property is held to earn rentals or for capital appreciation, or both. However, for not-for-profit entities, property held to meet service delivery objectives rather than to earn rental or for capital appreciation does not meet the definition of investment property and is accounted for under AASB 116 Property, Plant and Equipment.

The District does not have any property that meets the definition of investment properties.

**p) Intangible Assets**

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

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

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

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

Computer software developed or acquired by the District are recognised as intangible assets and are amortised over 5 years using the straight line method based on the useful life of the asset for both internally developed assets and direct acquisitions.

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

**q) 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.

**r) 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.

**s) Inventories**

Inventories are stated at the lower of cost and net realisable value, adjusted when applicable, for any loss of service potential. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

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

Nepean Blue Mountains Local Health District  
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**t) 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 Net Result when impaired, derecognised or through the amortisation process.

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

**u) Investments**

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

*\* Fair value through profit or loss - The Nepean Blue Mountains Local Health District subsequently measures investments classified as 'held for trading' or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result for the year.*

The Hour-Glass Investment facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the Districts' key management personnel.

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

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments guaranteed by the State market exposures.

The movement in the fair value of the Hour-Glass Investment facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.

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

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

**v) Impairment of financial assets**

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

For 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.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously 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, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" must be made through the reserve. 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.

**w) De-recognition of financial assets and financial liabilities**

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

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

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

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

**x) Payables**

These amounts represent liabilities for goods and services provided to the District and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value.

Nepean Blue Mountains Local Health District  
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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.

y) **Borrowings**

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

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

Nepean Blue Mountains Local Health District  
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**z) 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 entities are recognised at the amount at which the assets and liabilities were 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.

**aa) Equity and Reserves**

**(i) Asset Revaluation Surplus**

The asset 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 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.

**ab) Trust Funds**

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

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

**ac) Budgeted Amounts**

The budgeted amounts are drawn from the budgets agreed with the NSW Health Ministry at the beginning of the financial year and with any adjustments for the effects of additional supplementation provided. The budget amounts are not subject to audit review and, accordingly, the relevant column entries in the financial statements are denoted as "Unaudited".

**ae) Service Group Statements Allocation Methodology**

Expenses and revenues are assigned to service groups in accordance with statistical data for the twelve months ended 31 December 2011 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 Ministry requires that District 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 Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

**af) New Australian Accounting Standards Issued but not Effective**

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 District.

Nepean Blue Mountains Local Health District  
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AASB 9 and AASB 2010-7, Financial Instruments have mandatory application from 1 July 2013 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. Financial assets of the District are not significant and the change is not expected to materially impact the financial statements.

AASB 10, Consolidated Financial Statements has mandatory application from 1 July 2013 and provides replacement criteria for the assessment of control in lieu of the provisions of AASB 127. Changes to the reporting of consolidated entities is not expected as a result of this amendment.

AASB 11, Joint Arrangements has mandatory application from 1 July 2013 and defines joint control and the determination of joint control through an assessment of rights and obligations. The Standard is not expected to have any effect within the District.

AASB 12, Disclosure of Interests in Other Entities, has mandatory application from 1 July 2013 and requires disclosure of significant judgements and assumptions made in determining the nature of its interests in another entity or arrangement. It is not expected that the changes will have material impact on the District.

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 July 2013 and address, inter alia, the assumption that market participants would use when pricing the asset or liability. Future impact is assessed as minimal.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 July 2013 and cover the recognition and measurement of short term and long term employee benefits. Any changes to the 2012/13 financial statements will be dependent on the policy of NSW Treasury.

AASB 127, Separate Financial Statements, has mandatory application from 1 July 2013 and applies in accounting for interests in subsidiaries, joint ventures and associates. Based on current activities, it is assessed as having no future impact on the District.

AASB 128, Investments in Associates and Joint Ventures, has mandatory application from 1 July 2013 and, based on current activities, is assessed as having no impact on the District.

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 2010-8, Deferred Tax: Recovery of Underlying Assets has application from 1 July 2012 and addresses deferred tax relating to investment property. It is assessed as having no impact on the District.

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 District.

AASB 2011-2, Trans Tasman Convergence Project - Reduced Disclosure Requirements, has mandatory application from 1 July 2013 and may result in a lessening of reporting requirements, dependent on the mandate of Treasury.

AASB 2011-3, Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and related amendments has application from 1 July 2012 and changes in disclosure will be dependent on the mandate of Treasury.

AASB 2011-4, Amendments to Australian Accounting Standards To Remove Individual Key Management Personnel Disclosure Requirements, has application from 1 July 2013 and removes the requirement to individually report the remuneration to Key Management Personnel, recognising that this is more a governance issue.

AASB 2011-6, Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements (AASB 127, AASB 128 and AASB 131), applies from 1 July 2013.

The exemptions from preparing the consolidation is not expected to apply to the District.

AASB 2011-7, Amendments to Australian Accounting Standards for the consolidation and joint arrangement standards, arise from the issuance of AASB 10, AASB 11, AASB 12, AASB 127, and AASB 128. The changes have application from 1 July 2013 but are assessed as having no material effect.

AASB 2011-8, Amendments to Australian Accounting Standards, Fair Value Measurement affects 32 standards and nine interpretations, consequential to the new requirements contained in AASB 13, Fair Value Measurement. The change is effective from 1 July 2013.

AASB 2011-9, Amendments to Australian Accounting Standards, Presentation of Items of Other Comprehensive Income has application from 1 July 2012. The amendments requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassified to Profit or Loss. No change is expected.

AASB 2011-10, Amendments to Australian Accounting Standards arising from AASB 119 has application from 1 July 2013 and makes consequential amendments to 7 standards and 1 interpretation to the changes made by AASB 119, Employee Entitlements. Any change to the 2013/14 will be dependent on the policy of NSW Treasury.

AASB 2011-11, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

Nepean Blue Mountains Local Health District  
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AASB 2011-12, Amendments to AASB 119 arising from Reduced Disclosure Requirements, has application from 1 July 2013 and any changes will be dependent on the mandate of NSW Treasury.

AASB 2011-13, Amendments to Australian Accounting Standard - Improvements to AASB 1049, has application from 1 July 2013 and relates to the Whole of Government General Purpose Financial Statements and General Government Sector Financial Statements. Any change will be dependent on the mandate of NSW Treasury.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2012	Period ended 30 June 2011		2012	Period ended 30 June 2011
\$000	\$000		\$000	\$000
<b>3. Employee Related</b>				
Employee related expenses comprise the following:				
-	-	Salaries and Wages	221,394	101,165
-	-	Overtime	12,160	6,413
-	-	Penalties	22,292	12,270
-	-	Superannuation - Defined Benefit Plans	4,058	2,692
-	-	Superannuation - Defined Contribution Plans	22,378	10,458
-	-	Long Service Leave	14,249	4,305
-	-	Annual Leave	28,176	14,374
-	-	Sick Leave and Other Leave	9,489	4,205
-	-	Redundancies	116	1
-	-	Workers' Compensation Insurance	5,873	1,796
<u>-</u>	<u>-</u>		<u>340,185</u>	<u>157,679</u>
The following additional information is provided:				
-	-	Employee Related Expenses Capitalised - Land and Buildings	-	1
<b>4. Personnel Services</b>				
Personnel Services comprise the purchase of the following:				
221,394	101,165	Salaries and Wages	-	-
12,160	6,413	Overtime	-	-
22,292	12,270	Penalties	-	-
4,058	2,692	Superannuation - Defined Benefit Plans	-	-
22,378	10,458	Superannuation - Defined Contribution Plans	-	-
14,249	4,305	Long Service Leave	-	-
28,176	14,374	Annual Leave	-	-
9,489	4,205	Sick Leave and Other Leave	-	-
116	1	Redundancies	-	-
5,873	1,796	Workers' Compensation Insurance	-	-
<u>340,185</u>	<u>157,679</u>		<u>-</u>	<u>-</u>
<b>5. Other Operating Expenses</b>				
2,794	1,447	Blood and Blood Products	2,794	1,447
4,971	2,487	Domestic Supplies and Services	4,971	2,487
18,876	9,164	Drug Supplies	18,876	9,164
7,560	3,472	Food Supplies	7,560	3,472
3,230	1,540	Fuel, Light and Power	3,230	1,540
24,079	27,398	General Expenses (See (b) below)	24,079	27,398
3,123	1,197	Hospital Ambulance Transport Costs	3,123	1,197
5,376	2,692	Information Management Expenses	5,376	2,692
643	318	Insurance	643	318
Maintenance (See (c) below)				
601	780	Maintenance Contracts	601	780
3,733	1,928	New/Replacement Equipment under \$10,000	3,733	1,928
4,312	1,634	Repairs Maintenance/Non Contract	4,312	1,634
(230)	(117)	Other	(230)	(117)
27,420	12,374	Medical and Surgical Supplies	27,420	12,374
1,012	354	Motor Vehicle Expenses	1,012	354
1,239	499	Postal and Telephone Costs	1,239	499
1,067	658	Printing and Stationery	1,067	658
691	303	Rates and Charges	691	303
1,096	378	Rental	1,096	378
30,510	10,588	Special Service Departments	30,510	10,588
1,836	764	Staff Related Costs	1,836	764
47,081	22,469	Sundry Operating Expenses (See (a) below)	47,081	22,469
1,960	615	Travel Related Costs	1,960	615
<u>192,980</u>	<u>102,942</u>		<u>192,980</u>	<u>102,942</u>

Nepean Blue Mountains Local Health District  
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**PARENT**

	Period ended 30 June 2011
<b>2012</b>	<b>\$000</b>
	47,045
	33
	<b>47,078</b>
	22,469
	<b>22,469</b>

**(a) Sundry Operating Expenses comprise :**

Contract for Patient Services	47,045	22,469
Isolated Patient Travel and Accommodation Assistance Scheme	33	-
	<b>47,078</b>	<b>22,469</b>

**(b) General Expenses include :-**

Advertising	78	7
Auditor's Remuneration - Audit of Financial Statements	115	22
Auditor's Remuneration - Other Services	11	4
Books, Magazines and Journals	223	32
Consultancies		
- Capital Works	2	-
- Operating Activities	65	50
Corporate Support Services	2,948	1,198
Courier and Freight	219	98
Data Recording and Storage	348	177
Legal Services	344	65
Membership/Professional Fees	153	35
Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,662	785
Other Operating Lease Expense - Minimum Lease Payments	1,754	1,353
Payroll Services	4	-
Quality Assurance/Accreditation	62	-
Security Services	842	373
Services Purchased from Health Reform Transition Organisations	-	23,800
Translator Services	2	1
Other	15,248	(603)

Reference is made to Note 5(b) other. \$6.712 million is for HRTO net costs transferred to the District for the period 1 July to 31 October.

**(c) Reconciliation of Total Maintenance**

Maintenance Expense - Contracted Labour and Other (Non-Employee Related), included in Note 5	8,416	4,225
Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	1,237	599
Total Maintenance Expenses included in Notes 3, 4 and 5	<b>9,653</b>	<b>4,824</b>

**CONSOLIDATION**

	2012	Period ended 30 June 2011
<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
	47,045	22,469
	33	-
	<b>47,078</b>	<b>22,469</b>

	78	7
	115	22
	11	4
	223	32
	2	-
	65	50
	2,948	1,198
	219	98
	348	177
	344	65
	153	35
	1,662	785
	1,754	1,353
	4	-
	62	-
	842	373
	-	23,800
	2	1
	15,248	(603)

	8,416	4,225
	1,237	599
	<b>9,653</b>	<b>4,824</b>



Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2012</b>	Period ended 30 June 2011		<b>2012</b>	Period ended 30 June 2011
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>6. Depreciation and Amortisation</b>				
12,804	7,186	Depreciation - Buildings	12,804	7,186
1,338	161	Amortisation - Leased Buildings	1,338	161
3,807	1,571	Depreciation - Plant and Equipment	3,807	1,571
216	89	Depreciation - Infrastructure Systems	216	89
<u>18,165</u>	<u>9,007</u>		<u>18,165</u>	<u>9,007</u>
<b>7. Grants and Subsidies</b>				
-	182	Hawkesbury-Hills Division of General Practice Ltd	-	182
80	-	RSL Lifecare Ltd	80	-
226	24	Nepean Division of General practice	226	24
-	-	Non-Government Organisations	-	-
2	-	Grants to Research Organisations	2	-
39	22	Other Grants	39	22
<u>347</u>	<u>228</u>		<u>347</u>	<u>228</u>
<b>8. Finance Costs</b>				
917	351	Finance Lease Interest Charges	917	351
159	272	Interest on Bank Overdrafts and Loans	159	272
<u>1,076</u>	<u>623</u>	Total Finance Costs	<u>1,076</u>	<u>623</u>
<b>9. Payments to Affiliated Health Organisations</b>				
3,165	-	(a) Recurrent Sourced <b>Tresillian Family Care Centre</b>	3,165	-
<u>3,165</u>	<u>-</u>	Total Payments to Affiliated Health Organisations	<u>3,165</u>	<u>-</u>

Nepean Blue Mountains Local Health District  
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**PARENT**

**CONSOLIDATION**

<b>2012</b>	Period ended		<b>2012</b>	Period ended
<b>\$000</b>	30 June 2011		<b>\$000</b>	30 June 2011
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>

**10. Sale of Goods and Services**

(a) Sale of Goods comprise the following:-

2,254	1,258	Sale of Prosthesis	2,254	1,258
80	17	Other	80	17
140	96	Pharmacy Sales	140	96

(b) Rendering of Services comprise the following:-

13,905	6,790	Patient Fees [see note 2(d)]	13,905	6,790
495	718	- Inpatient Fees	495	718
125	(36)	- Nursing Home Fees	125	(36)
8,543	3,592	- Non Inpatient Fees	8,543	3,592
11	14	Department of Veterans' Affairs	11	14
3,378	1,688	Staff-Meals and Accommodation	3,378	1,688
2,615	1,192	Infrastructure Fees - Monthly Facility Charge [see note 2(d)]	2,615	1,192
8	4	- Annual Charge	8	4
1,082	495	Cafeteria/Kiosk	1,082	495
1,011	472	Car Parking	1,011	472
631	423	Child Care Fees	631	423
2	-	Clinical Services (excluding Clinical Drug Trials)	2	-
39	22	Commercial Activities	39	22
56	23	Fees for Medical Records	56	23
8,118	3,557	Information Retrieval	8,118	3,557
7	-	High Cost Drugs	7	-
1,500	1,159	Linen Service Revenues - Non Health Services	1,500	1,159
992	-	Motor Accident Authority Third Party	992	-
(4)	-	Patient Inflows from Interstate [see note (c) below]	(4)	-
264	-	Patient Transport Fees	264	-
1,336	643	Salary Packaging Fee	1,336	643
256	231	Services Provided to Non NSW Health Organisations	256	231
256	231	Other	256	231

**46,844**                      **22,358**

**46,844**                      **22,358**

(c) Revenues from Patient Inflows from Interstate are as follows:-

214	-	ACT	214	-
368	-	QLD	368	-
29	-	SA	29	-
250	-	VIC	250	-
115	-	TAS	115	-
7	-	NT	7	-
9	-	WA	9	-

**992**

**-**

**992**

**-**

**11. Investment Revenue**

737	669	Interest	737	669
		- Other		

**737**

**669**

**737**

**669**

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2012</b>	Period ended 30 June 2011		<b>2012</b>	Period ended 30 June 2011
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>12. Grants and Contributions</b>				
409	108	Clinical Drug Trials	409	108
777	460	Commonwealth Government Grants	777	460
794	1,038	Industry Contributions/Donations	794	1,038
476	414	Cancer Institute Grants	476	414
2,788	215	NSW Government Grants	2,788	215
4,058	2,692	Personnel Services - Superannuation Defined Benefit Plans	-	-
14,249	4,812	Personnel Services - Long Service Leave	-	-
492	249	Research Grants	492	249
822	65	Other Grants	822	65
<u>24,865</u>	<u>10,053</u>		<u>6,558</u>	<u>2,549</u>
<b>13. Acceptance by the Crown Entity of employee benefits</b>				
The following liabilities and expenses have been assumed by the Crown Entity:				
-	-	Superannuation-defined benefit	4,058	2,692
-	-	Long Service Leave	14,249	4,812
<u>-</u>	<u>-</u>		<u>18,307</u>	<u>7,504</u>
<b>14. Other Revenue</b>				
Other Revenue comprises the following:-				
13	-	Bad Debts Recovered	13	-
119	29	Commissions	119	29
51	17	Conference and Training Fees	51	17
811	365	Lease and Rental Income	811	365
-	12	Sponsorship Income	-	12
-	142	Treasury Managed Fund Hindsight Adjustment	-	142
2,573	140	Other	2,573	140
<u>3,567</u>	<u>705</u>		<u>3,567</u>	<u>705</u>

Included in Note 14 Other is \$1.2m from AGL for the settlement of legal claim.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2012</b>	Period ended 30 June 2011		<b>2012</b>	Period ended 30 June 2011
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>15. Gain / (Loss) on Disposal</b>				
4,033	7,858	Property, Plant and Equipment	4,033	7,858
3,721	2,299	Less: Accumulated Depreciation	3,721	2,299
<b>312</b>	<b>5,559</b>	<b>Written Down Value</b>	<b>312</b>	<b>5,559</b>
42	435	Less: Proceeds from Disposal	42	435
<b>(270)</b>	<b>(5,124)</b>	<b>Gain/(Loss) on Disposal of Property, Plant and Equipment</b>	<b>(270)</b>	<b>(5,124)</b>
<b>16. Other Gains / (Losses)</b>				
(8,002)	-	Property, Plant and Equipment Asset Revaluation Decrement	(8,002)	-
(211)	(186)	Impairment of Receivables	(211)	(186)
<b>(8,213)</b>	<b>(186)</b>		<b>(8,213)</b>	<b>(186)</b>

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**PARENT & CONTRIBUTION**

17. Conditions on Contributions	2012	Period ended 30 June 2011	2012	Period ended 30 June 2011	2012	Period ended 30 June 2011
	Purchase of Assets	Purchase of Assets	Health Promotion, Education and Research	Health Promotion, Education and Research	Total	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current year for which expenditure in the manner specified had not occurred as at balance date	367	359	1,468	1,437	1,835	1,796
Contributions recognised in amalgamated balance as at the end of period which were not expended in the current year	4,889	4,530	19,557	18,120	24,446	22,650
Total amount of unexpended contributions as at balance date	5,256	4,889	21,025	19,557	26,281	24,446

Comment on restricted assets appears in Note 23

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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**18. Service Groups of the District**

**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 Districts 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.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**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**

Service Description: This service group covers the provision of an integrated and comprehensive network of services by Local Health Districts 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 Ministry'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.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

	PARENT		CONSOLIDATION	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>19. Cash and Cash Equivalents</b>				
Cash at Bank and On Hand	26,644	25,214	26,644	25,214
	<b>26,644</b>	<b>25,214</b>	<b>26,644</b>	<b>25,214</b>
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)	26,644	25,214	26,644	25,214
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<b>26,644</b>	<b>25,214</b>	<b>26,644</b>	<b>25,214</b>

*Refer to Note 36 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.*



Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>20. Receivables</b>				
<b>Current</b>				
5,798	5,911	Sale of Goods and Services	5,798	5,911
2,141	2,625	Intra Health Receivables	2,141	2,625
1,560	4,136	Goods and Services Tax	1,560	4,136
4,361	1,382	Other Debtors	4,361	1,382
13,860	14,054	<b>Sub Total</b>	13,860	14,054
(619)	(182)	Less Allowance for Impairment	(619)	(182)
13,241	13,872	<b>Sub Total</b>	13,241	13,872
91	221	Prepayments	91	221
<b>13,332</b>	<b>14,093</b>		<b>13,332</b>	<b>14,093</b>
(a) Movement in the Allowance for Impairment				
-	-	Sale of Goods and Services		
(23)	-	Balance at Commencement of Reporting Period	(23)	-
(242)	4	Amounts written off during the year	(242)	4
		(Increase)/decrease in Allowance Recognised in		
(200)	(27)	Result for the Year	(200)	(27)
(465)	(23)	Balance at 30 June	(465)	(23)
(b) Movement in the Allowance for Impairment				
Other Debtors				
(159)	-	Balance at Commencement of Reporting Period	(159)	-
16	(159)	Amounts written off during the year	16	(159)
		(Increase)/decrease in Allowance Recognised in		
(11)	-	Result for the Year	(11)	-
(154)	(159)	Balance at 30 June	(154)	(159)
<b>(619)</b>	<b>(182)</b>		<b>(619)</b>	<b>(182)</b>
<b>Non-Current</b>				
793	762	Prepayments	793	762
<b>793</b>	<b>762</b>		<b>793</b>	<b>762</b>
(c) Sale of Goods and Services Receivables				
(Current and Non-Current) include:				
1,560	386	Patient Fees - Compensable	1,560	386
1,069	755	Patient Fees - Ineligible	1,069	755
<b>2,629</b>	<b>949</b>		<b>2,629</b>	<b>949</b>

*Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 36.*

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

<b>PARENT</b>			<b>CONSOLIDATION</b>	
<b>2012</b>	<b>2011</b>		<b>2012</b>	<b>2011</b>
<b>\$000</b>	<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
<b>21. Inventories - Current - Held for Distribution</b>				
1,612	1,615	Drugs	1,612	1,615
<u>1,713</u>	<u>1,839</u>	Medical and Surgical Supplies	<u>1,713</u>	<u>1,839</u>
<b><u>3,325</u></b>	<b><u>3,454</u></b>		<b><u>3,325</u></b>	<b><u>3,454</u></b>

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>22. Property, Plant and Equipment</b>				
<b>Land and Buildings - Fair Value</b>				
673,880	646,762	Gross Carrying Amount	673,880	646,762
228,444	215,450	Less Accumulated Depreciation and Impairment	228,444	215,450
<b>445,436</b>	<b>431,312</b>	Net Carrying Amount	<b>445,436</b>	<b>431,312</b>
<b>Plant and Equipment - Fair Value</b>				
51,690	45,868	Gross Carrying Amount	51,690	45,868
19,878	19,538	Less Accumulated Depreciation and Impairment	19,878	19,538
<b>31,812</b>	<b>26,330</b>	Net Carrying Amount	<b>31,812</b>	<b>26,330</b>
<b>Infrastructure Systems - Fair Value</b>				
8,780	7,149	Gross Carrying Amount	8,780	7,149
5,454	4,858	Less Accumulated Depreciation and Impairment	5,454	4,858
<b>3,326</b>	<b>2,291</b>	Net Carrying Amount	<b>3,326</b>	<b>2,291</b>
<b>480,574</b>	<b>459,933</b>	<b>Total Property, Plant and Equipment At Net Carrying Amount</b>	<b>480,574</b>	<b>459,933</b>

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**PARENT & CONSOLIDATION**

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

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2012</b>							
Net Carrying Amount at Start of Year	23,840	288,054	70,172	49,244	26,330	2,291	459,931
Additions	-	16,506	18,605	-	8,979	1,110	45,200
Disposals	42	182	-	-	(536)	-	(312)
Administrative Restructures - Transfers In/(Out)	-	-	935	-	846	-	1,781
Net Revaluation Increment Less							
Revaluation Decrements	2,960	(10,962)	-	-	-	141	(7,861)
Impairment Losses (Recognised in "Other Gains/Losses")	-	-	-	-	-	-	-
Depreciation Expense	-	(12,804)	-	(1,338)	(3,807)	(216)	(18,165)
Reclassifications	-	67,273	(67,929)	656	-	-	-
Net Carrying Amount at End of Year	26,842	348,249	21,783	48,562	31,812	3,326	480,574

	Land	Buildings	Work in Progress	Leased Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2011</b>							
Net Carrying Amount at Start of Reporting Period	-	-	-	-	-	-	-
Additions	-	550	33,472	-	8,909	-	42,931
Disposals	(105)	(268)	-	-	(618)	-	(991)
Administrative Restructures - Transfers In/(Out)	23,945	294,958	36,701	49,406	19,610	2,380	427,000
Depreciation Expense	-	(7,186)	-	(161)	(1,571)	(89)	(9,007)
Net Carrying Amount at End of Year	23,840	288,054	70,173	49,245	26,330	2,291	459,933

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) Land and Buildings were valued by AON Valuation Services in July 2011 [see note 2(j)]. AON Valuation Services is not an employee of the District.
- (iii) In accordance with the fair value requirements of AASB 116 the land, buildings and infrastructure



Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
		<b>24. Payables</b>		
		<b>Current</b>		
-	-	Accrued Salaries, Wages and On-Costs	6,604	4,896
-	-	Taxation and Payroll Deductions	2,398	2,331
9,002	7,227	Accrued Liability - Purchase of Personnel Services		
20,082	15,847	Creditors	20,082	15,847
2	3	Interest	2	3
		Other Creditors		
8,445	12,226	- Intra Health Liability	8,445	12,226
2,601	4,817	- Expense Accrual	2,601	4,817
249	438	- Refundable Deposits	249	438
478	133	- Retention Held	478	133
-	1,765	- Contracted Patient Services	-	1,765
3,387	847	- Other	3,387	847
37	-	- Taxation	37	-
<b>44,283</b>	<b>43,303</b>		<b>44,283</b>	<b>43,303</b>

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.*

		<b>25. Borrowings</b>		
		<b>Current</b>		
667	793	Other Loans and Deposits	667	793
1,768	2,114	Finance Leases [see note 2(r)]	1,768	2,114
<b>2,435</b>	<b>2,907</b>		<b>2,435</b>	<b>2,907</b>
		<b>Non-Current</b>		
1,592	2,273	Other Loans and Deposits	1,592	2,273
6,806	8,574	Finance Leases [see note 2(r)]	6,806	8,574
<b>8,398</b>	<b>10,847</b>		<b>8,398</b>	<b>10,847</b>

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

Other loans still to be extinguished represent monies to be repaid to the Health Services Support, and Treasury Final Repayment is scheduled for **30 June 2019**

*Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 36.*

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

PARENT			CONSOLIDATION	
2012	2011		2012	2011
\$000	\$000		\$000	\$000
<b>26. Provisions</b>				
-	-	Annual Leave - Short Term Benefit	15,804	28,242
-	-	Annual Leave - Long Term Benefit	30,344	12,198
-	-	Long Service Leave On-Costs	5,414	2,766
51,562	43,206	Provision for Personnel Services Liability	-	-
<b>51,562</b>	<b>43,206</b>	<b>Total Current Provisions</b>	<b>51,562</b>	<b>43,206</b>
<b>Non-Current Employee Benefits and Related On-Costs</b>				
-	-	Long Service Leave On-Costs	284	146
284	146	Provision for Personnel Services Liability	-	-
<b>284</b>	<b>146</b>	<b>Total Non-Current Provisions</b>	<b>284</b>	<b>146</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>				
51,562	43,206	Provisions - Current	51,562	43,206
284	146	Provisions - Non-Current	284	146
-	-	Accrued Salaries, Wages and On-Costs (Note 24)	9,002	7,227
9,002	7,227	Accrued Liability - Purchase of Personnel Services (Note 24)	-	-
<b>60,848</b>	<b>50,579</b>		<b>60,848</b>	<b>50,579</b>

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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PARENT			CONSOLIDATION	
2012 \$000	2011 \$000		2012 \$000	2011 \$000
<b>27. Other Liabilities</b>				
		<b>Current</b>		
764	803	Income in Advance	764	803
<hr/>	<hr/>		<hr/>	<hr/>
<b>764</b>	<b>803</b>		<b>764</b>	<b>803</b>
<hr/> <hr/>	<hr/> <hr/>		<hr/> <hr/>	<hr/> <hr/>

In June 2012 \$0.764m represents nine months license fee from S & K Car Park Management Ltd under the terms of a contract to provide and operate car park facilities at Nepean Campus of the District



Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

	<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>28. 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	29,488	35,657	29,488
Later than one year and not later than five years	1,979	2,450	1,979
<b>Total Capital Expenditure Commitments (Including GST)</b>	<b><u>31,467</u></b>	<b><u>38,107</u></b>	<b><u>31,467</u></b>
Of the commitments reported at 30 June 2012 it is expected that \$5.644 million will be met from locally generated moneys as compared to \$0.618 million from the corresponding previous period.			
<b>(b) Operating Lease Commitments</b>			
Commitments in relation to non-cancellable operating leases are payable as follows:			
Not later than one year	4,156	3,183	4,156
Later than one year and not later than five years	12,925	9,342	12,925
Later than five years	104	8,571	104
<b>Total Operating Lease Commitments (Including GST)</b>	<b><u>17,185</u></b>	<b><u>21,096</u></b>	<b><u>17,185</u></b>

The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

	<b>PARENT</b>		<b>CONSOLIDATION</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>28. Commitments for Expenditure</b>			
<b>(c) Finance Lease Commitments</b>			
Minimum lease payment commitments in relation to finance leases are payable as follows:			
Not later than one year	2,937	3,425	2,937
Later than one year and not later than five years	9,459	12,131	9,459
Later than five years	-	265	-
	<b>12,396</b>	<b>15,821</b>	<b>12,396</b>
Less: Future Finance Charges	3,822	5,133	3,822
	<b>8,574</b>	<b>10,688</b>	<b>8,574</b>
<b>Present Value of Minimum Lease Payments (excluding GST)</b>			
<b>The present value of finance lease commitments is as follows:</b>			
Not later than one year	1,768	2,114	1,768
Later than one year and not later than five years	6,806	8,361	6,806
Later than five years	-	213	-
	<b>8,574</b>	<b>10,688</b>	<b>8,574</b>
<b>Present Value of Minimum Lease Payments (excluding GST)</b>			
<b>Classified as:</b>			
(a) Current (Note 25)	1,768	2,114	1,768
(b) Non-Current (Note 25)	6,806	8,574	6,806
	<b>8,574</b>	<b>10,688</b>	<b>8,574</b>
	<b>8,574</b>	<b>10,688</b>	<b>8,574</b>

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

The total of 'Commitments for Expenditure' above, i.e. \$61.048 million (2011-\$77.871 million) as at 30 June 2012 includes input tax credits of \$5.550 million (2011- \$6.820 million) that are expected to be recoverable from the Australian Taxation Office.

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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**PARENT & CONSOLIDATION**

**29. Trust Funds**

The District holds trust fund moneys of \$6.092 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 District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash Balance at the beginning of the financial year	501	-	1,151	-	4,823	-	6,475	-
Administrative restructures transferred in	-	332	-	1,140	-	5,313	-	6,785
Receipts	47	173	12,641	157	49,532	4,436	62,220	4,766
Expenditure	(239)	(4)	(12,222)	(146)	(50,142)	(4,926)	(62,603)	(5,076)
Cash Balance at the end of the financial year	309	501	1,570	1,151	4,213	4,823	6,092	6,475

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
for the Year Ended 30 June 2012

**PARENT AND CONSOLIDATED**

**30. Contingent Liabilities and Assets**

**a) Claims on Managed Fund**

The District is a member 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 District 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 District. As such, since 1 July 1989, apart from the exceptions noted above no contingent liabilities exist in respect of liability claims against the District. 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 District.

**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 2005/06 fund year and an interim adjustment for the 2007/08 fund year were not calculated until 2011/12.

As a result, the 2006/07 final and 2008/09 interim adjustment pertaining to the hospitals and community services now forming part of the District will be paid in 2012/13. It is not possible for the District 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 District'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 and the District and the Ministry.

Nepean Blue Mountains Local Health District  
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<b>PARENT</b>		<b>CONSOLIDATION</b>	
		Actual	
<b>2012</b>	Period ended 30 June 2011	<b>2012</b>	Period ended 30 June 2011
<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>31. Reconciliation of Cash Flows from Operating Activities to Net Result</b>			
48,320	44,496	48,320	44,496
(18,166)	(9,007)	(18,166)	(9,007)
211	186	211	186
40	(803)	40	(803)
(5,723)	(1,658)	(5,723)	(1,658)
(2,198)	8,981	(2,198)	8,981
(1,808)	(22,105)	(1,808)	(22,105)
(8,002)	-	(8,002)	-
-	(1,297)	-	(1,297)
(270)	(5,124)	(270)	(5,124)
<b>12,404</b>	<b>13,669</b>	<b>12,404</b>	<b>13,669</b>
<b>32. 2011/12 Voluntary Services</b>			
It is considered impracticable to quantify the monetary value of voluntary services provided to the District.			

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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**PARENT AND CONSOLIDATED**

**33. 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 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.

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

**Net Result**

The actual Net Result for the period was lower than budget by \$2.30 million. Revenue was a major focus for the 2011/12 financial year and the result reflects higher revenues than expected when compared to budget. Visiting Medical Officers and other operating expenses exceeded budget during the year. The result also reflects the need to realign budgets across major line items which will be a priority in the 2012/13 year.

The result reflects all required adjustments to annual leave and long service leave including consequential factors as directed by the Ministry of Health. Revenue initiatives and expenditure efficiencies will continue to be a major focus in the 2012/13 year.

**Assets and Liabilities**

The variation to budget for assets and liabilities reflects the budget realignment that needs to occur across major line items in 2012/13

**Cash Flows**

The variation to budget for Cash Flows reflects the budget realignment that needs to occur across major line items in 2012/13

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2011 are as follows:

	<b>\$000</b>
Initial Allocation, 1 July 2011	415,086
Award Increases	4,312
Special Projects	0
Stateside Service Enhancements	1,400
Mental Health	1,159
Leap Year Costs	771
Other	0
Additional Beds	10,442
Budget realignment from other Local Health District's	30,679
Hawkesbury Availability Charge	3,413
Asset Decrement	8,610
Other enhancements	529
Balance as per Statement of Comprehensive Income	476,401

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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**35. Increase/(Decrease) in Net Assets from Equity Transfers**

Net assets of \$387.629 million transferred from the former Sydney West Health Service with effect from 1 January 2011 commensurate with the responsibilities for health services assumed by the District on that date in accordance with the provisions of the *Health Services Act 1989*.

Other Equity transfers effected in 2010-11 were:

- \$0.946 million reduction in the loan from Health Support Services in relation to staff leave matters

Equity transfers effected in 2011/12 comprised:

An increase in net assets of \$2.153M relating to the Districts' assumption of responsibilities upon dissolution of Health Reform Transitional Organisations on 31 May 2012.

Assets and Liabilities transferred are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Cash & Cash Equivalents	621	23,490
Receivables	2,765	4,146
Inventory	57	3,181
Assets Held for Sale	-	4,568
Land & Buildings	935	368,309
Plant & Equipment	1,573	19,748
Infrastructure Assets	-	2,380
Work in Progress	-	36,828
Non Current Receivables	91	-
<b>Total Assets</b>	<b>6,042</b>	<b>462,650</b>
<b>Liabilities</b>		
Payables	1,117	17,772
Borrowings and Finance Leases	-	14,610
Provisions	2,772	41,693
<b>Total Liabilities</b>	<b>3,889</b>	<b>74,075</b>
<b>Increase/(Decrease) in Net Assets From Equity Transfers</b>	<b>2,153</b>	<b>388,575</b>

Nepean Blue Mountains Local Health District  
Notes to and forming part of the Financial Statements  
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### 36. Financial Instruments

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

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

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

#### (a) Financial Instrument Categories

##### PARENT & CONSOLIDATION

Financial Assets Class:	Category	Carrying Amount	Carrying Amount
		2012 \$000	2011 \$000
Cash and Cash Equivalents (note 19)	N/A	26,644	25,214
Receivables (note 20)1	Loans and receivables (at amortised cost)	11,681	9,736
Total Financial Assets		<u>38,325</u>	<u>34,950</u>
<b>Financial Liabilities</b>			
Borrowings (note 25)	Financial liabilities	10,833	13,754
Payables (note 24)2	measured at amortised cost	42,376	41,593
Total Financial Liabilities		<u>53,209</u>	<u>55,347</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 District's debtors defaulting on their contractual obligations, resulting in a financial loss to the District. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

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



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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.

**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 4.27% in 2011/12 compared to 4.84% in the previous year.

**Receivables - trade debtors**

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2012:\$4.462M; 2011: \$3.188M) and not more than 3 months past due (2012: \$2.536M; 2011:\$2.564M) are not considered impaired and together these represent 96.88% of the total trade debtors. 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' 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.

<b>\$000</b>			
<b>2012</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	1,734	1,664	70
3 months - 6 months overdue	1,274	872	402
> 6 months overdue	-	-	-
<b>2011</b>			
<3 months overdue	1,618	1,618	
3 months - 6 months overdue	1,128	946	182
> 6 months overdue	-	-	-

**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.

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**(c) Liquidity Risk**

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

The District has negotiated no loan outside of arrangements with the NSW Ministry of Health or 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 District's exposure to liquidity risk is considered significant. However, the risk is minimised as the NSW Ministry of Health has indicated its ongoing financial support for the District (refer Note 2).

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set by the NSW Ministry of Health. 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, eg due to short term liquidity constraints, contact is made with creditors and terms of payment are negotiated to the satisfaction of both parties.

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

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*Maturity Analysis and interest rate exposure of financial liabilities*

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount <sup>1</sup>	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
<b>2012</b>	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Payables:								
Accrued Salaries		6,604	-	-	6,604	-	-	-
Wages, On-Costs and Payroll Deductions		2,039	-	-	2,039	-	-	-
Creditors		33,733	-	-	33,733	-	-	-
Borrowings:								
Other Loans and Deposits	5.68%	2,259	2,259	-	-	667	1,250	342
Finance Leases	6.71%	8,574	8,574	-	-	1,768	6,806	-
		53,209	10,833	-	42,376	2,435	8,056	342
<b>2011</b>								
Payables:								
Accrued Salaries		4,896	-	-	4,896	-	-	-
Wages, On-Costs and Payroll Deductions		621	-	-	621	-	-	-
Creditors		36,076	-	-	36,076	-	-	-
Borrowings:								
Other Loans and Deposits	6.19%	3,066	3,066	-	-	793	1,774	499
Finance Leases	6.60%	10,688	10,688	-	-	2,114	8,361	213
		55,347	13,754	-	41,593	2,907	10,135	712

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.

2 Of the \$1.250 million disclosed in the 2012 'other loans and deposits' time band 1-5 years, the District intends to repay \$0.31 million in the first quarter of 2012-13.

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**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 District's exposures to market risk are primarily through interest rate risk on the Districts' borrowings.

The District 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 District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2011. The analysis assumes that all other variables remain constant.

*Interest rate risk*

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

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

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
<b>2012</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	26,644	-	-	-	-
Receivables	11,681	-	-	-	-
<b>Financial Liabilities</b>					
Payables	42,376	-	-	-	-
Borrowings	10,833	108	108	-108	-108
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	25,214	-	-	-	-
Receivables	9,736	-	-	-	-
<b>Financial Liabilities</b>					
Payables	41,593	-	-	-	-
Borrowings	13,754	137	137	-137	-137

**e) Fair Value Compared to Carrying Amount**

The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

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**Note 37 Events after the Reporting Period**

A national approach to activity based funding (ABF) commences from 1 July 2012 and will make public hospital funding more transparent and help to drive efficiency in the delivery of hospital services. Through ABF, public hospitals will be funded according to the numbers and kinds of services they provide.

The Commonwealth Government will meet 45% of the increase in National Health Reform Agreement expenditure commencing from 2014/15, rising to 50% by 2017/18.

The National efficient price of public hospital services will be determined by the Independent Hospital Pricing Authority for use in calculating the Commonwealth's share of growth.

Commonwealth and State government contributions for public hospital funding will be transparent with both amounts to be provided to Local Health Districts through the National Health Funding Pool. For small hospitals where ABF would not be appropriate, funding will continue to be provided through block grants.

END OF AUDITED FINANCIAL STATEMENTS

