



INDEPENDENT AUDITOR'S REPORT

Murrumbidgee Local Health District Special Purpose Service Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Murrumbidgee Local Health District Special Purpose Service Entity (the Entity), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Entity as at 30 June 2014, and of its financial performance and its 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 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 the 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 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.

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 the 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 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
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Steven Martin
Assistant Auditor-General

30 September 2014
SYDNEY

**Murrumbidgee Local Health District
Certification of the Financial Statements
for the year ended 30 June 2014**

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

- 1) The financial statements of the Murrumbidgee Local Health District for the year ended 30 June 2014 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 General Government Sector Entities.
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Murrumbidgee Local Health District; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Jill Ludford
Chief Executive
12 September 2014



Kevin Lawrence
A/Director Finance & Performance

Murrumbidgee Local Health District
Statement of Comprehensive Income for the year ended 30 June 2014

PARENT			CONSOLIDATION					
Actual	Budget Unaudited	Actual		Notes	Actual	Budget Unaudited	Actual	
2014 \$000	2014 \$000	2013 \$000			2014 \$000	2014 \$000	2013 \$000	
			Expenses excluding losses					
			Operating Expenses					
----	----	----	Employee Related	3	282,667	275,173	256,863	
269,278	262,908	253,538	Personnel Services	4	----	----	----	
38,193	36,117	33,627	Visiting Medical Officers		38,193	36,117	33,627	
153,483	155,041	152,624	Other Operating Expenses	5	153,483	155,041	152,624	
14,777	15,124	13,965	Depreciation and Amortisation	2(i), 6	14,777	15,124	13,965	
1,425	1,409	1,769	Grants and Subsidies	7	1,425	1,409	1,769	
19	----	38	Finance Costs	8	19	----	38	
16,176	16,020	15,874	Payments to Affiliated Health Organisations	9	16,176	16,020	15,874	
493,351	486,619	471,435	Total Expenses excluding losses		506,740	498,884	474,760	
			Revenue					
381,188	375,987	366,289	NSW Ministry of Health Recurrent Allocations	2(d)	381,188	375,987	366,289	
66,343	66,343	42,883	NSW Ministry of Health Capital Allocations	2(d)	66,343	66,343	42,883	
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 13	13,389	12,265	3,325	
74,112	79,754	74,988	Sale of Goods and Services	10	74,112	79,754	74,988	
320	225	486	Investment Revenue	11	320	225	486	
14,590	12,058	13,715	Grants and Contributions	12	14,590	12,058	13,715	
1,518	2,216	2,203	Other Revenue	14	1,518	2,216	2,203	
538,071	536,583	500,564	Total Revenue		551,460	548,848	503,889	
196	----	3	Gain / (Loss) on Disposal	15	196	----	3	
(604)	(1,191)	(166)	Other Gains / (Losses)	16	(604)	(1,191)	(166)	
44,312	48,773	28,966	Net Result	33	44,312	48,773	28,966	
			Other Comprehensive Income					
			Items that will not be reclassified to net result					
			Net Increase/(Decrease) in Property, Plant &					
----	----	19,336	Equipment Revaluation Surplus	22	----	----	19,336	
----	----	19,336	Total Other Comprehensive Income		----	----	19,336	
44,312	48,773	48,302	TOTAL COMPREHENSIVE INCOME		44,312	48,773	48,302	

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Financial Position as at 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2014	2014	2013	Notes	2014	2014	2013
\$000	\$000	\$000		\$000	\$000	\$000
ASSETS						
Current Assets						
6,401	6,078	7,473	Cash and Cash Equivalents	19	6,401	7,473
14,592	17,544	15,047	Receivables	20	14,592	15,047
1,159	957	957	Inventories	21	1,159	957
<u>22,152</u>	<u>24,579</u>	<u>23,477</u>			<u>22,152</u>	<u>23,477</u>
133	423	423	Non-Current Assets Held for Sale	23	133	423
22,285	25,002	23,900	Total Current Assets		22,285	23,900
Non-Current Assets						
Property, Plant & Equipment						
357,736	301,664	309,530	- Land and Buildings	22	357,736	309,530
16,293	72,622	15,016	- Plant and Equipment	22	16,293	15,016
5,073	5,070	5,404	- Infrastructure Systems	22	5,073	5,404
<u>379,102</u>	<u>379,356</u>	<u>329,950</u>	Total Property, Plant & Equipment		<u>379,102</u>	<u>329,950</u>
379,102	379,356	329,950	Total Non-Current Assets		379,102	329,950
401,387	404,358	353,850	Total Assets		401,387	353,850
LIABILITIES						
Current Liabilities						
31,921	29,187	29,189	Payables	26	31,921	29,189
210	614	614	Borrowings	27	210	614
33,188	31,675	31,065	Provisions	28	33,188	31,065
45	1,095	1,095	Other	29	45	1,095
<u>65,364</u>	<u>62,571</u>	<u>61,963</u>	Total Current Liabilities		<u>65,364</u>	<u>61,963</u>
Non-Current Liabilities						
-----	210	210	Borrowings	27	-----	210
247	1,338	213	Provisions	28	247	213
<u>247</u>	<u>1,548</u>	<u>423</u>	Total Non-Current Liabilities		<u>247</u>	<u>423</u>
65,611	64,119	62,386	Total Liabilities		65,611	62,386
335,776	340,239	291,464	Net Assets		335,776	291,464
EQUITY						
20,524	19,336	19,336	Reserves		20,524	19,336
315,252	320,903	272,128	Accumulated Funds		315,252	272,128
335,776	340,239	291,464	Total Equity		335,776	291,464

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Changes in Equity for the year ended 30 June 2014

PARENT AND CONSOLIDATION	Notes	Accumulated Funds \$000	Asset Revaluation Surplus \$000	Available For Sale Reserve \$000	Total \$000
Balance at 1 July 2013		272,128	19,336	----	291,464
Total Equity at 1 July 2013		272,128	19,336	----	291,464
Net Result for the year		44,312			44,312
Other Comprehensive Income:					
-Transfers on Disposal		(1,188)	1,188	----	----
Total Other Comprehensive Income		(1,188)	1,188	----	----
Total Comprehensive Income for the year		43,124	1,188	----	44,312
Balance at 30 June 2014		315,252	20,524	----	335,776
Balance at 1 July 2012		243,498	----	----	243,498
Total Equity at 1 July 2012		243,498	----	----	243,498
Net Result for the year		28,966			28,966
Other Comprehensive Income:					
Net Increase/(Decrease) in Property, Plant & Equipment	22	----	19,336	----	19,336
Total Other Comprehensive Income		----	19,336	----	19,336
Total Comprehensive Income for the year		28,966	19,336	----	48,302
Transactions With Owners In Their Capacity As Owners					
Increase/(Decrease) in Net Assets From Equity Transfers	37	(336)	----	----	(336)
Balance at 30 June 2013		272,128	19,336	----	291,464

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Statement of Cash Flows for the year ended 30 June 2014

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual	Notes	Actual	Budget Unaudited	Actual
2014	2014	2013		2014	2014	2013
\$000	\$000	\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
---	---	---				
(19,417)	(19,244)	(19,560)		(270,298)	(265,764)	(257,742)
(20)	---	---		(19,417)	(19,244)	(19,560)
(483,151)	(477,597)	(466,737)		(20)	---	---
				(212,853)	(211,833)	(208,995)
(502,588)	(496,841)	(486,297)		(502,588)	(496,841)	(486,297)
Receipts						
381,188	375,987	366,289		381,188	375,987	366,289
66,342	66,343	42,883		66,342	66,343	42,883
---	---	---		---	---	---
3,968	3,969	4,079		3,968	3,969	4,079
78,826	78,963	73,359		78,826	78,963	73,359
319	225	486		319	225	486
15,721	13,425	15,076		15,721	13,425	15,076
19,211	21,065	22,443		19,211	21,065	22,443
565,575	559,977	524,615		565,575	559,977	524,615
62,987	63,136	38,318	33	62,987	63,136	38,318
CASH FLOWS FROM INVESTING ACTIVITIES						
674	4	4		674	4	4
---	---	---		---	---	---
(64,118)	(64,535)	(42,696)		(64,118)	(64,535)	(42,696)
---	---	---		---	---	---
(63,444)	(64,531)	(42,692)		(63,444)	(64,531)	(42,692)
CASH FLOWS FROM FINANCING ACTIVITIES						
(615)	---	(1,291)		(615)	---	(1,291)
(615)	---	(1,291)		(615)	---	(1,291)
NET INCREASE / (DECREASE) IN CASH						
(1,072)	(1,395)	(5,665)		(1,072)	(1,395)	(5,665)
7,473	7,473	13,979		7,473	7,473	13,979
---	---	(841)	37	---	---	(841)
6,401	6,078	7,473	19	6,401	6,078	7,473

The accompanying notes form part of these financial statements.

Murrumbidgee Local Health District
Service Group Statements
for the year ended 30 June 2014

MLHD 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					
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		
Expenses excluding losses																										
Operating Expenses	16,112	13,614	1,498	1,490	17,327	16,747	41,750	37,785	120,218	102,360	25,866	22,989	51,445	54,789	7,321	5,728	1,329	1,361								
Employee Related	172	380			1,081	777	7,753	6,060	21,041	16,565	4,472	4,903	3,113	4,395	561	548										
Visiting Medical Officers	5,771	4,411	476	412	16,852	19,551	21,948	22,375	69,252	65,445	8,334	8,364	27,826	28,907	2,701	2,869	322	290								
Other Operating Expenses	507	419	38	6	913	716	2,488	2,223	6,678	5,596	640	912	3,116	3,743	353	310	43	40								
Depreciation and Amortisation	67	52	851	1,431	350	261	24		89		1		34	1	10	25	1									
Grants and Subsidies	1	2			1	4	3	7	9	16		1	4	7		1										
Finance Costs	324				1,118				5				14,722	15,874	8											
Payments to Affiliated Health Organisations																										
Total Expenses excluding losses	22,954	18,878	2,863	3,339	37,642	38,056	73,966	68,450	217,292	189,982	39,113	37,169	100,260	107,716	10,954	9,481	1,695	1,691								
Revenue																										
NSW Ministry of Health Recurrent Allocations **																										
NSW Ministry of Health Capital Allocations **																										
of Employee Benefits and Other Liabilities	2,919	176	131	19	2,269	217		489	3,369	1,325	1,932	288	2,020	709	751	74	18									
Sale of Goods and Services	230	2,730	7	7	7,804	5,774	4,247	2,895	25,161	25,136	2,297	1,620	33,521	36,279	311	540	534	7								
Investment Revenue	7	11	1	1	29	31	21	24	149	131	6	10	93	274	6	4	9									
Grants and Contributions	39	63	245		1,064	1,502	216	84	1,274	746	23	34	6,157	8,060	4,012	3,057	1,560	167								
Other Revenue	110	164	5	11	112	87	95	106	439	776	36	491	557	523	130	31	35	15								
Total Revenue	3,305	3,144	389	37	11,278	7,611	4,579	3,598	30,392	28,114	4,294	2,453	42,348	45,845	5,210	3,706	2,138	207								
Gain / (Loss) on Disposal									2																	
Other Gains / (Losses)									(93)																	
Net Result	(19,649)	(15,742)	(2,474)	(3,303)	(26,364)	(30,451)	(69,387)	(64,870)	(186,900)	(161,959)	(34,819)	(34,730)	(57,912)	(61,893)	(5,744)	(5,777)	443	(1,485)								
Other Comprehensive Income																										
Increase/(Decrease) in Revaluation Surplus		580		8		992	3,078		7,748			1,263		5,182		429		56								
Total Other Comprehensive Income	0	580	0	8	0	992	3,078	0	7,748	0	0	1,263	0	5,182	0	429	0	56	0	0	0	0	0	0	0	
Total Comprehensive Income	(19,649)	(15,162)	(2,474)	(3,295)	(26,364)	(29,459)	(69,387)	(61,792)	(186,900)	(154,211)	(34,819)	(33,467)	(57,912)	(56,711)	(5,744)	(5,348)	443	(1,429)	443	(1,429)	447,531	409,172	44,312	48,302		

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

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

**Murrumbidgee Local Health District
Service Group Statements (Continued)
for the year ended 30 June 2014**

MLHD 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			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS																								
Current Assets																								
Cash and Cash Equivalents	290	297	36	53	475	599	934	1,077	2,745	2,990	494	585	1,266	1,696	138	149	21	27						
Receivables	45	548	1	2	1,537	1,159	836	581	4,954	5,044	452	325	6,600	7,280	61	108	105	2						
Inventories	44	44	4	3	127	123	166	140	523	410	63	52	210	181	20	18	2	2						
Non-Current Assets Held for Sale	5	13			8	22	22	67	60	169	6	28	28	113	3	9		1						
Total Current Assets	384	886	41	58	2,147	1,903	1,958	1,865	8,282	8,613	1,015	990	8,104	9,270	222	284	128	32						
Non-Current Assets																								
Property, Plant and Equipment:																								
- Land and Buildings	12,270	9,286	930	124	22,108	15,879	60,243	49,277	161,661	124,029	15,490	20,212	75,447	82,964	8,550	6,872	1,037	898						
- Plant and Equipment	559	450	42	6	1,007	770	2,744	2,391	7,363	6,017	705	981	3,436	4,024	389	333	47	44						
- Infrastructure Systems	174	162	13	2	314	277	854	860	2,292	2,165	220	353	1,070	1,448	121	120	15	16						
Total Non-Current Assets	13,003	9,898	985	132	23,429	16,926	63,841	52,528	171,316	132,211	16,415	21,546	79,953	88,426	9,060	7,325	1,099	958						
TOTAL ASSETS	13,387	10,784	1,026	190	25,576	18,829	65,739	54,393	179,598	140,824	17,430	22,536	88,057	97,696	9,282	7,609	1,227	990						
LIABILITIES																								
Current Liabilities																								
Payables	1,200	844	99	79	3,505	3,739	4,565	4,279	14,403	12,516	1,733	1,600	5,787	5,528	562	549	67	55						
Borrowings	10	24	1	4	16	49	31	89	90	246	16	48	42	139	5	12	1	2						
Provisions	1,892	1,646	176	180	2,034	2,025	4,902	4,570	14,115	12,379	3,013	2,780	6,040	6,626	860	693	156	165						
Other	2	44		8	3	88	7	158	19	438	3	86	9	248	1	22		4						
Total Current Liabilities	3,104	2,558	276	271	5,558	5,901	9,505	9,096	28,627	25,579	4,765	4,514	11,878	12,541	1,428	1,276	224	226						
Non-Current Liabilities																								
Borrowings		8		1		17		30		84		16		48		4		1						
Provisions	14	11	1	1	15	14	36	31	105	85	22	19	45	45	6	5	1	1						
Total Non-Current Liabilities	14	19	1	2	15	31	36	61	105	169	22	35	45	93	6	9	1	2						
TOTAL LIABILITIES	3,118	2,577	277	273	5,573	5,932	9,541	9,157	28,732	25,748	4,787	4,549	11,923	12,634	1,434	1,285	225	228						
NET ASSETS	10,269	8,207	749	(83)	20,003	12,897	56,258	45,236	150,866	115,076	12,643	17,987	76,134	85,062	7,848	6,324	1,002	762						

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

1. The Reporting Entity

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

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

- * The parent entity, comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Special Purposes Funds which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
- * The Murrumbidgee Local Health District Special Purpose Service Entity which was established as a Division of the Health Service on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the MLHD 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 entity. In the process of preparing the consolidated financial statements consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

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 MLHD is a not-for-profit entity (as profit is not its principal objective).

These consolidated financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive on 11 September 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The MLHD's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the MLHD'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).

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

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

Other circumstances why the going concern is appropriate include:

- * Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable.
- * The MLHD has the capacity to review timing of subsidy cashflows to ensure that debts can be paid when they become due and payable.
- * The MLHD has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the MLHD 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, 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.

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

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

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.

Statement of Compliance

The financial statements and notes 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

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

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

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Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were also 14.9%). The MLHD has assessed the actuarial advice based on the MLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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

ii) Long Service Leave and Superannuation

The MLHD's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity.

The MLHD 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 MLHD as shown in Note 28.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the reporting period is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the 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) Consequential On-Costs

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

iv) Other Provisions

Other provisions exist when the MLHD 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.

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b) Insurance

The MLHD's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government Entities. The expense (premium) is determined by the Fund Manager based on past claims 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 entities.

d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the MLHD 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. Revenue is recognised on an accrual basis, when the service has been provided to the patient.

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. Revenue is recognised when the drugs have been provided to the patient.

Motor Accident Authority Third Party

A bulk billing agreement exists in which motor vehicle insurers effect payment directly to NSW Health for the hospital costs for those persons hospitalised or attending for inpatient treatment as a result of motor accidents. The MLHD, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

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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. For inpatient services, revenue is recognised by the MLHD on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the Ministry of Health in the form of a block grant.

Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139, Financial Instruments: Recognition and Measurement.

Dividend revenue is recognised in accordance with AASB 118 Revenue, when the MLHD's right to receive payment is established.

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

Use of Outside Facilities

The MLHD 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 recognised as revenues when the MLHD 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 MLHD 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.

Murrumbidgee Local Health District
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General operating expenses/revenues of \$16,176k Mercy Health have only been included in the Statement of Comprehensive Income prepared to the extent of the cash payments and provisions made to the Health Organisations concerned. The MLHD 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 MLHD as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- * receivables and payables are stated with the amount of GST included.

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

f) Interstate Patient Flows

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

g) Acquisition of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

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

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

h) Capitalisation Thresholds

Individual items of Property, Plant & Equipment are capitalised where their cost is \$10,000 or above.

Murrumbidgee Local Health District
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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 MLHD. Land is not a depreciable asset. All material identifiable components of assets are depreciated over their useful lives.

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

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

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

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

j) Revaluation of Non-Current Assets

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

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

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

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Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 22 and Note 24 for further information regarding fair value.

The MLHD revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the MLHD was completed in the 30 June 2013 financial year and was based on an independent assessment.

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

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

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

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

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

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 revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation surplus.

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

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

k) Impairment of Property, Plant and Equipment

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

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l) 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.

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

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

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

n) 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 MLHD does not have any property that meets the definition of Investment Property.

o) Intangible Assets

The MLHD recognises intangible assets only if it is probable that future economic benefits will flow to the MLHD 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 MLHD's intangible assets, the assets are carried at cost less any accumulated amortisation.

Computer software developed or acquired by the MLHD are recognised as intangible assets and are amortised over four 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.

p) 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.

Murrumbidgee Local Health District
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q) 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, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

r) 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.

s) 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.

t) 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 MLHD 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 MLHD 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.

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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 MLHD's key management personnel.

The risk management strategy of the MLHD 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.

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'.

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

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

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

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

u) 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.

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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.

v) 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 MLHD transfers the financial asset:

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

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

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

w) Payables

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

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

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

x) 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.

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y) Fair Value Hierarchy

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

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

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

Refer Note 24 and Note 38 for further disclosures regarding fair value measurements of financial and non-financial assets.

z) Equity Transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities 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 AASB 1004, 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 asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

aa) Equity and Reserves

(i) Accumulated Funds

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

(ii) Revaluation Surplus

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

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ab) Trust Funds

The MLHD receives monies in a trustee capacity for various trusts as set out in Note 31.

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

ac) Budgeted Amounts

The budgeted amounts are drawn from the budgets agreed with the NSW Ministry of Health 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".

ad) Service Group Statements Allocation Methodology

Using the statistical data for twelve months ending 30 June 2013, the data is then adjusted for any material change in service delivery or funding distribution, occurring in the 2013-14 year.

In respect of assets and liabilities the Ministry requires the MLHD 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.

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

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 13, AASB 2011-8 and AASB 2012-1, Fair Value Measurement have mandatory application from 1 January 2013 and address, inter alia, the assumptions that market participants would use when pricing the asset or liability. No impact to prior year values, increased note disclosures, refer note 24.

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 3 and 28.

AASB 2012-2, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application for reporting periods starting on or after 1 January 2013 and seeks to address some of the offsetting criteria of AASB 7. Minor Adjustment has been made to note 38.

Murrumbidgee Local Health District
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(ii) Issued but not yet effective

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

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

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. For not for profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The MLHD in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the policies adopted for whole of government reporting.

AASB 9, Financial Instruments, has application from 1 Jan 2017. Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

AASB 1031, Materiality, is applicable to annual reporting periods beginning on or after 1 January 2014. This Standard provides references to other Standards and the Framework that contain guidance on materiality.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

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AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

AASB 2014-1, Amendments to Australian Accounting Standards is a summary of changes and impacts on wording arising from changes in other standards issued by the Australian Accounting Standards Board which have been already assessed above. This standard has application from 1 July 2014.

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements which should have minimal impact due to exemptions not applying to General Government Sector Entities. This standard has application from 1 July 2014.

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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
3. Employee Related				
Employee related expenses comprise the following:				
----	----	Salaries and Wages	183,515	176,932
----	----	Overtime	7,614	8,085
----	----	Penalties	18,093	18,167
----	----	Superannuation - Defined Benefit Plans	4,033	4,193
----	----	Superannuation - Defined Contribution Plans	19,364	17,488
----	----	Long Service Leave	10,098	(1,477)
----	----	Annual Leave	22,758	20,282
----	----	Sick Leave and Other Leave	12,834	8,181
----	----	Redundancies	327	320
----	----	Workers' Compensation Insurance	4,020	4,634
----	----	Fringe Benefits Tax	11	58
-----	-----		282,667	256,863
The following additional information is provided:				
----	----	Employee Related Expenses Capitalised - Land and Buildings	546	499
4. Personnel Services				
Personnel Services comprise the purchase of the following:				
183,515	176,932	Salaries and Wages	----	----
7,614	8,085	Overtime	----	----
18,093	18,167	Penalties	----	----
----	1	Superannuation - Defined Benefit Plans	----	----
19,364	17,488	Superannuation - Defined Contribution Plans	----	----
742	(610)	Long Service Leave	----	----
22,758	20,282	Annual Leave	----	----
12,834	8,181	Sick Leave and Other Leave	----	----
327	320	Redundancies	----	----
4,020	4,634	Workers' Compensation Insurance	----	----
11	58	Fringe Benefits Tax	----	----
269,278	253,538		-----	-----
The following additional information is provided:				
546	499	Personnel Services Expenses Capitalised - Land and Buildings	----	----
5. Other Operating Expenses				
72	126	Advertising	72	126
108	38	Auditor's Remuneration - Audit of Financial Statements	108	38
2,201	1,813	Blood and Blood Products	2,201	1,813
98	108	Consultancies	98	108
----	106	Contractors	----	106
14,674	4,105	Domestic Supplies and Services	14,674	4,105
9,661	8,710	Drug Supplies	9,661	8,710
15,148	24,172	Food Supplies	15,148	24,172
6,380	6,369	Fuel, Light and Power	6,380	6,369
13,891	9,605	Other (See (a) below)	13,891	9,605
12,581	13,631	Hospital Ambulance Transport Costs	12,581	13,631
6,537	5,761	Information Management Expenses	6,537	5,761
1,033	946	Insurance	1,033	946
10,848	10,711	Maintenance (See (b) below)	10,848	10,711
14,927	13,645	Medical and Surgical Supplies	14,927	13,645
1,212	1,176	Motor Vehicle Expenses	1,212	1,176
1,258	1,349	Postal and Telephone Costs	1,258	1,349
1,065	1,004	Printing and Stationery	1,065	1,004
793	1,113	Rates and Charges	793	1,113
3,957	3,703	Rental	3,957	3,703
3,126	6,616	Hosted services purchased from Other LHDs	3,126	6,616
27,985	29,310	Special Service Departments	27,985	29,310
3,513	5,725	Staff Related Costs	3,513	5,725
2,415	2,782	Travel Related Costs	2,415	2,782
153,483	152,624		153,483	152,624

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		(a) Other Includes:		
2,126	2,021	Contract for Patient Services	2,126	2,021
4,408	4,230	Corporate Support Services	4,408	4,230
402	413	Courier and Freight	402	413
2,978	2	Isolated Patient Travel and Accommodation Assistance Scheme	2,978	2
152	127	Legal Services	152	127
275	137	Membership/Professional Fees	275	137
1,593	1,573	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,593	1,573
243	346	Other Operating Lease Expense - Minimum Lease Payments	243	346
20	18	Quality Assurance/Accreditation	20	18
563	377	Security Services	563	377
1,132	359	Other Miscellaneous	1,132	359
<u>13,892</u>	<u>9,603</u>		<u>13,892</u>	<u>9,603</u>
		(b) Reconciliation of Total Maintenance		
2,668	2,378	Maintenance Contracts	2,668	2,378
3,733	3,967	New/Replacement Equipment under \$10,000	3,733	3,967
4,392	4,312	Repairs Maintenance/Non Contract	4,392	4,312
55	54	Other	55	54
10,848	10,711	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	10,848	10,711
2,632	2,017	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,632	2,017
<u>13,480</u>	<u>12,728</u>	Total Maintenance Expenses	<u>13,480</u>	<u>12,728</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
6. Depreciation and Amortisation				
11,168	10,337	Depreciation - Buildings	11,168	10,337
3,278	3,274	Depreciation - Plant and Equipment	3,278	3,274
331	354	Depreciation - Infrastructure Systems	331	354
<u>14,777</u>	<u>13,965</u>		<u>14,777</u>	<u>13,965</u>
7. Grants and Subsidies				
1,395	1,476	Non-Government Organisations	1,395	1,476
2	192	Grants to Research Organisations	2	192
28	101	Other Grants	28	101
<u>1,425</u>	<u>1,769</u>		<u>1,425</u>	<u>1,769</u>
8. Finance Costs				
19	38	Interest on Loans	19	38
<u>19</u>	<u>38</u>	Total Finance Costs	<u>19</u>	<u>38</u>
9. Payments to Affiliated Health Organisations				
16,176	15,874	(a) Recurrent Sourced Mercy Health Service	16,176	15,874
<u>16,176</u>	<u>15,874</u>		<u>16,176</u>	<u>15,874</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
10. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
42	57	Pharmacy Sales	42	57
823	631	Sale of Prosthesis	823	631
17	12	Other	17	12
(b) Rendering of Services comprise the following:-				
		Patient Fees		
32,186	30,749	- Inpatient Fees	32,186	30,749
7,228	7,198	- Nursing Home Fees	7,228	7,198
380	583	- Non Inpatient Fees	380	583
11,882	15,491	Department of Veterans' Affairs	11,882	15,491
193	271	Staff-Meals and Accommodation	193	271
59	56	Infrastructure Fees - Monthly Facility Charge	59	56
30	53	Cafeteria/Kiosk	30	53
3,992	3,801	Clinical Services (excluding Clinical Drug Trials)	3,992	3,801
84	50	Commercial Activities	84	50
33	35	Fees for Medical Records	33	35
6	6	Information Retrieval	6	6
2,938	2,890	High Cost Drugs	2,938	2,890
33	24	Meals on Wheels	33	24
3,288	2,536	Motor Accident Authority Third Party	3,288	2,536
10	86	Patient Transport Fees	10	86
43	46	Private Use of Motor Vehicles	43	46
190	308	Salary Packaging Fee	190	308
407	708	Services Provided to Non NSW Health Organisations	407	708
10,093	8,985	Multi Purpose Service Centre Fees	10,093	8,985
155	412	Other	155	412
74,112	74,988		74,112	74,988
11. Investment Revenue				
320	486	Interest	320	486
320	486		320	486

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
12. Grants and Contributions				
4,715	4,660	Commonwealth Government Grants	4,715	4,660
1,391	1,583	Industry Contributions/Donations	1,391	1,583
4,905	4,081	Cancer Institute Grants	4,905	4,081
1,117	1,209	NSW Government Grants	1,117	1,209
43	19	Research Grants	43	19
2,419	2,163	Other Grants	2,419	2,163
<u>14,590</u>	<u>13,715</u>		<u>14,590</u>	<u>13,715</u>
 13. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	4,033	4,192
----	----	Long Service Leave	9,357	(867)
<u>----</u>	<u>----</u>		<u>13,390</u>	<u>3,325</u>
 14. Other Revenue				
Other Revenue comprises the following:-				
14	35	Bad Debts Recovered	14	35
16	25	Commissions	16	25
604	811	Conference and Training Fees	604	811
4	25	Insurance Refunds	4	25
746	627	Lease and Rental Income	746	627
6	2	Sale of Merchandise, Old Wares and Books	6	2
128	678	Other	128	678
<u>1,518</u>	<u>2,203</u>		<u>1,518</u>	<u>2,203</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		15. Gain / (Loss) on Disposal		
8,006	912	Property, Plant and Equipment	8,006	912
7,995	911	Less: Accumulated Depreciation	7,995	911
<u>11</u>	<u>1</u>	Written Down Value	<u>11</u>	<u>1</u>
29	4	Less: Proceeds from Disposal	29	4
<u>18</u>	<u>3</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>18</u>	<u>3</u>
290	----	Assets Held for Sale	290	----
468	----	Less: Proceeds from Disposal	468	----
<u>178</u>	<u>----</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>178</u>	<u>----</u>
<u>196</u>	<u>3</u>	Total Gain/(Loss) on Disposal	<u>196</u>	<u>3</u>
		16. Other Gains / (Losses)		
----	463	Property, Plant and Equipment Asset Revaluation Increment/(Decrement)	----	463
(604)	(629)	Impairment of Receivables	(604)	(629)
<u>(604)</u>	<u>(166)</u>		<u>(604)</u>	<u>(166)</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT & CONSOLIDATION

17. Conditions on Contributions

	Purchase of Assets	Health Promotion, Education and Research	Other	Total
	\$000	\$000	\$000	\$000
Contributions recognised as revenues during the current reporting period for which expenditure in the manner specified had not occurred as at balance date	34	1,934	145	2,113
Contributions recognised in previous years which were not expended in the current reporting period	582	2,279	228	3,089
Total amount of unexpended contributions as at balance date	616	4,213	373	5,202

Comment on restricted assets appears in Note 25

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

18. Service Groups of the MLHD

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 program excludes most services for Aboriginal people provided directly by Local Health Districts and other general health services that 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 road and air ambulance services and treatment of patients in emergency departments of public hospitals.

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

Service Group 2.2 - Inpatient Hospital Services

Service Description: This service group covers the provision of health care to patients admitted to hospitals, including elective surgery and maternity services.

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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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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 illnesses and mental health problems. It also covers the development of preventative programs that 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
19. Cash and Cash Equivalents				
1,339	3,415	Cash at Bank and On Hand	1,339	3,415
5,062	4,058	Short Term Deposits	5,062	4,058
6,401	7,473		6,401	7,473
<p>For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.</p> <p>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:</p>				
6,401	7,473	Cash and Cash Equivalents (per Statement of Financial Position)	6,401	7,473
6,401	7,473	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	6,401	7,473

Refer to Note 38 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
20. Receivables				
Current				
6,725	10,162	Sale of Goods and Services	6,725	10,162
3,460	2,842	Intra Health Receivables	3,460	2,842
1,344	1,605	Goods and Services Tax	1,344	1,605
680	827	Other Debtors	680	827
12,209	15,436	Sub Total	12,209	15,436
(247)	(503)	Less Allowance for Impairment	(247)	(503)
11,962	14,933	Sub Total	11,962	14,933
2,630	114	Prepayments	2,630	114
14,592	15,047		14,592	15,047
(a) Movement in the Allowance for Impairment				
Sale of Goods and Services				
(473)	(549)	Balance at Commencement of Reporting Period	(473)	(549)
802	(101)	Amounts written off during the period	802	(101)
1	14	Amounts recovered during the period	1	14
(544)	164	(Increase)/decrease in Allowance Recognised in the Income Statement	(544)	164
(215)	(473)	Balance at 30 June	(215)	(473)
(b) Movement in the Allowance for Impairment				
Other Debtors				
(30)	(2,405)	Balance at Commencement of Reporting Period	(30)	(2,405)
57	3,168	Amounts written off during the period	57	3,168
-----	(793)	Amounts recovered during the period	-----	(793)
(59)	-----	(Increase)/decrease in Allowance Recognised in the Income Statement	(59)	-----
(32)	(30)	Balance at 30 June	(32)	(30)
(247)	(503)		(247)	(503)
The current and non-current sale of goods and services balances above include the following patient fee receivables:				
(Current and Non-Current) include:				
589	469	Patient Fees - Compensable	589	469
271	547	Patient Fees - Ineligible	271	547
3,406	3,460	Patient Fees - Inpatient & Other	3,406	3,460
4,266	4,476		4,266	4,476

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 38.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
21. Inventories - Current - Held for Distribution				
453	346	Drugs	453	346
624	534	Medical and Surgical Supplies	624	534
71	77	Engineering Supplies	71	77
11	----	Other Including Goods in Transit	11	----
<u>1,159</u>	<u>957</u>		<u>1,159</u>	<u>957</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
22. Property, Plant and Equipment				
Land and Buildings - Fair Value				
643,106	587,507	Gross Carrying Amount	643,106	587,507
285,370	277,977	Less: Accumulated Depreciation and Impairment	285,370	277,977
<u>357,736</u>	<u>309,530</u>	Net Carrying Amount	<u>357,736</u>	<u>309,530</u>
Plant and Equipment - Fair Value				
37,632	37,298	Gross Carrying Amount	37,632	37,298
21,339	22,282	Less: Accumulated Depreciation and Impairment	21,339	22,282
<u>16,293</u>	<u>15,016</u>	Net Carrying Amount	<u>16,293</u>	<u>15,016</u>
Infrastructure Systems - Fair Value				
12,352	12,352	Gross Carrying Amount	12,352	12,352
7,279	6,948	Less: Accumulated Depreciation and Impairment	7,279	6,948
<u>5,073</u>	<u>5,404</u>	Net Carrying Amount	<u>5,073</u>	<u>5,404</u>
<u>379,102</u>	<u>329,950</u>	Total Property, Plant and Equipment At Net Carrying Amount	<u>379,102</u>	<u>329,950</u>

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

22. Property, Plant and Equipment - Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2014					
Net Carrying Amount at Start of Year	30,862	278,668	15,016	5,404	329,950
Additions	----	59,374	4,565	----	63,939
Disposals	----	----	(10)	----	(10)
Depreciation Expense	----	(11,168)	(3,278)	(331)	(14,777)
Reclassifications	(223)	223	----	----	----
Net Carrying Amount at End of Year	30,639	327,097	16,293	5,073	379,102

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2013					
Net Carrying Amount at Start of Year	24,421	237,367	14,690	4,654	281,132
Additions	223	39,170	3,332	----	42,725
Recognition of Assets Held for Sale	----	(133)	----	----	(133)
Disposals	----	----	(1)	----	(1)
Administrative Restructures - Transfers In/(Out)	----	----	20	----	20
Net Revaluation Increment Less Revaluation Decrements Recognised in Reserves	6,218	14,612	----	(658)	20,172
Depreciation Expense	----	(10,337)	(3,274)	(354)	(13,965)
Reclassifications	----	(2,011)	249	1,762	----
Net Carrying Amount at End of Year	30,862	278,668	15,016	5,404	329,950

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 24.

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the MLHD [see note 2(g)].
- (ii) Indices provided by NSW Land & Property Information were not applied as immaterial.

Murrumbidgee Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
23. Non-Current Assets (or Disposal Groups) Held for Sale				
		Assets Held for Sale		
133	423	Land and Buildings	133	423
<u>133</u>	<u>423</u>		<u>133</u>	<u>423</u>

Old Gundagai Hospital

Murrumbidgee Local Health District
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PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014. Comparative information for the following has not been provided as permitted by the transitional provisions of the new standard.

a) Fair Value Hierarchy	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2014				
Property, Plant and Equipment (Note 22)*				
- Land and Buildings	----	120,136	237,600	357,736
- Infrastructure Systems	----	----	5,073	5,073
Non-Current Assets (or Disposal Groups) Held for Sale (Note 23)				
	----	133	----	133
	----	<u>120,269</u>	<u>242,673</u>	<u>362,942</u>

There were no transfers between level 1 and 2 during the period ended 30 June 2014.

*For non-specialised assets with short useful lives, AASB 13 allows recognition at depreciated historical cost as an acceptable surrogate for fair value as differences are considered immaterial. Thus the values for Plant and Equipment are not required to be reported under the fair value hierarchy.

b) Valuation Techniques, Inputs and Processes

For land, buildings and infrastructure the MLHD obtains external valuations by independent valuers every three years. The last revaluation was performed by Opteon Pty Ltd for the 12/13 financial year. Opteon Pty Ltd is an independent entity and is not an

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 22 reconciliation.

In accordance with AASB 13 Fair Value Measurement no assets have been found to have a higher and better use than their current use. Highest and best use takes account of use that is physically possible, legally permissible and financially feasible.

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

For land, the valuation by the valuers is made on a market approach, comparing similar assets (not identical) and observable inputs. The most significant input is price per square metre. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

All of the restricted land has been classified as level 3 as, although observable inputs have been used, a significant level of professional judgement is required to adjust inputs in determining the land valuations.

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

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

Work in Progress and Newly Completed Buildings is categorised as level 2, as the initial measurement is recognised at cost and is represented accordingly until subject to revaluation. This is considered appropriate as, once assets are brought into use, there is no longer an identical correlation with the "shelf product".

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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

Level 3 disclosures:

Buildings and Infrastructure

The current replacement cost of each asset is calculated to assess fair value. The current replacement cost of the individual building and infrastructure assets is assessed by referencing to building costs in external publications such as the Rawlinson's Australian Construction Handbook and with allowances made for the regional locations. The useful economic life of the assets is initially assessed at 40 years. The remaining economic life is assessed based upon physical depreciation and obsolescence. The district provides details to the valuer, of any known structural faults and future planning which may involve the demolition or removal of an asset. Any new assets constructed over the past four years have been included and where refurbishment has been undertaken the capital expenditure is reflected in the remaining life of the asset.

Construction costs used to establish gross replacement cost are not expected to have significant variations, unless new construction is impacted by building/construction variations. The District is not aware of any sensitivity to changes in unobservable inputs that may significantly impact on fair value.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT & CONSOLIDATION

24. Fair Value Measurement of Non-Financial Assets

c) Reconciliation of Recurring Level 3 Fair Value Measurements	Land and Buildings \$000	Infrastructure \$000	Total Level 3 Recurring \$000
Fair value as at 1 July 2013	248,642	5,404	254,046
Additions	-----	-----	-----
Depreciation	(11,042)	(331)	(11,373)
	<hr/>	<hr/>	<hr/>
Fair value as at 30 June 2014	<u>237,600</u>	<u>5,073</u>	<u>242,673</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT

CONSOLIDATION

2014
\$000

2013
\$000

2014
\$000

2013
\$000

25. Restricted Assets

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

Category

4,006

3,338 Specific Purposes

4,006

3,338

16
1,005
175

18 Education
2,008 Frontline Health Services
998 Other

16
1,005
175

18
2,008
998

5,202

6,362

5,202

6,362

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		26. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	6,554	5,778
-----	-----	Taxation and Payroll Deductions	1,604	1,169
8,158	6,947	Accrued Liability - Purchase of Personnel Services	-----	-----
13,234	11,388	Creditors	13,234	11,388
		Other Creditors		
30	-----	- Capital Works	30	-----
6,852	6,190	- Intra Health Liability	6,852	6,190
3,647	4,664	- Other	3,647	4,664
<u>31,921</u>	<u>29,189</u>		<u>31,921</u>	<u>29,189</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

		27. Borrowings		
		Current		
<u>210</u>	<u>614</u>	Other Loans and Deposits	<u>210</u>	<u>614</u>
<u>210</u>	<u>614</u>		<u>210</u>	<u>614</u>
		Non-Current		
-----	210	Other Loans and Deposits	-----	210
<u>-----</u>	<u>210</u>		<u>-----</u>	<u>210</u>

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 HealthShare, NSW Ministry of Health and Treasury.

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 38.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
28. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	20,726	7,006
----	----	Annual Leave - Long Term Benefit	7,772	20,076
----	----	Long Service Leave Consequential On-Costs	4,690	3,983
33,188	31,065	Provision for Personnel Services Liability	----	----
<u>33,188</u>	<u>31,065</u>	Total Current Provisions	<u>33,188</u>	<u>31,065</u>
Non-Current				
----	----	Long Service Leave Consequential On-Costs	247	213
247	213	Provision for Personnel Services Liability	----	----
<u>247</u>	<u>213</u>	Total Non-Current Provisions	<u>247</u>	<u>213</u>
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	33,188	31,065
----	----	Provisions - Non-Current	247	213
----	----	Accrued Salaries, Wages and On-Costs (Note 26)	8,158	6,947
41,593	38,225	Liability - Purchase of Personnel Services	----	----
<u>41,593</u>	<u>38,225</u>		<u>41,593</u>	<u>38,225</u>
29. Other Liabilities				
Current				
45	1,095	Income in Advance	45	1,095
<u>45</u>	<u>1,095</u>		<u>45</u>	<u>1,095</u>

June 2014 incorporates income in advance on regular drawn down of patient fees.
All June 2013 Grants in advance were brought to account during 13/14.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000	30. Commitments for Expenditure	2014 \$000	2013 \$000
		(a) Capital Commitments		
		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	82,726	13,813
82,726	13,813	Later than one year and not later than five years	48,445	13,175
48,445	13,175		<hr/>	<hr/>
<u>131,171</u>	<u>26,988</u>	Total Capital Expenditure Commitments (Including GST)	<u>131,171</u>	<u>26,988</u>
		Of the commitments reported at 30 June 2014 it is expected that Nil will be met from locally generated moneys.		
		(b) Operating Lease Commitments		
		Future non-cancellable operating lease rentals not provided for and payable:		
		Not later than one year	3,082	3,043
3,082	3,043	Later than one year and not later than five years	2,867	3,097
2,867	3,097		<hr/>	<hr/>
<u>5,949</u>	<u>6,140</u>	Total Operating Lease Commitments (Including GST)	<u>5,949</u>	<u>6,140</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATION

31. Trust Funds

The MLHD holds trust fund moneys of \$2.8 million which are held 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 MLHD 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash Balance at the beginning of the financial year	106	745	79	121	670	737	855	1,603
Admin Transfer	-----	-----	-----	-----	-----	-----	-----	-----
Receipts	132	117	18	41	9,139	17,843	9,289	18,001
Expenditure	(89)	(756)	(59)	(83)	(7,154)	(17,910)	(7,302)	(18,749)
Cash Balance at the end of the financial year	149	106	38	79	2,655	670	2,842	855

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATED

32. Contingent Liabilities and Assets

a) 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 2007/08 fund year and an interim adjustment for the 2009/10 fund year were not calculated until 2013/14.

As a result, the 2008/09 final and 2010/11 pertaining to the hospitals and community services now forming part of the MLHD will be paid in 2014/15. It is not possible for the MLHD to reliably quantify the benefit to be received or amount payable.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
33. Reconciliation of Cash Flows from Operating Activities to Net Result				
62,987	38,318	Net Cash Flows from Operating Activities	62,987	38,318
(14,777)	(13,967)	Depreciation	(14,777)	(13,967)
(604)	(629)	Allowance for Impairment	(604)	(629)
1,050	(567)	(Increase)/ Decrease Income in Advance	1,050	(567)
(2,157)	32	(Increase)/ Decrease in Provisions	(2,157)	32
2,414	(4,429)	Increase / (Decrease) in Prepayments and Other Assets	2,414	(4,429)
(4,797)	9,742	(Increase)/ Decrease in Creditors	(4,797)	9,742
-----	463	Revaluation of Property, Plant & Equipment recognised in "Other gains/(losses)"	-----	463
196	3	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	196	3
44,312	28,966	Net Result	44,312	28,966

34. 2013/14 Voluntary Services

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

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

35. Unclaimed Monies

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 MLHD 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 MLHD.

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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

PARENT AND CONSOLIDATION

36. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was lower than budget by \$4 million, primarily due to:

Higher employee costs	- (\$6.3)
Lower Sales	- (\$5.5m)
Higher recurrent alloc	- \$5.2m
Higher Grants	- \$2.5m
Other factors	- \$0.1m
Total Variance	- (\$4.0m)

Assets and Liabilities

Current assets were lower than budget due to lower receivables (improved collection and reduced sales).
Current liabilities higher due to higher payables and provisions.

Cash Flows

Cash flows were essential in line with budgets with higher cash payments being offset with higher recurrent allocations

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 10 June 2013 are as follows:

	\$000
Initial Allocation, 10th June 2013	346,632
Revenue Funding	(3,860)
Growth	20,437
Pathology charges	3,171
NPA - treating dental patients	2,259
IPTAAS	1,563
Other Escalations to initial allocation	879
TMF alloc adjustment	773
Other Enhancements	4,082
Trf Hlthcare Asst Initiative co-ordinator position	52
MoH Cash Assistance	5,200
	<hr/>
Balance as per Statement of Comprehensive Income	<u>381,188</u>

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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

Equity transfers effected in the 2012/13 year were:

A decreased in net assets of \$0.819M related to the Districts' distribution of Cash to SNSWLHD for assets in the Health Reform Transition Organisation. \$0.484 was transferred to the Crown to transfer the benefit in the reduced on caosts on annual leave on the June 2013 leave liability.

Equity transfers effected in the 2013/14 year were:

Nil

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
SNSWLHD	-----	(821)
SESLHD	-----	1
Crown Entity	-----	484
	-----	(336)

Assets and Liabilities transferred are as follows:

	2014	2013
	\$000	\$000
Assets		
Cash & Equivalent	-----	(841)
Fixed Assets	-----	21
Liabilities		
Provisions	-----	484
Increase/(Decrease) in Net Assets From Equity Transfers	-----	(336)

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

38. Financial Instruments

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

The MLHD's main risks arising from financial instruments are outlined below, together with the MLHD'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 MLHD, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee and the internal auditors on a continuous basis.

(a) Financial Instrument Categories

PARENT AND CONSOLIDATION		Carrying Amount 2014 \$000	Carrying Amount 2013 \$000
Class:	Category		
Financial Assets			
Cash and Cash Equivalents (note 19)	N/A	6,401	7,473
Receivables (note 20)*	Loans and receivables (at amortised cost)	10,618	13,328
Total Financial Assets		17,019	20,801
Financial Liabilities			
Borrowings (note 27)	Financial liabilities	210	824
Payables (note 26)**	measured at	30,317	28,020
Other (note 29)	amortised cost	----	----
Total Financial Liabilities		30,527	28,844

Notes

*Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

**Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(b) Credit Risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the MLHD. 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 MLHD, including cash, receivables and authority deposits. No collateral is held by the MLHD. The MLHD has not granted any financial guarantees.

Credit risk associated with the MLHD'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 within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 3.32% in 2013/14 compared to 3.17% 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 MLHD 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 MLHD 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 (2014:\$2.351M; 2013: \$1.893M) and not more than 3 months past due (2014: \$0.665M; 2013:\$1.069M) are not considered impaired. Together these represent 82% 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 MLHD's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	665	640	25
3 months - 6 months overdue	340	277	63
> 6 months overdue	318	159	159
2013			
<3 months overdue	1,069	1,054	15
3 months - 6 months overdue	529	264	265
> 6 months overdue	408	185	223

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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(c) Liquidity Risk

Liquidity risk is the risk that the MLHD will be unable to meet its payment obligations when they fall due. The MLHD 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 MLHD 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 of loans payable. No assets have been pledged as collateral. The MLHD has exposure to liquidity risk.

However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the MLHD fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 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 in accordance with NSW Treasury Circular 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

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

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

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non - Interest Bearing	< 1 Yr	1-5 Yr	> 5Yr
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		6,554	----	----	6,554	6,554	----	----
- Creditors		23,763	----	----	23,763	23,763	----	----
Borrowings:								
- Loans and Deposits	3.09%	210	210	----	----	210	----	----
		<u>30,527</u>	<u>210</u>	<u>----</u>	<u>30,317</u>	<u>30,527</u>	<u>----</u>	<u>----</u>
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,778	----	----	5,778	5,778	----	----
- Creditors		22,242	----	----	22,242	22,242	----	----
Borrowings:								
- Loans and Deposits	3.13%	824	----	----	----	614	210	----
		<u>28,844</u>	<u>----</u>	<u>----</u>	<u>28,020</u>	<u>28,634</u>	<u>210</u>	<u>----</u>

Notes:

1 The amounts disclosed are the contractual, undiscounted cash flows of each class of financial liabilities based on the earliest date on which the MLHD 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.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The MLHD's exposures to market risk are primarily through interest rate risk on the MLHD's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities. The MLHD 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 MLHD 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 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

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

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 MLHD 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 (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Murrumbidgee Local Health District
Notes to and forming part of the Financial Statements
for the year ended 30 June 2014

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

	Carrying Amount \$'000	-1% Profit	Equity	+1% Profit	Equity
2014					
Financial Assets					
Cash and Cash Equivalents	6,401	(64)	(64)	64	64
Receivables	10,618	----	----	----	----
Financial Liabilities					
Payables	30,317	----	----	----	----
Borrowings	210	2	2	(2)	(2)
2013					
Financial Assets					
Cash and Cash Equivalents	7,473	(75)	(75)	75	75
Receivables	13,328	----	----	----	----
Financial Liabilities					
Payables	28,020	----	----	----	----
Borrowings	824	8	8	(8)	(8)
Other	----	----	----	----	----

39. Events after the Reporting Period

Agreement has been reached between NSW Health and The Department of Health, Victoria for current MLHD mental health inpatient and community mental health services together with general community health services based in Albury to transfer to Albury Wodonga Health (AWH), a health entity managed by DH Victoria. This transfer took effect on 1 July 2014. Finalisation of service level arrangements with MLHD are being finalised through an Interdepartmental Committee (IDC) representing both ministries. It is expected the transfer will have an annual funding value of approximately \$12.5M.

END OF AUDITED FINANCIAL STATEMENTS

Annual Financial Statements

of

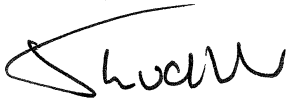
Murrumbidgee Local Health District Special Purpose Service Entity

for the Year Ended 30 June 2014

Murrumbidgee Local Health District Special Purpose Service Entity
Certification of the Financial Statements
for the year ended 30 June 2014

I state pursuant to Section 45F of the *Public Finance and Audit Act 1983*:

- 1) The financial statements of the Murrumbidgee Local Health District Special Purpose Service Entity for the year ended 30 June 2014 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;
- 2) The financial statements exhibit a true and fair view of the financial position and the financial performance of the Murrumbidgee Local Health District Special Purpose Service Entity; and
- 3) I am not aware of any circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Jill Ludford
Chief Executive
12 September 2014



Kevin Lawrence
A/Director Finance & Performance

Murrumbidgee Local Health District Special Purpose Service Entity
Statement of Comprehensive Income for the year ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
Revenue		
Personnel Services	269,278	253,538
Acceptance by the Crown Entity of Employee Benefits	13,389	3,325
Total Revenue	282,667	256,863
Expenses		
Salaries and Wages	183,515	176,932
Overtime	7,614	8,085
Penalties	18,093	18,167
Defined Benefit Superannuation	4,033	4,193
Defined Contribution Superannuation	19,364	17,488
Long Service Leave	10,098	(1,477)
Annual Leave	22,758	20,282
Sick Leave and Other Leave	12,834	8,181
Redundancies	327	320
Workers Compensation Insurance	4,020	4,634
Fringe Benefits Tax	11	58
Other Staff Related	-	-
Total Expenses	282,667	256,863
Net Result	-	-
Other Comprehensive Income	-	-
Total Comprehensive Income	-	-

The accompanying notes form part of these Financial Statements.

Murrumbidgee Local Health District Special Purpose Service Entity
Statement of Financial Position
as at 30 June 2014

	Notes	Actual 2014 \$000	Actual 2013 \$000
ASSETS			
Current Assets			
Receivables	2	41,346	38,012
Total Current Assets		41,346	38,012
Non-Current Assets			
Receivables	2	247	213
Total Non-Current Assets		247	213
Total Assets		41,593	38,225
LIABILITIES			
Current Liabilities			
Payables	3	8,158	6,947
Provisions	4	33,188	31,065
Total Current Liabilities		41,346	38,012
Non-Current Liabilities			
Provisions	4	247	213
Total Non-Current Liabilities		247	213
Total Liabilities		41,593	38,225
Net Assets		-	-
EQUITY			
Accumulated funds		-	-
Total Equity		-	-

The accompanying notes form part of these Financial Statements

**Murrumbidgee Local Health District Special Purpose Service Entity
Statement of Changes in Equity
for the year ended 30 June 2014**

	Actual	Actual
	2014	2013
	\$000	\$000
Balance at 1 July	-	-
Result for the Year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June	<u>-</u>	<u>-</u>

The accompanying notes form part of these Financial Statements

Murrumbidgee Local Health District Special Purpose Service Entity
Statement of Cash Flows
for the year ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
Net Cash Flows from Operating Activities	-	-
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	-	-
Opening Cash and Cash equivalents	-	-
Closing Cash and Cash Equivalents	-	-

The Murrumbidgee Local Health District Special Purpose Service Entity does not hold any cash or cash equivalent assets and therefore there are nil cash flows.

The accompanying notes form part of these Financial Statements.

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The Murrumbidgee Local Health District Special Purpose Service Entity

The Murrumbidgee Local Health District Special Purpose Service Entity (the Entity) is a Division of the NSW Health Service, established pursuant to section 116(4) of the Health Services Act 1997. It is a not-for-profit Entity as profit is not its principal objective.

The Entity is controlled by the Murrumbidgee Local Health District and it is also consolidated as part of the financial statements prepared for both the Ministry of Health and the NSW Total State Sector Accounts.

The Entity's objective is to provide personnel services to the Murrumbidgee Local Health District.

The financial statements were authorised for issue by the Chief Executive on September 12 2014

b) Basis of Preparation

The Entity's financial statements are general purpose financial statements and have been prepared on an accrual basis, in accordance with applicable Australian Accounting Standards which include Australian Accounting Interpretations. The statements have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and Treasurer's Directions.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value. See Note (g).

Judgments, key assumptions and estimates are disclosed in the relevant notes to the financial statements.

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

Statement of Compliance

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

c) Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

d) Receivables

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 accounted for in the net result for the year when impaired, derecognised or through the amortisation process.

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

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

e) 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 entity transfers the financial asset:

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

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

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

f) Payables

Payables include accrued wages, salaries and related on costs (such as payroll deduction liability, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

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

g) Employee Benefits

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

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

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

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability can be used to approximate the present value of the annual leave liability. On-costs of 16.5% are applied to the value of leave payable at 30 June 2014 (comparable on-costs for 30 June 2013 were also 14.9%). The MLHD has assessed the actuarial advice based on the MLHD's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

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

ii) Long Service Leave and Superannuation

The Entity's liability for Long Service Leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity. The Entity 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 entity as shown in Note 4.

Long Service Leave is measured at present value in accordance with AASB 119, Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Health Ministry Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and Superannuation Guarantee Charge) 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) Consequential On-Costs

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

h) New Australian Accounting Standards Issued But Not Effective

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have impacted in 2013-14 and have been applied for the first time as follows:

AASB 119, AASB 2011-10 and AASB 2011-11, regarding employee entitlements, have mandatory application from 1 January 2013 and cover the recognition and measurement of short term and long term employee benefits. Refer Note 4.

(ii) Issued but not yet effective

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

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2014

AASB 2010-7, regarding Financial Instruments has mandatory application from 1 July 2015 and comprise changes to improve and simplify the approach for classification and measurement of financial assets. The change is not expected to materially impact the financial statements.

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. For not for profit entities, the changes have application from 1 July 2014. Based on the initial high level assessment performed by the Ministry of Health, this standard has been assessed as having no material effect. The MLHD in conjunction with the Ministry will be performing a detailed review of the impact of the standard to assess if any small foundations, trust or any other type of entities are controlled, noting if such relationship exists, it is still likely to be immaterial.

AASB 1055 and AASB 2013-1, regarding Budgetary Reporting has application from 1 July 2014. Any changes in future disclosures will be determined by the polices adopted for whole of government reporting.

AASB 2012-3, Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities, has application from 1 January 2014 and seeks to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-3, Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets, has application from 1 July 2014.

AASB 2013-6, Amendments to AASB 136 arising from Reduced Disclosure Requirements, has application from 1 July 2014.

AASB 2013-8, Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities, has application from 1 July 2014.

AASB 2013-9, Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments has application from 1 July 2014.

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
2. RECEIVABLES		
Current		
Accrued Income - Personnel Services Provided	41,346	38,012
Non-Current		
Accrued Income - Personnel Services Provided	247	213
Total Receivables	41,593	38,225

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

3. PAYABLES

Current

Accrued Salaries, Wages and On Costs	6,554	5,778
Taxation and Payroll Deductions	1,604	1,169
Total Payables	8,158	6,947

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 5.

Murrumbidgee Local Health District Special Purpose Service Entity
Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014

	Actual	Actual
	2014	2013
	\$000	\$000
4. PROVISIONS		
Current Employee Benefits and Related On Costs		
Annual Leave	20,726	7,006
Annual Leave - Long Term Benefit	7,772	20,076
Long Service Leave - Consequential On costs	4,690	3,983
Other	-	-
Total Current Provisions	33,188	31,065
Non-Current Employee Benefits and Related On Costs		
Long Service Leave - Consequential On costs	247	213
Other	-	-
Total Non-Current Provisions	247	213
Aggregate Employee Benefits and Related On Costs		
Provisions - Current	33,188	31,065
Provisions - Non-Current	247	213
Accrued Salaries, Wages and On Costs	8,158	6,947
Total	41,593	38,225

Murrumbidgee Local Health District Special Purpose Service Entity

**Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014**

5. Financial Instruments

The Entity's principal financial instruments are outlined below. The Entity's financial instruments arise directly from the Entity's operations or are required to finance the entity's operations.

The Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Entity's main risks arising from financial instruments are outlined below, together with the Entity'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. The Entity carries minimal risks within its operation as it carries only the value of employee provisions and accrued salaries and wages offset in full by accounts receivable from the Parent Entity. Risk management policies are established by the Parent Entity to identify and analyse the risk faced by the Entity, to set risk limits and controls and monitor risks. Compliance with policies is reviewed by the Audit & Risk Management Committee/ Internal auditors of the Parent Entity on a continuous basis.

a) Financial Instruments Categories

		Actual	Actual
		2014	2013
		\$000	\$000
Financial Assets			
Class:	Category		
Receivables (note 2) ¹	Receivables measured at amortised cost	41,593	38,225
Total Financial Assets		<u>41,593</u>	<u>38,225</u>
Financial Liabilities			
Class:	Category		
Payables (note 3) ²	Financial liabilities measured at amortised cost	6,554	5,778
Total Financial Liabilities		<u>6,554</u>	<u>5,778</u>

1 Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

2 Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

Murrumbidgee Local Health District Special Purpose Service Entity

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2014

b) **Credit Risk**

Credit risk arises when there is the possibility of the Entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the Entity. 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 Entity i.e. receivables. No collateral is held by the Entity nor has it granted any financial guarantees.

Receivables - trade debtors

Receivables are restricted to accrued income for personnel services provided and employee leave provisions and are recognised as amounts receivable at balance date. The parent entity of the Murrumbidgee Local Health District Special Purpose Service Entity is the sole debtor of the Entity and it is assessed that there is no risk of default. No accounts receivables are classified as past due but not impaired or 'Considered Impaired'.

c) **Liquidity Risk**

Liquidity risk is the risk that the Entity will be unable to meet its payment obligations when they fall due. No such risk exists with the Entity not having any cash flows. All movements that occur in Payables are fully offset by an increase in Receivables from the Murrumbidgee Local Health District.

d) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Entity's exposures to market risk are considered to be minimal and the Entity has no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through interest bearing liabilities.

However the Entity has no such liabilities and the interest rate is assessed as Nil. Similarly it is considered that the Entity is not exposed to other price risks.

e) **Fair Value**

Financial instruments are generally recognised at cost.

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

6. **Related Parties**

The Murrumbidgee Local Health District is deemed to control the Murrumbidgee Local Health District Special Purpose Service Entity in accordance with Australian Accounting Standards. The controlling entity is incorporated under the Health Services Act 1997.

Murrumbidgee Local Health District Special Purpose Service Entity

**Notes to and forming part of the Financial Statements for the
Year Ended 30 June 2014**

Transactions and balances in these financial statements relate only to the Entity's function as provider of personnel services to the controlling entity. The Entity's total income is sourced from the Murrumbidgee Local Health District.

Cash receipts and payments are effected by the Murrumbidgee Local Health District on the entity's behalf.

7. Events after the Reporting Period

Agreement has been reached between NSW Health and The Department of Health, Victoria for current MLHD mental health inpatient and community mental health services together with general community health services based in Albury to transfer to Albury Wodonga Health (AWH), a health entity managed by DH Victoria. This transfer took effect on 1 July 2014. Finalisation of service level arrangements with MLHD are being finalised through an Interdepartmental Committee (IDC) representing both ministries. It is expected the transfer will reduce payroll costs by approximately \$9.6M

END OF AUDITED FINANCIAL STATEMENTS