



INDEPENDENT AUDITOR'S REPORT

Northern NSW Local Health District

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Northern NSW Local Health District (the District), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the District and the consolidated entity. The consolidated entity comprises the District and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the District 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 does not extend to the budget information. I have not audited the budget figures disclosed in the statement of comprehensive income, statement of financial position and statement of cash flows.

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

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 the 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 District's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the District or the consolidated entity
- that 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 that may have been hyperlinked to/from the financial statements.

Independence

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

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



Steven Martin
Assistant Auditor-General

12 September 2014
SYDNEY

**Northern NSW 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 Northern NSW 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 Northern NSW Local Health District; and
- 3) There are no circumstances which would render any particulars in the accounts to be misleading or inaccurate.



Christopher Crawford
Chief Executive
11 September 2014

Northern NSW 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	2014	2013			2014	2014	2013
\$000	\$000	\$000			\$000	\$000	\$000
			Expenses excluding losses				
			Operating Expenses				
----	----	----	Employee Related	3	396,642	391,056	375,592
377,836	371,902	365,307	Personnel Services	4	----	----	----
65,795	61,638	61,082	Visiting Medical Officers		65,795	61,638	61,082
175,985	177,958	171,591	Other Operating Expenses	5	175,985	177,958	171,591
21,422	21,445	19,764	Depreciation and Amortisation	2(i), 6	21,422	21,445	19,764
5,629	4,819	5,992	Grants and Subsidies	7	5,629	4,819	5,992
7	9	23	Finance Costs	8	7	9	23
646,674	637,771	623,759	Total Expenses excluding losses		665,480	656,925	634,044
			Revenue				
532,361	527,063	514,336	NSW Ministry of Health Recurrent Allocations	2(d)	532,361	527,063	514,336
25,960	25,941	25,072	NSW Ministry of Health Capital Allocations	2(d)	25,960	25,941	25,072
----	----	----	Acceptance by the Crown Entity of Employee Benefits	2(a)(ii), 12	18,806	19,154	10,285
66,474	66,567	57,971	Sale of Goods and Services	9	66,474	66,567	57,971
408	383	694	Investment Revenue	10	408	383	694
21,344	17,238	23,298	Grants and Contributions	11	21,344	17,238	23,298
940	694	735	Other Revenue	13	940	694	735
647,487	637,886	622,106	Total Revenue		666,293	657,040	632,391
646	(5)	165	Gain / (Loss) on Disposal	14	646	(5)	165
(772)	(297)	(224)	Other Gains / (Losses)	15	(772)	(297)	(224)
687	(187)	(1,712)	Net Result	32	687	(187)	(1,712)
			Other Comprehensive Income				
			Items that will not be reclassified to net result				
			Net Increase/(Decrease) in Property, Plant &				
23,469	----	3,163	Equipment Revaluation Surplus	21	23,469	----	3,163
23,469	----	3,163	Total Other Comprehensive Income		23,469	----	3,163
24,156	(187)	1,451	TOTAL COMPREHENSIVE INCOME		24,156	(187)	1,451

The accompanying notes form part of these financial statements.

Northern NSW 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							
10,413	5,635	9,508	Cash and Cash Equivalents	18	10,413	5,635	9,508
12,049	15,851	15,832	Receivables	19	12,049	15,851	15,832
1,836	1,901	1,900	Inventories	20	1,836	1,901	1,900
24,298	23,387	27,240	Total Current Assets		24,298	23,387	27,240
Non-Current Assets							
33	6	7	Receivables	19	33	6	7
Property, Plant & Equipment							
402,210	382,178	368,254	- Land and Buildings	21	402,210	382,178	368,254
25,153	22,550	28,267	- Plant and Equipment	21	25,153	22,550	28,267
10,840	10,529	10,740	- Infrastructure Systems	21	10,840	10,529	10,740
438,203	415,257	407,261	Total Property, Plant & Equipment		438,203	415,257	407,261
438,236	415,263	407,268	Total Non-Current Assets		438,236	415,263	407,268
462,534	438,650	434,508	Total Assets		462,534	438,650	434,508
LIABILITIES							
Current Liabilities							
48,437	47,224	45,941	Payables	25	48,437	47,224	45,941
----	----	336	Borrowings	26	----	----	336
51,219	52,829	49,501	Provisions	27	51,219	52,829	49,501
16	15	15	Other	28	16	15	15
99,672	100,068	95,793	Total Current Liabilities		99,672	100,068	95,793
Non-Current Liabilities							
348	348	295	Provisions	27	348	348	295
105	166	167	Other	28	105	166	167
453	514	462	Total Non-Current Liabilities		453	514	462
100,125	100,582	96,255	Total Liabilities		100,125	100,582	96,255
362,409	338,068	338,253	Net Assets		362,409	338,068	338,253
EQUITY							
31,230	7,812	7,812	Reserves		31,230	7,812	7,812
331,179	330,256	330,441	Accumulated Funds		331,179	330,256	330,441
362,409	338,068	338,253	Total Equity		362,409	338,068	338,253

The accompanying notes form part of these financial statements.

Northern NSW 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	Total \$000
Balance at 1 July 2013		330,441	7,812	338,253
Total Equity at 1 July 2013		330,441	7,812	338,253
Net Result for the year		687		687
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	23,469	23,469
Transfers on Disposal		51	(51)	----
Total Other Comprehensive Income		51	23,418	23,469
Total Comprehensive Income for the year		738	23,418	24,156
Balance at 30 June 2014		331,179	31,230	362,409
Balance at 1 July 2012		330,327	5,731	336,058
Total Equity at 1 July 2012		330,327	5,731	336,058
Net Result for the year		(1,712)		(1,712)
Other Comprehensive Income:				
Net Increase/(Decrease) in Property, Plant & Equipment	21	----	3,163	3,163
Transfers on Disposal		1,082	(1,082)	----
Total Other Comprehensive Income		1,082	2,081	3,163
Total Comprehensive Income for the year		(630)	2,081	1,451
Transactions With Owners In Their Capacity As Owners				
Increase/(Decrease) in Net Assets From Equity Transfers	36	744	----	744
Balance at 30 June 2013		330,441	7,812	338,253

The accompanying notes form part of these financial statements.

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

PARENT			CONSOLIDATION			
Actual	Budget Unaudited	Actual		Actual	Budget Unaudited	Actual
2014 \$000	2014 \$000	2013 \$000	Notes	2014 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
----	----	----	Employee Related	(382,279)	(374,281)	(371,725)
(6,212)	(5,403)	(6,648)	Grants and Subsidies	(6,212)	(5,403)	(6,648)
(7)	(9)	(23)	Finance Costs	(7)	(9)	(23)
(645,730)	(637,181)	(626,952)	Other	(263,451)	(262,900)	(255,227)
(651,949)	(642,593)	(633,623)	Total Payments	(651,949)	(642,593)	(633,623)
Receipts						
532,361	527,063	514,336	NSW Ministry of Health Recurrent Allocations	532,361	527,063	514,336
25,960	25,941	25,072	NSW Ministry of Health Capital Allocations	25,960	25,941	25,072
6,274	6,274	6,304	Reimbursements from the Crown Entity	6,274	6,274	6,304
68,923	67,206	58,499	Sale of Goods and Services	68,923	67,206	58,499
408	383	694	Interest Received	408	383	694
23,304	19,199	25,727	Grants and Contributions	23,304	19,199	25,727
24,209	22,437	22,488	Other	24,209	22,437	22,488
681,439	668,503	653,120	Total Receipts	681,439	668,503	653,120
29,490	25,910	19,497	NET CASH FLOWS FROM OPERATING ACTIVITIES	29,490	25,910	19,497
CASH FLOWS FROM INVESTING ACTIVITIES						
2,754	346	917	Proceeds from Sale of Property, Plant & Equipment	2,754	346	917
(31,003)	(29,793)	(29,050)	Purchases of Property, Plant & Equipment	(31,003)	(29,793)	(29,050)
(28,249)	(29,447)	(28,133)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(28,249)	(29,447)	(28,133)
CASH FLOWS FROM FINANCING ACTIVITIES						
(336)	(336)	(482)	Repayment of Borrowings and Advances	(336)	(336)	(482)
(336)	(336)	(482)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(336)	(336)	(482)
905	(3,873)	(9,118)	NET INCREASE / (DECREASE) IN CASH	905	(3,873)	(9,118)
9,508	9,508	18,626	Opening Cash and Cash Equivalents	9,508	9,508	18,626
10,413	5,635	9,508	CLOSING CASH AND CASH EQUIVALENTS	10,413	5,635	9,508

The accompanying notes form part of these financial statements.

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

DISTRICT EXPENSES AND INCOME	Service Group 1.1 * Primary And Community Based Services		Service Group 1.2 * Aboriginal Health Services		Service Group 1.3 * Outpatient Services		Service Group 2.1 * Emergency Services		Service Group 2.2 * Inpatient Hospital Services		Service Group 3.1 * Mental Health Services		Service Group 4.1 * Rehabilitation And Extended Care Services		Service Group 5.1 * Population Health Services		Service Group 6.1 * Teaching And Research		Nor Attributable		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	\$000	\$000
Expenses excluding losses																							
Operating Expenses																							
Employee Related	20,390	16,376	3,501	2,892	34,131	30,273	55,548	53,409	193,542	192,881	35,224	27,306	47,959	46,874	4,958	3,230	2,050	1,690				396,642	375,592
Visiting Medical Officers	525	391	6	6	2,593	2,388	10,972	11,887	44,738	41,737	2,986	1,961	3,095	2,260	544	354	336	98				65,795	61,082
Other Operating Expenses	6,658	3,809	652	635	23,061	23,302	26,164	29,496	89,760	94,258	6,896	5,371	16,377	17,845	994	875	925	498				175,985	171,591
Depreciation and Amortisation	181	174	30	26	2,243	2,247	3,200	2,826	11,105	10,434	2,442	1,953	1,975	1,884	199	186	47	34				21,422	19,764
Grants and Subsidies	534	491	795	961	815	932	19	86	266	1,912	1,912	2,194	28	---	527	796	913	352				5,629	5,992
Finance Costs	1	1	---	---	---	2	1	3	13	4	1	1	1	3	---	---	---	---				7	23
Total Expenses excluding losses	28,288	21,242	4,984	4,520	62,843	59,144	95,904	97,621	335,752	343,072	49,461	38,786	69,435	68,866	7,222	5,441	4,271	2,672				665,480	634,044
Revenue																							
NSW Ministry of Health Recurrent Allocations **																							
NSW Ministry of Health Capital Allocations **																							
Acceptance by the Crown Entity																							
of Employee Benefits and Other Liabilities	568	448	151	79	1,645	829	2,786	1,463	5,300	9,277	1,459	748	2,802	1,284	59	88	59	46				18,806	10,285
Sale of Goods and Services	29	342	5	197	15,755	5,212	1,739	626	40,012	33,252	847	168	14,843	8,046	2	116	2	3,252				66,474	57,971
Investment Revenue	2	1	1	---	86	74	18	9	513	200	9	3	92	94	---	---	---	---				408	694
Grants and Contributions	737	459	246	91	2,884	1,398	404	149	2,484	927	62	16	8,238	8,935	3,804	6,444	4,042	3,322				21,344	23,298
Other Revenue	5	67	1	8	193	36	44	74	398	465	22	75	210	71	---	5	---	1				940	735
Total Revenue	1,341	1,317	404	375	20,563	7,549	4,991	2,321	48,707	44,121	2,399	1,010	26,185	18,430	3,865	6,653	4,103	6,621				666,293	632,391
Gain / (Loss) on Disposal	4	169	4	---	19	(17)	147	(21)	(77)	204	204	126	67	(14)	(2)	(1)	1	---				646	165
Other Gains / (Losses)	(12)	(19,768)	(4,576)	(4,146)	(2)	(31)	(19)	(25)	(122)	(603)	(12)	(19)	(136)	(12)	(2)	(2)	(2)	---				(772)	(224)
Net Result	(26,943)	(19,768)	(4,576)	(4,146)	(42,263)	(51,643)	(90,785)	(95,346)	(287,244)	(299,352)	(46,870)	(37,669)	(43,319)	(50,462)	(3,359)	1,209	(167)	3,949				539,408	(1,712)
Other Comprehensive Income																							
Increase/(Decrease) in Revaluation Surplus	198	28	33	4	2,457	360	3,506	452	1,670	12,165	2,676	313	2,164	301	218	30	52	5				23,469	3,163
Total Other Comprehensive Income	198	28	33	4	2,457	360	3,506	452	1,670	12,165	2,676	313	2,164	301	218	30	52	5				23,469	3,163
Total Comprehensive Income	(26,745)	(19,740)	(4,543)	(4,142)	(39,806)	(51,283)	(87,279)	(94,894)	(285,574)	(287,187)	(44,194)	(37,356)	(41,159)	(50,161)	(3,141)	1,239	(115)	3,954				539,408	1,451

* The name and purpose of each service group is summarised in Note 17

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

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

1. The Reporting Entity

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

The District 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 Northern NSW 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 District to exercise its functions.

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010, and the Treasurers' Directions. Apart from the basis for the District's budget figures, the financial statements comply with the Financial Reporting Code for NSW General Government Sector Entities. Further information on the budget figures can be found at Note 2(ac).

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

The Secretary of Health, the Chair of Northern NSW Local Health District Board and the Chief Executive, through the Service Agreement have agreed to service and funding levels for the forward financial year. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the 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.

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

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

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).

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 14.9%). The District has assessed the actuarial advice based on the District'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.

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

ii) Long Service Leave and Superannuation

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

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

Specific on-costs relating to Long Service Leave assumed by the Crown Entity are borne by the District as shown in Note 27.

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

b) Insurance

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

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

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 District transfers the significant risks and rewards of ownership of the assets.

Rendering of Services

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

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 District, recognises the revenue on an accruals basis from the time the patient is treated or admitted into hospital.

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

Department of Veterans' Affairs

An agreement is in place with the Commonwealth Department of Veterans' Affairs, through which direct funding is provided for the provision of health services to entitled veterans. For inpatient services, revenue is recognised by the District on an accrual basis by reference to patient admissions. Non admitted patients are recognised by the 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 District'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 District use in the advancement of the District or individuals within it.

Use of Outside Facilities

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

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

Grants and Contributions

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

NSW Ministry of Health Allocations

Payments are made by the NSW Ministry of Health on the basis of the allocation for the District as adjusted for approved supplementations mostly for salary agreements and approved enhancement projects.

This allocation is included in the Statement of Comprehensive Income before arriving at the "Net Result" on the basis that the allocation is earned in return for the health services provided on behalf of the Ministry. Allocations are normally recognised upon the receipt of cash.

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

e) Accounting for the Goods & Services Tax (GST)

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

- * amount of GST incurred by the District as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of 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 District are deemed to be controlled by the District 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.

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

i) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the District. Land is not a depreciable asset. All material 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.

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 21 and Note 23 for further information regarding fair value.

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

The District revalues its Land and Buildings and Infrastructure at minimum every three years by independent valuation. The last revaluation for assets assumed by the District was completed in the 30 June 2012 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.

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.

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

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

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

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

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 District does not have any property that meets the definition of Investment Property.

o) Intangible Assets

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

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

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

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

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

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

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.

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

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 District determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

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

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

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

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

T Corp investments are made in an effort to improve interest returns on cash balances otherwise available whilst also providing secure investments.

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 District 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 District commits to purchase or sell the asset.

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

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

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.

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 District transfers the financial asset:

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

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

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

w) Payables

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

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

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

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

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.

y) Fair Value Hierarchy

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

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

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

Refer Note 23 and Note 37 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 District recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the District does not recognise that asset.

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

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 District's policy on the revaluation of property, plant and equipment as discussed in Note 2(j).

ab) Trust Funds

The District receives monies in a trustee capacity for various trusts as set out in Note 30.

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

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 District take action to identify those components that can be specifically identified and reported by service groups.

Remaining values are attributed to service groups in accordance with values advised by the NSW Ministry of Health, e.g. depreciation/amortisation charges form the basis of apportioning the values for Intangibles and Property, Plant & Equipment.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
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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 23.

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 & 27.

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 37.

(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 District 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.

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

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.

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.

2014-02, 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.

Northern NSW 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
3. Employee Related			
Employee related expenses comprise the following:			
----	----		
----	----	254,353	246,600
----	----	9,640	9,411
----	----	27,195	27,344
----	----	4,961	4,942
----	----	28,263	26,294
----	----	14,906	5,291
----	----	32,182	30,584
----	----	17,760	17,391
----	----	129	343
----	----	7,231	7,382
----	----	22	10
<u>----</u>	<u>----</u>	<u>396,642</u>	<u>375,592</u>
The following additional information is provided:			
-----	-----		
-----	-----	400	355
4. Personnel Services			
Personnel Services comprise the purchase of the following:			
254,353	246,600	----	----
9,640	9,411	----	----
27,195	27,344	----	----
28,263	26,294	----	----
1,061	(52)	----	----
32,182	30,584	----	----
17,760	17,391	----	----
129	343	----	----
7,231	7,382	----	----
22	10	----	----
<u>377,836</u>	<u>365,307</u>	<u>----</u>	<u>----</u>
The following additional information is provided:			
400	355	----	----
5. Other Operating Expenses			
64	48	64	48
155	149	155	149
3,327	3,121	3,327	3,121
144	101	144	101
186	116	186	116
7,107	6,503	7,107	6,503
20,813	19,832	20,813	19,832
14,305	13,786	14,305	13,786
6,544	6,732	6,544	6,732
10,570	10,189	10,570	10,189
10,274	9,785	10,274	9,785
6,091	5,467	6,091	5,467
793	1,085	793	1,085
11,463	11,451	11,463	11,451
31,955	29,729	31,955	29,729
990	1,049	990	1,049
1,386	2,005	1,386	2,005
1,771	1,801	1,771	1,801
777	688	777	688
2,896	2,824	2,896	2,824
4,656	4,598	4,656	4,598
33,958	34,278	33,958	34,278
3,553	4,271	3,553	4,271
2,207	1,983	2,207	1,983
<u>175,985</u>	<u>171,591</u>	<u>175,985</u>	<u>171,591</u>

Northern NSW 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
		(a) Other Includes:		
583	870	Contract for Patient Services	583	870
3,171	3,045	Corporate Support Services	3,171	3,045
561	414	Courier and Freight	561	414
310	181	Legal Services	310	181
45	70	Membership/Professional Fees	45	70
1,725	1,666	Motor Vehicle Operating Lease Expense - Minimum Lease Payments	1,725	1,666
1,404	1,511	Other Operating Lease Expense - Minimum Lease Payments	1,404	1,511
206	130	Quality Assurance/Accreditation	206	130
915	723	Security Services	915	723
1,650	1,579	Other Miscellaneous	1,650	1,579
10,570	10,189		10,570	10,189
		(b) Reconciliation of Total Maintenance		
4,262	3,922	Maintenance Contracts	4,262	3,922
2,906	4,197	New/Replacement Equipment under \$10,000	2,906	4,197
4,138	3,311	Repairs Maintenance/Non Contract	4,138	3,311
157	21	Other	157	21
11,463	11,451	Maintenance Expense - Contracted Labour and Other (Non-Employee Related in Note 5)	11,463	11,451
2,506	2,360	Employee Related/Personnel Services Maintenance Expense included in Notes 3 and 4	2,506	2,360
13,969	13,811	Total Maintenance Expenses	13,969	13,811

Northern NSW 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
		6. Depreciation and Amortisation		
15,083	15,630	Depreciation - Buildings	15,083	15,630
5,680	3,513	Depreciation - Plant and Equipment	5,680	3,513
659	621	Depreciation - Infrastructure Systems	659	621
<u>21,422</u>	<u>19,764</u>		<u>21,422</u>	<u>19,764</u>
		7. Grants and Subsidies		
1,947	2,023	Non-Government Organisations	1,947	2,023
3,682	3,969	Other Grants	3,682	3,969
<u>5,629</u>	<u>5,992</u>		<u>5,629</u>	<u>5,992</u>
		8. Finance Costs		
7	23	Interest on Loans	7	23
<u>7</u>	<u>23</u>		<u>7</u>	<u>23</u>

Northern NSW 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
9. Sale of Goods and Services				
(a) Sale of Goods comprise the following:-				
256	175	Pharmacy Sales	256	175
929	996	Sale of Prosthesis	929	996
68	158	Other	68	158
(b) Rendering of Services comprise the following:-				
		Patient Fees		
20,297	20,016	- Inpatient Fees	20,297	20,016
1,130	1,044	- Nursing Home Fees	1,130	1,044
659	409	- Non Inpatient Fees	659	409
15,039	14,274	Department of Veterans' Affairs	15,039	14,274
114	100	Staff-Meals and Accommodation	114	100
8,628	6,679	Infrastructure Fees - Monthly Facility Charge	8,628	6,679
636	152	- Annual Charge	636	152
4	5	Cafeteria/Kiosk	4	5
1,246	585	Clinical Services (excluding Clinical Drug Trials)	1,246	585
938	1,131	Commercial Activities	938	1,131
-----	1	Enteral Nutrition Income	-----	1
87	82	Fees for Medical Records	87	82
9,042	8,039	High Cost Drugs	9,042	8,039
5	7	Meals on Wheels	5	7
5,725	3,296	Motor Accident Authority Third Party	5,725	3,296
53	52	Private Use of Motor Vehicles	53	52
270	290	Salary Packaging Fee	270	290
709	330	Services Provided to Non NSW Health Organisations	709	330
639	150	Other	639	150
66,474	57,971		66,474	57,971
10. Investment Revenue				
408	694	Interest	408	694
408	694		408	694

Northern NSW Local Health District
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for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
11. Grants and Contributions				
460	556	Clinical Drug Trials	460	556
8,157	10,704	Commonwealth Government Grants	8,157	10,704
2,054	1,092	Industry Contributions/Donations	2,054	1,092
4,879	4,697	Cancer Institute Grants	4,879	4,697
2,006	2,105	NSW Government Grants	2,006	2,105
10	47	Research Grants	10	47
3,778	4,097	Other Grants	3,778	4,097
<u>21,344</u>	<u>23,298</u>		<u>21,344</u>	<u>23,298</u>
 12. Acceptance by the Crown Entity of employee benefits				
The following liabilities and expenses have been assumed by the Crown Entity:				
----	----	Superannuation-defined benefit	4,961	4,942
----	----	Long Service Leave	13,845	5,343
<u>----</u>	<u>----</u>		<u>18,806</u>	<u>10,285</u>
 13. Other Revenue				
Other Revenue comprises the following:-				
1	5	Bad Debts Recovered	1	5
14	13	Commissions	14	13
41	6	Conference and Training Fees	41	6
311	19	Insurance Refunds	311	19
196	151	Lease and Rental Income	196	151
3	----	Sponsorship Income	3	----
5	----	Treasury Managed Fund Hindsight Adjustment	5	----
369	541	Other	369	541
<u>940</u>	<u>735</u>		<u>940</u>	<u>735</u>

Northern NSW Local Health District
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for the year ended 30 June 2014

PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
14. Gain / (Loss) on Disposal				
8,326	2,568	Property, Plant and Equipment	8,326	2,568
6,218	1,991	Less: Accumulated Depreciation	6,218	1,991
<u>2,108</u>	<u>577</u>	Written Down Value	<u>2,108</u>	<u>577</u>
2,754	571	Less: Proceeds from Disposal	2,754	571
<u>646</u>	<u>(6)</u>	Gain/(Loss) on Disposal of Property, Plant and Equipment	<u>646</u>	<u>(6)</u>
----	175	Assets Held for Sale	----	175
----	346	Less: Proceeds from Disposal	----	346
<u>----</u>	<u>171</u>	Gain/(Loss) on Disposal of Assets Held for Sale	<u>----</u>	<u>171</u>
<u>646</u>	<u>165</u>	Total Gain/(Loss) on Disposal	<u>646</u>	<u>165</u>
15. Other Gains / (Losses)				
(772)	(224)	Impairment of Receivables	(772)	(224)
<u>(772)</u>	<u>(224)</u>		<u>(772)</u>	<u>(224)</u>

Northern NSW Local Health District
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PARENT & CONSOLIDATION

16. 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	1,039	645	740	2,424
Contributions recognised in previous years which were not expended in the current reporting period	3,163	1,614	827	5,604
Total amount of unexpended contributions as at balance date	4,202	2,259	1,567	8,028

Comment on restricted assets appears in Note 24

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
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17. Service Groups of the District

Service Group 1.1 - Primary and Community Based Services

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

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

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

Service Group 1.2 - Aboriginal Health Services

Service Description: This service group covers the provision of supplementary health services to Aboriginal people, particularly in the areas of health promotion, health education and disease prevention. (Note: This 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.

Northern NSW Local Health District
Notes to and forming part of the Financial Statements
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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.

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.

Northern NSW 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
18. Cash and Cash Equivalents				
<u>10,413</u>	<u>9,508</u>	Cash at Bank and On Hand	<u>10,413</u>	<u>9,508</u>
<u>10,413</u>	<u>9,508</u>		<u>10,413</u>	<u>9,508</u>
<p style="margin-left: 40px;">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 style="margin-left: 40px;">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>				
<u>10,413</u>	<u>9,508</u>	Cash and Cash Equivalents (per Statement of Financial Position)	<u>10,413</u>	<u>9,508</u>
<u>10,413</u>	<u>9,508</u>	Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>10,413</u>	<u>9,508</u>

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

Northern NSW 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
		19. Receivables		
		Current		
5,343	6,930	Sale of Goods and Services	5,343	6,930
1,363	3,383	Intra Health Receivables	1,363	3,383
3,792	3,262	Goods and Services Tax	3,792	3,262
2,030	2,173	Other Debtors	2,030	2,173
<u>12,528</u>	<u>15,748</u>	Sub Total	<u>12,528</u>	<u>15,748</u>
(717)	(515)	Less Allowance for Impairment	(717)	(515)
<u>11,811</u>	<u>15,233</u>	Sub Total	<u>11,811</u>	<u>15,233</u>
238	599	Prepayments	238	599
<u>12,049</u>	<u>15,832</u>		<u>12,049</u>	<u>15,832</u>
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(359)	(242)	Balance at Commencement of Reporting Period	(359)	(242)
197	183	Amounts written off during the period	197	183
(207)	(300)	(Increase)/decrease in Allowance Recognised in the Income Statement	(207)	(300)
<u>(369)</u>	<u>(359)</u>	Balance at 30 June	<u>(369)</u>	<u>(359)</u>
		(b) Movement in the Allowance for Impairment		
		Other Debtors		
(156)	(125)	Balance at Commencement of Reporting Period	(156)	(125)
73	12	Amounts written off during the period	73	12
(265)	(43)	(Increase)/decrease in Allowance Recognised in the Income Statement	(265)	(43)
<u>(348)</u>	<u>(156)</u>	Balance at 30 June	<u>(348)</u>	<u>(156)</u>
<u>(717)</u>	<u>(515)</u>		<u>(717)</u>	<u>(515)</u>
		Non-Current		
409	93	Sale of Goods and Services	409	93
409	93	Sub Total	409	93
(376)	(86)	Less Allowance for Impairment	(376)	(86)
<u>33</u>	<u>7</u>	Sub Total	<u>33</u>	<u>7</u>
<u>33</u>	<u>7</u>		<u>33</u>	<u>7</u>

Northern NSW Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		(a) Movement in the Allowance for Impairment		
		Sale of Goods and Services		
(86)	(242)	Balance at Commencement of Reporting Period	(86)	(242)
10	37	Amounts written off during the period	10	37
119	-----	Increase/(decrease) in Allowance Recognised in the Income Statement	(300)	119
(376)	(86)	Balance at 30 June	(376)	(86)
(376)	(86)		(376)	(86)
		(b) The current and non-current sale of goods and services balances above include the following patient fee receivables:		
		(Current and Non-Current) include:		
627	628	Patient Fees - Compensable	627	628
629	422	Patient Fees - Ineligible	629	422
3,092	3,093	Patient Fees - Inpatient & Other	3,092	3,093
4,348	4,143		4,348	4,143

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

Northern NSW Local Health District
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PARENT

CONSOLIDATION

2014 **2013**
\$000 **\$000**

2014 **2013**
\$000 **\$000**

20. Inventories - Current - Held for Distribution

1,634	1,679		1,634	1,679
202	221	Drugs	202	221
<u>1,836</u>	<u>1,900</u>	Medical and Surgical Supplies	<u>1,836</u>	<u>1,900</u>

Northern NSW 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. Property, Plant and Equipment				
Land and Buildings - Fair Value				
715,255	648,626	Gross Carrying Amount	715,255	648,626
313,045	280,372	Less: Accumulated Depreciation and Impairment	313,045	280,372
402,210	368,254	Net Carrying Amount	402,210	368,254
Plant and Equipment - Fair Value				
50,511	51,382	Gross Carrying Amount	50,511	51,382
25,358	23,115	Less: Accumulated Depreciation and Impairment	25,358	23,115
25,153	28,267	Net Carrying Amount	25,153	28,267
Infrastructure Systems - Fair Value				
27,014	25,200	Gross Carrying Amount	27,014	25,200
16,174	14,460	Less: Accumulated Depreciation and Impairment	16,174	14,460
10,840	10,740	Net Carrying Amount	10,840	10,740
438,203	407,261	Total Property, Plant and Equipment At Net Carrying Amount	438,203	407,261

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PARENT & CONSOLIDATION

21. 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	45,053	323,201	28,267	10,740	407,261
Additions	-----	28,508	2,495	-----	31,003
Disposals	(1,122)	-----	(986)	-----	(2,108)
Net Revaluation Increment Less					
Revaluation Decrements Recognised in					
Reserves	1,519	21,191	-----	759	23,469
Depreciation Expense	-----	(15,083)	(5,680)	(659)	(21,422)
Reclassifications	-----	(1,057)	1,057	-----	-----
Net Carrying Amount at End of Year	45,450	356,760	25,153	10,840	438,203

	Land	Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$000	\$000	\$000	\$000	\$000
2013					
Net Carrying Amount at Start of Year	47,740	316,993	19,492	11,160	395,385
Additions	-----	27,933	1,121	-----	29,054
Disposals	(300)	-----	(277)	-----	(577)
Net Revaluation Increment Less					
Revaluation Decrements Recognised in					
Reserves	(2,387)	5,349	-----	201	3,163
Depreciation Expense	-----	(15,630)	(3,513)	(621)	(19,764)
Reclassifications	-----	(11,444)	11,444	-----	-----
Net Carrying Amount at End of Year	45,053	323,201	28,267	10,740	407,261

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

- (i) Land and Buildings include land owned by the Health Administration Corporation but controlled by the District [see note 2(g)].
- (ii) To ensure the land, buildings and infrastructure materially reflects the carrying value since the last revaluation assets have had a factor applied in relation to the movement in the market and variation in the building and infrastructure costs. The adjustment has been performed on a gross basis in accordance with note 2 (j).

The following table details the indices applied to Non Current Assets as determined by Corporeal Pty Ltd :

Year	Land	Buildings	Infrastructure
2012/13	(5.0%)	1.8%	1.8%
2013/14	3.4%	7.2%	7.2%

Northern NSW Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
22. Non-Current Assets (or Disposal Groups) Held for Sale				
Assets Held for Sale				
-----	-----	Land and Buildings	-----	-----
-----	-----		-----	-----
=====	=====		=====	=====

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

The following non current assets were not classified as held for sale at 30 June 2014 because these assets did not meet the requirements of paragraph 6 of AASB 5 (i.e. active marketing had not commenced). Active marketing has commenced in the 2014/15 financial year:

154 Ballina Road, Lismore - Land and building for planned sale through real estate agent by December 31, 2014.
48 Uralba Street, Lismore - Land and building for planned sale through real estate agent by December 31, 2014.

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PARENT & CONSOLIDATION

23. 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 21)*				
- Land and Buildings	----	45,289	356,921	402,210
- Infrastructure Systems	-----	-----	10,840	10,840
	-----	<u>45,289</u>	<u>367,761</u>	<u>413,050</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 District obtains external valuations by independent valuers every three years. The last revaluation was performed by Corporeal Pty Ltd for the 2011/12 financial year. Corporeal Pty Ltd is an independent entity and is not an employee of the District.

At the end of each reporting period a fair value assessment is made on any movements since the last revaluation, and a determination as to whether any adjustments need to be made. These adjustments are made by way of application of indices refer, note 21 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".

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.

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23. 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	347,881	10,740	358,621
Additions	3,592	-----	3,592
Revaluation increments/ decrements recognised in other comprehensive income – included in line item 'Net increase / (decrease) in property, plant and equipment revaluation	22,710	759	23,469
Disposals	(1,122)	-----	(1,122)
Depreciation	(15,083)	(659)	(15,742)
Admin Transfers	-----	-----	-----
Other - Specify	(1,057)	-----	(1,057)
Fair value as at 30 June 2014	<u>356,921</u>	<u>10,840</u>	<u>367,761</u>

Northern NSW 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**

24. Restricted Assets

The District'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

4,202	3,703	Purchase of Assets	4,202	3,703
2,259	1,903	Health Promotion, Education & Research	2,259	1,903
1,567	1,625	Other	1,567	1,625
8,028	7,231		8,028	7,231

Northern NSW Local Health District
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PARENT			CONSOLIDATION	
2014	2013		2014	2013
\$000	\$000		\$000	\$000
		25. Payables		
		Current		
-----	-----	Accrued Salaries, Wages and On-Costs	6,712	5,699
-----	-----	Taxation and Payroll Deductions	3,345	3,447
10,057	9,146	Accrued Liability - Purchase of Personnel Services	-----	-----
23,223	19,807	Creditors	23,223	19,807
		Other Creditors		
803	3,029	- Capital Works	803	3,029
7,422	5,904	- Intra Health Liability	7,422	5,904
6,932	8,055	- Other	6,932	8,055
<u>48,437</u>	<u>45,941</u>		<u>48,437</u>	<u>45,941</u>

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

		26. Borrowings		
		Current		
-----	336	Other Loans and Deposits	-----	336
-----	336		-----	336

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

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

Northern NSW 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
27. Provisions				
Current				
----	----	Annual Leave - Short Term Benefit	33,499	30,500
----	----	Annual Leave - Long Term Benefit	11,115	13,404
----	----	Long Service Leave Consequential On-Costs	6,605	5,597
51,219	49,501	Provision for Personnel Services Liability	----	----
51,219	49,501	Total Current Provisions	51,219	49,501
Non-Current				
----	----	Long Service Leave Consequential On-Costs	348	295
348	295	Provision for Personnel Services Liability	----	----
348	295	Total Non-Current Provisions	348	295
Aggregate Employee Benefits and Related On-Costs				
----	----	Provisions - Current	51,219	49,501
----	----	Provisions - Non-Current	348	295
----	----	Accrued Salaries, Wages and On-Costs (Note 25)	10,057	9,146
61,624	58,942	Liability - Purchase of Personnel Services	----	----
61,624	58,942		61,624	58,942
28. Other Liabilities				
Current				
16	15	Income in Advance	16	15
16	15		16	15
Non-Current				
105	167	Other	105	167
105	167		105	167

Other represents transferred employees benefits at fixed transfer dates and contracts entered into to transfer employees of the Health Service to St Vincent's Private Hospital. The liability above represents employee benefits transferred at the contract date.

Northern NSW Local Health District
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PARENT			CONSOLIDATION	
2014 \$000	2013 \$000		2014 \$000	2013 \$000
		29. Commitments for Expenditure		
		(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	34,825	7,735
34,825	7,735	Later than one year and not later than five years	18,362	7,930
18,362	7,930		<u>53,187</u>	<u>15,665</u>
<u>53,187</u>	<u>15,665</u>	Total Capital Expenditure Commitments (Including GST)	<u>53,187</u>	<u>15,665</u>
		Of the commitments reported at 30 June 2014 it is expected that \$0 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	3,103	3,740
3,103	3,740	Later than one year and not later than five years	4,847	3,679
4,847	3,679	Later than five years	170	117
170	117		<u>8,120</u>	<u>7,536</u>
<u>8,120</u>	<u>7,536</u>	Total Operating Lease Commitments (Including GST)	<u>8,120</u>	<u>7,536</u>
		The operating lease commitments above are for motor vehicles, information technology, equipment including personal computers, medical equipment and other equipment.		
		(c) Contingent Asset Related to Commitments for Expenditure		
		The total of 'Commitments for Expenditure' above, i.e. \$61.307 million as at 30 June 2014 includes input tax credits of \$5.523 million that are expected to be recoverable from the Australian Taxation Office (2013 \$2.109 million).		

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30. Trust Funds

The District holds trust fund moneys of \$672 thousand 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 District cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account.

	Patient Trust		Refundable Deposits		Private Practice Trust Funds		Total	
	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	31	105	212	208	588	199	831	512
Receipts	564	376	76	49	7,473	6,789	8,113	7,214
Expenditure	(498)	(450)	(68)	(45)	(7,706)	(6,400)	(8,272)	(6,895)
Cash Balance at the end of the financial year	97	31	220	212	355	588	672	831

Northern NSW Local Health District
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PARENT AND CONSOLIDATED

31. 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 District will be paid in 2014/15. It is not possible for the District to reliably quantify the benefit to be received or amount payable.

Northern NSW Local Health District
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	2014	2013		2014	2013
	\$000	\$000		\$000	\$000
32. Reconciliation of Cash Flows from Operating Activities to Net Result					
29,490		19,497	Net Cash Flows from Operating Activities	29,490	19,497
(21,422)		(19,764)	Depreciation	(21,422)	(19,764)
(772)		(224)	Allowance for Impairment	(772)	(224)
(1)		(13)	(Increase)/ Decrease Income in Advance	(1)	(13)
(1,772)		(3,163)	(Increase)/ Decrease in Provisions	(1,772)	(3,163)
(3,226)		326	Increase / (Decrease) in Prepayments and Other Assets	(3,226)	326
(2,256)		1,464	(Increase)/ Decrease in Creditors	(2,256)	1,464
646		165	Net Gain/ (Loss) on Sale of Property, Plant and Equipment	646	165
687		(1,712)	Net Result	687	(1,712)

33. 2013/14 Voluntary Services

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

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

34. 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 District by any patient who is discharged or dies in the hospital and which are not claimed by the person lawfully entitled thereto within a period of twelve months are recognised as the property of District.

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

Northern NSW Local Health District
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PARENT AND CONSOLIDATION

35. Budget Review - Parent and Consolidated

Net Result

The actual Net Result was higher than budget by \$874 thousand, primarily due to:

Higher than budgeted Expenses of \$8.6 million, higher than budgeted Revenue of \$9.3 million and higher than budget Other Gains/(Losses) of \$0.2 million.

The higher than budget Expenses represented Employee Related \$5.6 million and Visiting Medical Officers \$4.2 million is primarily associated with higher than budget activity. In addition Grants and Subsidies were higher than budget by \$0.8 million and Other Operation Expenses were lower than budget by \$2.0 million.

The Revenue increase was primarily due to higher than budgeted NSW Health Recurrent Allocations \$5.3 million and Grants and Contributions \$4.1 million. The NSW Health Recurrent Allocations represents cash assistance provided by the Ministry and Grants and contributions represents higher than budget Industry Contributions, Health Workforce Australia projects for asset acquisitions, medical staff training contributions and Cancer Institute service enhancements.

Assets and Liabilities

Current Assets were \$0.9 million higher than budget. This was due to higher than budget Cash & Cash Equivalents of \$4.8 million. The higher than budget result primarily relates to unbudgeted cash assistance provided by the Ministry \$5.3 million and lower than budget Receivables \$3.8 million resulting from reduced levels of Intra Health receivables.

Current Liabilities were lower than budget by \$0.4 million.

Non current Assets were \$23 million higher than budget. This was due to the application of indices to Land, Buildings and Infrastructure to reflect fair value. The indices were provided by independent valuers.

Cash Flows

Operating Activities - Net cash inflows were higher than budget by \$3.6 million. Operating Payments are higher than budget by \$9.3 million and Operating Receipts are higher than budget by \$12.9 million. The Operating Payments higher than budget outflows represents Employee Related \$8.0 million associated with higher than budget activity The Operating Receipts higher than budget inflows includes \$5.3 million of cash assistance provided by the Ministry, \$1.8 million of Sale of Goods and Services and \$4.1 million of Grants and Contributions.

Investing Activities - Net cash outflows were lower than budget by \$1.2 million. This mainly resulted from proceeds from the sale of Land & Buildings.

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 8 July 2013 are as follows:

	\$000
Initial Allocation, 8 July 2013	519,342
Special Projects	
Aboriginal health Enhancement	73
Dementia Care Resource and Training Network Program	444
Oral Health	3,071
Other	
Health Promotion Enhancements	85
Improving Workplace Culture	179
Isolated Patient Travel And Assistance Scheme	399
Cash Assistance provided by Ministry	5,300
Medical Intern Training Positions	274
Nurse Strategy Funding	1,000
Nurse Position Enhancements	402
Other Enhancements	676
Redundancies	110
Statewide Services	106
Treasury Managed Funds Adjustments	900
	532,361
	532,361

Northern NSW Local Health District
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36. Increase/(Decrease) in Net Assets from Equity Transfers

Equity transfers effected in the 2012/13 year were:

An increase in net assets of \$0.744M relating to the Districts' transfer of Long Service Leave On-costs to the Crown Entity.

Equity transfers effected in the 2013/14 year were:

Nil equity transfers were effected in 2013/14.

	2014	2013
	\$000	\$000
Equity transfers effected comprised:		
Crown Entity - Transfer of Long Service Leave On-costs	-----	744
	-----	744
Assets and Liabilities transferred are as follows:		
	2014	2013
	\$000	\$000
Liabilities		
Current Liabilities		
Provisions	-----	744
Increase/(Decrease) in Net Assets From Equity Transfers	-----	744

Northern NSW Local Health District
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37. Financial Instruments

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

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

The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk faced by the District, 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 18)	N/A	10,413	9,508
Receivables (note 19)*	Loans and receivables (at amortised cost)	8,052	11,978
		<hr/>	<hr/>
Total Financial Assets		<u>18,465</u>	<u>21,486</u>
Financial Liabilities			
Borrowings (note 26)	Financial liabilities	-----	336
Payables (note 25)**	measured at	45,092	42,494
Other (note 28)	amortised cost	105	167
		<hr/>	<hr/>
Total Financial Liabilities		<u>45,197</u>	<u>42,997</u>

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)

Northern NSW Local Health District
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(b) Credit Risk

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

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

Credit risk associated with the District's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. 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 3.35% in 2013/14 compared to 3.60% in the previous year.

The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables - trade debtors

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

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2014:\$6.430M; 2013: \$9.260M) and not more than 3 months past due (2014: \$1.082M; 2013:\$1.674M) 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 District's debtors are Health Insurance Companies or Compensation Insurers settling claims in respect of inpatient treatments.

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

2014	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
	\$000	\$000	\$000
<3 months overdue	1,203	1,082	121
3 months - 6 months overdue	306	190	116
> 6 months overdue	1,207	351	856
2013			
<3 months overdue	1,762	1,674	88
3 months - 6 months overdue	476	294	182
> 6 months overdue	480	304	176

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.

Northern NSW Local Health District
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(c) Liquidity Risk

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

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

During the current and prior years, there were no defaults of loans payable. No assets have been pledged as collateral. The District has exposure to liquidity risk.

However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 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 District's financial liabilities together with the interest rate exposure.

Northern NSW Local Health District
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Maturity Analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Interest Rate Exposure				Maturity Dates		
		Nominal Amount	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		6,712	-----	-----	6,712	6,712	-----	-----
- Creditors		38,380	-----	-----	38,380	38,380	-----	-----
Other	0.00%	105	-----	-----	105	105	-----	-----
		45,197	-----	-----	45,197	45,197	-----	-----
2013								
Payables:								
- Accrued Salaries Wages, On-Costs and Payroll Deductions		5,699	-----	-----	5,699	5,699	-----	-----
- Creditors		36,795	-----	-----	36,795	36,795	-----	-----
Borrowings:								
- Loans and Deposits	3.09%	336	336	-----	-----	336	-----	-----
Other	0.00%	167	-----	-----	167	167	-----	-----
		42,997	336	-----	42,661	42,997	-----	-----

Notes:

1 The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the District can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement Of Financial Position.

Northern NSW Local Health District
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(d) Market Risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis for 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

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

However, the District is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through 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 District does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change of interest rates would not affect profit or loss or equity.

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

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

	Carrying Amount \$'000	-1% Profit	-1% Equity	+1% Profit	+1% Equity
2014					
Financial Assets					
Cash and Cash Equivalents	10,413	(104)	(104)	104	104
Receivables	8,052	----	----	----	----
Financial Liabilities					
Payables	45,092	----	----	----	----
Other	105	----	----	----	----

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2013

Financial Assets

Cash and Cash Equivalents	9,508	(95)	(95)	95	95
Receivables	11,978	----	----	----	----

Financial Liabilities

Payables	42,494	----	----	----	----
Borrowings	336	3	3	(3)	(3)
Other	167	----	----	----	----

38. Events after the Reporting Period

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

END OF AUDITED FINANCIAL STATEMENTS