Far West Local Health District

Annual Financial Statements
for the year ended 30 June 2020

Far West Local Health District

Certification of the Financial Statements

for the year ended 30 June 2020

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

1. The financial statements of the Far West Local Health District for the year ended 30 June 2020 have been prepared in accordance with:
    a. Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations);
    b. the requirements of the *Public Finance and Audit Act 1983* (the Act), the *Public Finance and Audit Regulation 2015*; and
    c. NSW Treasurer's Directions issued under the Act.
2. The financial statements exhibit a true and fair view of the financial position and the financial performance of the Far West Local Health District; and
3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

Umit Agis
Chief Executive
21 September 2020

Michael Kelly
Director Performance and Strategy
21 September 2020

Far West Local Health District

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
Continuing operations						
Expenses excluding losses						
Employee related expenses	2	79,312	78,859	77,951	-	-
Personnel services	3	-	-	-	75,980	73,040
Visiting medical officers	4	7,931	7,566	7,861	7,931	7,861
Other expenses	5	31,665	32,472	35,122	31,665	35,122
Depreciation and amortisation	6	6,790	6,725	6,408	6,790	6,408
Grants and subsidies	7	2,399	2,395	2,378	2,399	2,378
Finance costs	8	12	5	-	12	-
Total expenses excluding losses		**128,109**	**128,022**	**129,720**	**124,777**	**124,809**
Revenue						
NSW Ministry of Health recurrent allocations	10	102,888	103,742	97,683	102,888	97,683
NSW Ministry of Health capital allocations	10	3,703	3,792	8,981	3,703	8,981
Acceptance by the Crown Entity of employee benefits	14	3,332	3,332	4,911	-	-
Sale of goods and services	11	-	-	11,752	-	11,752
Sale of goods and services from contracts with customers	11	10,973	11,077	-	10,973	-
Investment revenue	12	11	5	17	11	17
Grants and other contributions	13	5,065	4,490	2,923	5,065	2,923
Other income	15	1,623	1,704	3,311	1,623	3,311
Total revenue		**127,595**	**128,142**	**129,578**	**124,263**	**124,667**
Operating result		**(514)**	**120**	**(142)**	**(514)**	**(142)**
Gains / (losses) on disposal	16	-	-	30	-	30
Impairment losses on financial assets	19	(18)	-	(31)	(18)	(31)
Net result	33	**(532)**	**120**	**(143)**	**(532)**	**(143)**
Total other comprehensive income		**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**(532)**	**120**	**(143)**	**(532)**	**(143)**

[1] *Unaudited adjusted budget, see Note 35.*

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Financial Position as at 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
ASSETS						
Current assets						
Cash and cash equivalents	18	825	652	856	825	856
Receivables	19	1,801	2,742	3,059	1,801	3,059
Inventories	20	249	239	239	249	239
Total current assets		**2,875**	**3,633**	**4,154**	**2,875**	**4,154**
Non-current assets						
Receivables	19	4	5	5	4	5
Property, plant & equipment	21					
- Land and buildings		122,775	121,920	123,483	122,775	123,483
- Plant and equipment		8,742	9,886	7,426	8,742	7,426
- Infrastructure systems		3,073	2,218	2,340	3,073	2,340
Total property, plant & equipment		134,590	134,024	133,249	134,590	133,249
Right-of-use assets	22	600	638	-	600	-
Intangible assets	23	66	62	122	66	122
Total non-current assets		**135,260**	**134,729**	**133,376**	**135,260**	**133,376**
Total assets		**138,135**	**138,362**	**137,530**	**138,135**	**137,530**
LIABILITIES						
Current liabilities						
Payables	26	6,616	7,063	6,920	6,616	6,920
Borrowings	27	286	310	-	286	-
Provisions	28	11,629	10,748	10,514	11,629	10,514
Other current liabilities	29	34	34	-	34	-
Total current liabilities		**18,565**	**18,155**	**17,434**	**18,565**	**17,434**
Non-current liabilities						
Borrowings	27	345	331	-	345	-
Provisions	28	161	161	151	161	151
Total non-current liabilities		**506**	**492**	**151**	**506**	**151**
Total liabilities		**19,071**	**18,647**	**17,585**	**19,071**	**17,585**
Net assets		**119,064**	**119,715**	**119,945**	**119,064**	**119,945**
EQUITY						
Reserves		26,781	26,777	26,781	26,781	26,781
Accumulated funds		92,283	92,938	93,164	92,283	93,164
Total Equity		**119,064**	**119,715**	**119,945**	**119,064**	**119,945**

[1] *Unaudited adjusted budget, see Note 35.*

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Changes in Equity for the year ended 30 June 2020

PARENT AND CONSOLIDATION

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2019		93,164	26,781	119,945
Changes in accounting policy	1(f)	(349)	-	(349)
Restated balance at 1 July 2019		**92,815**	**26,781**	**119,596**
Net result for the year		**(532)**	**-**	**(532)**
Total comprehensive income for the year		**(532)**	**-**	**(532)**
Balance at 30 June 2020		**92,283**	**26,781**	**119,064**

	Notes	Accumulated Funds $000	Asset Revaluation $000	Total $000
Balance at 1 July 2018		93,141	26,781	119,922
Changes in accounting policy (AASB 9)		19	-	19
Balance at 1 July 2018		**93,160**	**26,781**	**119,941**
Net result for the year		**(143)**	**-**	**(143)**
Total Comprehensive Income for the Year		**(143)**	**-**	**(143)**
Transactions with owners in their capacity as owners				
Increase / (decrease) in net assets from equity transfers	36	147	-	147
Balance at 30 June 2019		**93,164**	**26,781**	**119,945**

The accompanying notes form part of these financial statements.

Far West Local Health District

Statement of Cash Flows for the year ended 30 June 2020

	Notes	Consolidated Actual 2020 $000	Consolidated Budget[1] 2020 $000	Consolidated Actual 2019 $000	Parent Actual 2020 $000	Parent Actual 2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(76,224)	(76,559)	(73,532)	-	-
Suppliers for goods and services		(43,974)	(44,012)	(46,701)	(43,974)	(46,701)
Grants and subsidies		(2,697)	(2,693)	(2,645)	(2,697)	(2,645)
Finance costs		(12)	(5)	-	(12)	-
Personnel services		-	-	-	(76,224)	(73,532)
Total payments		**(122,907)**	**(123,269)**	**(122,878)**	**(122,907)**	**(122,878)**
Receipts						
NSW Ministry of Health recurrent allocations		102,888	103,742	97,683	102,888	97,683
NSW Ministry of Health capital allocations		3,703	3,792	8,981	3,703	8,981
Reimbursements from the Crown Entity		1,265	1,265	1,279	1,265	1,279
Sale of goods and services		11,552	11,270	11,901	11,552	11,901
Interest received		11	5	17	11	17
Grants and other contributions		4,958	4,383	3,053	4,958	3,053
Other		6,543	6,044	7,489	6,543	7,489
Total receipts		**130,920**	**130,501**	**130,403**	**130,920**	**130,403**
NET CASH FLOWS FROM OPERATING ACTIVITIES	33	**8,013**	**7,232**	**7,525**	**8,013**	**7,525**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of property, plant and equipment		-	-	41	-	41
Purchases of property, plant and equipment and intangibles		(7,783)	(7,212)	(8,285)	(7,783)	(8,285)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(7,783)**	**(7,212)**	**(8,244)**	**(7,783)**	**(8,244)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(261)	(224)	-	(261)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(261)**	**(224)**	**-**	**(261)**	**-**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(31)	(204)	(719)	(31)	(719)
Opening cash and cash equivalents	18	856	856	1,575	856	1,575
CLOSING CASH AND CASH EQUIVALENTS	18	**825**	**652**	**856**	**825**	**856**

[1] *Unaudited adjusted budget, see Note 35.*

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

a) Reporting entity

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

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

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

* The parent entity comprises all the operating activities of the Hospital Facilities and the Community Health Centres under its control. It also encompasses the Restricted Assets (as disclosed in Note 25), which, while containing assets which are restricted for specified uses by the grantor or the donor, are nevertheless controlled by the parent entity.
* The Far West Local Health District Special Purpose Service Entity, which was established as a Division of the District on 1 January 2011 in accordance with the Health Services Act 1997. This Division provides personnel services to enable the District to exercise its functions.

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

These consolidated financial statements for the year ended 30 June 2020 have been authorised for issue by the Chief Executive on 18 September 2020.

1. Statement of Significant Accounting Policies

b) Basis of preparation

The District's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations), the requirements of the Health Services Act 1997 and its regulations (including observation of the Accounts and Audit Determination for Public Health Organisations), the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2015, and the NSW Treasurer's Directions issued under the Act. The financial statements comply with the NSW Treasury mandates circular for NSW General Government Sector Entities.

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

In alignment with the approach of other States and Territories, and following a recommendation by the National Cabinet of Commonwealth, the 2020-21 NSW Budget has been deferred until 17 November 2020. On this basis, the Secretary of NSW Health, the Chair of Far West Local Health District Board and the Chief Executive, through an interim Service Agreement, have agreed to service and funding levels for the forward financial year. The interim Service Agreement provides for 48 per cent of the LHD's annual funding.
When the NSW Budget is handed down in November 2020-21, the interim Service Agreement and funding arrangements will be replaced with a full-year 2020-21 Service Agreement and budget. The Service Agreement sets out the level of financial resources for public health services under the District's control and the source of these funds. By agreement, the Service Agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet Service Agreement performance standards, the NSW Ministry of Health as the state manager can take action in accordance with annual performance framework requirements, including financial support and increased management interaction by the NSW Ministry of Health.

Following the Novel Coronavirus (COVID-19) pandemic in late February 2020, the District has seen a decline in normal hospital activities. Restrictions were imposed by the Australian Government resulting in the suspension of non-urgent elective surgeries to ensure increased capacity across the health system. Critical resources were reassigned to plan and prepare for possible surges as a result of the outbreak. The unprecedented measures undertaken by both the Australian and State governments to contain the spread of COVID-19, have resulted in significant impacts to the economy and within the health sector.

Despite the impact of COVID-19, the going concern assumption remains appropriate. Reasons for this include:

* Allocated funds, combined with other revenues earned, are adequate to pay debts as and when they become due and payable.
* The District has the capacity to review the timing of NSW Ministry of Health allocation cash flows to ensure that debts can be paid when they become due and payable.
* The District has developed an Efficiency and Improvement Plan (EIP) which identifies revenue improvement and cost saving strategies. Benefits from the EIP are retained by the District and assist in meeting its overall budget target. The EIP is monitored and evaluated by the NSW Ministry of Health throughout the financial year.
* The Commonwealth has entered a National Partnership Agreement, in response to the COVID-19 pandemic, with States and Territories, including NSW. The Agreement will deliver funding to public hospitals and provide stability and certainty of funding while ensuring access to new life saving therapies in public hospitals. The District is subject to additional NSW Ministry of Health recurrent and capital allocations to provide for costs incurred related to COVID-19 activities and to ensure debts can be paid as and when they become due and payable.

Property, plant and equipment, assets held for sale and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the District's presentation and functional currency.

1. Statement of Significant Accounting Policies

c) Statement of Compliance

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

d) 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.

e) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Certain comparative information has been reclassified to ensure consistency with current year presentation and classification.

f) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The accounting policies applied in 2019-20 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time as follows:

The District applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the District.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the District expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the District to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the District has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The District has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

* identifying the satisfied and unsatisfied performance obligations;
* determining the transaction price; and
* allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

1. Statement of Significant Accounting Policies

The adoption of AASB 15 did not have an impact on the Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows for the financial year.

AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 1058 replaces most of the existing requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

* when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the District.
* immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the District has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The District has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the District to further its objectives, are not restated to their fair value.

1. Statement of Significant Accounting Policies

The effect of adopting AASB 1058 is as follows:

PARENT AND CONSOLIDATED

Impact on the Statement of Comprehensive Income (increase / (decrease)):

	Notes	30 June 2020 AASB 1058 $'000	30 June 2020 Without adoption of AASB 1058 $'000	30 June 2020 Impact of AASB 1058 $'000
Revenue				
Sale of goods and services from contracts with customers		10,973	10,973	-
Grants and other contributions	(a)	3,617	3,302	315
Net Result		14,590	14,275	315

Impact on the Statement of Financial Position (increase / (decrease)):

PARENT AND CONSOLIDATED

	Notes	30 June 2020 AASB 1058 $'000	30 June 2020 Without adoption of AASB 1058 $'000	30 June 2020 Impact of AASB 1058 $'000
Assets				
Total assets		-	-	-
Liabilities				
Other liabilities	(a)	34	-	34
Total liabilities		**34**	-	**34**
Equity				
Accumulated funds		(34)	-	(34)
Total adjustments to equity		**(34)**	-	**(34)**

The adoption of AASB 1058 did not have an impact on Other Comprehensive Income and the Statement of Cash Flows for the financial year.

The nature of these adjustments is described below:

(a) Income from grants to construct non-financial assets to be controlled by the entity were previously recognised upon receipt of cash. Under the new revenue recognition requirements of AASB 1058, income should have been recognised over time as the non-financial assets are being constructed. This has led to the deferral of grant income where the entity has not yet satisfied its obligations to construct the assets.

The reason for the changes in grants and other contributions is due to the timing of revenue received to construct non-financial assets to be controlled by the entity.

1. Statement of Significant Accounting Policies

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires the District to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the District recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The District has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

For leases previously classified as finance leases the District recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The District elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the District has used the following practical expedients permitted by the standard:

* not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
* applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
* relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
* not recognise a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
* excluding the initial direct costs from the measurement of the right-of- use asset at the date of initial application; and
* using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

1. Statement of Significant Accounting Policies

The effect of adopting AASB 16 on the Statement of Financial Position as at 1 July 2019 (increase / (decrease)) is, as follows:

PARENT AND CONSOLIDATED

	1 July 2019 $'000
Assets	
Right-of-use assets	500
Total assets	**500**
Liabilities	
Borrowings	500
Total liabilities	**500**
Equity	
Accumulated funds	-
	-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

PARENT AND CONSOLIDATED

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019 (GST included)	538
(Less): GST included in operating lease commitments	49
Operating lease commitments as at 30 June 2019 (GST excluded)	**489**
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	**484**
(Less): Commitments relating to short-term leases	89
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	100
Add : Other adjustments	5
Lease liabilities as at 1 July 2019	**500**

The difference between the operating lease commitments disclosed in applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application (i.e. 30 June 2019), discounted using the incremental borrowing rate at the date of initial application; and lease liabilities recognised in the Statement of Financial Position at the date of initial application (i.e 1 July 2019) is the result of lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019 and commitments relating to short-term leases.

1. Statement of Significant Accounting Policies

(ii) Issued but not yet effective

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

AASB 1059 Service Concession Arrangements

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

Overview of Assessment Activities

The District has completed its impact assessment of AASB 1059 by reviewing all material arrangements where the private sector is performing any services on behalf of the District. Any identified arrangements have been assessed whether it falls within the scope of AASB 1059. If it does meet the scoping guidelines of AASB 1059, financial impacts were

Upon review, the District has not identified any arrangements in scope of AASB 1059.

Application Date

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

2. Employee related expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	69,279	66,092	-	-
Superannuation - defined benefit plans	813	813	-	-
Superannuation - defined contribution plans	5,640	5,480	-	-
Long service leave	2,647	4,402	-	-
Workers' compensation insurance	932	1,162	-	-
Fringe benefits tax	1	2	-	-
	79,312	**77,951**	**-**	**-**

3. Personnel services

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Salaries and wages (including annual leave and ADO)	-	-	69,279	66,092
Superannuation - defined contribution plans	-	-	5,640	5,480
Long service leave	-	-	128	304
Workers' compensation insurance	-	-	932	1,162
Fringe benefits tax	-	-	1	2
	-	**-**	**75,980**	**73,040**

Personnel services of Far West Local Health District were provided by its controlled entity, Far West Local Health District Special Purpose Service Entity.

4. Visiting medical officers

Visiting medical officers (VMOs) deliver specialist medical services across a range of disciplines throughout the District's hospitals. VMO expenses of $7,931 thousand (2019: $7,861 thousand) represent part of the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred.

5. Other expenses

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Advertising	90	73	90	73
Auditor's remuneration - audit of financial statements	149	154	149	154
Blood and blood products	163	162	163	162
Consultancies	44	61	44	61
Contractors	8	1	8	1
Domestic supplies and services	620	613	620	613
Drug supplies	1,613	1,743	1,613	1,743
Food supplies	514	575	514	575
Fuel, light and power	1,172	1,379	1,172	1,379
Patient transport costs	1,594	1,764	1,594	1,764
Information management expenses	2,864	2,705	2,864	2,705
Insurance	210	201	210	201
Interstate patient outflows	-	35	-	35
Maintenance (see Note 5(b))	2,631	2,375	2,631	2,375
Medical and surgical supplies	2,321	2,326	2,321	2,326
Motor vehicle expenses	322	343	322	343
Postal and telephone costs	208	227	208	227
Printing and stationery	274	289	274	289
Rates and charges	211	263	211	263
Rental	-	139	-	139
Hosted services purchased from entities controlled by the immediate parent	234	237	234	237
Specialised services (dental, radiology, pathology, cardiology, Fast Track Clinic, Mental Health)	7,822	7,660	7,822	7,660
Staff related costs	1,961	1,933	1,961	1,933
Travel related costs	1,412	1,883	1,412	1,883
Other (see Note 5(a))	5,228	7,981	5,228	7,981
	31,665	**35,122**	**31,665**	**35,122**

The majority of the costs in relation to drug supplies and medical and surgical supplies expenses relate to the consumption of inventory held by the District.

5. Other expenses (continued)

		Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
(a)	**Other**				
	Corporate support services	746	894	746	894
	Courier and freight	69	80	69	80
	Isolated patient travel and accommodation assistance scheme	2,339	2,301	2,339	2,301
	Legal services	167	94	167	94
	Membership/professional fees	39	41	39	41
	Quality assurance / accreditation	3	12	3	12
	Security services	146	134	146	134
	Motor vehicle operating lease expense - minimum lease payments	-	378	-	378
	Other operating lease expense - minimum lease payments	-	16	-	16
	Expenses relating to short-term leases	182	-	182	-
	Demolition expenses	-	2,912	-	2,912
	Other miscellaneous	1,537	1,119	1,537	1,119
		5,228	**7,981**	**5,228**	**7,981**
(b)	**Reconciliation of total maintenance**				
	Maintenance contracts	847	735	847	735
	New / replacement equipment under $10,000	1,294	1,143	1,294	1,143
	Repairs maintenance / non contract	490	497	490	497
	Maintenance expense - contracted labour and other (non-employee related) in Note 5	**2,631**	**2,375**	**2,631**	**2,375**
	Employee related/personnel services maintenance expense included in Notes 2 and 3.	895	961	895	961
		3,526	**3,336**	**3,526**	**3,336**

5. Other expenses (continued)

Recognition and Measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred except where they relate to the replacement or enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Operating expenses

Operating expenses generally represent the day-to-day running costs incurred in the normal operations of the District. These costs are expensed as incurred. The recognition and measurement policy for non-employee related expenses is detailed in Note 26.

Insurance

The District's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self insurance for government entities. The expense / (premium) is determined by the fund manager based on past claims experience. The TMF is managed by NSW Self Insurance Corporation (SiCorp), a controlled entity of the ultimate parent.

Lease expense

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the District recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

6. Depreciation and amortisation

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Depreciation - buildings	4,977	5,004	4,977	5,004
Depreciation - plant and equipment	1,325	1,234	1,325	1,234
Depreciation - infrastructure systems	140	114	140	114
Depreciation - right-of-use buildings	25	-	25	-
Depreciation - right-of-use plant and equipment	267	-	267	-
Amortisation - intangible assets	56	56	56	56
	6,790	**6,408**	**6,790**	**6,408**

Refer to Note 21 Property, plant and equipment, Note 22 Leases, and Note 23 Intangible assets for recognition and measurement policies on depreciation and amortisation.

7. Grants and subsidies

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Non-government organisations	2,153	2,144	2,153	2,144
Grants paid to entities controlled by the immediate parent	36	29	36	29
Other grants	210	205	210	205
	2,399	**2,378**	**2,399**	**2,378**

Recognition and Measurement

Grants and subsidies expense generally comprise contributions in cash or in kind to various local government authorities and not-for-profit community organisations to support their health-related objectives and activities. The grants and subsidies are expensed on the transfer of the cash or assets. The transferred assets are measured at their fair value.

8. Finance costs

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Interest expense from lease liabilities	12	-	12	-
	12	-	12	-

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with NSW Treasury's mandate to not-for-profit NSW General Government Sector entities.

9. Revenue

Recognition and Measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) or AASB 1058 Income of Not-for-Profit Entities (AASB 1058), dependent on whether there is a contract with a customer defined by AASB 15.

Under the GSF Act 2018, The District's own source revenue (which includes but is not limited to receipts from NSW Ministry of Health recurrent and capital allocations, patient fees, non-patient fees, grants and other contributions, and other ancillary services) meets the definition of deemed appropriation money under the GSF Act (Section 4.7).

Deemed appropriation money is money received directly by The District which forms part of the consolidated fund and is not appropriated to The District by an Act.

10. NSW Ministry of Health allocations

Payments are made by the immediate parent as per the Service Agreement to the District and adjusted for approved supplementations, mostly for salary agreements and approved enhancement projects. The Service Agreement between the immediate parent and the District does not contain sufficiently specific enforceable performance obligations as defined by AASB 15 and are therefore recognised upon the receipt of cash, in accordance with AASB 1058.

The District recognised additional NSW Ministry of Health recurrent allocations of $1,939 thousand and NSW Ministry of Health capital allocations of $558 thousand to cover costs incurred with preparation, diagnosis and treatment of COVID-19 patients.

Interstate patient flows are funded through the NSW State Pool Account, based on activity and consistent with the price determined in cross border agreements. The funding is also recognised as part of the NSW Ministry of Health recurrent allocation from the immediate parent.

11. Sale of goods and services / Sale of goods and services from contracts with customers

(a) Sale of goods comprise the following:

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Pharmacy sales	79	66	79	66
Sale of prosthesis	89	76	89	76
Other	37	25	37	25
	205	**167**	**205**	**167**

(b) Rendering of services comprise the following:

Patients				
Patient Fees:				
- Inpatient fees	2,653	4,539	2,653	4,539
- Nursing home fees	5	34	5	34
- Non inpatient fees	357	409	357	409
Department of Veterans' Affairs	911	1,059	911	1,059
Highly specialised drugs	607	599	607	599
Motor Accident Authority third party	231	232	231	232
Multi Purpose Service Centre fees	1,560	381	1,560	381
Staff				
Private use of motor vehicles	13	14	13	14
Salary packaging fee	27	28	27	28
Meals and accommodation	137	168	137	168
General community				
Cafeteria / kiosk	-	3	-	3
Clinical services (excluding clinical drug trials)	14	2	14	2
Commercial activities	19	20	19	20
Fees for conferences and training	23	5	23	5
Fees for medical records	6	5	6	5
Information retrieval	1	3	1	3
Meals on Wheels	12	14	12	14
Non-NSW Health entities				
Linen service revenues	63	84	63	84
Services to other organisations	12	36	12	36
Other				
Infrastructure fees - annual charge	364	410	364	410
Infrastructure fees - monthly facility charge	3,036	2,891	3,036	2,891
Other	717	649	717	649
	10,768	**11,585**	**10,768**	**11,585**
	10,973	**11,752**	**10,973**	**11,752**

Recognition and Measurement

Sale of goods (until 30 June 2019)

Revenue from the sale of goods is recognised when the District transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

11. Sale of goods and services / Sale of goods and services from contracts with customers (continued)

Recognition and Measurement (continued)

Sale of goods from contracts with customers (from 1 July 2019)

Revenue from the sale of goods is recognised when the District satisfies a performance obligation by transferring the promised goods. Sale of goods comprises of pharmacy sales, sale of prosthesis and other items. The District typically satisfies its performance obligations when the control of goods is transferred to the customer. The payments are typically due when invoiced.

Revenue from these sales is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services (until 30 June 2019)

Revenue is recognised when the service is provided or by reference to the type and stage of services provided to date.

Rendering of services from contracts with customers (from 1 July 2019)

Revenue from rendering of services is recognised when the District satisfies the performance obligation by transferring the promised services. Revenue is typically recognised as follows:

i. 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.

ii. 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 NSW Ministry of Health in the form of a block grant.

iii. Highly specialised drugs

Revenue for highly specialised drugs is paid by the Commonwealth in accordance with the terms of the Commonwealth agreement through Medicare and reflects the recoupment of costs incurred under Section 100 of the National Health Act 1953 for highly specialised drugs. The agreement provides for the provision of medicines for the treatment of chronic conditions where specific criteria are met in respect of admitted day patients, non admitted patients or patients on discharge. Revenue is recognised when the drugs have been provided to the patient.

iv. Motor Accident Authority third party

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

v. Use of hospital facilities

Specialist doctors with rights of private practice are subject to an infrastructure charge, including service charges where applicable for the use of hospital facilities at rates determined by the NSW Ministry of Health.

Revenue is measured at the transaction price agreed under various contracts. No element of financing is deemed present as payments are due when the service is provided.

12. Investment revenue

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Interest income from financial assets at amortised cost	11	17	11	17
	11	**17**	**11**	**17**

Recognition and Measurement

Interest income

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

13. Grants and other contributions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Commonwealth government grants	-	459	-	459
Cancer Institute grants received from an entity controlled by the immediate parent	-	412	-	412
Grants & contributions received from entities controlled by the ultimate parent	-	1,223	-	1,223
Grants & contributions received from entities controlled by the immediate parent	-	8	-	8
Other grants	-	523	-	523
Grants to acquire / construct a recognisable non-financial asset to be controlled by the entity				
Grants to acquire / construct non-financial asset	-	-	-	-
Other grants with sufficiently specific performance obligations				
Cancer Institute grants received from an entity controlled by the immediate parent	391	-	391	-
Commonwealth government grants received for community based services	466	-	466	-
Other grants	591	-	591	-
Grants without specific performance obligations				
Other grants from entities controlled by the immediate parent	2,784	-	2,784	-
Other grants	753	-	753	-
Donations	80	298	80	298
	5,065	**2,923**	**5,065**	**2,923**

13. Grants and other contributions

Recognition and Measurement

Grants and other contributions (until 30 June 2019)

Income from grants (other than contributions by owners) is recognised when the entity obtains control over the contribution. The District is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

Grants and other contributions (from 1 July 2019)

Income from grants to acquire / construct a recognisable non-financial asset to be controlled by the District is recognised when the District satisfies its obligations under the transfer. The District satisfies the performance obligation under the transfer over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the District satisfies a performance obligation by transferring the promised goods or services. The District typically receives grants in respect of other community, health and wellbeing related projects. The District uses various methods to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The payments are typically based on agreed timetable or on achievement of different milestones set up in the contract.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the District obtains control over the granted assets (e.g. cash).

Volunteer services

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services recognised are measured at fair value. The District receives volunteer services for the below activities:

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

Receipt of these services, while important, is not recognised because typically such services would not have been purchased if not donated.

14. Acceptance by the Crown Entity of employee benefits

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

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Superannuation - defined benefit plans	813	813	-	-
Long service leave provision	2,519	4,098	-	-
	3,332	**4,911**	**-**	**-**

15. Other income

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Other income comprises the following:				
Discounts	-	12	-	12
Insurance refunds	860	2,187	860	2,187
Rental income				
- other rental income	55	51	55	51
Treasury Managed Fund hindsight adjustment	-	328	-	328
Other	708	733	708	733
	1,623	**3,311**	**1,623**	**3,311**

Recognition and Measurement

Other Income

Other income includes rental income arising from operating leases which is accounted for on a straight-line basis over the lease term under AASB 16 Leases. The rental income is incidental to the purpose for holding the property.

Forgiveness of liabilities

The gross amount of a liability forgiven by a credit provider is recognised by the borrower as other income.

16. Gains / (losses) on disposal

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Property, plant and equipment	458	6,119	458	6,119
Less: accumulated depreciation	458	6,108	458	6,108
Written down value	**-**	**11**	**-**	**11**
Less: proceeds from disposal	-	41	-	41
Gain / (Loss) on disposal of property, plant and equipment	**-**	**30**	**-**	**30**
Total gains / (losses) on disposal	**-**	**30**	**-**	**30**

17. Conditions and restrictions on income of not-for-profit entities

The District receives various types of grants and donations from different grantors / donors, some of which may not have enforceable performance obligations. The District determines the grantor / donor expectations in determining the externally imposed restrictions and discloses them in accordance with different types of restrictions. The types of restrictions and income earned with restrictions are detailed in Note 25 Restricted assets.

18. Cash and cash equivalents

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cash at bank and on hand	825	856	825	856
	825	**856**	**825**	**856**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Cash and cash equivalent assets recognised in the Statement of Financial Position are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	825	856	825	856
Closing cash and cash equivalents (per Statement of Cash Flows)	**825**	**856**	**825**	**856**

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

Most cash and cash equivalents held by the District are restricted assets and are not held for operating and capital expenditure.

HealthShare NSW, a controlled entity of the immediate parent makes all payments to employees and most payments to suppliers of goods and services and grants and subsidies on behalf of the District. These payments are reported as expenses and operating cash outflows in the financial statements of the District.

HealthShare NSW receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health recurrent allocations) and operating cash inflows in the financial statements of the District when HealthShare NSW makes these payments on behalf of the District.

Health Infrastructure, a controlled entity of the immediate parent makes most payments to purchase property, plant and equipment on behalf of the District. These payments are reported as additions to property, plant and equipment and investing cash outflows in the financial statements of the District.

Health Infrastructure receives payments directly from the NSW Ministry of Health on behalf of the District to fund these payments. These payments are reported as revenue (NSW Ministry of Health capital allocations) and operating cash inflows in the financial statements of the District.

19. Receivables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Trade receivables from contracts with customers	659	-	659	-
Sale of goods and services	-	652	-	652
Intra health receivables	60	576	60	576
Goods and Services Tax	657	630	657	630
Other receivables	271	774	271	774
Sub total	**1,647**	**2,632**	**1,647**	**2,632**
Less: Allowance for expected credit losses*				
- Trade receivables from contracts with customers	(17)	-	(17)	-
- Sale of goods and services	-	(25)	-	(25)
Sub total	**1,630**	**2,607**	**1,630**	**2,607**
Prepayments	171	452	171	452
	1,801	**3,059**	**1,801**	**3,059**

(a) * Movement in the allowance for expected credit losses

Trade receivables from contracts with customers				
Balance at the beginning of the year	**(25)**	**-**	**(25)**	**-**
Amounts written off during the year	2	-	2	-
(Increase) / decrease in allowance recognised in the net result	6	-	6	-
Balance at the end of the year	**(17)**	**-**	**(17)**	**-**
Sale of goods and services				
Balance at the beginning of the year	**-**	**(28)**	**-**	**(28)**
Amounts written off during the year	-	(17)	-	(17)
(Increase) / decrease in allowance recognised in the net result	-	20	-	20
Balance at the end of the year	**-**	**(25)**	**-**	**(25)**
Other receivables				
Balance at the beginning of the year	**-**	**(1)**	**-**	**(1)**
Amounts written off during the year	24	52	24	52
(Increase) / decrease in allowance recognised in the net result	(24)	(51)	(24)	(51)
Balance at the end of the year	**-**	**-**	**-**	**-**
	(17)	**(25)**	**(17)**	**(25)**

Non-current				
Trade receivables from contracts with customers	4	-	4	-
Sale of goods and services	-	5	-	5
	4	**5**	**4**	**5**

19. Receivables (continued)

(b) The current and non-current trade receivables from contracts with customers balances above include the following patient fee receivables:

Current and non-current include:

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Patient fees - compensable	19	41	19	41
Patient fees - ineligible	20	15	20	15
Patient fees - inpatient & other	455	406	455	406
	494	**462**	**494**	**462**

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

	Consolidated 2020 $000	Parent 2020 $000
Contract receivables (included in Note 19)	805	805
	805	**805**

Recognition and Measurement

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

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

Subsequent measurement

Financial assets at amortised cost

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

Impairment

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

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

For lease receivables, the District applies the simplified approach permitted by AASB 9 Financial Instruments, where the loss allowance is based on lifetime ECLs.

20. Inventories

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Drug supplies	94	118	94	118
Other including goods in transit	155	121	155	121
	249	**239**	**249**	**239**

Recognition and Measurement

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost the District would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

21. Property, plant and equipment

(a) Total property, plant and equipment

PARENT AND CONSOLIDATION

	Land and Buildings $000	Plant and Equipment[1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2020				
Gross carrying amount	210,025	17,450	5,443	232,918
Less: accumulated depreciation and impairment	87,250	8,708	2,370	98,328
Net carrying amount	**122,775**	**8,742**	**3,073**	**134,590**

	Land and Buildings $000	Plant and Equipment[1] $000	Infrastructure Systems $000	Total $000
As at 30 June 2019				
Gross carrying amount	205,756	15,267	4,570	225,593
Less: accumulated depreciation and impairment	82,273	7,841	2,230	92,344
Net carrying amount	**123,483**	**7,426**	**2,340**	**133,249**

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

(a) Total property, plant and equipment - reconciliation

PARENT AND CONSOLIDATION

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

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Total $000
Year ended 30 June 2020				
Net carrying amount at beginning of year	123,483	7,426	2,340	133,249
Additions	5,494	2,157	132	7,783
Depreciation expense	(4,977)	(1,325)	(140)	(6,442)
Reclassifications	(1,225)	484	741	-
Net carrying amount at end of year	**122,775**	**8,742**	**3,073**	**134,590**

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

PARENT AND CONSOLIDATION

	Land and Buildings $000	Plant and Equipment $000	Infrastructure Systems $000	Total $000
Year ended 30 June 2019				
Net carrying amount at beginning of year	122,848	6,025	2,454	131,327
Additions	5,672	2,613	-	8,285
Disposals	(11)	-	-	(11)
Depreciation expense	(5,004)	(1,234)	(114)	(6,352)
Reclassifications	(22)	22	-	-
Net carrying amount at end of year	**123,483**	**7,426**	**2,340**	**133,249**

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

21. Property, plant and equipment (continued)

(b) Property, plant and equipment held and used by the District

PARENT AND CONSOLIDATION

The District has a buildling with a written down value of $2,628 thousand subject to an operating lease at minimal rental (refer note 22b) and all other property, plant and equipment balances are for items held and used by the District.

Recognition and Measurement

Acquisition of property, plant and equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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

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

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

Land and buildings are owned by the Health Administration Corporation. Land and buildings which are operated/occupied by the District are deemed to be controlled by the District and are reflected as such in the financial statements.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $10,000 and above individually (or forming part of a network costing more than $10,000) are capitalised.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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:

	Useful lives
Buildings	40 years
Plant and equipment	4-20 years
Infrastructure Systems	40 years

'Plant and equipment' comprises, among others, medical, computer and office equipment, motor vehicles, furniture and fittings and PODS (a detachable or self-contained unit on ambulances used for patient treatment).

21. Property, plant and equipment (continued)

Depreciation of property, plant and equipment (continued)

'Infrastructure Systems' comprises public facilities 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.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 Leases (AASB 117) distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Right-of-use assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The District has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained in Note 22.

Subsequent to the adoption of AASB 16, the District, as a lessee, recognises a right-of-use asset at cost and a corresponding lease liability at the lease commencement date. Right-of-use assets that do not meet the definition of investment properties are included in Property, Plant and Equipment under the corresponding asset categories. Further information on right-of-use assets is contained in Note 22.

Revaluation of property, plant and equipment

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

Property, plant and equipment is measured at the highest and best use by market participant's 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 to Note 24 for further information regarding fair value.

21. Property, plant and equipment (continued)

Revaluation of property, plant and equipment (continued)

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The District conducts a comprehensive revaluation at least every three years for its land and buildings and infrastructure. Interim desktop revaluations are conducted between comprehensive revaluations for those assets, where cumulative changes to indicators suggest fair value may differ materially from carrying value. The District uses an independent professionally qualified valuer for such revaluations.

The last comprehensive revaluation was completed on 31 December 2017 and was based on an independent assessment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

The District used an external professionally qualified valuer to conduct the interim revaluation at 31 December 2019. Indicators provided by Corporeal Pty Ltd were not applied as they were deemed immaterial.

Due to the COVID-19 pandemic in early 2020, the District management performed an additional assessment to determine if the fair value of its property plant and equipment as at 30 June 2020 materially differed from the carrying value. Management concluded that there is no definitive or conclusive market evidence to support any material adjustments. No adjustments were applied as a result.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an approximation of fair value. The District has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated. Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

21. Property, plant and equipment (continued)

Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material.

The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

Derecognition of property, plant and equipment

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated Statement of Comprehensive Income.

22. Leases

(a) Entity as a lessee

The District leases various property, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes. The District does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $nil have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extensions and termination options was an increase in recognised lease liabilities and right-of-use assets of $nil.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The District has elected to recognise payments for short-term leases and low value leases as expenses on a straight line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new and comprise mainly of small office and medical equipment items.

Right-of-use assets under leases

The following table presents right-of-use assets. There are no right-of-use assets that meet the definition of investment property.

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	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
2020			
Balance at 1 July 2019	111	389	500
Additions	-	392	392
Depreciation expense	(25)	(267)	(292)
Balance at 30 June 2020	**86**	**514**	**600**

22. Leases (continued)

(a) Entity as a lessee (continued)

Lease liabilities

The following table presents liabilities under leases.

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	Total $'000
2020	
Balance at 1 July 2019	500
Additions	392
Interest expenses	12
Payments	(273)
Balance at 30 June 2020	**631**

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect of leases where the District is the lessee:

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	Total $'000
2020	
Depreciation expense of right-of-use assets	292
Interest expense on lease liabilities	12
Expenses relating to short-term leases	182
Total amount recognised in the statement of comprehensive income	**486**

The District had total cash outflows for leases of $273 thousand for the year ended 30 June 2020.

Future minimum lease payments under non-cancellable leases as at 30 June 2019 are, as follows:

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	Operating leases 2019 $'000	Finance leases 2019 $'000
Within one year	331	-
Later than one year and not later than five years	207	-
Later than five years	-	-
Total (including GST)	**538**	**-**
Less: GST recoverable from the Australian Taxation Office	49	-
Total (excluding GST)	**489**	**-**

Recognition and Measurement (under AASB 16 from 1 July 2019)

The District assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The District recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

22. Leases (continued)

(a) Entity as a lessee (continued)

i. Right-of-use assets

The District recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer (ii) below), adjusted by any lease payments made at or before the commencement date, lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful lives
Buildings	4 years
Motor vehicles and other equipment	1 to 5 years

If ownership of the leased asset transfers to the District at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The District assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the District recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase option reasonably certain to be exercised by the District; and
- payments of penalties for terminating the lease, if the lease term reflects the District exercising the option to

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for real estate leases, the incremental borrowing rate is used. The District does not borrow funds in the market. Instead they receive an allocation of the appropriations from the Crown Entity and where the Crown Entity needs additional funding, Treasury Corporation (TCorp) goes to the market to obtain these funds. As a result, the District is using TCorp rates as their incremental borrowing rates. These rates are published by NSW Treasury on a regular basis.

22. Leases (continued)

(a) Entity as a lessee (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The District's lease liabilities are included in borrowings in Note 27.

iii. Short-term leases and leases of low-value assets

The District applies the short-term lease recognition exemption to its short-term leases of buildings, machinery, motor vehicles and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the District was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of Comprehensive Income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the District will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(b) Entity as a lessor

Far West Local Health District has operating leases for their staff accommodation, houses and one entire building. These assets are leased for the benefit and furtherance of the public health system and not for the intention of deriving a profit.

Recognition and Measurement

Lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

23. Intangible assets

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Cost (gross carrying amount)	281	281	281	281
Less: accumulated amortisation and impairment	215	159	215	159
Net carrying amount	**66**	**122**	**66**	**122**

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A reconciliation of the carrying amount of intangibles at the beginning and end of the current reporting year is set out below:

	2020 $000	2019 $000
Year ended 30 June 2020		
Net carrying amount at beginning of year	122	178
Amortisation (recognised in depreciation and amortisation)	(56)	(56)
Net carrying amount at end of year	**66**	**122**

Recognition and Measurement

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. Following initial recognition, 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 and impairment losses.

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.

The District's intangible assets are amortised using the straight-line method over a period of four years.

Computer software developed or acquired by the District are recognised as intangible assets. Most computer software is acquired from the Health Administration Corporation, a controlled entity of the immediate parent. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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.

24. Fair value measurement of non-financial assets

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Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

(a) Fair value hierarchy

2020	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 21)				
- Land and buildings	-	521	88,285	88,806
- Infrastructure systems	-	-	2,234	2,234
	-	**521**	**90,519**	**91,040**

There were no transfers between level 1 and 2 during the year ended 30 June 2020.

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 21.

2019	Level 1 $000	Level 2 $000	Level 3 $000	Total Fair Value $000
Property, plant and equipment (Note 21)				
- Land and buildings	-	531	92,590	93,121
- Infrastructure systems	-	-	2,340	2,340
	-	**531**	**94,930**	**95,461**

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

The above figures exclude leasehold improvements, work in progress and newly completed projects which are carried at cost, and as a result they will not agree to Note 21.

24. Fair value measurement of non-financial assets (continued)

(b) Valuation techniques, inputs and processes

For land, buildings and infrastructure systems the District obtains external valuations by independent valuers at least every three years. The last revaluation was performed by Corporeal Pty Ltd for the 2017-18 financial year. Corporeal Pty Ltd is an independent entity and is not an associated entity 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).

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

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

Some 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.

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. Certain parcels of land have zoning restrictions, for example hospital grounds, and values are adjusted accordingly.

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

The property market is being impacted by the significant uncertainty that the COVID-19 outbreak has caused. Sales evidence have been utilised across the District to assess the land and non-specialised properties, in line with the valuation by the valuers made on a market approach.

(c) Reconciliation of recurring Level 3 fair value measurements

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2020	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair value as at 1 July 2019	92,590	2,340	94,930
Depreciation expense	(4,305)	(106)	(4,411)
Fair value as at 30 June 2020	**88,285**	**2,234**	**90,519**

There were no transfers between level 1 or 2 during the year ended 30 June 2020.

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2019	Land and Buildings $000	Infrastructure Systems $000	Total Level 3 Recurring $000
Fair value as at 1 July 2018	96,842	2,454	99,296
Disposals	(11)	-	(11)
Depreciation expense	(4,241)	(114)	(4,355)
Fair value as at 30 June 2019	**92,590**	**2,340**	**94,930**

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

25. Restricted assets

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The District's financial statements include the following assets which are restricted for stipulated purposes and / or by externally imposed conditions, eg. donor requirements. The assets are only available for application in accordance with the terms of the donor restrictions. They consist of cash assets and rights and obligations to receive and make payments as at 30 June 2020.

Category	1 July 2019 Opening $000	Revenue $000	Expense $000	2020 Closing $000
Community welfare	97	8	11	94
Facility improvements	216	2	140	78
Holds funds in perpetuity	12	-	-	12
Patient welfare	131	4	51	84
Public contributions	315	73	126	262
Staff welfare	2	-	-	2
Training and education including conferences	32	1	2	31
	805	**88**	**330**	**563**

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

Category	Purpose
Community welfare	Improvements to service access, health literacy, public and preventative health care.
Facility improvements	Repairs, maintenance, renovations and/or new equipment or building related expenditure.
Holds funds in perpetuity	Donor has explicitly requested funds be invested permanently and not otherwise expended.
Patient welfare	Improvements such as medical needs, financial needs and standards for patients' privacy and dignity.
Public contributions	Donations or legacies received without any donor-specified conditions as to its use.
Staff welfare	Staff benefits such as staff recognition awards, functions and staff amenity improvements.
Training and education including conferences	Professional training, education and conferences.

Unclaimed monies

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

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

26. Payables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Accrued salaries, wages and on-costs	1,839	1,128	-	-
Taxation and payroll deductions	173	836	-	-
Accrued liability - purchase of personnel services	-	-	2,012	1,964
Creditors	2,230	2,584	2,230	2,584
Other creditors				
- Payables to entities controlled by the immediate parent	1,443	1,476	1,443	1,476
- Other	931	896	931	896
	6,616	**6,920**	**6,616**	**6,920**

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

Recognition and Measurement

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

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the District. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

26. Payables

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Accrued salaries, wages and on-costs	1,839	1,128	-	-
Taxation and payroll deductions	173	836	-	-
Accrued liability - purchase of personnel services	-	-	2,012	1,964
Creditors	2,230	2,584	2,230	2,584
Other creditors				
- Payables to entities controlled by the immediate parent	1,443	1,476	1,443	1,476
- Other	931	896	931	896
	6,616	**6,920**	**6,616**	**6,920**

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

Recognition and Measurement

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

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the District. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

27. Borrowings

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Lease liability (see Note 22)	286	-	286	-
	286	**-**	**286**	**-**
Non-current				
Lease liability (see Note 22)	345	-	345	-
	345	**-**	**345**	**-**

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 borrowings are disclosed in Note 37.

Recognition and Measurement

Financial liabilities at amortised cost

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 Leases until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Borrowings are classified as current liabilities unless the District has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 37 (b) for derecognition policy.

Changes in liabilities arising from financing activities

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	Leases $000	Total liabilities from financing activities $000
30 June 2019	**-**	**-**
Recognised on adoption of AASB 16	500	500
1 July 2019	**500**	**500**
Cash flows	(261)	(261)
New leases	392	392
30 June 2020	**631**	**631**

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

28. Provisions

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Employee benefits and related on-costs				
Annual leave - short term benefit	7,418	7,711	-	-
Annual leave - long term benefit	1,633	549	-	-
Long service leave consequential on-costs	1,855	1,737	-	-
Provision for other employee benefits	723	517	-	-
Provision for personnel services liability	-	-	11,629	10,514
Total current provisions	**11,629**	**10,514**	**11,629**	**10,514**
Non-current				
Employee benefits and related on-costs				
Long service leave - conditional	-	-	-	-
Long service leave consequential on-costs	161	151	-	-
Provision for personnel services liability	-	-	161	151
Total non-current provisions	**161**	**151**	**161**	**151**
Aggregate employee benefits and related on-costs				
Provisions - current	11,629	10,514	-	-
Provisions - non-current	161	151	-	-
Accrued salaries, wages and on-costs, taxation and payroll deductions (Note 26)	2,012	1,964	-	-
Liability - purchase of personnel services	-	-	13,802	12,629
	13,802	**12,629**	**13,802**	**12,629**

28. Provisions (continued)

Recognition and Measurement

Employee benefits and other provisions

Salaries and wages, annual leave, sick leave, allocated days off (ADO) and on-costs

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

Annual leave and ADO are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, they are required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by NSW Treasury, a controlled entity of the ultimate parent, has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. On-costs of 19.04% are applied to the value of leave payable at 30 June 2020 (comparable on-costs for 30 June 2019 were 19.04%). The District has assessed the actuarial advice based on the District's circumstances to both the annual leave and ADO and has determined that the effect of discounting is immaterial. All annual leave and ADO are classified as a current liability even where the District does not expect to settle the liability within 12 months as the District does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

The District's liability for long service leave and defined benefit superannuation (State Authorities Superannuation Scheme and State Superannuation Scheme) are assumed by the Crown Entity, which is a controlled entity of the ultimate parent. The District accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

Specific on-costs relating to long service leave assumed by the Crown Entity are borne by the District.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using the long-term Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions.

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.

29. Other liabilities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Current				
Liabilities under transfer to acquire or construct non-financial assets to be controlled by the entity	34	-	34	-
	34	**-**	**34**	**-**

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Reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the District.

	2020 $'000
Opening balance of liabilities arising from transfers to acquire/construct non-financial assets to be controlled by the entity	-
Add: adjustments upon initial application of AASB 1058	349
Adjusted opening balance	**349**
Add: receipt of cash during the financial year	(315)
Less: income recognised during the financial year	-
Closing balance of liabilities arising from transfers to acquire / construct non-financial assets to be controlled by the entity	**34**

Refer to Note 13 for a description of the District's obligations under transfers received to acquire or construct non-financial assets to be controlled by the District.

The District expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period evenly in the next 1-5 financial years, as the related asset(s) are constructed / acquired.

30. Commitments

(a) Capital commitments

Aggregate capital expenditure for the acquisition of land and buildings, plant and equipment, infrastructure systems, and intangible assets, contracted for at balance date and not provided for:

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Within one year	1,170	904	1,170	904
Later than one year and not later than five years	-	114	-	114
Later than five years	-	-	-	-
Total (including GST)	**1,170**	**1,018**	**1,170**	**1,018**

(b) Contingent asset related to commitments for expenditure

The total 'Capital expenditure commitments' of $1.170 million as at 30 June 2020 includes input tax credits of $0.106 million that are expected to be recoverable from the Australian Taxation Office (2019 $0.140 million).

31. Contingent liabilities and assets

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The District is not aware of any contingent liabilities or assets which would have a material effect on the disclosures in these financial statements.

(a) Contingent liabilities

The District is not aware of any contingent liabilities which would have a material effect on the disclosures in these financial statements.

(b) Contingent assets

The District is not aware of any contingent assets which would have a material effect on the disclosures in these financial statements.

32. Trust funds

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The District holds trust funds of $Nil (2019: $40 thousand) which are held for the safe keeping of patients' monies, deposits on hired items of equipment and Private Practice Trusts.

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

Category	1 July 2019 Opening equity $'000	Revenue $000	Expense $000	30 June 2020 Closing equity $'000
Patient Trust	39	1	(40)	-
Refundable Deposits	1	-	(1)	-
Total trust funds	**40**	**1**	**(41)**	**-**

Category	1 July 2018 Opening equity $'000	Revenue $000	Expense $000	30 June 2019 Closing equity $'000
Patient Trust	36	3	-	39
Refundable Deposits	2	-	(1)	1
Total trust funds	**38**	**3**	**(1)**	**40**

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

Category	Purpose
Patient Trust	The safe custody of patients' valuables including monies.
Refundable Deposits	A sum of money held in trust as a security deposit.

Any amounts drawn down from trust funds under the private practice arrangements are not included in the key management personnel compensation amounts or disclosed as a related party transaction in Note 38.

33. Reconciliation of cash flows from operating activities to net result

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Net cash used on operating activities	8,013	7,525	8,013	7,525
Depreciation and amortisation expense	(6,790)	(6,408)	(6,790)	(6,408)
Allowance for impairment	(18)	(31)	(18)	(31)
(Increase) / decrease in unearned revenue	315	-	315	-
Decrease / (increase) in provisions	(1,125)	(648)	(1,125)	(648)
Increase / (decrease) in prepayments and other assets	(1,258)	476	(1,258)	476
Decrease / (increase) in payables	331	(1,087)	331	(1,087)
Net gain / (loss) on sale of property, plant and equipment	-	30	-	30
Net result	**(532)**	**(143)**	**(532)**	**(143)**

34. Non-cash financing and investing activities

	Consolidated 2020 $000	Consolidated 2019 $000	Parent 2020 $000	Parent 2019 $000
Property, plant and equipment acquired by a lease	392	-	392	-
	392	**-**	**392**	**-**

35. Adjusted budget review

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

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Net result

The actual Net Result was lower than adjusted budget by $652 thousand, as a result of the items listed below.

Employee Related Expenses - exceeds adjusted budget by $453 thousand. The reliance on overtime to cover short term vacancies in rosters due to a limited casual pool is the main contributing factor.

Visiting Medical Officers - exceeds adjusted budget by $365 thousand impacted by covering vacant staff specialist positions.

Other Expenses - favourable to adjusted budget by $807 thousand. Savings in travel costs due to Covid-19 restrictions is the main contributing factor. Lower than expected IPTAAS costs were also a contributing factor.

Total Expenses - exceeds adjusted budget by $87 thousand.

Own Source Revenue - favourable to adjusted budget by $396 thousand. The LHD received an eHealth grant to fund telehealth & ICT improvements.

NSW Ministry of Health Allocations - less than adjusted budget by $943 thousand as a result of budget adjustments received after ledger close.

Assets and liabilities

Total Assets were $227 thousand less than budget.

Receivables were $941 thousand less than budget.

Cash and cash equivalents was $173 thousand more than budget.

Property Plant & Equipment was $566 thousand more than budget.

Total Liabilities were $424 thousand higher than budget with the major contributor being provisions which was $881 thousand more than budget.

Payables were $447 thousand less than budget.

Cash flows

Total Receipts exceeded budget by $419 thousand. Total payments were $362 thousand less than budget.

35. Adjusted budget review (continued)

Movements in the level of the NSW Ministry of Health Recurrent Allocation that have occurred since the time of the initial allocation on 1 July 2019 are as follows:

	$000
Initial allocation, 1 July 2019	95,629
Adjustment to 2019/20 Initial Revenue Budget	1,892
New Street Service	318
Eating Disorders Coordinator	9
National Partnership Agreement on Adult Public Dental Services	200
2019-2020 NSW Aged Care Assessment Program (ACAP)	50
2019-20 TMF Budget Adjustments	90
Workplace Culture and Safety	115
Out of Home Care Health Pathway Program	124
2019/20 Nurse Strategy Reserve Funding	454
Emergency Drought Relief— Mental Health Supports	250
Palliative Care Aboriginal Health Worker Positions	57
Whole of Health Program	60
NSW Rural Generalist Medical and General Practitioner Procedural Training Program	73
Flexible Funding Pool 2019-21	275
Palliative Care Nurse Positions	63
S100 Highly Specialised Drugs Co-Payments	7
Their Futures Matter (TFM) Allocations; and Allocations For Joint Child Protection Response Program (JCPR	50
Towards Zero Suicides Initiatives	320
NSW Aged Care Assessment Program (ACAP)	33
S100 Highly Specialised Drugs Co-Payments Q2	4
2019/20 Budget Relief	380
NSW Rural Generalist Medical and General Practitioner Procedural Training Program	29
Budget Transfer for the National Disability Insurance Scheme - Aids and Equipment Program	(24)
2019/20 Budget Relief (April 2020)	316
2019/20 Budget Relief Â– Covid-19 Response (April 2020 2.1)	587
Eating Disorders Coordinator	69
Additional NWAU for LBVC Wound Management and Direct Access Colonoscopy initiatives	79
2019/20 Budget Relief – Covid-19 Response (April 2020 #3)	85
Nurse/Midwife Strategy Reserve	48
S100 Highly Specialised Drugs Co-payments	5
2019/20 Budget Relief – Covid-19 Response (May 2020 #4)	32
In the Lead Nursing Leadership Program travel cost reimbursements	2
Audit of Outpatient Clinic Appointment Lists	41
S100 Highly Specialised Drugs Co-payments	5
Isolated Patients Travel and Accommodation Assistance Scheme (IPTAAS)	521
2019/20 Budget Relief – Covid-19 Response (June 2020)	552
Assistant in Medicine positions	22
Maintenance Assistance Program – COVID19	(5)
COVID-19 related Minor Capital Works Budget and Funding	180
Capital Budget Allocation Minor works and Equipment – COVID-19	378
2019/20 Budget Relief – Covid-19 Response (June 2020 #2)	10
2019/20 Budget Relief – Covid-19 Response (June 2020 #2.1)	357
Balance as per Statement of Comprehensive Income	**103,742**

36. Equity

Accumulated Funds

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

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 21.

Equity transfers effected in the 2019/20 year were:

(a) Nil

Equity transfers effected in the 2018/19 year were:

(b) An equity transfer was made between NSW Health entities to realign the annual leave liability to the current legal employer as held in the payroll system (StaffLink) for various employment arrangements, including staff on rotation and secondment. This has resulted in an increase in net assets of $147 thousand relating to the transfer of Annual Leave provision balances to other NSW Health entities.

Equity transfers effected comprised:

	2020 $000	2019 $000
(a) Nil	-	-
(b) Annual Leave Provision - Transfer of Annual Leave Provisions between NSW Health entities	-	147
	-	147

Assets and Liabilities transferred are as follows:

	2020 $000	2019 $000
Assets		
(a) Nil	-	-
Liabilities		
(b) Annual Leave Provision	-	147
Increase / (Decrease) in Net Assets From Equity Transfers	-	147

Recognition and Measurement

Equity transfers

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and parts thereof between entities controlled by the ultimate parent are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 Contributions and Australian Accounting Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

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

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 risks faced by the District, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed on a continuous basis.

(a) Financial instrument categories

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Class	Category	Carrying Amount 2020 $000	Carrying Amount 2019 $000
Financial Assets			
Cash and cash equivalents (Note 18)	Amortised cost	825	856
Receivables (Note 19)[1]	Amortised cost	977	1,982
Total Financial Assets		**1,802**	**2,838**
Financial Liabilities			
Borrowings (Note 27)	Financial liabilities measured at amortised cost	631	-
Payables (Note 26)[2]	Financial liabilities measured at amortised cost	6,443	6,084
Total Financial Liabilities		**7,074**	**6,084**

Notes

[1] *Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 Financial Instruments: Disclosures).*

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

(b) Derecognition of financial assets and financial liabilities

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

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

37. Financial instruments (continued)

(b) Derecognition of financial assets and financial liabilities (continued)

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

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

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risk

i. Credit risk

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

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

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

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

Cash and cash equivalents

Cash comprises cash on hand and bank balances deposited within the NSW Treasury banking system. Interest is earned on daily bank balances at rates of approximately 0.00% (Restricted Funds Bank balance: 1.10%) in 2019-20 compared to 0.00% (Restricted Funds Bank balance: 2.20%) in the previous year. The TCorpIM Funds cash facility is discussed in market risk below.

Accounting policy for impairment of trade receivables and other financial assets

Receivables - trade receivables, other receivables and contract assets

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

The District applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables and contract assets.

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

37. Financial instruments (continued)

(d) Financial risk (continued)

i. Credit risk (continued)

Accounting policy for impairment of trade receivables and other financial assets (continued)

Receivables - trade receivables, other receivables and contract assets (continued)

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The District has identified relevant factors, and accordingly has adjusted the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade receivables, other receivables and contract assets as at 30 June 2020 and 30 June 2019 was determined as follows:

30 June 2020	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	1.14%	4.76%	18.18%	0.00%	16.00%	1.82%
Estimated total gross carrying amount [1]	874	21	11	3	25	934
Expected credit loss	10	1	2	-	4	17

30 June 2019 [2]	Current $'000	<30 days $'000	30-60 days $'000	61-90 days $'000	>91 days $'000	Total $'000
Expected credit loss rate	0.65%	4.11%	8.62%	16.67%	13.21%	1.75%
Estimated total gross carrying amount [1]	1,235	73	58	12	53	1,431
Expected credit loss	8	3	5	2	7	25

Notes

[1] *The analysis excludes statutory receivables and prepayments as these are not within the scope of AASB7 Financial Instruments: Disclosures. Therefore the 'total' will not reconcile to the receivables total in Note 19.*

[2] *Prior year balances have been restated to include other receivables.*

The District is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020.

37. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk

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

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

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

The District has exposure to liquidity risk. However, the risk is minimised by the service agreement with the NSW Ministry of Health, as the annual service agreement requires local management to control its financial liquidity and in particular meet benchmarks for the payment of creditors. Where the District fails to meet service agreement performance standards, the Ministry as the state manager can take action in accordance with annual performance framework requirements, including providing financial support and increased management interaction (refer Note 1).

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Until the 30 June 2019, 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 5 days from the date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than 30 days from the date of receipt of a correctly rendered invoice or a statement is received. From 1 July 2019, 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. For all suppliers, that has a correctly rendered invoice, that has a matched purchase order and where goods have been received, an immediate payment is made irrespective of current contract payment terms.

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 affected 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.

37. Financial instruments (continued)

(d) Financial risk (continued)

ii. Liquidity risk (continued)

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

Maturity Analysis and interest rate exposure of financial liabilities

			Interest Rate Exposure			Maturity Dates		
	EIR[3] %	Nominal Amount[1] $000	Fixed Interest Rate $000	Variable Interest Rate $000	Non - Interest Bearing $000	< 1 Yr $000	1-5 Yr $000	> 5Yr $000
2020								
Payables:								
- Creditors [2]		6,443	-	-	6,443	6,443	-	-
Borrowings:								
- Lease liabilities	2.71	634	634	-	-	280	354	-
		7,077	**634**	**-**	**6,443**	**6,723**	**354**	**-**
2019								
Payables:								
- Creditors [2]		6,084	-	-	6,084	6,084	-	-
		6,084	**-**	**-**	**6,084**	**6,084**	**-**	**-**

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.*

[2] *Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7 Financial Instruments: Disclosures).*

[3] *Weighted Average Effective Interest Rate (EIR).*

37. Financial instruments (continued)

iii. Market risk

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

The effect on net result and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the District operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the District's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily through NSW TCorp. The District does not account for any fixed rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

However, the District is not permitted to borrow external to the NSW Ministry of Health (except energy loans which are negotiated through NSW Treasury). Both NSW Treasury and NSW Ministry of Health loans are set at fixed rates and therefore are generally not affected by fluctuations in market rates.

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

	2020 $000		2019 $000	
	-1%	1%	-1%	1%
Net result	(2)	2	(9)	9
Equity	(2)	2	(9)	9

38. Related party transactions

PARENT AND CONSOLIDATION

(a) Key management personnel compensation

Key management personnel compensation is as follows:

	2020 $000	2019 $000
Short-term employee benefits	193	168
Post-employment benefits	18	16
	211	**184**

During the financial year, Far West Local Health District obtained key management personnel services from the immediate parent and incurred $436 thousand (2019: $381 thousand) for these services. This amount does not form part of the key management personnel compensation disclosed above.

The District's key management personnel comprise its board members and chief executive (or acting chief executive) from time to time during the year.

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

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

(b) Transactions with key management personnel and their close family members

There were no transactions with key management personnel and their close family members (2019: $Nil).

(c) Transactions with the ultimate parent

There were no transactions with the ultimate parent during the financial period (2019: $Nil).

(d) Transactions the District had with government related entities during the financial year

During the financial year and comparative year, the District entered into the various transactions with other entities consolidated as part of the NSW Ministry of Health (the immediate parent) and the NSW Total State Sector (the ultimate parent) within the normal course of business.

The following operating expenses were incurred with entities controlled by the immediate parent:

- Health Administration Corporation provides shared services for the majority of patient transport services, information management services and corporate support services.
- Health Administration Corporation provides some specialised services which includes pathology related costs.

38. Related party transactions

(d) Transactions the District had with government related entities during the financial year (continued)

The following operating expenses were incurred with entities controlled by the ultimate parent:

- Audit of the statutory financial statements
- Utilities, including electricity, gas and water expenses
- Insurance costs

The following revenues were earned from entities controlled by the immediate parent:

- Revenue from recurrent and capital allocations
- Various grants and contributions towards projects and services
- Rental income from Health Administration Corporation.
- Other revenue from provision of travel bookings

The following revenues were earned from entities controlled by the ultimate parent:

- Motor Accident Authority third party revenue received from the State Insurance Regulatory Authority (SIRA)
- Various grants and other contributions towards projects and services
- Motor vehicle rebates
- Insurance refunds
- Revenue from acceptance of long service leave liabilities and defined benefit

Assets and liabilities as follows:

- Receivables and payables in respect of the above noted related party revenue and expense transactions
- Some of the construction of property, plant and equipment is managed and overseen by Health Administration Corporation
- The majority of capital commitments contracted but not provided for related to capital works overseen by the Health Administration Corporation.

39. Events after the reporting period

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

END OF AUDITED FINANCIAL STATEMENTS