



Our ref: A19/462

20 September 2019

Ms R Graham  
Chief Executive Officer  
Barossa Hills Fleurieu Local Health Network Incorporated  
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Dear Ms Graham

**Audit of Country Health SA Local Health Network Incorporated  
for the year to 30 June 2019**

We have completed the audit of your accounts for the year ended 30 June 2019. Two key outcomes from the audit are the:

- 1 Independent Auditor's Report on Country Health SA Local Health Network Incorporated's (CHSALHN's) financial report
- 2 audit management letter recommending you address identified weaknesses.

**1 Independent Auditor's Report**

We are returning the financial statements for the Country Health SA Local Health Network Incorporated, with the Independent Auditor's Report. This report is unmodified.

My annual report to Parliament indicates that we have issued an unmodified Independent Auditor's Report on your financial statements.

**2 Audit management letter**

During the year, we sent you an audit management letter detailing the weaknesses we noted and improvements we considered you need to make including matters we considered in forming our collective opinion on financial controls required by the *Public Finance and Audit Act 1987*.

Significant matters related to:

- No formalised and approved rural workforce plan.
- Inconsistent management of medical practitioners' rosters.
- Invoices paid without purchase orders.
- Contracts with general practitioners need updating to reflect overarching agreements.

## **For official use only**

- Specialists working in CHSALHN without contractual agreements.
- Systems access not restricted to ensure incompatible tasks are segregated.

We have received responses to our letter and will follow these up in our 2019-20 audits of the new regional local health networks.

I have also included summary comments about these matters in my annual report. These identify areas we assessed as not meeting a sufficient standard of financial management, accounting and control.

### **What the audit covered**

Our audits meet statutory audit responsibilities under the *Public Finance and Audit Act 1987* and the Australian Auditing Standards.


Our audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- payroll
- accounts payable
- patient revenue including accounts receivable
- fee-for-service
- property, plant and equipment
- cash
- general ledger.

We concluded that the financial report was prepared in accordance with the financial reporting framework in this respect.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely

  
Andrew Richardson  
**Auditor-General**

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## To the Chief Executive Officer Country Health SA Local Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36(2) of the *Health Care Act 2008*, I have audited the financial report of the Country Health SA Local Health Network Incorporated and the consolidated entity comprising the Country Health SA Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2019.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Country Health SA Local Health Network Incorporated and its controlled entities as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive Officer and the Chief Finance Officer.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Country Health SA Local Health Network Incorporated and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

### **Responsibilities of the Chief Executive Officer for the financial report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the financial report**

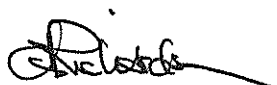
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Country Health SA Local Health Network Incorporated's and its controlled entities' internal controls
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

20 September 2019

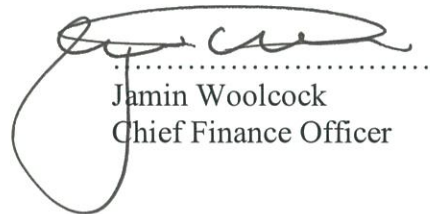
## Certification of the financial statements

We certify that the:

- financial statements of the Country Health SA Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Country Health SA Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....  
Rebecca Graham  
Chief Executive Officer



.....  
Jamin Woolcock  
Chief Finance Officer

Date 12 - 09 - 2019  
.....

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2019

		Consolidated		Parent	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>					
Staff benefits expenses	3	603,593	551,500	603,593	551,500
Supplies and services	4	330,600	317,227	330,594	317,223
Depreciation and amortisation expense	20,21	43,274	34,877	24,647	19,506
Grants and subsidies	5	1,749	2,026	1,749	2,026
Borrowing costs	6	964	1,185	964	1,185
Net loss from disposal of non-current and other assets	12	242	790	242	777
Impairment loss on receivables	16	(77)	(76)	(77)	(76)
Other expenses	7	2,524	2,546	5,257	9,277
<b>Total expenses</b>		<b>982,869</b>	<b>910,075</b>	<b>966,969</b>	<b>901,418</b>
<b>Income</b>					
Revenues from fees and charges	8	78,006	78,274	78,014	78,295
Grants and contributions	9	138,113	135,138	139,370	136,824
Interest revenues	10	2,603	2,453	2,224	2,146
Resources received free of charge	11	5,893	5,496	5,893	5,496
Other revenues/income	13	1,696	3,215	740	593
<b>Total income</b>		<b>226,311</b>	<b>224,576</b>	<b>226,241</b>	<b>223,354</b>
<b>Net cost of providing services</b>		<b>756,558</b>	<b>685,499</b>	<b>740,728</b>	<b>678,064</b>
<b>Revenues from SA Government</b>					
Revenues from SA Government	14	706,378	661,476	706,378	661,476
<b>Total revenues from SA Government</b>		<b>706,378</b>	<b>661,476</b>	<b>706,378</b>	<b>661,476</b>
<b>Net result</b>		<b>(50,180)</b>	<b>(24,023)</b>	<b>(34,350)</b>	<b>(16,588)</b>
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified to net result</b>					
Changes in property, plant and equipment asset revaluation surplus		122	60,743	650	44,442
<b>Items that will be reclassified subsequently to net result when specific conditions are met</b>					
Gains or losses recognised directly in equity		12	-	12	-
<b>Total other comprehensive income</b>		<b>134</b>	<b>60,743</b>	<b>662</b>	<b>44,442</b>
<b>Total comprehensive result</b>		<b>(50,046)</b>	<b>36,720</b>	<b>(33,688)</b>	<b>27,854</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 30 June 2019**

		Consolidated		Parent	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	15	21,485	32,915	15,352	25,157
Receivables	16	18,169	17,687	18,090	17,655
Other financial assets	17	100,592	93,527	87,681	82,256
Inventories	18	4,586	4,599	4,586	4,599
<b>Total current assets</b>		<b>144,832</b>	<b>148,728</b>	<b>125,709</b>	<b>129,667</b>
<b>Non-current assets</b>					
Receivables	16	3,522	4,179	3,522	4,179
Other financial assets	17	199	77	-	-
Property, plant and equipment	20	837,093	865,794	441,661	453,820
Intangible assets	21	1,466	2,502	1,466	2,502
<b>Total non-current assets</b>		<b>842,280</b>	<b>872,552</b>	<b>446,649</b>	<b>460,501</b>
<b>Total assets</b>		<b>987,112</b>	<b>1,021,280</b>	<b>572,358</b>	<b>590,168</b>
<b>Current liabilities</b>					
Payables	23	30,406	38,415	30,406	38,415
Borrowings	24	3,451	3,721	3,451	3,721
Staff benefits	25	73,297	66,884	73,297	66,884
Provisions	26	4,363	4,184	4,363	4,184
Other liabilities	27	85,045	79,554	85,045	79,554
<b>Total current liabilities</b>		<b>196,562</b>	<b>192,758</b>	<b>196,562</b>	<b>192,758</b>
<b>Non-current liabilities</b>					
Payables	23	3,235	3,109	3,235	3,109
Borrowings	24	7,825	11,278	7,825	11,278
Staff benefits	25	108,321	93,391	108,321	93,391
Provisions	26	5,218	5,041	5,218	5,041
<b>Total non-current liabilities</b>		<b>124,599</b>	<b>112,819</b>	<b>124,599</b>	<b>112,819</b>
<b>Total liabilities</b>		<b>321,161</b>	<b>305,577</b>	<b>321,161</b>	<b>305,577</b>
<b>Net assets</b>		<b>665,951</b>	<b>715,703</b>	<b>251,197</b>	<b>284,591</b>
<b>Equity</b>					
Asset revaluation surplus		238,317	238,248	144,370	143,773
Other reserves		-	-	-	-
Retained earnings		427,634	477,455	106,827	140,818
<b>Total equity</b>		<b>665,951</b>	<b>715,703</b>	<b>251,197</b>	<b>284,591</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2019**

**CONSOLIDATED**

	Note	Asset revaluation surplus \$ '000	Other reserves \$'000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2017</b>		<b>178,119</b>	<b>-</b>	<b>501,323</b>	<b>679,442</b>
Error correction		-	-	(459)	(459)
<b>Net result for 2017-18</b>		<b>-</b>	<b>-</b>	<b>(24,024)</b>	<b>(24,024)</b>
Gain/(loss) on revaluation of land and buildings		60,743	-	-	60,743
<b>Total comprehensive result for 2017-18</b>		<b>60,743</b>	<b>-</b>	<b>(24,024)</b>	<b>36,719</b>
Transfer between equity components		(614)	-	614	-
<b>Balance at 30 June 2018</b>		<b>238,248</b>	<b>-</b>	<b>477,454</b>	<b>715,702</b>
Adjustments on initial adoption of Accounting Standards		-	31	264	295
<b>Adjusted balance at 1 July 2018</b>		<b>238,248</b>	<b>31</b>	<b>477,718</b>	<b>715,997</b>
<b>Net result for 2018-19</b>		<b>-</b>	<b>-</b>	<b>(50,180)</b>	<b>(50,180)</b>
Gain/(loss) on revaluation of land and buildings		122	-	-	122
Gain/(loss) on revaluation of other financial assets		-	12	-	12
<b>Total comprehensive result for 2018-19</b>		<b>122</b>	<b>12</b>	<b>(50,180)</b>	<b>(50,046)</b>
Transfer between equity components		(53)	(43)	96	-
<b>Balance at 30 June 2019</b>		<b>238,317</b>	<b>-</b>	<b>427,634</b>	<b>665,951</b>

**PARENT**

	Note	Asset revaluation surplus \$ '000	Other reserves \$'000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2017</b>		<b>99,893</b>	<b>-</b>	<b>159,305</b>	<b>259,198</b>
Error correction		-	-	(459)	(459)
<b>Net result for 2017-18</b>		<b>-</b>	<b>-</b>	<b>(16,589)</b>	<b>(16,589)</b>
Gain/(loss) on revaluation of land and buildings		44,442	-	-	44,442
<b>Total comprehensive result for 2017-18</b>		<b>44,442</b>	<b>-</b>	<b>(16,589)</b>	<b>27,853</b>
Transfer between equity components		(562)	-	562	-
<b>Transactions with SA Government as owner</b>					
Net assets transferred out as a result of an administrative restructure		-	-	(2,002)	(2,002)
<b>Balance at 30 June 2018</b>		<b>143,773</b>	<b>-</b>	<b>140,817</b>	<b>284,590</b>
Adjustments on initial adoption of Accounting Standards		-	31	264	295
<b>Adjusted balance at 1 July 2018</b>		<b>143,773</b>	<b>31</b>	<b>141,081</b>	<b>284,885</b>
<b>Net result for 2018-19</b>		<b>-</b>	<b>-</b>	<b>(34,350)</b>	<b>(34,350)</b>
Gain/(loss) on revaluation of land and buildings		650	-	-	650
Gain/(loss) on revaluation of other financial assets		-	12	-	12
<b>Total comprehensive result for 2018-19</b>		<b>650</b>	<b>12</b>	<b>(34,350)</b>	<b>(33,688)</b>
Transfer between equity components		(53)	(43)	96	-
<b>Balance at 30 June 2019</b>		<b>144,370</b>	<b>-</b>	<b>106,827</b>	<b>251,197</b>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2019**

	Consolidated		Parent	
Note	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
<b>Cash outflows</b>				
Staff benefits payments	(583,521)	(545,774)	(583,521)	(545,774)
Payments for supplies and services	(282,314)	(265,260)	(282,432)	(265,242)
Payments of grants and subsidies	(2,636)	(3,238)	(2,636)	(3,238)
Interest paid	(964)	(1,185)	(964)	(1,185)
Residential aged care bonds refunded	(19,801)	(14,033)	(19,801)	(14,033)
Other payments	(2,647)	(2,469)	(2,646)	(2,469)
<b>Cash used in operations</b>	<b>(891,883)</b>	<b>(831,959)</b>	<b>(892,000)</b>	<b>(831,941)</b>
<b>Cash inflows</b>				
Fees and charges	76,046	74,650	76,107	74,613
Grants and contributions	140,174	135,814	141,431	137,500
Interest received	1,640	198	1,534	115
Residential aged care bonds received	23,511	23,383	23,511	23,383
GST recovered from ATO	21,370	19,893	21,370	19,893
Other receipts	1,694	5,429	738	2,807
<b>Cash generated from operations</b>	<b>264,435</b>	<b>259,367</b>	<b>264,691</b>	<b>258,311</b>
<b>Cash flows from SA Government</b>				
Receipts from SA Government	640,054	597,111	640,054	597,111
<b>Cash generated from SA Government</b>	<b>640,054</b>	<b>597,111</b>	<b>640,054</b>	<b>597,111</b>
<b>Net cash provided by operating activities</b>	<b>12,606</b>	<b>24,519</b>	<b>12,745</b>	<b>23,481</b>
<b>Cash flows from investing activities</b>				
<b>Cash outflows</b>				
Purchase of property, plant and equipment	(13,903)	(9,602)	(13,903)	(9,602)
Purchase of investments	(8,612)	(2,537)	(5,048)	(3)
<b>Cash used in investing activities</b>	<b>(22,515)</b>	<b>(12,139)</b>	<b>(18,951)</b>	<b>(9,605)</b>
<b>Cash inflows</b>				
Proceeds from sale of property, plant and equipment	-	202	-	-
Proceeds from sale/maturities of investments	2,202	1,446	124	-
<b>Cash generated from investing activities</b>	<b>2,202</b>	<b>1,648</b>	<b>124</b>	<b>-</b>
<b>Net cash provided by/(used in) investing activities</b>	<b>(20,313)</b>	<b>(10,491)</b>	<b>(18,827)</b>	<b>(9,605)</b>
<b>Cash flows from financing activities</b>				
<b>Cash outflows</b>				
Repayment of finance leases	(3,008)	(2,798)	(3,008)	(2,798)
Repayment of borrowings	(715)	(834)	(715)	(834)
<b>Cash used in financing activities</b>	<b>(3,723)</b>	<b>(3,632)</b>	<b>(3,723)</b>	<b>(3,632)</b>
<b>Cash inflows</b>				
Proceeds from borrowings	-	144	-	144
<b>Cash generated from financing activities</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>144</b>
<b>Net cash provided by/(used in) financing activities</b>	<b>(3,723)</b>	<b>(3,488)</b>	<b>(3,723)</b>	<b>(3,488)</b>

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2019**

		<b>Consolidated</b>		<b>Parent</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11,430)</b>	<b>10,540</b>	<b>(9,805)</b>	<b>10,388</b>
Cash and cash equivalents at the beginning of the period		32,915	22,375	25,157	14,769
<b>Cash and cash equivalents at the end of the period</b>	<b>15</b>	<b>21,485</b>	<b>32,915</b>	<b>15,352</b>	<b>25,157</b>
Non-cash transactions	28				

The accompanying notes form part of these financial statements.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2019**

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**1. Basis of financial statements**

**1.1 Reporting Entity**

Country Health SA Local Health Network Incorporated (Hospital) is a not-for-profit incorporated hospital established under the *Health Care Act 2008* (the Act). The financial statements and accompanying notes include all controlled activities of the Hospital, this includes the Hospital, the Health Advisory Councils (HACs) and the HACs' Gift Fund Trusts (GFTs).

HACs are established under the Act and GFTs are administered by each HAC pursuant to a Declaration of Trust. HACs are consultative bodies that advise and make recommendations to the Hospital on a strategic and integrated health system. The GFT receives donation, gifts and bequests from the public which are applied by the Trustee to improve the services offered by the HAC.

The consolidated financial statements have been prepared in accordance with AASB 10 *Consolidated Financial Statements*. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Information on the consolidated entity's interests in other entities is at note 35.

*Administered items*

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and disclosed in the Schedule of Administered Financial Statements. Except as otherwise disclosure, administered items are accounted for on the same basis and using the same accounting principles as for the Hospital's transactions.

*Reporting Entity on 1 July 2019 (continuity of operations)*

A proclamation under section 29 of the Act, dated 27 June 2019, advised that CHSALHN would be dissolved on 1 July 2019.

From 1 July 2019, service delivery provided via the Hospital to country and regional SA will be via the following 6 hospitals.

- Barossa Hills Fleurieu Local Health Network Incorporated
- Eyre and Far North Local Health Network Incorporated
- Flinders and Upper Local Health Network Incorporated
- Riverland Mallee Coorong Local Health Network Incorporated
- South East Local Health Network Incorporated (Renamed to Limestone Coast Local Health Network Incorporated by proclamation on 27 June 2019)
- Yorke and Northern Local Health Network Incorporated

Although the above hospitals were established on 2 August 2018 (under the Act), they did not commence service delivery until 1 July 2019 and accordingly there were no financial transactions for any of the above listed hospitals prior to 1 July 2019.

The *Health Care (Governance) Amendment Bill 2018* provides for each of the above LHN's, from 1 July 2019, to be governed by a Board, and sets out the specific functions of the Boards. The Governing Boards will be accountable to the Minister for Health and Wellbeing.

Assets, rights and liabilities of the Hospital will vest with the respective hospitals above.

As at 30 June 2019, the Hospital had working capital deficiency of \$51.730 million (\$44.030 million deficiency). The SA Government is committed to continuing the delivery of hospital services to country and regional SA via the above six hospitals and accordingly it has demonstrated a commitment to the ongoing funding of these hospitals.

**1.2 Statement of compliance**

These financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- *Treasurer's Instructions* and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

**1.3 Basis of preparation**

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs.

The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2019**

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out throughout the notes.

**1.4 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

**1.5 Equity**

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

*Error Correction*

CHSALHN is a party to a three way agreement with the Commonwealth Government and Mid West Health and Aged Care Incorporated (MWH&AC). When CHSALHN was established in 2008, a bank account in the name of MWH&AC was brought to account as part of the opening balances of CHSALHN. It has since been determined that CHSALHN does not have control over this bank account, or the associated Refundable Deposit Liability.

In addition to this, CHSALHN owns a number of Medical Centres with agreements in place with Doctors who work in these Medical Centres. It has been determined that the fees and charges collected on behalf of the doctors are not controlled by CHSALHN, and should be recognised as an administered item.

These errors have been corrected by adjusting each of the affected financial statement line items as follows;

	<b>Consolidated</b>	<b>Parent</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Impact on Equity</b>		
Cash at Bank	(2,239)	(2,239)
Receivable	5	5
Residential Aged Care Bond Liability	(1,775)	(1,775)
<b>Total impact on Equity</b>	<b>(459)</b>	<b>(459)</b>
<b>Impact on net result</b>		
Revenue from fee's and charges	(1,470)	(1,470)
Interest Revenue	(20)	(20)
For for Service	(1,469)	(1,469)
Other Supplies and Services	(21)	(21)
<b>Total impact on Net Result</b>	<b>0</b>	<b>0</b>

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**1.6 Change in accounting policy**

On 22 March 2019, pursuant to the *Public Finance and Audit Act 1987*, the Treasurer issued *Treasurer's Instructions (Accounting Policy Statements)* and revoked all previously issued Accounting Policy Statements. The new Accounting Policy Statements have largely been prepared on a no-policy change basis. The changes below do not impact the amounts reported in the financial statements:

- Removal of the requirement to report transactions with the SA Government
- Removal of the requirement to report a statement of equity for administered items
- Increase in bands from \$10,000 to \$20,000 for employee, board and committee member reporting.

**AASB 9 Financial Instruments**

The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to recognition, classification, impairment and measurement of the Department's financial assets.

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification is based on two criteria; the Hospital's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principle and interest' (SPPI) on the principal amount outstanding.

As part of the adoption of AASB 9, the Department adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior years, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been included in the financial statements.
- APS requires adoption of AASB 9 without restating comparative information for classification and measurement requirements (i.e. continues to be reported under AASB 139). All adjustments are recognised in retained earnings at 1 July 2018.

The total impact on the Hospitals' retained earnings as at 1 July 2018 is as follows:

	Consolidated \$'000	Parent \$'000
Closing retained earnings 30 June 2018 – AASB 139	477,454	140,817
Decrease in provision for trade receivables (decrease in impairment allowance for receivables) *	295	295
Adjustment to retained earnings from adoption of AASB 9 for reclassifying:		
• investments from FVOCI to amortised cost (from other reserves)	(31)	(31)
• investments from FVPL to FVOCI (to other reserves)		
Opening retained earnings 1 July 2018 – AASB 9	477,718	141,081

\*this relates to applying the new expected credit loss (ECL) model rather than incurred loss model.

The assessment of the Hospital's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on the financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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In summary, upon the adoption of AASB 9, the Hospital had the following required and elected reclassifications of financial assets as at 1 July 2018:

AASB 139 category	Carrying amount 30 June 2018 \$'000	AASB 9 measurement		
		Amortised cost \$'000	Fair value OCI \$'000	Fair value PL \$'000
<b>Consolidated</b>				
Loans and receivables	10,778	11,073		
Receivables*				
Held-to-maturity				
Term deposits	93,419	93,419		
Fair value through profit or loss				
Other financial assets	108		108	
Available-for-sale				
Other financial assets	77			77
<b>Net carrying amount</b>	<b>104,382</b>	<b>104,492</b>	<b>108</b>	<b>77</b>
<b>Parent</b>				
Loans and receivables	10,778	11,073		
Receivables*				
Held-to-maturity				
Term deposits	82,148	82,148		
Fair value through profit or loss				
Other financial assets	108		108	
<b>Net carrying amount</b>	<b>93,034</b>	<b>93,221</b>	<b>108</b>	

\* The change in carrying amount is a result of decreased impairment allowance. Refer to note 16 for information on impairment of receivables.

The following are the changes in the classification and measurement of financial assets:

- Reclassification of investments held at FVPL to FVOCI – Woolworth Shares held by the Hospital that were previously classified as held for sale is now classified as not held for trading (with an irrevocable election) as the Hospital intends to hold these assets. As a result of the change in classification, the cumulative gains related to those investments was reclassified from retained earnings to other reserves at 1 July 2018.
- Trade receivables and loans, being debt instruments, remain measured at amortised costs, similar to the previous classification of loans and receivables under AASB 139.
- Term deposits are now classified as SPPI and remain measured at amortised cost, similar to the previous classification of 'held to maturity'.

Adoption of AASB 9 has not had an impact on the recognition, measurement and classification on the Hospital's financial liabilities.

## 2. Objectives and activities

### 2.1 Objectives

The Hospital is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for all South Australians.

The Hospital is part of the SA Health portfolio providing health services for Country and Regional Adelaide, and is responsible to the Minister for Health and Wellbeing (the Minister).

The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing health and related services across the country region including primary health services to Aboriginal communities in Ceduna, Port Augusta and surrounding areas and financial assistance to individuals through the Patient Assistance Transport Scheme.

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The HACs were established under the Act to provide a more coordinated, strategic and integrated health care system to meet the health needs of South Australians. HACs are consultative bodies that advise and make recommendations to the Chief Executive of the Department for Health and Wellbeing (the Department) and the Chief Executive Officer of the Hospital on issues related to specific groups or regions.

HACs may be incorporated or non-incorporated. Incorporated HACs in country South Australia hold assets, manage bequests and provide advice on local health service needs and priorities. The Country Health SA Local Health Network Advisory Council Incorporated holds assets on behalf of non-incorporated HACs.

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department and is accountable to the Chief Executive of the Department.

From 1 July 2019, the new Hospitals will be governed by a Board. The Board has responsible for providing strategic oversight and monitoring the Hospital's financial and operational performance. The Board must comply with any direction of the Minister or Chief Executive of the Department.

The Chief Executive Officer's are responsible for managing the operations and affairs of the Hospital's and are accountable to, and subject to the direction of, the Board in undertaking that function.

## 2.2 Changes to the reporting entity

### 2017-18

- As discussed in Note 1, the assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in the Hospital and the Health Advisory Councils on 1 July 2008. Due to the need to seek clarification from Crown Law it was not possible to transfer all of the assets vested in the Health Advisory Councils in the previous financial year and as a result additional transfers of assets from the Parent Entity to the Health Advisory Councils occurred in the 2017/2018 year. This resulted in net assets of \$2.002 million transferred out of the Parent to the Consolidated entity for land and buildings.

### 2018-19

- There were no transfers during this period.

## 3. Staff benefits expenses

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	471,917	445,690	471,917	445,690
Targeted Voluntary Separation Packages (refer below)	489	-	489	-
Long Service Leave	28,892	15,988	28,892	15,988
Annual leave	44,562	41,239	44,562	41,239
Skills and Experience Retention Leave	2,306	2,279	2,306	2,279
Staff on-costs - superannuation*	49,950	47,142	49,950	47,142
Staff on-costs - other	5	-	5	-
Workers compensation	4,739	(910)	4,739	(910)
Board and committee fees	493	88	493	88
Other staff related expenses	240	(16)	240	(16)
<b>Total staff benefits expenses</b>	<b>603,593</b>	<b>551,500</b>	<b>603,593</b>	<b>551,500</b>

\* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
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**3.1 Key Management Personnel**

Key management personnel (KMP) of the Hospital includes the Minister, the Chief Executive of the Department, Chief Executive Officer of the Hospital and the fifteen (ten) members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits:

- The Minister for Health and Wellbeing. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive of the Department is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

Compensation	2019 \$'000	2018 \$'000
Salaries and other short term employee benefits	2,727	1,733
Post-employment benefits	465	511
Other long-term employment benefits	169	-
<b>Total</b>	<b>3,361</b>	<b>2,244</b>

The Hospital did not enter into any transactions with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

**3.2 Remuneration of Boards and Committees**

The number of board or committee members whose remuneration received or receivable falls within the following bands is:

	2019 No. of Members	2018 No. of Members
\$0	1	1
\$1 - \$20,000	41	11
\$20,001 - \$40,000	4	1
\$40,001 - \$60,000	2	-
<b>Total</b>	<b>48</b>	<b>13</b>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$0.493 million (\$0.088 million).

In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Refer to note 36 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

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**3.3 Remuneration of staff**

	Consolidated		Parent	
	2019 Number	2018 Number	2019 Number	2018 Number
The number of staff whose remuneration received or receivable falls within the following bands:				
\$149,000 - \$151,000*	n/a	6	n/a	6
\$151,001 - \$171,000	58	39	58	39
\$171,001 - \$191,000	13	10	13	10
\$191,001 - \$211,000	8	6	8	6
\$211,001 - \$231,000	8	9	8	9
\$231,001 - \$251,000	4	3	4	3
\$251,001 - \$271,000	2	2	2	2
\$271,001 - \$291,000	4	5	4	5
\$291,001 - \$311,000	1	2	1	2
\$311,001 - \$331,000	5	5	5	5
\$331,001 - \$351,000	4	8	4	8
\$351,001 - \$371,000	4	1	4	1
\$371,001 - \$391,000	2	4	2	4
\$391,001 - \$411,000	4	4	4	4
\$411,001 - \$431,000	5	2	5	2
\$431,001 - \$451,000	2	3	2	3
\$451,001 - \$471,000	4	1	4	1
\$471,001 - \$491,000	5	2	5	2
\$491,001 - \$511,000	2	1	2	1
\$511,001 - \$531,000	2	2	2	2
\$531,001 - \$551,000	2	4	2	4
\$551,001 - \$571,000	3	-	3	-
\$571,001 - \$591,000	2	1	2	1
\$591,001 - \$611,000	1	1	1	1
\$611,001 - \$631,000	2	1	2	1
\$631,001 - \$651,000	1	-	1	-
\$671,001 - \$691,000	1	-	1	-
<b>Total number of staff</b>	<b>149</b>	<b>122</b>	<b>149</b>	<b>122</b>

\*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2017-18.

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**3.4 Remuneration of staff by classification**

The total remuneration received by staff included above:

	Consolidated				Parent			
	2019		2018		2019		2018	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Medical (excluding Nursing)	71	27,319	67	22,694	71	27,319	67	22,694
Executive	14	3,099	14	3,045	14	3,099	14	3,045
Nursing	61	9,961	37	5,917	61	9,961	37	5,917
Non-medical (i.e. administration)	3	563	4	630	3	563	4	630
<b>Total</b>	<b>149</b>	<b>40,942</b>	<b>122</b>	<b>32,286</b>	<b>149</b>	<b>40,942</b>	<b>122</b>	<b>32,286</b>

**3.5 Targeted voluntary separation packages**

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Amount paid/Payable to separated staff:				
Targeted Voluntary Separation Packages	489	-	489	-
Leave paid/payable to those employees	346	-	346	-
	<b>835</b>	<b>-</b>	<b>835</b>	<b>-</b>

The number of staff who received a TVSP during the reporting period	14	-	14	-
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2019 TVSPs include separations resulting from the Registered Nurse/Midwife Renewal Program.

**COUNTRY HEALTH SA LOCAL HEALTH NETWORK INCORPORATED**  
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**4. Supplies and services**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Administration	1,453	1,484	1,453	1,483
Advertising	815	735	815	735
Communication	4,653	3,815	4,653	3,815
Computing	10,755	10,336	10,755	10,336
Consultants	456	7	456	6
Contract of services	21,545	20,580	21,545	20,580
Contractors	2,106	1,698	2,106	1,698
Contractors - agency staff	11,287	9,965	11,287	9,965
Drug supplies	9,417	8,798	9,417	8,798
Electricity, gas and fuel	12,116	12,202	12,116	12,202
Fee for service	89,388	84,186	89,388	84,186
Finance lease contingent rentals	2,571	2,460	2,571	2,460
Food supplies	10,511	9,752	10,511	9,752
Housekeeping	7,268	7,557	7,268	7,557
Insurance	8,100	7,567	8,100	7,567
Internal SA Health SLA payments	4,217	4,147	4,217	4,147
Interstate patient transfers	6	9	6	9
Legal	166	212	166	212
Medical, surgical and laboratory supplies	45,659	45,947	45,659	45,947
Minor equipment	5,658	5,636	5,658	5,636
Motor vehicle expenses	1,800	1,964	1,800	1,964
Occupancy rent and rates	3,990	3,982	3,990	3,982
Patient transport	20,095	20,068	20,095	20,068
Services from Shared Services SA	6,137	5,465	6,137	5,465
Postage	1,534	1,300	1,534	1,300
Printing and stationery	3,032	3,038	3,032	3,038
Rental expense on operating lease*	5,379	5,436	5,379	5,436
Repairs and maintenance	27,004	26,808	27,004	26,808
Security	768	915	768	915
Staff training and development	3,806	2,928	3,806	2,928
Staff travel expenses	2,711	2,334	2,711	2,334
Other supplies and services	6,197	5,896	6,191	5,894
<b>Total supplies and services</b>	<b>330,600</b>	<b>317,227</b>	<b>330,594</b>	<b>317,223</b>

**Operating Leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The aggregate benefit of lease incentives received by the Hospital in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

*Professional indemnity and general public insurance*

Professional indemnity and general public liability claims arising from the Hospital's operations are managed as part of the State Government Insurance Program. The Hospital pays an annual premium to the Department. The Department and the SA Government Financing Authority, SAICORP Division are responsible for meeting the cost of any claims. Consequently, no provision for these claims is recognised in the Hospital's financial statements.

**Consultants**

The number of consultancies and dollar amount paid/payable (included in supplies and service expense) to consultants that fell within the following bands

	Consolidated				Parent			
	2019		2018		2019		2018	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Below \$10,000	1	3	2	7	1	3	1	6
Above \$10,000	6	453	-	-	6	453	-	-
<b>Total</b>	<b>7</b>	<b>456</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>456</b>	<b>1</b>	<b>6</b>

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**5. Grants and subsidies**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Funding to non-government organisations	1,663	1,990	1,663	1,990
Other	86	36	86	36
<b>Total grants and subsidies</b>	<b>1,749</b>	<b>2,026</b>	<b>1,749</b>	<b>2,026</b>

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

**6. Borrowing costs**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Finance lease costs	936	1,125	936	1,125
Interest paid/payable on borrowings	26	55	26	55
Other finance charges	2	5	2	5
<b>Total borrowing cost</b>	<b>964</b>	<b>1,185</b>	<b>964</b>	<b>1,185</b>

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the profit and loss was \$0.964 million (\$1.185 million).

**7. Other expenses**

	Note	Consolidated		Parent	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Debts written off	16	640	729	640	729
Bank fees and charges		35	19	34	18
Donated assets expense		-	22	2,736	6,754
Net loss on revaluation of investments		2	-	-	-
Other*		1,847	1,776	1,847	1,776
<b>Total other expenses</b>		<b>2,524</b>	<b>2,546</b>	<b>5,257</b>	<b>9,277</b>

Donated assets expense includes transfer of buildings and improvements and is recorded as expenditure at their fair value.

\* Includes Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* of \$0.489 million (\$0.454 million). No other services were provided by the Auditor-General's Department. Payments to Galpins Accountants Auditors and Business Consultants were \$0.220 million (\$0.288) for other audit services.

**8. Revenues from fees and charges**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Insurance recoveries	228	119	228	119
Patient and client fees	21,950	20,735	21,950	20,735
Private practice fees	1,547	1,098	1,547	1,098
Recoveries	16,637	18,192	16,646	18,192
Residential and other aged care charges	27,808	26,913	27,808	26,913
Sale of goods - medical supplies	1,487	1,521	1,487	1,521
Other user charges and fees	8,349	9,696	8,348	9,717
<b>Total revenues from fees and charges</b>	<b>78,006</b>	<b>78,274</b>	<b>78,014</b>	<b>78,295</b>

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**9. Grants and contributions**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Commonwealth grants	49,129	46,253	49,129	46,253
Commonwealth aged care subsidies	75,724	73,028	75,724	73,028
SA Government capital contributions	-	-	264	811
Other SA Government grants and contributions	7,921	7,025	8,917	7,900
Private sector capital contributions	92	-	92	-
Private sector grants and contributions	5,247	8,832	5,244	8,832
<b>Total grants and contributions</b>	<b>138,113</b>	<b>135,138</b>	<b>139,370</b>	<b>136,824</b>

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Of the \$138.113 million (\$135.138 million) received in 2018-19 for grants and contributions, \$130.160 million (\$135.942 million) was provided for specific purposes such as aged care, community health services and other related health services.

**10. Interest revenues**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Bank interest	2,575	2,426	2,196	2,119
Interest from SAFA	25	25	25	25
Interest on Special Purpose Funds	3	2	3	2
<b>Total interest revenues</b>	<b>2,603</b>	<b>2,453</b>	<b>2,224</b>	<b>2,146</b>

**11. Resources received free of charge**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Plant and equipment	80	65	80	65
Services	5,813	5,431	5,813	5,431
<b>Total resources received free of charge</b>	<b>5,893</b>	<b>5,496</b>	<b>5,893</b>	<b>5,496</b>

Resources received free of charge include property, plant and equipment and are recorded at their fair value.

The Hospital receives Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging. Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

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**12. Net gain/(loss) from disposal of non-current and other assets**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Land and buildings:</b>				
Proceeds from disposal	-	212	-	-
Less net book value of assets disposed	(42)	(508)	(42)	(293)
Less other costs of disposal	-	(10)	-	-
<b>Net gain/(loss) from disposal of land and buildings</b>	<b>(42)</b>	<b>(306)</b>	<b>(42)</b>	<b>(293)</b>
<b>Plant and equipment:</b>				
Proceeds from disposal	-	-	-	-
Less net book value of assets disposed	(200)	(484)	(200)	(484)
Less other costs of disposal	-	-	-	-
<b>Net gain/(loss) from disposal of plant and equipment</b>	<b>(200)</b>	<b>(484)</b>	<b>(200)</b>	<b>(484)</b>
<b>Total assets:</b>				
Total proceeds from disposal	-	212	-	-
Less total value of assets disposed	(242)	(992)	(242)	(777)
Less other costs of disposal	-	(10)	-	-
<b>Total net gain/(loss) from disposal of assets</b>	<b>(242)</b>	<b>(790)</b>	<b>(242)</b>	<b>(777)</b>

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the net book value of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

**13. Other revenues/income**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Commissions revenue	1	2	1	2
Dividend revenue	4	3	4	3
Training revenue	5	9	5	9
Donations	1,456	2,927	595	408
Car parking revenue	2	8	2	8
Other	228	266	133	163
<b>Total other revenues/income</b>	<b>1,696</b>	<b>3,215</b>	<b>740</b>	<b>593</b>

**14. Revenues from SA Government**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Capital funding	14,289	9,950	14,289	9,950
Recurrent funding	692,089	651,526	692,089	651,526
<b>Total revenues from SA Government</b>	<b>706,378</b>	<b>661,476</b>	<b>706,378</b>	<b>661,476</b>

The Department provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised upon receipt.

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**15. Cash and cash equivalents**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank or on hand	17,724	17,627	11,591	9,869
Deposits with Treasurer	3,761	15,288	3,761	15,288
<b>Total cash</b>	<b>21,485</b>	<b>32,915</b>	<b>15,352</b>	<b>25,157</b>

Cash is measured at nominal amounts.

**Deposits with the Treasurer**

The Hospital operates through the Department's two deposit accounts held with the Treasurer, one general operating account and one special purpose deposit account. The Hospital earns interest on the special deposit account and does not earn interest on the general operating account held with the Treasurer.

**16. Receivables**

		Consolidated		Parent	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
<b>Current</b>					
Patient/client fees: compensable		1,133	1,412	1,133	1,412
Patient/client fees: aged care		3,203	3,621	3,203	3,621
Patient/client fees: other		2,576	2,790	2,576	2,790
Debtors		4,824	4,324	4,824	4,324
Less: allowance for impairment of receivables	16.1	(998)	(1,370)	(998)	(1,370)
Prepayments		322	185	322	185
Interest		506	712	417	618
Workers compensation provision recoverable		1,539	1,554	1,539	1,554
Sundry receivables and accrued revenue		4,281	3,210	4,291	3,273
GST input tax recoverable		783	1,249	783	1,248
<b>Total current receivables</b>		<b>18,169</b>	<b>17,687</b>	<b>18,090</b>	<b>17,655</b>
<b>Non-current</b>					
Debtors		43	49	43	49
Workers compensation provision recoverable		2,786	3,143	2,786	3,143
GST input tax recoverable		693	987	693	987
<b>Total non-current receivables</b>		<b>3,522</b>	<b>4,179</b>	<b>3,522</b>	<b>4,179</b>
<b>Total receivables</b>		<b>21,691</b>	<b>21,866</b>	<b>21,612</b>	<b>21,834</b>

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Consolidated Entity's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment of receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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**16.1 Impairment of receivables**

AASB 9 replaces the incurred loss model in AASB 139 with an expected credit loss model. The new impairment requirements result in a provision being applied to all receivables (expected loss) rather than only on those receivables that are credit impaired (incurred loss). The Hospital has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using a provision matrix as a practical expedient to measure the impairment provision. This results in a decrease of the loss allowance on 1 July 2018 for trade receivables external to State, Territory or Commonwealth Government (due to the Governments' high quality credit rating).

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Movement in the allowance for impairment of receivables:

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June under AASB 139	1,370	1,446	1,370	1,446
Adjustments on initial adoption of AASB 9	(295)	-	(295)	-
<b>Carrying amount at the beginning of the period</b>	<b>1,075</b>	<b>1,446</b>	<b>1,075</b>	<b>1,446</b>
Increase/(Decrease) in allowance recognised in profit or loss	(77)	(76)	(77)	(76)
<b>Carrying amount at the end of the period</b>	<b>998</b>	<b>1,370</b>	<b>998</b>	<b>1,370</b>

Refer to note 33 for details regarding credit risk and the methodology for determining impairment.

**17. Other financial assets**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Term deposits	100,592	93,419	87,681	82,148
Other investments FVOCI	-	-	-	-
Other investments FVPL	-	108	-	108
<b>Total current investments</b>	<b>100,592</b>	<b>93,527</b>	<b>87,681</b>	<b>82,256</b>
<b>Non-current</b>				
Joint venture	77	77	-	-
Other investments FVOCI	122	-	-	-
<b>Total non-current investments</b>	<b>199</b>	<b>77</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>100,791</b>	<b>93,604</b>	<b>87,681</b>	<b>82,256</b>

The Hospital measures term deposits at amortised cost, listed equities and other investments are measured as fair value represented by market value.

Non-current investments at FVOCI were reclassified from FVPL at adoption of AASB 9 on 1 July 2018. Fair value gain (or loss) for the year ended 30 June 2019 was (\$0.031) million

The Hospital has a 12.28% equity interest in property at Whyte Street, Cleve in the State of South Australia by way of a mortgage on certificate of title volume 5902 folio 901. The registered proprietor of the property is the Lutheran Community Housing Support Unit Inc.

There is no impairment on other financial assets. Refer to note 33 for further information on risk management.

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**18. Inventories**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Drug supplies	1,265	1,343	1,265	1,343
Medical, surgical and laboratory supplies	2,505	2,501	2,505	2,501
Food and hotel supplies	617	567	617	567
Engineering supplies	32	29	32	29
Other	167	159	167	159
<b>Total current inventories - held for distribution</b>	<b>4,586</b>	<b>4,599</b>	<b>4,586</b>	<b>4,599</b>

All inventories are held for distribution at no or nominal consideration and are measured at the lower of average weighted cost and replacement cost.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

**19. Property, plant and equipment, investment property and intangible assets**

**19.1 Acquisition and recognition of non-current assets**

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

**19.2 Depreciation and amortization of non-current assets**

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis.

Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Land and non current assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated or revised remaining useful life of the following classes of assets as follows:

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	10 - 80
Leasehold improvements	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 20
• Computing equipment	3 - 5
• Vehicles	2 - 20
• Other plant and equipment	3 - 30
Intangibles	5 - 10

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**19.3 Revaluation**

All non-current tangible assets are valued at fair value after allowing for accumulated depreciation (written down current cost). The Hospital revalues all land, buildings and site improvements on a regular cycle via a Certified Practicing Valuer. The revaluation of non-current assets by a Certified Practicing Valuer is only performed when the asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years.

If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

**19.4 Impairment**

The Hospital holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus. There were no indications of impairment of property, plant and equipment or intangibles as at 30 June 2019.

**19.5 Intangible assets**

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method for intangible assets with finite useful lives is reviewed on an annual basis.

The Hospital has aged care bed licences which have an indefinite useful life. Amortisation is not recognised against these intangible assets.

The acquisition of, or internal development of, software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured), and when the amount of expenditure is greater than or equal to \$10,000.

Capitalised software is amortised over the useful life of the asset.

**19.6 Valuation of land and building**

An independent valuation of land and buildings, including site improvements, was performed in March 2018 by a Certified Practicing Valuer from AssetVal (JLT) Pty Ltd, as at 1 June 2018.

The valuers arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuers used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; and the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and acquisitions/transfer costs.

**19.7 Valuation of plant and equipment**

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Statements. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Consolidated Entity's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2018, based on independent valuations performed by a Certified Practicing Valuer from Jones Lang Lasalle (SA) Pty Ltd.



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**Consolidated**

**2017-18**

	Land and buildings:				Plant and equipment:					Total \$'000		
	Land		Buildings		Buildings under finance lease	Capital works in progress land and buildings	Leasehold improve- ments	Medical/ surgical/ dental/ biomedical	Other plant and equipment		Plant and equipment under finance lease	Capital works in progress plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	
Carrying amount at the beginning of the period	46,751	676,255	86,661	3,696	-	5,821	6,358	8	3,302	828,852		
Additions	-	38	-	7,287	-	1,381	1,028	-	1,255	10,989		
Assets received free of charge	-	-	-	-	-	43	22	-	-	65		
Disposals	(28)	(187)	-	(293)	-	(7)	(64)	-	(413)	(992)		
Donated assets disposal	-	-	-	-	-	-	-	-	(22)	(22)		
Transfers between asset classes	-	9,087	-	(9,087)	-	2,429	451	(6)	(2,874)	-		
Subtotal:	46,723	685,193	86,661	1,603	-	9,667	7,795	2	1,248	838,892		
Gains/(losses) for the period recognised in net result:												
Depreciation and amortisation	-	(28,034)	(1,840)	-	-	(2,688)	(1,278)	(1)	-	(33,841)		
Subtotal:	-	(28,034)	(1,840)	-	-	(2,688)	(1,278)	(1)	-	(33,841)		
Gains/(losses) for the period recognised in other comprehensive income:												
Revaluation increment / (decrement)	(1,028)	71,594	(9,823)	-	-	-	-	-	-	60,743		
Subtotal:	(1,028)	71,594	(9,823)	-	-	-	-	-	-	60,743		
Carrying amount at the end of the period*	45,695	728,753	74,998	1,603	-	6,979	6,517	1	1,248	865,794		
Gross carrying amount												
Gross carrying amount	45,695	731,694	75,194	1,603	741	38,578	19,327	81	1,248	914,161		
Accumulated depreciation / amortisation	-	(2,941)	(196)	-	(741)	(31,599)	(12,810)	(80)	-	(48,367)		
Carrying amount at the end of the period	45,695	728,753	74,998	1,603	-	6,979	6,517	1	1,248	865,794		

All property, plant and equipment are classified in the level 3 fair value hierarchy except for land (classified as level 2) and capital works in progress (not classified).

Parent  
2018-19

All property, plant and equipment are classified in the level 3 fair value hierarchy except capital works in progress (not classified).

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Parent  
2017-18

2017-18	Land and buildings:			Plant and equipment:						Total \$'000
	Land \$'000	Buildings \$'000	Buildings under finance lease \$'000	Capital works in progress land and buildings \$'000	Leaschold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under finance lease \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at the beginning of the period	18,925	301,556	86,661	3,696	-	5,821	6,358	8	3,302	426,327
Additions	-	38	-	7,287	-	1,381	1,028	-	1,255	10,989
Assets received free of charge	-	-	-	-	-	43	22	-	-	65
Disposals	-	-	-	(293)	-	(7)	(64)	-	(413)	(777)
Donated assets disposal	-	-	-	(6,732)	-	-	-	-	(22)	(6,754)
Acquisition / (disposal) through administrative restructuring	(125)	(1,877)	-	-	-	-	-	-	-	(2,002)
Transfers between asset classes	-	2,355	-	(2,355)	-	2,429	451	(6)	(2,874)	-
Subtotal:	18,800	302,072	86,661	1,603	-	9,667	7,795	2	1,248	427,848
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(12,663)	(1,840)	-	-	(2,688)	(1,278)	(1)	-	(18,470)
Subtotal:	-	(12,663)	(1,840)	-	-	(2,688)	(1,278)	(1)	-	(18,470)
Gains/(losses) for the period recognised in other comprehensive income:										
Revaluation increment / (decrement)	(432)	54,697	(9,823)	-	-	-	-	-	-	44,442
Subtotal:	(432)	54,697	(9,823)	-	-	-	-	-	-	44,442
Carrying amount at the end of the period	18,368	344,106	74,998	1,603	-	6,979	6,517	1	1,248	453,820
Gross carrying amount										
Gross carrying amount	18,368	345,516	75,194	1,603	741	38,578	19,327	81	1,248	500,656
Accumulated depreciation / amortisation	-	(1,410)	(196)	-	(741)	(31,599)	(12,810)	(80)	-	(46,836)
Carrying amount at the end of the period	18,368	344,106	74,998	1,603	-	6,979	6,517	1	1,248	453,820

All property, plant and equipment are classified in the level 3 fair value hierarchy except for land (classified as level 2) and capital works in progress (not classified).

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**21. Reconciliation of intangible assets**

The following table shows the movement:  
Consolidated

	2018-19		2017-18	
	Computer software \$'000	Bed licences \$'000	Computer software \$'000	Bed licences \$'000
				Total \$'000
Carrying amount at the beginning of the period	1,802	700	2,838	3,538
Amortisation	(1,036)	-	(1,036)	(1,036)
Carrying amount at the end of the period	766	700	1,802	2,502
Gross carrying amount				
Gross carrying amount	3,931	700	3,931	4,631
Accumulated amortisation	(3,165)	-	(2,129)	(2,129)
Carrying amount at the end of the period	766	700	1,802	2,502
Parent				
Carrying amount at the beginning of the period	1,802	700	2,838	3,538
Amortisation	(1,036)	-	(1,036)	(1,036)
Carrying amount at the end of the period	766	700	1,802	2,502
Gross carrying amount				
Gross carrying amount	3,931	700	3,931	4,631
Accumulated amortisation	(3,165)	-	(2,129)	(2,129)
Carrying amount at the end of the period	766	700	1,802	2,502

\*Residential aged care bed licences that are purchased are initially recorded at cost. Bed licences that are received for no consideration from the Commonwealth Government are recognised at their fair value at the date of implementation, having regard to recent sale activity within SA's country areas and the relaxation of ceiling limits on bed licenses, the Hospital has recorded these licences at Nil value.

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**22. Fair value measurement**

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

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

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to notes 19 and 22.2 and for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**22.1 Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

**Fair value measurements at 30 June 2019**

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurements (Note 20)</b>						
Land	-	45,883	45,883	-	19,056	19,056
Buildings and improvements	-	769,007	769,007	-	400,402	400,402
Plant and equipment	-	14,726	14,726	-	14,726	14,726
<b>Total recurring fair value measurements</b>	<b>-</b>	<b>829,616</b>	<b>829,616</b>	<b>-</b>	<b>434,184</b>	<b>434,184</b>

**Fair value measurements at 30 June 2018**

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurements (Note 20)</b>						
Land	-	45,695	45,695	-	18,368	18,368
Buildings and improvements	-	803,751	803,751	-	419,104	419,104
Plant and equipment	-	13,497	13,497	-	13,497	13,497
<b>Total recurring fair value measurements</b>	<b>-</b>	<b>862,943</b>	<b>862,943</b>	<b>-</b>	<b>450,969</b>	<b>450,969</b>

There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2019 and 2018, the Hospital had no valuations categorised into Level 1; there were no transfers of assets between Level 1 and 2 fair value hierarchy levels in 2018-19.

In 2018, land was transferred from Level 2 to Level 3 as there were unobservable inputs.

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**22.2 Valuation techniques and inputs**

Due to the predominantly specialised nature of health service assets, the majority of land and buildings have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

**23. Payables**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Creditors and accrued expenses	22,983	29,059	22,983	29,059
Paid Parental Leave Scheme	108	123	108	123
Staff on-costs*	6,590	8,529	6,590	8,529
Other payables	725	704	725	704
<b>Total current payables</b>	<b>30,406</b>	<b>38,415</b>	<b>30,406</b>	<b>38,415</b>
<b>Non-current</b>				
Staff on-costs*	3,235	3,109	3,235	3,109
<b>Total non-current payables</b>	<b>3,235</b>	<b>3,109</b>	<b>3,235</b>	<b>3,109</b>
<b>Total payables</b>	<b>33,641</b>	<b>41,524</b>	<b>33,641</b>	<b>41,524</b>

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed and unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employee on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to their short term nature.

\*Staff on-costs include Return to Work SA levies and superannuation contributions. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased from the 2018 rate of 35% to 29%. The average factors for the calculation of employer superannuation on-costs have changed from 2018 (9.85%) to 2019 (9.80%); these rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is a decrease in staff benefits expenses and the employment on-cost liability of \$0.717 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

Refer to note 33 for information on risk management.

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**24. Borrowings**

		Consolidated		Parent	
		2019	2018	2019	2018
Current	Note	\$'000	\$'000	\$'000	\$'000
Loans		217	713	217	713
Finance lease	29.2	3,234	3,008	3,234	3,008
<b>Total current borrowings</b>		<b>3,451</b>	<b>3,721</b>	<b>3,451</b>	<b>3,721</b>
<b>Non-current</b>	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loans		199	418	199	418
Finance lease	29.2	7,626	10,860	7,626	10,860
<b>Total non-current borrowings</b>		<b>7,825</b>	<b>11,278</b>	<b>7,825</b>	<b>11,278</b>
<b>Total borrowings</b>		<b>11,276</b>	<b>14,999</b>	<b>11,276</b>	<b>14,999</b>

\*The contractual maturities for loans (financial liabilities at cost) is within 5 years. The Hospital measures financial liabilities including borrowings/debt at amortised cost.

The movement in loans liability of \$0.715 million (\$0.834 million) and the movement in finance lease liability of \$3.008 million (\$2.798 million) arises from financing cash flows.

Refer to note 33 for information on risk management.

**Defaults and breaches**

There were no defaults or breaches on any of the above liabilities throughout the year.

**25. Staff benefits**

	Consolidated		Parent	
	2019	2018	2019	2018
Current	\$'000	\$'000	\$'000	\$'000
Annual leave	46,417	44,579	46,417	44,579
Long service leave	9,998	7,437	9,998	7,437
Accrued salaries and wages	12,823	10,843	12,823	10,843
Skills and experience retention leave	3,990	3,965	3,990	3,965
Other	69	60	69	60
<b>Total current staff benefits</b>	<b>73,297</b>	<b>66,884</b>	<b>73,297</b>	<b>66,884</b>
<b>Non-current</b>				
Long service leave	108,321	93,391	108,321	93,391
<b>Total non-current staff benefits</b>	<b>108,321</b>	<b>93,391</b>	<b>108,321</b>	<b>93,391</b>
<b>Total staff benefits</b>	<b>181,618</b>	<b>160,275</b>	<b>181,618</b>	<b>160,275</b>

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

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**25.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and retention leave liability are payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave, as all sick leave is non-vesting, and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

**25.2 Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities and the health sector.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yields on long term Commonwealth Government bonds has decreased from 2018 (2.65%) to 2019 (1.25%). This decrease of the bond yield, which is used as the rate to discount future long service leave cash flows, results in a increase in the reported long service leave liability.

The net financial effect of the change in the bond yield and actuarial assumptions, including experience profile of employee promotion and departures, in the current financial year is an increase in the long service leave liability of \$9.801 million, payables (staff on-costs) of \$0.293 million and staff benefit expense of \$10.094 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption being the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.00% for long service leave liability and decreased the salary inflation rate from 3.00% to 2.20% for annual leave and skills, experience and retention leave liability. The net financial effect of the change in the salary inflation rate in the current financial year is a decrease in the annual leave liability of \$0.363 million, skills and experience retention leave liability of \$0.031 million, payables (staff on-costs) of \$0.039 million and staff benefits expense of \$0.434 million.

**26. Provisions**

	Note	Consolidated		Parent	
		2019	2018	2019	2018
Current		\$'000	\$'000	\$'000	\$'000
Workers compensation	26.1	4,363	4,184	4,363	4,184
<b>Total current provisions</b>		<b>4,363</b>	<b>4,184</b>	<b>4,363</b>	<b>4,184</b>
<b>Non-current</b>					
Workers compensation	26.1	5,218	5,041	5,218	5,041
<b>Total non-current provisions</b>		<b>5,218</b>	<b>5,041</b>	<b>5,218</b>	<b>5,041</b>
<b>Total provisions</b>		<b>9,581</b>	<b>9,225</b>	<b>9,581</b>	<b>9,225</b>

**26.1 Workers Compensation**

***Workers compensation statutory provision***

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

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The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. There is a high level of uncertainty as to the valuation of the liability (including future claim costs). The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

**Workers compensation non-statutory provision**

Additional insurance/compensation for certain work related injuries has been introduced for most public sector employees through various enterprise bargaining agreements and industrial awards. This insurance/compensation is intended to provide continuing benefits to non-seriously injured workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The workers compensation non-statutory provision is an actuarial assessment of the outstanding claims liability, provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. There is a high level of uncertainty as to the valuation of the liability (including future claim costs), this is largely due to the enterprise bargaining agreements and industrial awards being in place for a short period of time and the emerging experience is unstable. The average claim size has been estimated based on applications to date and this may change as more applications are made. As at 30 June 2019 the Hospital recognised a workers compensation non-statutory provision of \$0.622 million.

*Reconciliation of workers compensation (statutory and non-statutory)*

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the period	9,225	13,887	9,225	13,887
Reductions resulting from re-measurement or settlement without cost	356	(4,662)	356	(4,662)
<b>Carrying amount at the end of the period</b>	<b>9,581</b>	<b>9,225</b>	<b>9,581</b>	<b>9,225</b>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Office for the Public Sector.

**27. Other liabilities**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
Unclaimed monies	4	56	4	56
Unearned revenue	8,707	6,007	8,707	6,007
Residential aged care bonds	76,222	73,368	76,222	73,368
Other	112	123	112	123
<b>Total other liabilities</b>	<b>85,045</b>	<b>79,554</b>	<b>85,045</b>	<b>79,554</b>

Residential aged care bonds are accommodation bonds, refundable accommodation contributions and refundable accommodation deposits. These are non-interest bearing deposits made by aged care facility residents to the Hospital upon their admission to residential accommodation. The liability for accommodation is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less applicable deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Residential aged care bonds are classified as current liabilities as the Hospital does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The obligation to settle could occur at any time. Once a refunding event occurs the other liability becomes interest bearing. The interest rate applied is the prevailing interest rate at the time as prescribed by the Commonwealth Department of Health.

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**28. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at the end of the reporting period	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	21,485	32,915	15,352	25,157
<b>Cash as per Statement of Financial Position</b>	<b>21,485</b>	<b>32,915</b>	<b>15,352</b>	<b>25,157</b>
<b>Balance as per Statement of Cash Flows</b>	<b>21,485</b>	<b>32,915</b>	<b>15,352</b>	<b>25,157</b>
<b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b>				
Net cash provided by (used in) operating activities	12,606	24,515	12,745	23,477
Revenues from SA Government	(706,378)	(661,476)	(706,378)	(661,476)
<b>Add/less non-cash items</b>				
Asset donated free of charge	(12)	(22)	(2,624)	(6,754)
Capital revenues	-	92	-	92
Depreciation and amortisation expense of non-current assets	(43,273)	(34,877)	(24,647)	(19,506)
Gain/(loss) on sale or disposal of non-current assets	(242)	(790)	(242)	(777)
Interest credited directly to investments	767	2,190	489	1,988
Resources received free of charge	83	65	80	65
Revaluation of investments	10	18	12	18
<b>Movement in assets/liabilities</b>				
Increase/(decrease) in inventories	(13)	(122)	(13)	(122)
Increase/(decrease) in receivables	(471)	(297)	(517)	(272)
(Increase)/decrease in other liabilities	(5,491)	(10,838)	(5,491)	(10,838)
(Increase)/decrease in payables and provisions	7,200	4,965	7,201	4,963
(Increase)/decrease in staff benefits	(21,343)	(8,926)	(21,343)	(8,926)
<b>Net cost of providing service</b>	<b>(756,557)</b>	<b>(685,503)</b>	<b>(740,728)</b>	<b>(678,068)</b>

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as per the Statement of Financial Position.

**29. Unrecognised contractual commitments**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

**29.1 Operating lease expenditure commitments**

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	4,599	4,263	4,599	4,263
Later than one year but not longer than five years	8,417	4,935	8,417	4,935
Later than five years	1,032	1,146	1,032	1,146
<b>Total operating lease commitments</b>	<b>14,048</b>	<b>10,344</b>	<b>14,048</b>	<b>10,344</b>
Representing:				
Cancellable operating leases	9,885	5,812	9,885	5,812
Non-cancellable operating leases*	4,163	4,532	4,163	4,532
<b>Total operating lease commitments</b>	<b>14,048</b>	<b>10,344</b>	<b>14,048</b>	<b>10,344</b>

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The Hospital has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. The majority of the operating lease arrangements are for the use of properties.

\*Motor vehicles are leased from South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first.

**29.2 Finance lease liabilities commitments**

Future minimum lease payments for the Hospital under finance lease and hire purchase contracts together with the present value of net minimum lease payments are as follows:

	2019		2018	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Within one year	6,869	3,768	6,749	3,768
Later than one year but not longer than five years	14,429	7,092	20,927	10,100
Later than five years	-	-	-	-
<b>Total minimum lease payments</b>	<b>21,298</b>	<b>10,860</b>	<b>27,676</b>	<b>13,868</b>
Less future finance lease charges and contingent rentals	(10,438)	-	(13,808)	-
<b>Total finance lease liabilities</b>	<b>10,860</b>	<b>10,860</b>	<b>13,868</b>	<b>13,868</b>

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Included in the Statement of Financial Position as:				
Current borrowings (Note 24)	3,234	3,008	3,234	3,008
Non-current borrowings (Note 24)	7,626	10,860	7,626	10,860
<b>Total included in borrowings</b>	<b>10,860</b>	<b>13,868</b>	<b>10,860</b>	<b>13,868</b>

The Hospital has entered into a number of finance leases. These finance leases are for buildings. The leases are non-cancellable with some leases having the right of renewal. Rent is payable in arrears.

Minimum lease payments are allocated between interest expense/borrowing costs and reduction of the lease liability to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**29.3 Expenditure commitments**

**29.3.1 Other expenditure commitments**

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Expenditure commitments</b>				
Within one year	13,418	20,734	13,418	20,734
Later than one year but not longer than five years	7,741	17,344	7,741	17,344
Later than five years	-	-	-	-
<b>Total other expenditure commitments</b>	<b>21,159</b>	<b>38,078</b>	<b>21,159</b>	<b>38,078</b>

The Hospital expenditure commitments are for agreements for goods and services ordered but not received

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2019 has not been quantified.

**30. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value.

**30.1 Contingent Assets**

The Hospital is not aware of any contingent assets.

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### **30.2 Contingent Liabilities**

Under the Act, all real property except for property associated with Crown Land of the former Hospitals and Health Centre entities was to be transferred to the associated Health Advisory Council. To date a limited number of real properties have not transferred to the Health Advisory Councils as the vesting instruments have not been finalised or there is a requirement to seek clarification from Crown Law regarding encumbrances on some properties and whether a Health Advisory Council can hold property that is encumbered. Given the uncertainty of the outcome of the advice sought from Crown Law it is not possible to reliably measure the value of the real property that could transfer to the Health Advisory Councils in the future. Similarly, it is not possible to determine when the vesting instruments will be finalised or to reliably measure the value of the real property that will transfer to the Health Advisory Councils at that time.

### **30.3 Guarantees**

The Hospital has made no guarantees.

## **31. Events after balance date**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue, where the events relate to a condition which arose after 30 June, and which may have a material impact on the results of subsequent years.

As discussed in note 1.1, the Hospital's Governing Board commenced 1 July 2019. The Hospital is not aware of any other material events occurring between the end of the reporting period and when the financial statements were authorised.

## **32. Impact of Standards not yet implemented**

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Hospital will be adopted by the new Hospitals identified in note 1 and are outlined below.

### ***AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities***

The new Hospitals will adopt these standards from 1 July 2019.

AASB 15 establishes a comprehensive framework for determining the nature, amount and timing of revenue arising from contracts with customers. The objective of AASB 15 is for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. This standard replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. This standard replaces parts of AASB 1004 *Contributions*.

Adopting AASB 15 and AASB 1058 is expected to have an immaterial impact on the timing and recognition of revenue of the new Hospitals.

The Hospital has completed an extensive review of all revenue streams to ensure compliance with AASB 15 and AASB 1058, and assessed the impact on the nature, amount and timing of revenue recognition as:

- Revenues from SA Government (75.1%) will continue to be recognised as income when the Hospital obtains control of the funds (ie upon receipt).
- Interest income (0.3%) will continue to be recognised via AASB 9.
- Resources received free of charge (0.1%) relates to contributed services and contributed assets. Material contributed services will continue to be recognised where they would have been purchased if they were not donated via AASB 1058 (previously AASB 1004). Where contributed assets do not have sufficiently specific performance obligations these will continue to be accounted for as a donation via AASB 1058 (previously AASB 1004) e.g. donated inventory.
- All material Commonwealth revenues and other grants (15.5%) have been assessed, and will continue to be recognised as service/performance obligations are satisfied, or alternatively where there are no service/performance obligations upon receipt. There are no material changes to the amount or timing of grant income recognition.
- All material Fees and Charges have been assessed revenue will continue to be recognised as the service/performance obligations are satisfied.
- Taxes, rates and fines will continue to be recognised as income when the taxable event occurs.
- Peppercorn lease arrangements will continue to be recognised at nominal amounts until the AASB develops valuation guidance.

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Revenue earned in prior periods but not yet receivable will be recorded as a contract asset (currently recorded as an accrual) in the Statement of Financial Position. Revenue received in prior periods but not yet earned will be recorded as a contract liability (currently recorded as unearned revenue) in the Statement of Financial Position. It is expected that adoption of AASB 15 and AASB 1058 will have an immaterial impact on the Statement of Financial Position.

As per the Accounting Policy Statements, the Department will apply AASB 15 and AASB 1058 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply the completed contract expedient; and not recognise volunteer services when the services would not have been purchased if they had not been donated.

**AASB 16 Leases**

The Hospitals will adopt this standard from 1 July 2019. This standard replaces AASB 117 *Leases* and Interpretations 4, 115 and 127.

AASB 16 largely retains the current lessor accounting model but introduces a single lessee accounting model. It requires a lessee to recognise assets (representing rights to use the underlying leased asset) and liabilities (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying asset value is low. In effect, the majority of leases presently classified as operating leases will be recognised in the Statement of Financial Position.

The right of use asset will initially be recognised at cost and will give rise to a depreciation expense. The lease liability will initially be recognised as the present value of the lease payments during the term of the lease. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. These payments will now reduce the recognised liability over time and the finance charge component recognised as an expense.

The Hospital has assessed the impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements outlined in the APS. As per the APS, the Hospitals will apply AASB 16's transition approach only to those leases already identified as a lease under AASB 117, and apply incremental borrowing rates based on SAFA's rates for principal and interest loans to SA Government agencies for 1 July 2019 (as at 4 February 2019).

AASB 16 will have a material impact on the Statement of Financial Position. The estimated impact of this change and the results as at 1 July 2019 are set out below:

	<b>Consolidated Entity \$'000</b>	<b>Parent \$'000</b>
<b>Assets</b>		
Right of Use Assets	13,419	13,419
<b>Liabilities</b>		
Lease Liabilities	13,419	13,419
<b>Net impact on Equity</b>	<b>NIL</b>	<b>NIL</b>

AASB 16 will also impact the Statement of Comprehensive Income. The impact is largely a reclassification between supplies and services expenses and depreciation and interest expenses:

	<b>Consolidated Entity \$'000</b>	<b>Parent \$'000</b>
Depreciation and Amortisation	4,603	4,603
Supplies and Services	(4,667)	(4,667)
Borrowing Costs	286	286
<b>Net impact on net cost of providing services</b>	<b>222</b>	<b>222</b>

The adoption of AASB 16 also impacts the Hospitals sub-lease arrangements. The Hospitals have entered into a number of arrangements where it subleases property. As lessor, under AASB 16 the Hospital will continue to classify each sublease as an operating lease or a finance lease. AASB 16 requires such classification to be made on the basis of whether substantially all the risks and rewards associated with the right-of-use asset arising from the head lease have been transferred to the sublessee. This differs from AASB 117, which required consideration of whether substantially all the risks and rewards incidental to ownership of the underlying asset had been transferred to the sublessee. Under AASB 16, it is envisaged that all of the Hospital's subleases will continue to be classified as operating leases.

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As per the Accounting Policy Statements, the Hospital will apply AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives will not be restated); not apply AASB 16 to contracts that were not previously identified as containing a lease under AASB 117; not transition operating leases for which the lease term ends before 30 June 2020.

In addition, the Hospitals will not apply AASB 16 to intangible assets; will adopt a \$15,000 threshold for determining whether an underlying asset is a low value asset, will apply the short term lease recognition exemption; will adopt the revaluation model where permitted; apply the relevant lessee's incremental borrowing rate published by DTF; and not record at fair value leases that have significantly below-market terms and conditions.

### **33. Financial instruments/financial risk management**

#### **33.1 Financial risk management**

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

##### Liquidity Risk

The Hospital is funded principally from appropriation by the SA Government. The Hospital works with DTF to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 23 and 24 for further information.

##### Credit risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Refer to notes 16 and 17 for further information.

##### Market risk

The Hospital does not engage in high risk hedging for its financial assets. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. The Hospital's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

#### **33.2 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2 or the respective financial asset / financial liability note.

##### *Classification applicable until 30 June 2018 under AASB 139*

The carrying amounts of financial assets and liabilities were categorized as: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost.

The Hospital did not recognise any financial assets or financial liabilities at fair value, except as disclosed in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 16 and 23).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer note 24).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer note 17).

##### *Classification applicable from 1 July 2018 under AASB 9*

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The carrying amounts of each of the following categories of financial assets and liabilities: financial assets measured at amortised cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income; and financial liabilities measured at amortised cost are detailed below. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

A financial asset is measured at amortised cost if:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

Category of financial asset and financial liability	Notes	Consolidated		Parent	
		2019 Carrying amount/ Fair value S'000	2018 Carrying amount/ Fair value S'000	2019 Carrying amount/ Fair value S'000	2018 Carrying amount/ Fair value S'000
<b>Financial assets</b>					
Cash and equivalent					
Cash and cash equivalents	15,33	21,485	32,915	15,352	25,157
Amortised Cost					
Receivables <sup>(1)(2)</sup>	16	15,462	16,119	15,383	16,088
Other financial assets	17	100,592	93,419	87,681	82,148
Fair Value through profit or loss					
Other financial assets*	17	-	108	-	108
Fair Value through other comprehensive income					
Other financial assets*	17	122	77	-	-
<b>Total financial assets</b>		<b>137,661</b>	<b>142,638</b>	<b>118,416</b>	<b>123,501</b>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost					
Payables <sup>(1)</sup>	23	23,708	29,886	23,708	29,886
Borrowings	24	419	1,131	416	1,131
Other financial liabilities	27	76,338	73,547	76,338	73,547
Finance lease liability	24,28	10,860	13,868	10,860	13,868
<b>Total financial liabilities</b>		<b>111,325</b>	<b>118,432</b>	<b>111,322</b>	<b>118,432</b>

\* Comparative amounts shown above reflect reclassification in accordance with AASB 9, refer to note 1.7 for categories under AASB 139.

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

<sup>(2)</sup> Receivable amount disclosed here excludes prepayments. Prepayments are presented in note 21 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### 33.5 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. A provision matrix is used to measure the ECL of receivables from non-government debtors. The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. Impairment losses are presented as net impairment losses within net result.

The carrying amount of receivables approximates net fair value due to being receivable on demand. Receivables are written off when there is no reasonable expectation of recovery and not subject to enforcement activity. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Department.

To measure the ECL, receivables are grouped based on days past due and debtor types that have similar risk characteristics and loss patterns (i.e. by patient and sundry, compensable and aged care). The provision matrix is initially based on the Hospital's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking

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estimates are analysed. The Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort; about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Hospital's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor. The following table provides information about the credit risk exposure and ECL for non-government debtors:

CONSOLIDATED	30 June 2019			1 July 2018 (remeasurement)		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
<b>Days past due</b>						
Current	0.4 -4.2 %	4,186	36	0.3 -4 %	7,290	66
<30 days	2.2 -5.3 %	1,276	33	2.3 -5.2 %	1,531	44
31-60 days	4.7 -8.6%	637	35	4.3 -8.7 %	390	21
61-90 days	7.3 -10.7 %	334	25	5.3 -10.7%	302	24
91-120 days	8.4 -12.9 %	1,962	204	6 - 12.7 %	2,062	217
121-180 days	10.1 - 17.8 %	319	34	7.6 -17.5 %	328	32
181-360 days	14.8 - 39.4 %	691	122	11.6 - 32.6%	561	74
361-540 days	22.9 - 53.8%	661	223	13.8 -45.9%	453	139
>540 days	25.7 - 75%	854	286	15.7 -68.3%	1,279	458
<b>Total</b>		<b>10,920</b>	<b>998</b>		<b>14,196</b>	<b>1,075</b>

PARENT	30 June 2019			1 July 2018 (remeasurement)		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
<b>Days past due</b>						
Current	0.4 -4.2 %	4,186	36	0.3 -4 %	7,290	66
<30 days	2.2 -5.3 %	1,276	33	2.3 -5.2 %	1,531	44
31-60 days	4.7 -8.6%	637	35	4.3 -8.7 %	390	21
61-90 days	7.3 -10.7 %	334	25	5.3 -10.7%	302	24
91-120 days	8.4 -12.9 %	1,962	204	6 - 12.7 %	2,062	217
121-180 days	10.1 - 17.8 %	319	34	7.6 -17.5 %	328	32
181-360 days	14.8 - 39.4 %	691	122	11.6 - 32.6%	561	74
361-540 days	22.9 - 53.8%	661	223	13.8 -45.9%	453	139
>540 days	25.7 - 75%	854	286	15.7 -68.3%	1,279	458
<b>Total</b>		<b>10,920</b>	<b>998</b>		<b>14,196</b>	<b>1,075</b>

### **34. Significant transactions with government related entities**

The Hospital is controlled by the SA Government.

Related parties of the Hospital include all key management personnel, and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with the SA Government are identifiable throughout this financial report.

The Hospital received funding from the SA Government via the Department (note 14), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, computing and insurance (note 4). The Hospital had an outstanding loan balance payable to the Department at 30 June of \$0.416 million (\$1.134 million). The Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for capital works of \$3.502 million (\$5.540 million) and for property repairs and maintenance of \$17.548 million (\$15.152 million) (note 4). As at 30 June the outstanding balance payable to DPTI was \$4.616 million (\$5.045 million) (note 23) and unrecognised contractual expenditure commitments for accommodation with DPTI was \$2.537 million (\$2.372 million) (note 29).

The Hospital has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. The premises are provided/received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

### **35. Interests in other entities**

The Hospital has interests in a number of other entities as detailed below.

#### **Controlled Entities**

The Hospital has effective control over, and a 100% interest in, the net assets of the HACs. The HACs were established as a consequence of the Act being enacted and certain assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in them with the remainder being vested in the Hospital.

By proclamation dated 26 June 2008, the following assets, rights and liabilities were vested in the Incorporated HACs:

- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land
- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land dedicated under any legislation dealing with Crown land; and
- all funds and personal property held on trust and bank accounts and investments that are solely constituted by the proceeds of fundraising except for all gift funds, and other funds or personal property constituting gifts or deductible contributions under the Income Tax Assessment Act 1997 (Commonwealth).

The above assets, rights and liabilities of the former Hospitals whose HAC elected not to become incorporated were vested in the Country Health SA Board Health Advisory Council Inc. A proclamation on 27 June 2019 advised from 1 July 2019 Country Health SA Board Health Advisory Council Inc will be renamed to Country Health Gift Fund Health Advisory Council Inc

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The HAC have no powers to direct or make decisions with respect to the management and administration of Country Health SA Local Health Network.

<b>Health Advisory Council</b>		
<b>Incorporated HACs</b>		
Balaklava Riverton Health Advisory Council Inc	Barossa and Districts Health Advisory Council Inc	Berri Barmera District Health Advisory Council Inc
Bordertown and District Health Advisory Council Inc	Ceduna District Health Services Health Advisory Council Inc	Coorong Health Service Health Advisory Council Inc
Country Health SA Local Health Network Health Advisory Council Inc	Eastern Eyre Health Advisory Council Inc	Eudunda Kapunda Health Advisory Council Inc
Gawler District Health Advisory Council Inc	Hills Area Health Advisory Council Inc	Kangaroo Island Health Advisory Council Inc
Kingston/Robe Health Advisory Council Inc	Lower Eyre Health Advisory Council Inc	Lower North Health Advisory Council Inc
Loxton and Districts Health Advisory Council Inc	Mallee Health Service Health Advisory Council Inc	Mannum District Hospital Health Advisory Council Inc
Mid North Health Advisory Council Inc	Mid West Health Advisory Council Inc	Millicent and Districts Health Advisory Council Inc
Mount Gambier and Districts Health Advisory Council Inc	Naracoorte Area Health Advisory Council Inc	Northern Yorke Peninsula Health Advisory Council Inc
Penola and Districts Health Advisory Council Inc	Port Broughton District Hospital and Health Services Health Advisory Council Inc	Renmark Paringa District Health Advisory Council Inc
South Coast Health Advisory Council Inc (renamed by proclamation on 27 June 2019 to Southern Fleurieu Health Advisory Council Inc)	The Murray Bridge Soldiers' Memorial Hospital Health Advisory Council Inc	Waikerie and Districts Health Advisory Council Inc
Yorke Peninsula Health Advisory Council Inc		
<b>Unincorporated HACs</b>		
Far North Health Advisory Council	Hawker District Memorial Health Advisory Council	Leigh Creek Health Service Health Advisory Council
Port Augusta, Roxby Downs, Woomera Health Advisory Council	Port Lincoln Health Advisory Council	Port Pirie Health Service Health Advisory Council
Quorn Health Services Health Advisory Council	Southern Flinders Health Advisory Council	Whyalla Hospital and Health Services Health Advisory Council

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**36. Board and committee members**

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS124.B were:

Board/Committee name:	Government employee members		Other members
	Government employee members		
Country Health SA Local Health Network Advisory Council Inc	-		Blacker P (Chair), Evans L, Gregurke K, Healy R, McArthur A, Fuller J, Johnston J, Mackay M
Country Health SA Risk Management and Audit Committee	-		Stubbs T Dr (Chair), Martin M, Brown G, Christley S
Barossa Hills Fleurieu Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		Brown J (Chair) (appointed 01/08/2018), Blackwell P (appointed 28/3/2019), Gaston C (appointed 28/3/2019), Sexton R (appointed 28/3/2019), Ullianich J (appointed 28/3/2019), Zadow R (appointed 28/3/2019).
Eyre and Far North Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		Smith M (Chair) (appointed 01/08/2018), Dunchue L (appointed 28/3/2019), Green, B (appointed 28/3/2019), Miller T (appointed 28/3/2019), Mills P (appointed 28/3/2019), Siviour J (appointed 28/3/2019), Sweet C (appointed 28/3/2019).
Flinders and Upper North Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		Francis B (Chair) (appointed 01/08/2018), Brady G (appointed 28/3/2019), Graham S (appointed 28/3/2019), Lynch J (appointed 28/3/2019), Malone G (appointed 28/3/2019), Reid K (appointed 28/3/2019), Whitefield M (appointed 28/3/2019).
Limestone Coast Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		King G (Chair) (appointed 01/08/2018), Brown, G (appointed 28/3/2019), Cook L (appointed 28/3/2019), Irving J (appointed 28/3/2019), Johnson A (appointed 28/3/2019), Saics A (appointed 28/3/2019).
Riverland Mallee Coorong Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		Joyner P (Chair) (appointed 01/08/2018), Ashworth E (appointed 28/3/2019), Goldsmith C (appointed 28/3/2019), Ottaway M (appointed 28/3/2019), Toogood F (appointed 28/3/2019).
Yorke and Northern Local Health Network Transition Board (Commencing 28 March 2019 and expiring 30 June 2019) (1)	-		Bouly V (Chair) (appointed 01/08/2018), Badenoch J (appointed 28/3/2019), Malcolm E (appointed 28/3/2019), Mohor S (appointed 28/3/2019), Voumard J (appointed 28/3/2019), Warneken Y (appointed 28/3/2019).

(1) The Governing Board in its transitional advisory capacity until formal commencement as a Board on 1/7/2019

Refer to note 3.2 for remuneration of board and committee members

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**37. Schedules of administered items**

**37.1 Basis of preparation**

The basis of preparation for the Schedule of administered items is the same as the basis outlined in note 1.

**37.2 Categories of administered items**

*Private Practice* represents funds billed on behalf of salaried medical officers and subsequently distributed to the LHN and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

*Consumer Funds* represents funds held by the Hospital on behalf of consumers that reside in a Hospital facility whilst the consumer is receiving residential aged care services. The Hospital performs only a custodial role in respect of these funds.

*Medical Centres* represents fees and charges collected on behalf of doctors that work in CHSALHN owned Medical Centres.

The Hospital cannot use these administered funds for the achievement of its objectives.

**37.3 Administered contingent assets and liabilities**

The Hospital has no administered contingent assets and liabilities.

**Schedule of Administered Expenses and Income**

	Medical Centres		Private Practice		Consumer Funds		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>Administered expenses</u></b>								
Other expenses	3,548	3,674	4,012	3,205	349	274	7,909	7,153
<b>Total Administered expenses</b>	<b>3,548</b>	<b>3,674</b>	<b>4,012</b>	<b>3,205</b>	<b>349</b>	<b>274</b>	<b>7,909</b>	<b>7,153</b>
<b><u>Administered income</u></b>								
Revenue from fees and charges	3,548	3,674	4,043	3,215	378	284	7,969	7,173
<b>Total Administered income</b>	<b>3,548</b>	<b>3,674</b>	<b>4,043</b>	<b>3,215</b>	<b>378</b>	<b>284</b>	<b>7,969</b>	<b>7,173</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>10</b>	<b>29</b>	<b>10</b>	<b>60</b>	<b>20</b>

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**Schedule of Administered Assets and Liabilities**

	Medical Centres		Private Practice		Consumer Funds		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>Administered current assets</u></b>								
Cash and cash equivalents	869	-	309	277	179	150	1,357	427
Receivables	-	-	-	1	-	-	-	1
<b>Total Administered current assets</b>	<b>869</b>	<b>-</b>	<b>309</b>	<b>278</b>	<b>179</b>	<b>150</b>	<b>1,357</b>	<b>428</b>
<b>Total administered assets</b>	<b>869</b>	<b>-</b>	<b>309</b>	<b>278</b>	<b>179</b>	<b>150</b>	<b>1,357</b>	<b>428</b>
<b><u>Administered current liabilities</u></b>								
Payables	869	-	-	-	-	-	869	-
<b>Total Administered current liabilities</b>	<b>869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>869</b>	<b>-</b>
<b>Total administered liabilities</b>	<b>869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>869</b>	<b>-</b>
<b>Net administered assets/equity</b>	<b>-</b>	<b>-</b>	<b>309</b>	<b>278</b>	<b>179</b>	<b>150</b>	<b>488</b>	<b>428</b>

**Schedule of Administered Cash Flows**

**Cash flows from operating activities**

	2019	2018
	\$'000	\$'000
<b>Cash inflows</b>		
Fees and charges	7,970	3,499
<b>Total Cash inflows</b>	<b>7,970</b>	<b>3,499</b>
<b>Cash outflows</b>		
Other payments	7,040	3,479
<b>Total Cash outflows</b>	<b>7,040</b>	<b>3,479</b>
<b>Net cash inflows/cash outflows from operating activities</b>	<b>930</b>	<b>20</b>
<b>Net increase/(decrease) in cash held</b>	<b>930</b>	<b>20</b>
Cash at the beginning of the reporting period	427	407
<b>Cash at the end of the reporting period</b>	<b>1,357</b>	<b>427</b>