

FINANCIAL REPORT *2013*



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More Than a Hospital
Rochester and Elmore District Health Service

PERFORMANCE AGAINST STATEMENT OF PRIORITIES

The Statement of Priorities is the key accountability agreement between Rochester and Elmore District Health Service and the Victorian Minister for Health.

PART A

See Report of Operations pages 8-9 for details.

PART B: Performance Priorities

Financial performance

Operating Results	Target	2012-13 Actuals
Annual Operating result (\$m)	\$0.13m	\$0.07m
Creditors	< 60 days	60 days
Debtors	< 60 days	38 days

Service performance

Quality and Safety	Target	2012-13 Actuals
Health Service Accreditation	Full compliance	Achieved
Residential Aged Care Accreditation	Full compliance	Achieved
Cleaning standards	Full compliance	Achieved
Submission of data to VICNISS	Full compliance	Achieved
Hand Hygiene (rate)	70	80
Victorian Patient Satisfaction Monitor (OCI)	73	86
Consumer Participation Indicator	75	86
People Matter Survey	Full compliance	Achieved

PART C: Activity and Funding

Small Rural	Target \$000	2012-13 Actuals \$000
Small Rural Acute	4,357	4,849
Small Rural Residential Care	887	870
Small Rural HACC	625	729
Total Funding	5,869	6,448

ROCHESTER & ELMORE DISTRICT HEALTH SERVICE
BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Rochester & Elmore District Health Service have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions*, Australian Accounting Standards, Australian Accounting Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2013 and the financial position of Rochester & Elmore District Health Service at 30 June 2013.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on this day.



Mr K Oberin
Chairperson

Rochester

26 August 2013



Mr M Sharp
Accountable Officer
Chief Finance and Accounting Officer

Rochester

26 August 2013

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Rochester and Elmore District Health Service

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of Rochester and Elmore District Health Service which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Rochester and Elmore District Health Service are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Rochester and Elmore District Health Service as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Rochester and Elmore District Health Service for the year ended 30 June 2013 included both in Rochester and Elmore District Health Service's annual report and on the website. The Board Members of Rochester and Elmore District Health Service are responsible for the integrity of Rochester and Elmore District Health Service's website. I have not been engaged to report on the integrity of Rochester and Elmore District Health Service's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
27 August 2013


for John Doyle
Auditor-General

Rochester and Elmore District Health Service 30 June 2013

Financial and Operational Performance Summary

Financials in Brief

	2012-13 \$000's	2011-12 \$000's	2010-11 \$000's	2009-10 \$000's	2008-09 \$000's
Total Revenue	12,723	12,275	11,875	14,250	16,096
Total Expenses	13,321	12,840	12,048	10,531	9,732
Operating Surplus (Deficit)	(597)	(566)	(173)	379	509
Retained Surplus/(Accumulated Deficit)	14,586	15,245	16,606	16,779	13,060
Total Assets	36,190	33,431	33,657	33,651	30,591
Total Liabilities	6,761	5,747	5,407	5,228	5,857
Net Assets	29,429	27,684	28,250	28,423	24,704
Net Cash Result	671	(1,977)	701	(595)	(239)
Total Equity	29,429	27,684	28,250	28,423	24,704
Other (List)					

Comprehensive Operating Statement for the financial year ended 30 June 2013

	NOTE	2013 \$	2012 \$
Revenue from Operating Activities	2	11,691,409	11,464,463
Revenue from Non-operating Activities	2	146,008	276,063
Employee Expenses	3	(8,754,709)	(8,471,493)
Non Salary Labour Costs	3	(416,009)	(301,667)
Supplies & Consumables	3	(727,884)	(647,018)
Other Expenses	3	(1,859,559)	(1,824,144)
Net Result Before Capital and Specific Items		79,256	496,204
Capital Purpose Income	2	885,890	534,161
Depreciation	4	(1,549,161)	(1,578,938)
Finance Costs	5	(13,463)	(17,184)
NET RESULT FOR THE YEAR		(597,478)	(565,757)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus		2,342,497	0
TOTAL OTHER COMPREHENSIVE INCOME		2,342,497	0
COMPREHENSIVE RESULT		1,745,019	(565,757)

Rochester and Elmore District Health Service 30 June 2013

Balance Sheet as at 30 June 2013

	NOTE	2013	2012
		\$	\$
Current Assets			
Cash and Cash Equivalents	6	1,516,764	829,063
Receivables	7	771,628	519,773
Investments and other financial assets	8	6,056,145	5,415,620
Inventories	9	57,462	63,697
Non-financial Assets Classified as Held for Sale	10	0	9,950
Other Assets	11	22,445	12,730
Total Current Assets		8,424,444	6,850,833
Non-Current Assets			
Receivables	7	390,611	386,963
Property, Plant & Equipment	12	27,374,524	26,193,001
Total Non-Current Assets		27,765,135	26,579,964
TOTAL ASSETS		36,189,579	33,430,797
Current Liabilities			
Payables	13	1,233,070	578,405
Interest Bearing Liabilities	14	108,780	133,368
Provisions	15	2,009,981	2,101,002
Other Current Liabilities	17	2,913,810	2,534,238
Total Current Liabilities		6,265,641	5,347,013
Non-Current Liabilities			
Interest Bearing Liabilities	14	68,289	77,016
Provisions	15	426,581	322,719
Total Non-Current Liabilities		494,870	399,735
TOTAL LIABILITIES		6,760,511	5,746,748
NET ASSETS		29,429,068	27,684,049
EQUITY			
Property, Plant and Equipment Revaluation Surplus	18a	6,434,571	4,092,074
Restricted Specific Purpose Surplus	18a	1,038,631	977,016
Contributed Capital	18b	7,369,839	7,369,839
Accumulated Surpluses/(Deficits)	18c	14,586,027	15,245,120
TOTAL EQUITY		29,429,068	27,684,049
Contingent Assets and Contingent Liabilities	22		
Commitments	21		

This Statement should be read in conjunction with the accompanying notes.

Rochester and Elmore District Health Service 30 June 2013

Statement of Changes in Equity for the financial year ended 30 June 2013

2013

		Equity at 1 July 2012	Net Result for the year	Equity at 30 June 2013
	Note	\$	\$	\$
Accumulated Surplus/(Deficit)	18c	16,040,203	(597,478)	15,442,725
Transfer to/(from) accumulated surplus	18c	(795,083)	(61,615)	(856,698)
		15,245,120	(659,093)	14,586,027
Contributed Capital	18b	7,369,839	0	7,369,839
		7,369,839	0	7,369,839
Reserves				
Property Plant and Equipment Revaluation Surplus	18a	4,092,074	234,247	6,434,571
Restricted Specific Purpose Surplus	18a	977,016	61,615	1,038,631
		5,069,090	2,404,112	7,473,202
Balance as at 30 June 2013		27,684,049	1,745,019	29,429,068

2012

		Equity at 1 July 2011	Net Result for the year	Equity at 30 June 2012
	Note	\$	\$	\$
Accumulated Surplus/(Deficit)	18c	16,605,960	(565,757)	16,040,203
Transfer to/(from) accumulated surplus	18c	-	(795,083)	(795,083)
		16,605,960	(1,360,840)	15,245,120
Contributed Capital	18b	7,369,839	0	7,369,839
		7,369,839	0	7,369,839
Reserves				
Property Plant and Equipment Revaluation Surplus	18a	4,092,074	-	4,092,074
Restricted Specific Purpose Surplus	18a	181,933	(181,933)	-
Transfer to accumulated surplus	18a	-	977,016	977,016
		4,274,007	795,083	5,069,090
Balance as at 30 June 2012		28,249,806	(565,757)	27,684,049

Rochester and Elmore District Health Service 30 June 2013

Cash Flow Statement for the financial year ended 30 June 2013

	NOTE	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		8,864,919	8,272,315
Patient and Resident Fees Received		1,761,018	2,348,217
Donations and Bequests Received		26,341	6,914
GST Received from/(paid to) ATO		174,038	46,821
Interest Received		125,356	170,708
Other Receipts		1,630,483	1,476,346
Total Receipts		12,582,155	12,321,321
Employee Expenses Paid		(8,733,090)	(8,339,739)
Fee for Service Medical Officers		(416,009)	(301,667)
Payments for Supplies & Consumables		(727,884)	(647,018)
Finance Costs		(13,463)	(17,184)
Other Payments		(1,853,252)	(1,915,308)
Total Payments		(11,743,698)	(11,220,916)
Cash Generated from Operations		838,457	1,100,405
Capital Grants from Government		530,711	345,875
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	19	1,369,168	1,446,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(419,498)	(742,470)
Proceeds from sale of Non-Financial Assets		36,877	68,727
Purchase of Investments		(282,155)	(2,744,272)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(664,776)	(3,418,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of Borrowings		(33,315)	(4,999)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		(33,315)	(4,999)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		671,077	(1,976,734)
Cash and Cash Equivalents at beginning of financial year		662,285	2,639,019
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6	1,333,362	662,285

This Statement should be read in conjunction with the accompanying notes

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Rochester and Elmore District Health Service for the period ending 30 June 2013. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Minister for Finance.

The Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" Health Services under the AASs.

The annual financial statements were authorised for issue by the board of Rochester and Elmore District Health Service on²⁶ August 2013.

(b) Basis of accounting preparation and measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013, and the comparative information presented in these financial statements for the year ended 30 June 2012.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Health Service.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any

subsequent accumulated depreciation and subsequent losses. Revaluations are made and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;

- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequent to net result).
- the fair value of assets other than land is generally based on their depreciated replacement value.

Historical cost is based on the fair values of the consideration given in exchange for assets.

In the application of AASs, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(i);
- superannuation expense (refer to note 1(f)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(j)).

(c) Reporting entity

The financial statements include all the controlled activities of the Rochester and Elmore District Health Service.

Its principal address is:

1 Pascoe Street
Rochester VIC 3561.

Rochester and Elmore District Health Service 30 June 2013

A description of the nature of Rochester and Elmore District Health Service's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Objectives and funding

Rochester and Elmore District Health Service's overall objective is to provide quality health care service as well as improve the quality of life to Victorians.

Rochester and Elmore District Health Service is predominantly funded by accrual based grant funding for the provision of outputs.

(d) Principles of consolidation

In accordance with AASB 127 Consolidated and Separate Financial Statements, the consolidated financial statements of Rochester and Elmore District Health Service incorporates the assets and liabilities of all entities controlled by Rochester and Elmore District Health Service as at 30 June 2013, and their income and expenses for that part of the reporting period in which control existed. Control exists when Rochester and Elmore District Health Service has the power to govern the financial and operating policies of a Health Service so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements include the audited financial statements of the controlled entities listed in note 24.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Bodies consolidated into Rochester and Elmore District Health Service reporting entity include: Loddon Mallee Rural Health Alliance.

Intersegment Transactions

Transactions between segments within the Rochester and Elmore District Health Service have been eliminated to reflect the extent of the Rochester and Elmore District Health Service's operations as a group.

Associates and joint ventures are accounted for in accordance with the policy outlined in Note 1(i) financial assets.

Jointly controlled assets or operations

Interests in jointly controlled assets or operations are not consolidated by Rochester and Elmore District Health Service, but are accounted for in accordance with the policy outlined in Note 1(i) Financial Assets.

(d) Scope and presentation of financial statements

Fund Accounting

The Rochester and Elmore District Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Rochester and Elmore District Health Service's Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

Services Supported By Health Services Agreement and Services Supported By Hospital and Community Initiatives

Activities classified as *Services Supported by Health Services Agreement* (HSA) are substantially funded by the Department of Health and includes Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while *Services Supported by Hospital and Community Initiatives* (H&CI) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'net result before capital & specific items' to enhance the understanding of the financial performance of Rochester and Elmore District Health Service. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The 'net result before capital & specific items' is used by the management of Rochester and Elmore District Health Service, the Department of Health and the Victorian Government to measure the ongoing operating performance of Health Services.

Capital and specific items, which are excluded from this sub-total, comprise:

- ❖ capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (f)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.

Rochester and Elmore District Health Service 30 June 2013

- ❖ specific income/expense, comprises the following items, where material:
 - Voluntary departure packages
 - Write-down of inventories
 - Non-current asset revaluation increments/decrements
 - Diminution/impairment of investments
 - Restructuring of operations (disaggregation/aggregation of Health Services)
 - Litigation settlements
 - Non-current assets lost or found
 - Forgiveness of loans
 - Reversals of provisions
 - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board)
- ❖ impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Notes 1 (i)
- ❖ depreciation and amortisation, as described in Note 1 (f);
- ❖ assets provided or received free of charge (refer to Notes 1 (f) and (g)); and
- ❖ Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Balance sheet

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered/settled more than 12 months after reporting period), are disclosed in the notes where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as current borrowings in the balance sheet.

Rounding

All amounts shown in the financial statements are expressed to the nearest \$1 unless otherwise stated.

Minor discrepancies in tables between totals and sum of components are due to rounding.

(e) Income from transactions

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to Rochester and Elmore District Health Service and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Government Grants and other transfers of income (other than contributions by owners)

In accordance with AASB 1004 *Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when the Health Service gains control of the underlying assets irrespective of whether conditions are imposed on the Health Service's use of the contributions.

Contributions are deferred as income in advance when the Health Service has a present obligation to repay them and the present obligation can be reliably measured.

Indirect Contributions from the Department of Health

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 05/2013 (update for 2012-13).

Patient and Resident Fees

Patient fees are recognised as revenue at the time invoices are raised.

Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised.

Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine is recognised at the time invoices are raised.

Donations and Other Bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes in account the effective yield of the financial asset.

Sale of investments

The gain/loss on the sale of investments is recognised when the investment is realised.

Fair value of assets and services received free of charge or for nominal consideration

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

Other income

Other income includes non-property rental, dividends, forgiveness of liabilities, and bad debt reversals.

(f) Expense recognition

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Cost of goods sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

Employee expenses

Employee expenses include:

- wages and salaries;
- annual leave;
- sick leave;
- long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

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Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

Employees of the Rochester and Elmore District Health Service are entitled to receive superannuation benefits and the Rochester and Elmore District Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit plan(s) provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by the Rochester and Elmore District Health Service are as follows:

Fund	Contributions paid or payable for the year	
	2013	2012
	\$'000	\$'000
Defined benefit plans:		
Health Super	15,348	17,311
Defined contribution plans:		
Health Super	608,705	573,641
Hesta	86,837	64,614
Total	710,890	655,566

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health. Assets with a cost in excess of \$1000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

Rochester and Elmore District Health Service 30 June 2013

The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

	2013	2012
Buildings		
- Structure Shell Building Fabric	45 to 60 years	45 to 60 years
- Site Engineering Services and Central Plant	20 to 30 years	20 to 30 years
Central Plant		
- Fit Out	20 to 30 years	20 to 30 years
- Trunk Reticulated Building Systems	30 to 40 years	30 to 40 years
Plant & Equipment	3 to 7 years	3 to 7 years
Medical Equipment	7 to 10 years	7 to 10 years
Computers and Communication	3 years	3 years
Furniture and Fitting	13 years	13 years
Motor Vehicles	10 years	10 years
Leasehold Improvements	2 to 10 Years	2 to 10 Years

Please note: the estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. As part of the buildings valuation, building values were separated into components and each component assessed for its useful life which is represented above.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- Finance charges in respect of finance leases recognised in accordance with AASB 117 *Leases*.

Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

Supplies and consumables

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts

Refer to Note 1 (i) *Impairment of financial assets*.

Fair value of assets, services and resources provided free of charge or for nominal consideration

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not-for-profit public sector entities, the Health Services continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

(g) Other comprehensive income

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

Revaluation gains/(losses) of non-financial physical assets

Refer to Note 1(i) *Revaluations of non-financial physical assets*.

Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1 (i)); and
- disposals of financial assets and derecognition of financial liabilities

Revaluations of financial instrument at fair value

Refer to Note 1 (h) *Financial instruments*.

Share of net profits/(losses) of associates and joint entities, excluding dividends.

Refer to Note 1 (d) *Basis of consolidation*.

Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

(h) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one Health Service and a financial liability or equity instrument of another Health Service. Due to the nature of the Rochester and Elmore District Health Service's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the Health Service concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other comprehensive income.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(j)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Held-to-maturity investments

If the Health Service has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity.

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Health Service makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Health Service would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the Health Service concerned intends to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, gains and losses arising from changes in fair value are recognised in 'other comprehensive income' until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period. Fair value is determined in the manner described in Note 20.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

(i) Assets

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

Receivables

Receivables consist of:

- contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax ("GST") input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Investments and other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity;
- loans and receivables; and
- available-for-sale financial assets.

The Rochester and Elmore District Health Service classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

Rochester and Elmore District Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

Inventories

Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

The bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Non-financial physical assets classified as held for sale

Non-financial physical assets and disposal groups and related liabilities are treated as current and are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset's sale (or disposal group) is expected to be completed within 12 months from the date of classification, and the asset is available for immediate use in the current condition.

Non-financial physical assets (including disposal groups) classified as held for sale are treated as current and are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

The initial cost for non-financial physical assets under finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Crown land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply.

Land and buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment.

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

Revaluations of non-current physical assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103D *Non-current physical assets*. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in 'other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103D, Rochester and Elmore District Health Service's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to note 1(g) – 'comprehensive income'.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment, except for :

- investment properties that are measured at fair value;
- non-current physical assets held for sale; and
- assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, Rochester and Elmore District Health Service recognises in the financial statements:

- its share of jointly controlled assets;
- any liabilities that it had incurred;
- its share of liabilities incurred jointly by the joint venture;
- any income earned from the selling or using of its share of the output from the joint venture; and
- any expenses incurred in relation to being an investor in the joint venture.

For jointly controlled operations Rochester and Elmore District Health Service recognises:

- the assets that it controls;
- the liabilities that it incurs;
- expenses that it incurs; and
- the share of income that it earns from selling outputs of the joint venture

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Health Service has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

At the end of each reporting period Rochester and Elmore District Health Service assesses whether there is objective evidence that a financial asset or group of financial asset is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Where the fair value of an investment in an equity instrument at balance date has reduced by 20 percent or more than its cost price or where its fair value has been less than its cost price for a period of 12 or more months, the financial asset is treated as impaired.

In order to determine an appropriate fair value as at 30 June 2013 for its portfolio of financial assets, Rochester and Elmore District Health Service obtained a valuation based on the best available advice using an estimated market value through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2013. These methodologies were critiqued and considered to be consistent with standard market valuation techniques.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities

Revaluations of financial instruments at fair value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets.

(j) Liabilities

Payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid, and arise when the Health Service becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Nett 30 days.
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs (refer also to note 1(k) Leases) The measurement basis subsequent to initial recognition depends on whether the Health Service has categorised its borrowings as either, financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Wages and salaries, annual leave, sick leave and accrued days off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and accrued days off which are expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee's services up to the reporting date, and are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL (representing 10 or more years of continuous service) is disclosed in the notes to the financial statements as a current liability even where the Rochester and Elmore District Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that the Rochester and Elmore District Health Service does not expect to settle within 12 months; and
- nominal value – component that the Rochester and Elmore District Health Service expects to settle within 12 months.

Non-current liability – conditional LSL (representing less than 10 years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-costs

Employee benefit on-costs, such as payroll tax, workers compensation and superannuation are recognised together with provisions for employee benefits.

Superannuation liabilities

The Rochester and Elmore District Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

Financial guarantee

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, then it is measured at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the Health Service in the event of default.

(k) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with finance lease are recognised as an expense in the period in which they are incurred.

Operating leases

Entity as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

Lease Incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received by the lessee to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset is diminished.

(l) Equity

Contributed capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119 *Contributions by Owners*, appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions that have been designated as contributed capital are also treated as contributed capital.

Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Transfers of net liabilities arising from administrative restructures are to go through the comprehensive operating statement.

Property, plant & equipment revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

Financial asset available-for-sale revaluation surplus

The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the surplus which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the surplus which relates to that financial asset is recognised in the comprehensive operating statement.

Specific restricted purpose surplus

A specific restricted purpose surplus is established where the Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(m) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 21) at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

(n) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(o) Goods and Services Tax ("GST")

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

Commitments for expenditure and contingent assets and liabilities are presented on a gross basis.

(p) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Health Service and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

(q) AASs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2013 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2013, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Rochester and Elmore District Health Service has not and does not intend to adopt these standards early.

Rochester and Elmore District Health Service 30 June 2013

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on financial statements</i>
<i>AASB 9 Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2015	<i>Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.</i>
<i>AASB 10 Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. <i>The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.</i>	1 Jan 2014	<i>Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.</i> Subject to AASB's final deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, the entity will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.
<i>AASB 11 Joint Arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. <i>Subject to AASB's final deliberations and any modifications made to AASB 11 for not-for-profit</i>

Rochester and Elmore District Health Service 30 June 2013

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
	categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.		<i>entities, the entity will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.</i>
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> . The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. <i>Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.</i>
AASB 13 Fair Value Measurement	<i>This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.</i>	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively detailed compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required assets measured using depreciated replacement cost.

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Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 119 Employee Benefits	<i>In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.</i>	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions a few Victorian public sector entities that report superannuation defined benefit plans.
AASB 127 Separate Financial Statements	<i>This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.</i>	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.
AASB 128 Investments in Associates and Joint Ventures	<i>This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</i>	1 Jan 2014	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context. As such, the impact will be assessed after the AASB's deliberation.

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Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on financial statements
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 1055 Budgetary Reporting	<i>AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.</i>	1 January 2014	<p><i>[If separate budget is presented to the parliament]:</i></p> <ul style="list-style-type: none"> The entity will be required to restate in the financial statements the budgetary information in accordance with the presentation format prescribed in Australian Accounting Standards and explain the significant variances from the original budget. <p><i>[If separate budget is not presented to the parliament]:</i></p> <ul style="list-style-type: none"> This Standard is not applicable as no budget disclosure is required.

(r) Category groups

The *Rochester and Elmore District Health Service* has used the following category groups for reporting purposes for the current and previous financial years.

Admitted Patient Services (Admitted Patients) comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals, or free standing day hospital facilities, or alcohol and drug treatment units or hospitals specialising in dental services, hearing and ophthalmic aids.

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Aged Care comprises revenue/expenditure from Home and Community Care (HACC) programs, Allied Health, Aged Care Assessment and support services.

Primary Health comprises revenue/expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Off Campus, Ambulatory Services (Ambulatory) comprises all recurrent health revenue/expenditure on public hospital type services including palliative care facilities and rehabilitation facilities, as well as services provided under the following agreements: Services that are provided or received by hospitals (or area Health Services) but are delivered/received outside a hospital campus, services which have moved from a hospital to a community setting since June 1998, services which fall within the agreed scope of inclusions under the new system, which have been delivered within hospital's i.e. in rural/remote areas.

Residential Aged Care including Mental Health (RAC incl. Mental Health) referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

Other Services excluded from Australian Health Care Agreement (AHCA)

(Other) comprises revenue/expenditure for services not separately classified above, including: Public Health Services including Laboratory testing, Blood Borne Viruses / Sexually Transmitted Infections clinical services, Kooris liaison officers, immunisation and screening services, Drugs services including drug withdrawal, counselling and the needle and syringe program, Dental Health services including general and specialist dental care, school dental services and clinical education, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

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Note 2: Revenue

Revenue from Operating Activities

Government Grants

- Department of Health
- Commonwealth Government
- Residential Aged Care Subsidy

Total Government Grants

Indirect Contributions by Department of Health

- Insurance
- Long Service Leave

Total Indirect Contributions by Department of Health

Patient and Resident Fees

- Patient and Resident Fees (refer note 2b)
- Residential Aged Care (refer note 2b)

Total Patient and Resident Fees

Commerical Activities & Specific Purpose Funds

- Catering
- Property Income

Total Commerical Activites & Specific Purpose Funds

Interest and Dividends

Loddon Mallee Rural Health Alliance Revenue

Other Revenue from Operating Activities

Total Revenue from Operating Activities

Revenue from Non-Operating Activities

Interest and Dividends

Other Revenue from Non-Operating Activities

Total Revenue from Non-Operating Activities

Capital Purpose Income

State Government Capital Grants

- Targeted Capital Works and Equipment

- Other

- Loddon Mallee Rural Health Alliance

Residential Accommodation Payments (refer Note 2b)

Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)

Donations and Bequests

Total Capital Purpose Income

Total Revenue (refer to note 2a)

	HSA 2013 \$	HSA 2012 \$	Non HSA 2013 \$	Non HSA 2012 \$	Total 2013 \$	Total 2012 \$
Revenue from Operating Activities						
Government Grants						
- Department of Health	6,447,890	5,514,550	0	0	6,447,890	5,514,550
- Commonwealth Government						
- Residential Aged Care Subsidy	1,994,947	2,599,701	0	0	1,994,947	2,599,701
Total Government Grants	8,442,837	8,114,251	0	0	8,442,837	8,114,251
Indirect Contributions by Department of Health						
- Insurance	779	31,040	0	0	779	31,040
- Long Service Leave	12,735	158,064	0	0	12,735	158,064
Total Indirect Contributions by Department of Health	13,514	189,104	0	0	13,514	189,104
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2b)	473,318	571,302	0	0	473,318	571,302
- Residential Aged Care (refer note 2b)	1,514,199	1,404,182	0	0	1,514,199	1,404,182
Total Patient and Resident Fees	1,987,517	1,975,484	0	0	1,987,517	1,975,484
Commerical Activities & Specific Purpose Funds						
- Catering	3,592	3,765	124,846	144,069	128,438	147,834
- Property Income	91,446	97,095	5,120	0	96,566	97,095
Total Commerical Activites & Specific Purpose Funds	95,038	100,860	129,966	144,069	225,004	244,929
Interest and Dividends	125,356	170,708	0	0	125,356	170,708
Loddon Mallee Rural Health Alliance Revenue	155,141	140,587	0	0	155,141	140,587
Other Revenue from Operating Activities	742,040	629,400	0	0	742,040	629,400
Total Revenue from Operating Activities	11,561,443	11,320,394	129,966	144,069	11,691,409	11,464,463
Revenue from Non-Operating Activities						
Interest and Dividends	0	0	146,008	154,983	146,008	154,983
Other Revenue from Non-Operating Activities	0	0	0	121,080	0	121,080
Total Revenue from Non-Operating Activities	0	0	146,008	276,063	146,008	276,063
Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	590,811	345,875	0	0	590,811	345,875
- Other	26,131	0	0	0	26,131	0
- Loddon Mallee Rural Health Alliance	64,116	0	0	0	64,116	0
Residential Accommodation Payments (refer Note 2b)	175,368	194,649	0	0	175,368	194,649
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	3,123	(13,277)	0	0	3,123	(13,277)
Donations and Bequests	26,341	6,914	0	0	26,341	6,914
Total Capital Purpose Income	885,890	534,161	0	0	885,890	534,161
Total Revenue (refer to note 2a)	12,447,333	11,854,555	275,974	420,132	12,723,307	12,274,687

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

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Note 2a: Analysis of Revenue by Source

	Admitted Patients 2013 \$	Ambulatory 2013 \$	Residential Aged Care 2013 \$	Aged Care 2013 \$	Primary Health 2013 \$	Other 2013 \$	Total 2013 \$
Revenue from Services Supported by Health Services Agreement							
Government Grants	4,596,960	0	2,952,122	586,005	181,788	125,962	8,442,837
Indirect contributions by Department of Health	13,514	0	0	0	0	0	13,514
Patient and Resident Fees (refer note 2b)	328,765	0	1,514,199	48,265	34,077	0	1,925,306
Business Units - Radiology (refer note 2b)	62,211	0	0	0	0	0	62,211
Interest and Dividends	0	0	40,963	0	0	84,393	125,356
Other	3,500	315,535	60,188	7,041	418,348	187,607	992,219
Capital Purpose Income (refer Note 2)	0	0	175,368	0	0	710,522	885,890
Total Revenue from Services Supported by Health Services Agreement	5,004,950	315,535	4,742,840	641,311	634,213	1,108,484	12,447,333
Revenue from Services Supported by Hospital and Community Initiatives							
Catering	0	0	0	0	0	124,846	124,846
Bank & Investment Income	0	0	0	0	0	146,008	146,008
Other	0	0	0	0	0	5,120	5,120
Total Revenue from Services Supported by Hospital and Community Initiatives	0	0	0	0	0	275,974	275,974
Total Revenue	5,004,950	315,535	4,742,840	641,311	634,213	1,384,458	12,723,307

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

Note 2a: Analysis of Revenue by Source

	Admitted Patients 2012 \$	Ambulatory 2012 \$	Residential Aged Care 2012 \$	Aged Care 2012 \$	Primary Health 2012 \$	Other 2012 \$	Total 2012 \$
Revenue from Services Supported by Health Services Agreement							
Government Grants	4,245,664	0	2,838,920	596,598	419,000	14,070	8,114,251
Indirect contributions by Department of Health	189,104	0	0	0	0	0	189,104
Patient and Resident Fees (refer note 2b)	442,861	0	1,404,182	53,548	17,061	57,832	1,975,484
Interest and Dividends	0	0	170,708	0	0	0	170,708
Other	31,966	271,297	18,762	0	376,272	170,457	868,754
Capital Purpose Income (refer Note 2)	0	0	194,649	0	0	341,605	536,254
Total Revenue from Services Supported by Health Services Agreement	4,909,595	271,297	4,627,221	650,146	812,333	583,964	11,854,555
Revenue from Services Supported by Hospital and Community Initiatives							
Catering	0	0	0	0	0	144,069	144,069
Bank & Investment Income	0	0	0	0	0	154,983	154,983
Other	0	0	0	0	0	121,080	121,080
Total Revenue from Services Supported by Hospital and Community Initiatives	0	0	0	0	0	420,132	420,132
Total Revenue	4,909,595	271,297	4,627,221	650,146	812,333	1,004,096	12,274,687

Indirect contributions by Department of Health: Department of Health makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

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Note 2b: Patient and Resident Fees Raised

	2013	2012
	\$	\$
Patient and Resident Fees		
Acute		
– Inpatients(*)	328,765	442,861
Residential Aged Care		
– Nursing Home	833,175	726,025
– Hostel	681,024	678,157
Aged Care and Primary Health		
– District Nursing	34,704	38,371
Other	109,849	90,070
TOTAL PATIENT AND RESIDENT FEES	1,987,517	1,975,484
 Capital Purpose Income:		
Residential Accommodation Payments(**)	175,368	194,649
TOTAL CAPITAL PURPOSE INCOME	175,368	194,649

(*) Compensable payments paid to hospitals in grants from Department (such as TAC, WIES and DVA throughput) are excluded.

(**) This includes accommodation charges, interest earned on accommodation bonds and retention amount (re to Circular 13/2005).

Note 2c: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2013	2012
	\$	\$
Proceeds from Disposals of Non-Current Assets		
Motor Vehicles	40,000	68,727
Total Proceeds from Disposal of Non-Current Assets	40,000	68,727
 Less: Written Down Value of Non-Current Assets Sold		
Motor Vehicles	(34,192)	(73,203)
Plant and Equipment	(2,443)	(5,069)
Furniture and Fittings	(242)	(3,732)
Total Written Down Value of Non-Current Assets Sold	(36,877)	(82,004)
 NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSET	3,123	(13,277)

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Note 3: Expenses

	HSA 2013 \$	HSA 2012 \$	Non HSA 2013 \$	Non HSA 2012 \$	2013 \$	2012 \$
Employee Expenses						
Salaries & Wages	7,753,919	7,361,902	34,187	38,344	7,788,106	7,400,246
WorkCover Premium	76,365	63,085	430	181	76,795	63,266
Long Service Leave	188,327	323,407	11,606	753	199,933	324,160
Superannuation (refer note 1(u))	686,156	681,863	3,719	1,958	689,875	683,821
Total Employee Expenses	8,704,767	8,430,257	49,942	41,236	8,754,709	8,471,493
Non Salary Labour Costs						
Fee for Service Medical Officers	321,177	212,899	0	0	321,177	212,899
Purchased Services	94,832	65,753	0	23,015	94,832	88,768
Total Non Salary Labour Costs	416,009	278,652	0	23,015	416,009	301,667
Supplies & Consumables						
Drug Supplies	91,519	77,403	0	0	91,519	77,403
Medical, Surgical Supplies and Prosthesis	191,936	213,223	0	68	191,936	213,291
Pathology & Radiology Supplies	56,611	351	0	0	56,611	351
Special Services	40,284	9,188	0	0	40,284	9,188
Food Supplies	346,857	346,779	677	6	347,534	346,785
Total Supplies & Consumables	727,207	646,944	677	74	727,884	647,018
Other Expenses						
Domestic Services & Supplies	178,653	125,339	58	85	178,711	125,424
Fuel, Light, Power and Water	204,020	142,233	0	0	204,020	142,233
Insurance costs funded by the Department of Health	19,277	31,040	0	0	19,277	31,040
Motor Vehicle Expenses	37,745	63,559	9,276	422	47,021	63,981
Repairs & Maintenance	278,160	363,355	718	1,195	278,878	364,550
Maintenance Contracts	69,163	50,642	0	0	69,163	50,642
Patient Transport	53,316	44,080	0	83	53,316	44,163
Bad & Doubtful Debts	24	454	0	0	24	454
Administrative Expenses	694,575	736,198	536	219	695,111	736,417
Loddon Mallee Rural Health Alliance	281,189	242,280	0	0	281,189	242,280
Audit Fees						
- VAGO - Audit of Financial Statements	15,250	14,000	0	0	15,250	14,000
- Other	17,599	8,960	0	0	17,599	8,960
Total Other Expenses	1,848,971	1,822,140	10,588	2,004	1,859,559	1,824,144
Impairment of Assets						
Depreciation	1,549,161	1,578,938	0	0	1,549,161	1,578,938
Finance Costs	13,463	17,184	0	0	13,463	17,184
Total Impairment of Assets	1,562,624	1,596,122	0	0	1,562,624	1,596,122
TOTAL EXPENSES	13,259,578	12,774,115	61,207	66,329	13,320,785	12,840,444

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Notes To and Forming Part of the Financial Statements for the Year Ended 30 June 2013

Note 3a: Analysis of Expenses by Source

	Admitted Patients 2013 \$	Ambulatory 2013 \$	Residential Aged Care 2013 \$	Aged Care 2013 \$	Primary Health 2013 \$	Other 2013 \$	Total 2013 \$
Services Supported by Health Services Agreement							
Employee Expenses	1,557,459	126,368	3,146,322	398,099	921,618	2,554,901	8,704,767
Non Salary Labour Costs	341,520	9,026	60,176	27,120	3,950	1,337	443,129
Supplies & Consumables	215,915	0	102,595	4,344	29,557	374,796	727,207
Other Expenses from Continuing Operations	197,125	58,058	149,589	37,338	56,881	1,322,860	1,821,851
Depreciation (refer Note 4)	0	0	0	0	0	1,549,161	1,549,161
Finance Costs (refer Note 5)	0	0	0	1,731	6,856	4,876	13,463
Total Expenses from Services Supported by Health Services Agreement	2,312,019	193,452	3,458,682	468,632	1,018,862	5,807,931	13,259,578
Services Supported by Hospital and Community Initiatives							
Employee Expenses	0	0	0	0	0	49,942	49,942
Non Salary Labour Costs	0	0	0	0	0	0	0
Supplies & Consumables	0	0	0	0	0	677	677
Other Expenses from Continuing Operations	0	0	0	0	0	10,588	10,588
Total Expenses from Services Supported by Hospital and Community Initiatives	0	0	0	0	0	61,207	61,207
Total Expenses	2,312,019	193,452	3,458,682	468,632	1,018,862	5,869,138	13,320,785

	Admitted Patients 2012 \$	Ambulatory 2012 \$	Residential Aged Care 2012 \$	Aged Care 2012 \$	Primary Health 2012 \$	Other 2012 \$	Total 2012 \$
Services Supported by Health Services Agreement							
Employee Expenses	1,346,867	80,268	2,645,733	384,234	798,055	2,106,745	7,361,902
Non Salary Labour Costs	492,782	27,708	349,730	67,070	103,713	306,004	1,347,007
Supplies & Consumables	167,025	1,141	102,671	5,331	25,330	345,446	646,944
Other Expenses from Continuing Operations	197,125	3,058	231,709	37,338	56,881	1,296,029	1,822,140
Depreciation (refer Note 4)	0	0	0	0	0	1,578,938	1,578,938
Finance Costs (refer Note 5)	0	0	0	4,806	8,900	3,478	17,184
Total Expenses from Services Supported by Health Services Agreement	2,203,799	112,175	3,329,843	498,779	992,879	5,636,640	12,774,115
Services Supported by Hospital and Community Initiatives							
Employee Expenses	0	0	0	0	0	38,344	38,344
Non Salary Labour Costs	0	0	0	0	0	25,907	25,907
Supplies & Consumables	0	0	0	0	0	74	74
Other Expenses from Continuing Operations	0	0	0	0	0	2,004	2,004
Total Expenses from Services Supported by Hospital and Community Initiatives	0	0	0	0	0	66,329	66,329
Total Expenses	2,203,799	112,175	3,329,843	498,779	992,879	5,702,969	12,840,444

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Note 3b: Analysis of expenses by internally managed and restricted specific purpose funds for services supported by hospital and community initiatives

	2013	2012
	\$	\$
Commercial Activities		
Radiology	56,210	47,938
Meals on Wheels	91,802	0
Cafeteria	91,294	18,392
Primary Care Partnership	264,766	203,011
TOTAL	504,072	269,341

Note 4: Depreciation

	2013	2012
	\$	\$
Buildings	985,106	975,382
Land Improvements	16,000	16,000
Plant and Equipment		
- Plant	351,421	392,343
- Motor Vehicles	127,716	118,595
Furniture and Fittings	63,811	69,417
Loddon Mallee Rural Health Alliance	5,107	7,201
TOTAL DEPRECIATION	1,549,161	1,578,938

Note 5: Finance Costs

	2013	2012
	\$	\$
Finance charges on Hire		
Purchase Liabilities	13,463	17,184
TOTAL FINANCE COSTS	13,463	17,184

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Note 6: Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

	2013	2012
	\$	\$
Cash on Hand	650	650
Cash at Bank	1,516,114	820,592
Deposits at Call	0	7,821
TOTAL CASH AND CASH EQUIVALENTS	1,516,764	829,063

Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	1,333,362	662,285
Cash for Monies Held in Trust		
- Deposits at Call	3,416	9,234
- Resident Trust Account	27,020	0
Cash Held for Loddon Mallee Rural Health Alliance	152,966	157,544
TOTAL CASH AND CASH EQUIVALENTS	1,516,764	829,063

Note 7: Receivables

	2013	2012
	\$	\$
CURRENT		
Contractual		
Inter Hospital Debtors		
Trade Debtors	150,201	124,851
Patient Fees	84,219	246,200
Accrued Investment Income	71,372	42,049
Accrued Revenue - Other	15,806	27,913
Loddon Mallee Rural Health Alliance Receivables	80,207	14,316
LESS Allowance Provision for Doubtful Debts Patient Fees	(14,000)	(14,000)
LESS Allowance Provision for Doubtful Debts LMRHA	(153)	(312)
	387,652	441,017
Statutory		
GST Receivable	380,666	74,092
Loddon Mallee Rural Health Alliance GST Receivable	3,310	4,664
	383,976	78,756
TOTAL CURRENT RECEIVABLES	771,628	519,773
NON CURRENT		
Contractual		
Bond Debtors	1,644	1,644
	1,644	1,644
Statutory		
Long Service Leave - DoH	388,967	385,319
	388,967	385,319
TOTAL NON-CURRENT RECEIVABLES	390,611	386,963
TOTAL RECEIVABLES	1,162,239	906,736

	2013	2012
	\$	\$
(a) Movement in the Allowance for doubtful debts		
Balance at the beginning of year	14,312	14,312
Increase/(decrease) in allowance recognised in net result	(159)	0
Balance at end of year	14,153	14,312

(b) Ageing analysis of receivables

Please refer to note 20(b) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from receivables

Please refer to note 20(b) for the nature and extent of credit risk arising from contractual receivables.

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Note 8: Investments and Other Financial Assets

	Capital		Total	
	2013	2012	2013	2012
	\$	\$	\$	\$
CURRENT				
Term Deposit				
Aust. Dollar Term Deposits	6,056,145	5,415,620	6,056,145	5,415,620
TOTAL CURRENT	6,056,145	5,415,620	6,056,145	5,415,620
Represented by:				
Health Services Investments	1,152,803	1,152,803	1,152,803	1,152,803
Accommodation Bonds (Refundable Entrance Fees)	2,230,230	1,871,860	2,230,230	1,871,860
Term Deposits	2,673,112	2,390,957	2,673,112	2,390,957
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	6,056,145	5,415,620	6,056,145	5,415,620

(a) Ageing analysis of other financial assets

Please refer to note 20(b) for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from other financial assets

Please refer to note 20(b) for the nature and extent of credit risk arising from investments and other financial assets.

Note 9: Inventories

	2013	2012
	\$	\$
CURRENT		
Pharmaceuticals - at cost	12,748	12,663
Catering Supplies - at cost	8,508	14,813
Housekeeping - at cost	12,273	9,463
Medical and Surgical Lines - at cost	19,612	19,602
Administration Stores - at cost	4,321	7,156
TOTAL INVENTORIES	57,462	63,697

Note 10: Non Financial Physical assets classified as held for sale

	2013	2012
	\$	\$
Plant	0	9,950
TOTAL NON FINANCIAL PHYSICAL ASSETS CLASSIFIED AS HELD FOR SALE	0	9,950

Rochester and Elmore District Health Service 30 June 2013**Note 11: Other Assets**

	2013	2012
	\$	\$
Current:		
Prepayments	15,262	7,547
Loddon Mallee Rural Health Alliance	7,183	5,183
TOTAL OTHER ASSETS	22,445	12,730

Note 12: Property, Plant and Equipment

	2013	2012
	\$	\$
Land		
- Land at Fair Value	439,000	439,000
- Land Improvements at Fair Value	320,000	320,000
Less Accumulated Depreciation	(64,000)	(48,000)
Total Land	695,000	711,000
Buildings		
- Buildings at Cost	-	14,232,115
Less Accumulated Depreciation	-	(864,819)
- Buildings at Fair Value	24,888,041	11,818,000
Less Accumulated Depreciation	-	(1,654,646)
Total Buildings	24,888,041	23,530,650
Plant and Equipment		
- Plant and Equipment at Fair Value	3,077,505	3,068,576
Less Accumulated Depreciation	(2,011,461)	(1,743,957)
- Loddon Mallee Rural Health Alliance Equipment at Fair Value	27,558	21,992
Less Accumulated Depreciation	(23,150)	(17,214)
Total Plant and Equipment	1,070,452	1,329,397
Furniture and Fittings		
- Furniture and Fittings at Fair Value	654,560	643,157
Less Accumulated Depreciation	(380,228)	(339,002)
Total Furniture and Fittings	274,332	304,155
Motor Vehicles		
- Motor Vehicles at Fair Value	537,137	498,057
Less Accumulated Depreciation	(260,249)	(180,258)
Total Motor Vehicles	276,888	317,799
Under Construction		
- Work in Progress	169,811	-
Total Assets under construction	169,811	0
TOTAL	27,374,524	26,193,001

Rochester and Elmore District Health Service 30 June 2013

Note 12: Property, Plant and Equipment (Continued)

Reconciliations of the carrying amounts of each class of asset at the beginning and end of the previous and current financial year is set out below.

	Land	Buildings	Plant & Equipment	Furniture & Fittings	Motor Vehicles	Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	<u>727,000</u>	<u>24,021,216</u>	<u>1,668,585</u>	<u>359,176</u>	<u>333,406</u>	<u>0</u>	<u>27,109,383</u>
Additions	0	484,816	63,335	18,128	176,191	0	742,470
Loddon Mallee Rural Health Alliance	0	0	2,090	0	0	0	2,090
Disposals	0	0	(5,069)	(3,732)	(73,203)	0	(82,004)
Depreciation (see Note 4)	<u>(16,000)</u>	<u>(975,382)</u>	<u>(399,544)</u>	<u>(69,417)</u>	<u>(118,595)</u>	<u>0</u>	<u>(1,578,938)</u>
Balance at 1 July 2012	<u>711,000</u>	<u>23,530,650</u>	<u>1,329,397</u>	<u>304,155</u>	<u>317,799</u>	<u>0</u>	<u>26,193,001</u>
Additions	0	0	96,451	32,240	120,996	169,811	419,498
Revaluations	0	2,342,497	0	0	0	0	2,342,497
Loddon Mallee Rural Health Alliance	0	0	5,566	0	0	0	5,566
Disposals	0	0	(2,443)	(243)	(34,191)	0	(36,877)
Depreciation (see Note 4)	<u>(16,000)</u>	<u>(985,106)</u>	<u>(358,519)</u>	<u>(61,820)</u>	<u>(127,716)</u>	<u>0</u>	<u>(1,549,161)</u>
Balance at 30 June 2013	<u>695,000</u>	<u>24,888,041</u>	<u>1,070,452</u>	<u>274,332</u>	<u>276,888</u>	<u>169,811</u>	<u>27,374,524</u>

Land and buildings carried at valuation

An independent valuation of the Health Service's land was performed by the Valuer-General Victoria to determine the fair value of the land. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2009.

An annual assessment of the fair value of buildings was conducted by Management as at 30 June 2013. Management obtained from DoH the approved Valuer General Victoria indices for 2013 and applied these to the carrying values of individual assets per the 2009 valuation. The indexed carrying value was then compared to the carrying values at June 2013 to determine the change in fair value. The financial impact of management's assessment of the change in fair value of buildings in accordance with FRD103D is a revaluation increase for buildings of \$2.3 million.

Fair value of plant and equipment has been assessed by management in accordance with Financial Reporting Direction 103D. Management have obtained second-hand values for equipment where possible, or compelled an assessment of value based on depreciated replacement cost.

Rochester and Elmore District Health Service 30 June 2013

Note 13: Payables

	2013	2012
	\$	\$
CURRENT		
Contractual		
Trade Creditors	648,899	328,648
Accrued Expenses	31,508	90,571
Accrued Audit Fees	15,250	22,960
Other Payable - Social Club	8,325	7,490
Loddon Mallee Rural Health Alliance Payables	21,391	21,814
	725,373	471,483
Statutory		
GST Payable	316,217	17,949
PAYG Payable	191,480	88,973
TOTAL CURRENT	507,697	106,922
TOTAL PAYABLES	1,233,070	578,405

(a) Maturity analysis of payables

Please refer to Note 20(c) for the ageing analysis of contractual payables.

(b) Nature and extent of risk arising from payables

Please refer to note 20(c) for the nature and extent of risks arising from contractual payables.

Note 14: Interest Bearing Liabilities

	2013	2012
	\$	\$
CURRENT		
Australian Dollar Borrowings		
– Hire Purchase Liability (refer Note 20)	108,780	133,368
Total Current Australian Dollars Borrowings	108,780	133,368
NON CURRENT		
Australian Dollar Borrowings		
– Hire Purchase Liability (refer Note 20)	68,289	77,016
Total Non-Current Australian Dollars Borrowings	68,289	77,016
TOTAL INTEREST BEARING LIABILITIES	177,069	210,384

Borrowings are secured by motor vehicles to which the agreements relate. Eight hire purchase agreements exist with terms of up to 24 monthly payments followed by a balloon payment. Interest rates vary between 5.0% and 7.0%.

The approved Bank Overdraft limit is \$150,000.

Finance costs of the Health Service incurred during the year are accounted for as follows:

Amount of Finance Costs recognised as expenses (see Note 5)	13,463	17,184
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(a) Maturity analysis of interest bearing liabilities

Please refer to not 20(c) for the ageing analysis of interest bearing liabilities

(b) Nature and extent of risk arising from interest bearing liabilities

Please refer to note 20(c) for the nature and extent of risks arising from interest bearing liabilities.

(c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the borrowings

Note 15: Provisions

	2013	2012
	\$	\$
CURRENT PROVISIONS		
Employee Benefits (i)		
- Unconditional and expected to be settled within 12 months (ii)	1,025,392	1,232,455
- Unconditional and expected to be settled after 12 months (iii)	897,048	782,574
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (ii)	74,410	70,879
- Unconditional and expected to be settled after 12 months (iii)	13,131	15,094
TOTAL CURRENT PROVISIONS	2,009,981	2,101,002
NON-CURRENT PROVISIONS		
Employee Benefits (i)	409,907	307,548
Provisions related to employee benefits on-costs	16,674	15,172
TOTAL NON-CURRENT PROVISIONS	426,581	322,720
TOTAL PROVISIONS	2,436,562	2,423,722
(a) Employee Benefits and Related On-Costs		
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Unconditional Long Service Leave Entitlements	1,017,276	1,019,054
Annual Leave Entitlements	715,141	696,883
Accrued Wages and Salaries	174,236	287,414
Accrued Days Off	15,787	11,678
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Conditional Long Service Leave Entitlements (iii)	409,907	307,548
Current On-Costs	87,541	85,973
Non-Current On-Costs	16,674	15,172
TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS	2,436,562	2,423,722
(b) Movements in Provisions		
Movement in Long Service Leave:		
Balance at start of year	1,326,602	1,103,791
Provision made during the year	191,876	308,507
Settlement made during the year	(91,295)	(85,696)
Balance at end of year	1,427,183	1,326,602

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted present value.

Note 16: Superannuation

Employees of the Health Service are entitled to receive superannuation benefits and the Health Services contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The Health Service does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service. The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Health Service are as follows:

	2013	2012
	\$	\$
(i) Defined benefit plans:		
Health Super	15,348	17,311
Defined Contribution plans:		
Health Super	608,705	573,641
Hesta	86,837	64,614
TOTAL	710,890	655,566

Note 17: Other Current Liabilities

	2013	2012
	\$	\$
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	27,020	46,895
- Accommodation Bonds (Refundable Entrance Fees)	2,883,374	2,478,109
- Rochester Community House	3,416	9,234
TOTAL CURRENT	2,913,810	2,534,238
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6)	27,020	0
Receivables (refer to Note 7)	1,644	1,644
Other Financial Assets (refer to Note 8)	2,230,230	1,871,860
Land and Buildings	651,500	651,500
Rochester Community House	3,416	9,234
TOTAL	2,913,810	2,534,238

Note 18: Equity

(a) Surpluses

Property, Plant and Equipment Revaluation Surplus

Balance at the beginning of the reporting period

- Land	253,325	253,325
- Buildings	3,838,749	3,838,749

Revaluation Increment/Decrement

- Land	0	0
- Buildings	2,342,497	0

Balance at the end of the reporting period

6,434,571 4,092,074

Balance at the end of the reporting period*

*** Represented by:**

- Land	253,325	253,325
- Buildings	6,181,246	3,838,749

6,434,571 4,092,074

Restricted Specific Purpose Surplus

Balance at the beginning of the reporting period

	977,016	181,933
--	---------	---------

Transfer to and from Restricted Purpose Surplus

	61,615	(181,933)
--	--------	-----------

Bequests

	0	977,016
--	---	---------

Balance at the end of the reporting period

1,038,631 977,016

TOTAL SURPLUSES

7,473,202 5,069,090

(b) Contributed Capital

Balance at the beginning of the reporting period

	7,369,839	7,369,839
--	-----------	-----------

Capital Contribution received from Victorian Government

	0	0
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Balance at the end of the reporting period

7,369,839 7,369,839

(c) Accumulated Surpluses/(Deficits)

Balance at the beginning of the reporting period

	16,222,136	16,787,893
--	------------	------------

Net Result for the year

	(597,478)	(565,757)
--	-----------	-----------

Transfer to and from Restricted Purpose Surplus

	(1,038,631)	(977,016)
--	-------------	-----------

Balance at the end of the reporting period

14,586,027 15,245,120

TOTAL EQUITY AT END OF FINANCIAL YEAR

29,429,068 27,684,049

Note 19: Reconciliation of the net result for the year to net cash flow used in operating activities

Net result for the period

2013	2012
\$	\$
(597,478)	(565,757)

Non-cash movements:

Depreciation

	1,549,161	1,578,938
--	-----------	-----------

Share of Net Result from Ventures

	(4,577)	(24,977)
--	---------	----------

Movements included in investing and financing activities:

Net (Gain)/Loss from Sale of Motor Vehicles

	(3,123)	13,277
--	---------	--------

Movements in assets and liabilities:

Change in operating assets and liabilities

(Increase)/Decrease in Receivables

	(287,956)	(72,556)
--	-----------	----------

(Increase)/Decrease in Prepayments

	(9,715)	31,508
--	---------	--------

Change in Inventories

	6,235	(26,688)
--	-------	----------

Increase/(Decrease) in Payables

	703,781	88,066
--	---------	--------

Increase/(Decrease) in Provisions

	12,840	424,469
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NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

1,369,168 1,446,280

Note 20: Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Rochester and Elmore District Health Service's principal financial instruments comprise of:

- Cash Assets
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)
- Accommodation Bonds

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 1 to the financial statements.

The Health Service's main financial risks include credit risk, liquidity risk and interest rate risk. The Health Service manages these financial risks in accordance with its financial risk management policy.

The Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Health Service.

The main purpose in holding financial instruments is to prudentially manage Rochester and Elmore District Health Services financial risks within the government policy parameters.

Categorisation of financial instruments

Details of each categories in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

	Carrying Amount 2013 \$	Carrying Amount 2012 \$
Financial Assets		
Cash and Cash Equivalents	1,516,764	820,592
Receivables	3,515,133	5,856,637
Total Financial Assets (i)	5,031,897	6,677,229
Financial Liabilities		
At amortised cost	3,779,611	3,168,041
Total Financial Liabilities (ii)	3,779,611	3,168,041

(i) The total amount of financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable).

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. Taxes Payable).

Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) 2013 \$	Net holding gain/(loss) 2012 \$
Financial Assets		
Receivables (i)	125,356	170,708
Total Financial Assets	125,356	170,708

(i) For cash and cash equivalents, receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

Note 20: Financial Instruments (continued)

(b) Credit Risk

Credit risk arises from contractual financial assets of the Health Service, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Health Service's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Health Service's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Health Service does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Health Service's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Health Service will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Rochester and Elmore District Health Service's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Ageing analysis of Financial Assets as at 30 June 2013

	Total Carrying Amount \$	Not Past Due and Not Impaired \$	Past Due But Not Impaired Less than 1 Month	1 to 3 Months	3 months to 1 Year	1 to 5 Years	Impaired Financial Assets \$
2013							
Financial Assets							
Cash & Cash Equivalents	1,516,764	1,516,764	0	0	0	0	0
Receivables							
- Trade Debtors	234,420	127,200	97,833	9,387	0	0	0
- Other Receivables	87,178	87,178	0	0	0	0	0
Other Financial Assets							
-Term Deposit	6,056,145	6,056,145	0	0	0	0	0
Total Financial Assets	7,894,507	7,787,287	97,833	9,387	0	0	0
2012							
Financial Assets							
Cash & Cash Equivalents	820,592	820,592	0	0	0	0	0
Receivables							
- Trade Debtors	371,051	264,925	56,519	6,521	43,086	0	0
- Other Receivables	69,962	69,962	0	0	0	0	0
Other Financial Assets							
- Term Deposit	5,415,620	5,415,620	0	0	0	0	0
Total Financial Assets	6,677,225	6,571,099	56,519	6,521	43,086	0	0

(c) Liquidity Risk

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Service operates under the Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The health Service's maximum exposure of liquidity risk is carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk as follows:

The following table discloses the contractual maturity analysis for Rochester and Elmore District Health Service's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

Maturity analysis of financial liabilities as at 30 June 2013

	Carrying Amount \$	Nominal Amount \$	Maturity Dates Less than 1 Month	1 to 3 Months	3 months to 1 Year	1 to 5 Years
2013						
Financial Liabilities						
Payables	688,732	688,732	688,732	0	0	0
Interest Bearing Liabilities	177,069	177,069	19,857	8,403	80,520	68,289
Other Financial Liabilities(i)						
- Monies Held in Trust	2,913,810	2,913,810	27,020	3,416	2,883,374	0
Total Financial Liabilities	3,779,611	3,779,611	735,609	11,819	2,963,894	68,289
2012						
Financial Liabilities						
Trade Creditors & Accruals	423,419	423,419	423,419	0	0	0
Interest Bearing Liabilities	210,384	210,384	6,464	58,560	68,344	77,016
Other Financial Liabilities(i)						
- Monies Held in Trust	2,534,238	2,534,238	46,895	9,234	2,478,106	0
Total Financial Liabilities	3,168,041	3,168,041	476,778	67,794	2,546,450	77,016

(i) Aging analysis of financial liabilities excludes the types of statutory financial liabilities (ie GST Payable)

Note 20: Financial Instruments (continued)

(d) Market Risk

Rochester and Elmore District Health Service's exposures to market risk are primarily through interest rate risk with only insignificant

exposure to foreign currency and other price risks. Objectives, policies and processes used to manage these risks are disclosed below.

Currency Risk

Rochester and Elmore District Health Service is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitments and settlement.

Interest Rate Risk

Exposure to interest rate risk might arise primarily through the Rochester and Elmore District Health Services' other financial assets. Minimisation of risk is achieved by mainly holding fixed rate or non-interest bearing financial instruments. For financial liabilities, the Hospital mainly holds financial assets with relatively even maturity profiles.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Health Service has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

The Health Service manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Health Service to significant bad risk, management monitors movement in interest rates on a daily basis.

Interest rate exposure of Financial Assets and Liabilities as at 30 June

	*Weighted Average Effective Interest Rates	Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	Rates (%)	\$	\$	\$	\$
2013					
Financial Assets					
Cash & Cash Equivalents	3.38	1,516,764	0	1,516,114	0
Receivables(i)					
- Trade Debtors		234,420	0	0	234,420
- Other Receivables		87,178	0	0	87,178
Other Financial Assets					
- Term Deposits	4.10	6,056,145	6,056,145	0	0
Total Financial Assets		7,894,507	6,056,145	1,516,114	321,598
Financial Liabilities					
Payables(i)		688,732	0	0	688,732
Interest Bearing Liabilities	5.96	177,069	177,069	0	0
Other Financial Liabilities					
- Monies Held in Trust		2,913,810	0	0	2,913,810
Total Financial Liabilities		3,779,611	177,069	0	3,602,542
2012					
Financial Assets					
Cash & Cash Equivalents	3.15	820,592	0	820,592	0
Receivables(i)					
- Trade Debtors		371,051	0	0	371,051
- Other Receivables		69,962	0	0	69,962
Other Financial Assets					
- Term Deposits	5.45	5,415,620	5,415,620	0	0
Total Financial Assets		6,677,225	5,415,620	820,592	441,013
Financial Liabilities					
Payables(i)		423,419	0	0	423,419
Interest Bearing Liabilities	7.49	210,384	210,384	0	0
Other Financial Liabilities					
- Monies Held in Trust		2,534,238	0	0	2,534,238
Total Financial Liabilities		3,168,041	210,384	0	2,957,657

(i) The carrying amount must exclude types of statutory financial assets and liabilities (ie GST input tax credit and GST Payable)

Note 20: Financial Instruments (continued)

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Rochester and Elmore District Health Service believes the following movements are 'reasonably possible' over the next 12 months (Based rates are sourced from Bendigo Bank).

A parallel shift of 1% in market interest rates (AUD) from year end rates of 6%.

A parallel shift of 1% in inflation rate from year end rates of 2%.

A movemnet of 15% up and down (2012: 15%) for the top ASX 200 index.

The following table discloses the impact on net operating result and equity for each category of interest bearing financial instrument held by

Rochester and Elmore District Health Service at year end as presented to key management personal, if changes in the relevant risk occur.

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
2013	\$								
Financial Assets									
Cash & Cash Equivalents	1,516,764	(15,168)	(15,168)	15,168	15,168	0	0	0	0
Receivables									
- Trade Debtors	234,420								
- Other Receivables	87,178								
Other Financial Assets									
- Term Deposits	6,056,145	(60,562)	(60,562)	60,562	60,562	0	0	0	0
Financial Liabilities									
Payables	688,732								
Interest Bearing Liabilities	177,069	1771	1771	(1,771)	(1,771)	0	0	0	0
Other Financial Liabilities									
- Monies Held in Trust	2,913,810								
		(73,959)	(73,959)	73,959	73,959	0	0	0	0

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
2012	\$								
Financial Assets									
Cash & Cash Equivalents	820,592	(8,206)	(8,206)	8,206	8,206	0	0	0	0
Receivables									
- Trade Debtors	371,051								
- Other Receivables	69,962								
Other Financial Assets									
-Term Deposits	5,415,620	(54,156)	(54,156)	54,156	54,156	0	0	0	0
Financial Liabilities									
Payables	423,419								
Interest Bearing Liabilities	210,384	2104	2104	(2,104)	(2,104)	0	0	0	0
Other Financial Liabilities									
-Monies Held in Trust	2,534,238								
		(60,258)	(60,258)	60,258	60,258	0	0	0	0

(e) Fair Value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using using inputs other than quoted prices that are observable for the financial asset or liability, with directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unaboservable market inputs.

The Health Service considers that the carrying amount of financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

Comparison between carrying amount and fair value

	Consol'd Carrying Amount	Fair value		Fair value
		2013	2012	
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalents	1,516,764	1,516,764	782,168	782,168
Receivables				
- Trade Debtors	234,420	234,420	371,051	371,051
- Other Receivables	87,178	87,178	69,962	69,962
Other Financial Assets				
- Term Deposit	6,056,145	6,056,145	5,415,620	5,415,620
Total Financial Assets	7,894,507	7,894,507	6,638,801	6,638,801
Financial Liabilities				
Payables	688,732	688,732	423,419	423,419
Interest Bearing Liabilities	177,069	177,069	210,384	210,384
Other Financial Liabilities				
- Monies Held in Trust	2,913,810	2,913,810	2,534,238	2,534,238
Total Financial Liabilities	3,779,611	3,779,611	3,168,041	3,168,041

Rochester and Elmore District Health Service 30 June 2013

Note 21: Commitments

	2013	2012
	\$	\$
Hire Purchases		
Commitments in relation to Hire Purchases are payable as follows:		
Less than 1 year	108,780	133,368
Longer than 1 year but not longer than 5 years	68,289	76,980
Minimum Hire Purchase Payments	177,069	210,348
Less Future Finance Charges	6,825	10,018
Total Hire Purchase Commitments	170,244	200,330
Representing Hire Purchase Liabilities:		
Current (refer Note 14)	102,512	124,846
Non-Current (refer Note 14)	67,732	75,484
TOTAL COMMITMENTS	170,244	200,330

The weighted average interest rate implicit in leases is 5.96% (2012 7.49%)

Note 22: Contingent Assets & Contingent Liabilities

Details and estimates of maximum amounts of contingent assets or contingent liabilities are as follows:

	2013	2012
	\$'000	\$'000
Contingent Assets		
Rochester and Elmore District Health Service does not have any known contingent assets at 30th June, 2013	0	0
TOTAL	0	0
Contingent Liabilities		
Recallable grant	0	28,755
TOTAL CONTINGENT ASSETS & CONTINGENT LIABILITIES	0	28,755

Rochester and Elmore District Health Service 30 June 2013

Note 23: Operating Segments

	Health Services		RACS		Other Services		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE								
External Segment Revenue	7,834,459	7,488,165	4,701,877	4,460,831	0	0	12,536,336	11,948,996
Total Revenue	7,834,459	7,488,165	4,701,877	4,460,831	0	0	12,536,336	11,948,996
EXPENSES								
External Segment Expenses	(9,766,520)	(9,493,417)	(3,540,802)	(3,329,843)	0	0	(13,307,322)	(12,823,260)
Total Expenses	(9,766,520)	(9,493,417)	(3,540,802)	(3,329,843)	0	0	(13,307,322)	(12,823,260)
Net Result from ordinary activities	(1,932,061)	(2,005,252)	1,161,075	1,130,988	0	0	(770,986)	(874,264)
Interest Expense	(13,463)	(17,184)	0	0	0	0	(13,463)	(17,184)
Interest Income	61,615	154,983	125,356	170,708	0	0	186,971	325,691
Net Result for Year	(1,883,909)	(1,867,453)	1,286,431	1,301,696	0	0	(597,478)	(565,757)
OTHER INFORMATION								
Segment Assets	4,800,713	5,107,518	13,779,167	11,917,636	0	0	18,579,880	17,025,154
Unallocated Assets	0	0	0	0	17,585,948	16,388,301	17,585,948	16,357,539
Total Assets	4,800,713	5,107,518	13,779,167	11,917,636	17,585,948	16,388,301	36,165,828	33,382,693
Segment Liabilities	2,351,096	1,510,492	3,824,698	3,524,483	0	0	6,175,794	5,034,975
Unallocated Liabilities	0	0	0	0	560,966	663,709	560,966	663,709
Total Liabilities	2,351,096	1,510,492	3,824,698	3,524,483	560,966	663,709	6,736,760	5,698,684
Acquisition of property, plant and equipment and intangible assets	21,502	0	209,281	0	195,755	0	426,538	0
Depreciation expense	(985,105)	0	(351,421)	0	(207,528)	0	(1,544,054)	0
Non cash expenses other than depreciation	0	0	0	0	0	0	0	0

The major products/services from which the above segments derive revenue are:

Business Segments

Residential Aged Care Services (RACS)

Acute

Services

Nursing Home Services

Hostel Facilities

Acute Hospital Services

Ambulatory

Aged Care Services

Primary Health Services

Geographical Segment

Rochester and Elmore District Health Service operates predominantly in Rochester and Elmore, Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets related to operations in Rochester and Elmore, Victoria.

Rochester and Elmore District Health Service 30 June 2013

Note 24: Jointly Controlled Operations and Assets

Name of entity	Principal Activity	Ownership Interest	
		2013 %	2012 %
Loddon Mallee Rural Health Alliance	Information Technology	3.89	3.71

Rochester & Elmore District Health Services interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2013 \$	2012 \$
CURRENT ASSETS		
Cash and Cash Equivalents	152,972	157,544
Receivables	83,364	18,668
Prepayments	7,183	5,183
TOTAL CURRENT ASSETS	243,519	181,395
NON CURRENT ASSETS		
Property, Plant and Equipment	4,408	4,778
TOTAL NON-CURRENT ASSETS	4,408	4,778
TOTAL ASSETS	247,927	186,173
CURRENT LIABILITIES		
Payables	20,335	19,405
Accrued Expenses	1,056	2,409
TOTAL CURRENT LIABILITIES	21,391	21,814
TOTAL LIABILITIES	21,391	21,814
NET ASSETS	226,536	164,359

Rochester & Elmore District Health Service's interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

	2013 \$	2012 \$
REVENUES		
Operating Activities	155,141	140,587
Capital Purpose Income	64,116	0
Total Revenue	219,257	140,587
EXPENSES		
Other Expenses from Continuing Operations	286,297	249,481
Expenditure using Capital Purpose Income	0	0
TOTAL EXPENSES	286,297	249,481
PROFIT	(67,040)	(108,894)

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The joint venture does not have any known contingent assets or contingent liabilities as at 30 June 2013

Commitments

LMRHA has entered into the following contract commitments for expenditure as at 30 June 2013:

	Not later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<u>Payable:</u> Information Communication Technology	0	0	0	0
Total Capital Commitments	0	0	0	0

LMRHA has entered into the following contract commitments for expenditure as at 30 June 2012:

	Not later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<u>Payable:</u> Information Communication Technology	28,755	0	0	28,755
Total Capital Commitments	28,755	0	0	28,755

Rochester and Elmore District Health Service 30 June 2013

Note 25a: Responsible Persons Disclosures

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Ministers:

The Honourable David Davis, MLC, Minister for Health and Ageing Health
The Honourable Mary Wooldridge, MLA, Minister for Mental Health

Period
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013

Governing Boards

Prof J. Farmer
Mr T. Fulton
Mr D. Gilbert
Mr G. Hodgins
Ms K. Lee
Mr. A. Derbyshire
Ms. R. Johnson
Mr B. Maw
Mr K. Oberin
No remuneration was paid to any Governing Board Members for the Financial Year ended 30 June 2013.

01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013
01/07/2012 - 30/06/2013

Accountable Officers

Mr Matthew Sharp

01/07/2012 - 30/06/2013

Remuneration of Responsible Persons

The number of Responsible Persons are shown in their relevant income

Income Band

\$0
\$160,000 - \$169,999

2013 No.	2012 No.
9	9
1	1
10	10
\$168,461	\$164,680

Total Numbers

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet

Other Transactions of Responsible Persons and their Related Parties

No responsible person or their related parties received any remuneration or retirement benefits during the year

Note 25b: Executive Officer Disclosures

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

The number of Responsible Persons are shown in their relevant income bands;

\$120,000 - \$129,999
\$160,000 - \$169,999

TOTAL TOTAL REMUNERATION

2013 No.	2012 No.
1	0
1	1
2	1
\$291,043	\$164,680

Note 24: Remuneration of auditors

Victorian Auditor-General's Office

Audit or review of financial statements

TOTAL

2013 \$	2012 \$
14,700	14,500
14,700	14,500

Note 25: Events occurring after the Balance Sheet Date.

No events occurred after Balance Sheet Date.

REDHS: *More than a Hospital*

- Residential Aged Care
- District Nursing
- Dietetics

- Diabetes Education
- Occupational Therapy
- Physiotherapy

- Radiology
- Podiatry
- Health Promotion
- Exercise Programs
- Planned Activity Group
- Counselling
- Social Work

- Transition Care Program
- Day Procedure Unit
- Acute and Urgent Care Services



redhs

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