



FINANCIAL REPORT

2015



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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: Strategic Priorities

See Report of Operations pages 8-11 for details

PART B: Performance Priorities

Service performance: See Report of Operations page 34 for details

Financial performance

Operating Result	Target	2014-15 Actual
Annual Operating result (\$m)	0.14	0.117
Cash Management		
Creditors	< 60 days	42 days
Debtors	< 60 days	6 days
Basic asset management plan	Full compliance	Compliant

PART C: Activity and Funding

Funding type:	
<i>Small Rural</i>	<i>2014-15 Activity Achievement</i>
Small Rural Residential Care	20,861
Small Rural HACC	13,990

Financials in Brief

A summary of the financial results for the year, from Annual Financial Reports, with comparative results from the preceding four financial years

	2014-15 \$000s	2013-14 \$000s	2012-13 \$000s	2011-12 \$000s	2010-11 \$000s
Total Revenue	13,053	12,789	12,723	12,275	11,875
Total Expenses	14,252	13,888	13,321	12,840	12,048
Operating Surplus (Deficit)	(1,199)	(1,099)	(597)	(566)	(173)
Retained Surplus/ (Accumulated Deficit)	12,458	13,703	14,586	15,245	16,606
Total Assets	46,007	45,715	36,190	33,431	33,657
Total Liabilities	7,258	5,767	6,761	5,747	5,407
Net Assets	38,749	39,948	29,429	27,684	28,250
Net Cash Result	(1,950)	1,236	671	(1,977)	701
Total Equity	38,749	39,948	29,429	27,684	28,250

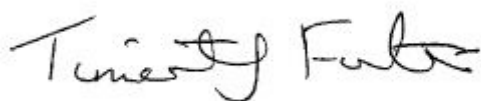
ROCHESTER AND ELMORE DISTRICT HEALTH SERVICE
BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for Rochester and Elmore District Health Service have been prepared in accordance with Standing Directions 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of Rochester and Elmore District Health Service at 30 June 2015.

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 Timothy Fulton
Chairperson

.....
Mrs Ann McEvoy
Accountable Officer
Chief Finance and Accounting Officer

Rochester

Rochester

28 August 2015

28 August 2015

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 2015 of the Rochester and Elmore District Health Service which comprises 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 Members', Accountable Officer's and Chief Finance & Accounting Officer's Declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the 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 the Rochester and Elmore District Health Service as at 30 June 2015 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*.

MELBOURNE
31 August 2015


John Doyle
Auditor-General

Comprehensive Operating Statement for the financial year ended 30 June 2015

	NOTE	2015 \$	2014 \$
Revenue from Operating Activities	2	12,532,615	12,000,581
Revenue from Non-operating Activities	2	320,142	561,452
Employee Expenses	3	(9,536,646)	(9,411,193)
Non Salary Labour Costs	3	(494,975)	(445,975)
Supplies & Consumables	3	(1,131,083)	(696,739)
Other Expenses	3	(1,573,033)	(1,815,168)
Net Result Before Capital and Specific Items		117,020	192,958
Capital Purpose Income	2	200,618	226,976
Depreciation	4	(1,512,153)	(1,509,611)
Finance Costs	5	(4,285)	(9,691)
NET RESULT FOR THE YEAR		(1,198,800)	(1,099,368)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus		-	11,618,455
TOTAL OTHER COMPREHENSIVE INCOME		-	11,618,455
COMPREHENSIVE RESULT		(1,198,800)	10,519,087

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

Balance Sheet as at 30 June 2015

	NOTE	2015 \$	2014 \$
Current Assets			
Cash and Cash Equivalents	6	925,386	2,811,514
Receivables	7	385,875	667,477
Investments and other financial assets	8	7,176,032	3,475,237
Inventories	9	61,259	62,516
Other Assets	10	109,158	105,264
Total Current Assets		8,657,710	7,122,008
Non-Current Assets			
Receivables	7	258,877	296,676
Property, Plant & Equipment	12	37,090,767	38,296,796
Total Non-Current Assets		37,349,644	38,593,472
TOTAL ASSETS		46,007,354	45,715,480
Current Liabilities			
Payables	13	548,896	712,400
Borrowings	14	-	132,679
Provisions	15	2,085,522	2,065,816
Other Current Liabilities	17	4,337,514	2,450,112
Total Current Liabilities		6,971,932	5,361,007
Non-Current Liabilities			
Provisions	15	286,067	406,318
Total Non-Current Liabilities		286,067	406,318
TOTAL LIABILITIES		7,257,999	5,767,325
NET ASSETS		38,749,355	39,948,155
EQUITY			
Property, Plant and Equipment Revaluation Surplus	18a	18,053,026	18,053,026
Restricted Specific Purpose Surplus	18a	868,005	822,050
Contributed Capital	18b	7,369,839	7,369,839
Accumulated Surpluses	18c	12,458,485	13,703,240
TOTAL EQUITY		38,749,355	39,948,155
Contingent Assets and Contingent Liabilities	22		
Commitments	21		

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

Statement of Changes in Equity for the financial year ended 30 June 2015

2015

		Equity at 1 July 2014	Net Result for the year	Equity at 30 June 2015
	Note	\$	\$	\$
Accumulated Surplus/(Deficit)	18c	14,343,357	(1,198,800)	13,144,557
Transfer to/(from) accumulated surplus	18c	(640,117)	(45,955)	(686,072)
		13,703,240	(1,244,755)	12,458,485
Contributed Capital	18b	7,369,839	-	7,369,839
		7,369,839	-	7,369,839
Reserves				
Property Plant and Equipment Revaluation Surplus	18a	18,053,026	-	18,053,026
Restricted Specific Purpose Surplus	18a	822,050	45,955	868,005
		18,875,076	45,955	18,921,031
Balance as at 30 June 2015		39,948,155	(1,198,800)	38,749,355

2014

		Equity at 1 July 2013	Net Result for the year	Equity at 30 June 2014
	Note	\$	\$	\$
Accumulated Surplus/(Deficit)	18c	15,442,725	(1,099,368)	14,343,357
Transfer to/(from) accumulated surplus	18c	(856,698)	216,581	(640,117)
		14,586,027	(882,787)	13,703,240
Contributed Capital	18b	7,369,839	-	7,369,839
		7,369,839	-	7,369,839
Reserves				
Property Plant and Equipment Revaluation Surplus	18a	6,434,571	11,618,455	18,053,026
Restricted Specific Purpose Surplus	18a	1,038,631	(216,581)	822,050
		7,473,202	11,401,874	18,875,076
Balance as at 30 June 2014		29,429,068	10,519,087	39,948,155

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

Cash Flow Statement for the financial year ended 30 June 2015

	NOTE	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		9,244,992	8,594,374
Patient and Resident Fees Received		1,862,678	2,101,425
Donations and Bequests Received		38,818	5,381
GST Received from/(paid to) ATO		147,999	239,114
Interest Received		162,359	158,694
Other Receipts		1,719,418	1,395,186
Total Receipts		13,176,265	12,494,174
Employee Expenses Paid		(9,713,733)	(9,281,687)
Fee for Service Medical Officers		(380,635)	(313,337)
Payments for Supplies & Consumables		(1,129,826)	(1,161,282)
Finance Costs		(4,285)	(9,691)
Other Payments		(1,683,712)	(1,758,216)
Total Payments		(12,912,191)	(12,524,213)
Cash Generated from Operations		264,074	(30,039)
Capital Grants from Government		41,069	45,285
NET CASH FLOW FROM OPERATING ACTIVITIES	19	305,143	15,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(350,331)	(902,044)
Proceeds from sale of Non-Financial Assets		55,834	106,974
Purchase of Investments		(1,828,053)	2,059,939
NET CASH FLOW FROM INVESTING ACTIVITIES		(2,122,550)	1,264,869
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of Borrowings		(132,679)	(44,390)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(132,679)	(44,390)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(1,950,086)	1,235,725
Cash and Cash Equivalents at beginning of financial year		2,569,087	1,333,362
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6	619,001	2,569,087

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 2015. 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 on the 24th August 2015.

(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 2015, and the comparative information presented in these financial statements for the year ended 30 June 2014.

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 impairment 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;

- derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss); and
- 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.

Judgements, estimates and assumptions are required to be made about the 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 1(k));
- superannuation expense (refer to Note 1(h)); 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(l)).
- Equities and management investment schemes classified at level 3 of the fair value hierarchy

Consistent with AASB 13 Fair Value Measurement, Rochester and Elmore District Health Service determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Rochester and Elmore District Health Service has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Rochester and Elmore District Health Service determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is Rochester and Elmore District Health Service's independent valuation agency.

Rochester and Elmore District Health Service, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

(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 3551.

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

Joint 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(k) Financial Asset.

Details of joint operations are set out in Note 11.

(e) 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 Human Services 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.

Residential Aged Care Service

The *Residential Aged Care Service* operations are an integral part of the *Rochester and Elmore District Health Service* and shares its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation in Notes 2 and 3 to the financial statements.

The *Residential Aged Care Service* is substantially funded from Commonwealth bed-day subsidies.

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 Human Services 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 (g)). 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.

- ❖ specific income/expense, comprises the following items, where material:
 - Write-down of inventories
 - Non-current asset revaluation increments/decrements
 - Restructuring of operations (disaggregation/aggregation of Health Services)
 - Litigation settlements
 - Reversals of provisions
- ❖ 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 (j)
- ❖ depreciation and amortisation, as described in Note 1 (h);
- ❖ assets provided or received free of charge (refer to Notes 1 (g) and (h)); 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.

The net result is equivalent to profit or loss derived in accordance with AASS.

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 dollar unless otherwise stated.

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

(f) Change in Accounting Policies

Subsequent to the 2013-2014 reporting period, the following new and revised standards have been adopted for the first time in the current period with their financial impacts disclosed.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the new assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

Rochester and Elmore District Health Service has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11.

Rochester and Elmore District Health Service has applied the requirements of AASB 11 to account for its share of its joint operation, the Loddon Mallee Rural Health Alliance.

AASB 2015-7 Amendments to Australian Accounting Standards

The Australian Accounting Standards Board issued an amending accounting standard AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value disclosures of Not-for-Profit Public Sector Entities on 13 July 2015. In accordance with FRD 7A Early adoption of authoritative accounting pronouncements, the Minister for Finance has approved the option for Victorian not-for-profit public sector entities to early adopt the amending accounting standard to enable them to benefit from some limited exemption in relation to fair value disclosures for the 2014-15 reporting period. The limited exemption is available to those entities whose assets are held primarily for their current service potential rather than to generate net cash inflows.

Rochester and Elmore District Health Service meets the criteria specified in AASB 2015-7 to benefit from the reduced disclosure requirements, so it has chosen to early adopt the amendments to Fair Value disclosure of Not-for-profit-public sector entities.

(g) 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 at fair value. 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 and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- 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 2013-14).

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.

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes in account the effective yield of the financial asset, which allocates interest over the relevant period.

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.

(h) 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.

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 disclosed in Note 16: *Superannuation*.

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.

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life. 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, residual value 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 and Human Services. 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.

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

	2015	2014
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 10 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	9 years	13 years
Motor Vehicles	2 years	2 years

As part of the buildings valuation, building values were separated into components and each component assessed for its useful life which is represented above.

Intangible produced assets with finite lives are depreciated as an expense on a systematic basis over the asset's useful life.

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*.

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 (k) *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.

(i) 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(k) *Revaluations of non-financial physical assets*.

Net gain/ (loss) on 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 the difference between the proceeds and the carrying value of the asset at the 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 (k)); and
- disposals of financial assets and derecognition of financial liabilities

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

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

Other gains/ (losses) from other comprehensive income

Other gains/ (losses) include:

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

(j) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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. Any dividend or interest on a financial asset is recognised in the net result for the year.

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(k)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

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.

(k) Assets

Cash and Cash Equivalents

Cash and cash equivalents recognised on the balance sheet 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 with an 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 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.

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.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 12 *Property, plant and equipment*.

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 physical 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. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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 103F *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 in equity 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 normally transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103F, *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(i) – 'other comprehensive income'.

Impairment of non-financial assets

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

- inventories;
- 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 reversal 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 Rochester and Elmore District 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 2015 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 2014. 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.

(I) 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(m) 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.

The classification depends on the nature and purpose of the borrowing. The Health Service determines the classification of its borrowing at initial recognition.

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 and accrued days off

Liabilities for wages and salaries, including non-monetary benefits and annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries and annual leave are measured at:

- Undiscounted value – if the health service expects to wholly settle within 12 months; or
- Present value – if the health service does not expect to wholly settle within 12 months.

Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the 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:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – if the health service does not expect to wholly settle within 12 months.

Conditional LSL 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. This non-current LSL liability is measured at present value.

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

The Health Service recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Employee Benefit 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.

(m) 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.

For service concession arrangements, the commencement of the lease term is deemed to be the date the asset is commissioned.

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 a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that the health service will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. 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 leases 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.

(n) Equity

Contributed capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119A *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 to or distributions by owners 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.

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.

(o) 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.

(p) 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.

(q) 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

new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2015, 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.

<i>Standard/Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on public sector entity financial statements</i>
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principal of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications.</p> <p>A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.</p>

<i>Standard/Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on public sector entity financial statements</i>
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AAS's to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2108 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	The amending standard will defer the application period of AASB 9 to 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> • Establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • Prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	Amends AASB 127 <i>Separate Financial Statements</i> to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or</i>	AASB 2014-10 amends AASB 10 <i>Consolidate Financial Statements</i> and AASB 128 <i>Investments in Associates</i> to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.

<i>Standard/Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on public sector entity financial statements</i>
<i>Joint Venture [AASB 10 & 128]</i>	that: <ul style="list-style-type: none"> • A full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • A partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 		
<i>AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]</i>	The amendments extend the scope of <i>AASB 124 Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 1049]
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 9) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

(s) 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 acute and subacute admitted patient services, where services are delivered in public hospitals.

Aged Care comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community care (HACC) that are targeted to older people with a disability, and their carers.

Primary, Community and Dental Health comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.

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 and secure extended care units.

Other Services not reported elsewhere – (Other) comprises 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, drug services including drug withdrawal, counselling and the needle and syringe program, 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.

Note 2: Analysis of Revenue by Source

	Admitted Patients 2015 \$	Residential Aged Care 2015 \$	Aged Care 2015 \$	Primary Health 2015 \$	Other 2015 \$	Total 2015 \$
Government Grants	4,416,278	4,076,399	550,656	167,700	71,758	9,282,791
Indirect contributions by Department of Health and Human Services	6,816	-	-	-	(28,243)	(21,427)
Patient and Resident Fees	374,350	1,284,214	36,224	69,508	-	1,764,296
Commercial Activities	79,838	-	-	-	115,189	195,027
Other Revenue from Operating Activities	342,076	62,850	10,475	639,935	256,592	1,311,928
Total Revenue from Operating Activities	5,219,358	5,423,463	597,355	877,143	415,296	12,532,615
Interest and Dividends	-	-	-	-	159,567	159,567
Other Revenue from Non-Operating Activities	-	-	-	-	160,575	160,575
Total Revenue from Non-Operating Activities	-	-	-	-	320,142	320,142
Capital Purpose Income (excluding Interest)	-	-	-	-	104,513	104,513
Capital Interest	-	94,085	-	-	215	94,300
Proceeds from Sale of Assets (refer Note 2a)	-	-	-	-	1,805	1,805
Total Capital Purpose Income	-	94,085	-	-	106,533	200,618
Total Revenue	5,219,358	5,517,548	597,355	877,143	841,971	13,053,375

Indirect contributions by Department of Health (1 July 2014 - 31 Dec 2014)/ Department of Health and Human Services (1 Jan 2015 - 30 June 2015).
Department of Health/Department of Health and Human Services makes certain payments on behalf of Rochester and Elmore District Health Service. These amounts have brought to account in determining the operating result for the year by recording them as revenue and expenses.

Note 2: Analysis of Revenue by Source

	Admitted Patients 2014 \$	Residential Aged Care 2014 \$	Aged Care 2014 \$	Primary Health 2014 \$	Other 2014 \$	Total 2014 \$
Government Grants	4,730,777	3,054,525	566,296	208,767	34,010	8,594,375
Indirect contributions by Department of Health and Human Services	111,258	-	-	-	-	111,258
Patient and Resident Fees	300,087	1,566,014	57,246	58,778	-	1,982,125
Commercial Activities	61,305	-	-	-	118,495	179,800
Other Revenue from Operating Activities	341,440	145,175	9,983	450,844	185,581	1,133,023
Total Revenue from Operating Activities	5,544,867	4,765,714	633,525	718,389	338,086	12,000,581
Interest and Dividends	-	-	-	-	124,120	124,120
Other revenue from Non - Operating Activities	-	-	-	-	437,332	437,332
Total Revenue from Non - Operating Activities	-	-	-	-	561,452	561,452
Capital Purpose Income (excluding Interest)	-	-	-	-	77,408	77,408
Bank & Investment Income	-	130,709	-	-	16,651	147,360
Proceeds from Sale of Assets (refer Note 2a)	-	-	-	-	2,208	2,208
Total Capital Purpose Income	-	130,709	-	-	96,267	226,976
Total Revenue	5,544,867	4,896,423	633,525	718,389	995,805	12,789,009

Indirect contributions by Department of Health (1 July 2014 - 31 Dec 2014)/ Department of Health and Human Services (1 Jan 2015 - 30 June 2015).

Department of Health/Department of Health and Human Services makes certain payments on behalf of Rochester and Elmore District Health Service. These amounts have brought to account in determining the operating result for the year by recording them as revenue and expenses.

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

	2015 \$	2014 \$
Proceeds from Disposals of Non-Current Assets		
Motor Vehicles	57,616	107,110
Plant and Equipment	23	2,072
Total Proceeds from Disposal of Non-Current Assets	57,639	109,182
Less: Written Down Value of Non-Current Assets Sold		
Motor Vehicles	(55,834)	(102,153)
Plant and Equipment	-	(4,821)
Total Written Down Value of Non-Current Assets Sold	(55,834)	(106,974)
NET GAIN/(LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS	1,805	2,208

Note 3: Analysis of Expenses by Source

	Admitted Patients 2015 \$	Residential Aged Care 2015 \$	Aged Care 2015 \$	Primary Health 2015 \$	Other 2015 \$	Total 2015 \$
Employee Expenses	1,686,124	3,525,772	402,744	1,236,274	2,685,732	9,536,646
Non Salary Labour Costs	378,902	100,542	-	12,744	2,787	494,975
Supplies & Consumables	324,578	195,165	4,060	27,835	579,445	1,131,083
Other Expenses	188,455	135,638	18,224	74,140	1,156,576	1,573,033
Total Expenditure from Operating Activities	2,578,059	3,957,117	425,028	1,350,993	4,424,540	12,735,737
Depreciation (refer Note 4)	-	-	-	-	1,512,153	1,512,153
Finance Costs (refer Note 5)	-	-	-	-	4,285	4,285
Total Other Expenses	-	-	-	-	1,516,438	1,516,438
Total Expenses	2,578,059	3,957,117	425,028	1,350,993	5,940,978	14,252,175

	Admitted Patients 2014 \$	Residential Aged Care 2014 \$	Aged Care 2014 \$	Primary Health 2014 \$	Other 2014 \$	Total 2014 \$
Employee Expenses	1,732,940	3,500,633	404,374	1,100,225	2,673,021	9,411,193
Non Salary Labour Costs	334,163	5,261	-	1,110	105,441	445,975
Supplies & Consumables	185,130	180,353	4,902	24,801	301,553	696,739
Other Expenses	260,227	249,735	16,534	88,002	1,200,670	1,815,168
Total Expenditure from Operating Activities	2,512,460	3,935,982	425,810	1,214,138	4,280,685	12,369,075
Depreciation (refer Note 4)	-	-	-	-	1,509,611	1,509,611
Finance Costs (refer Note 5)	-	-	-	-	9,691	9,691
Total Other Expenses	-	-	-	-	1,519,302	1,519,302
Total Expenses	2,512,460	3,935,982	425,810	1,214,138	5,799,987	13,888,377

Note 3a: Analysis of expense and revenue by internally managed and restricted specific purpose funds

	Expense		Revenue	
	2015	2014	2015	2014
	\$	\$	\$	\$
Commercial Activities				
Radiology	55,736	56,687	91,895	61,305
Meals on Wheels	46,082	46,396	51,530	62,402
Cafeteria	93,277	77,800	51,602	55,510
Primary Care Partnership	281,245	221,121	285,716	239,271
TOTAL	476,340	402,004	480,743	418,488

Note 4: Depreciation

	2015	2014
	\$	\$
Buildings	1,111,920	997,697
Land Improvements	5,140	16,000
Plant and Equipment	200,750	323,186
Motor Vehicles	102,939	88,937
Furniture and Fittings	59,051	66,123
Computer and Communications	21,205	11,789
Loddon Mallee Rural Health Alliance	11,148	5,879
TOTAL DEPRECIATION	1,512,153	1,509,611

Note 5: Finance Costs

	2015	2014
	\$	\$
Finance charges on Hire		
Purchase Liabilities	4,285	9,691
TOTAL FINANCE COSTS	4,285	9,691

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.

	2015 \$	2014 \$
Cash on Hand	670	670
Cash at Bank	924,716	2,810,844
TOTAL CASH AND CASH EQUIVALENTS	925,386	2,811,514
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	619,001	2,569,087
Cash for Monies Held in Trust		
- Deposits at Call	7,382	7,382
- Resident Trust Account	25,864	27,231
- Loddon Mallee Rural Health Alliance	273,139	207,814
TOTAL CASH AND CASH EQUIVALENTS	925,386	2,811,514

Note 7: Receivables

	2015 \$	2014 \$
CURRENT		
Contractual		
Inter Hospital Debtors		
Trade Debtors	189,486	276,695
Patient Fees	35,251	20,460
Accrued Investment Income	21,210	14,339
Accrued Revenue - Other	22,744	39,849
Loddon Mallee Rural Health Alliance Receivables	1,775	3,520
LESS Allowance for Doubtful Debts Patient Fees	(1,721)	(1,721)
LESS Allowance for Doubtful Debts LMRHA	-	(700)
	268,745	352,442
Statutory		
Accrued Revenue - Department of Health	-	53,030
FBT Credit	-	5,780
GST Receivable	114,900	252,030
Loddon Mallee Rural Health Alliance GST Receivables	2,230	4,195
	117,130	315,035
TOTAL CURRENT RECEIVABLES	385,875	667,477
NON CURRENT		
Contractual		
Bond Debtors	1,644	1,644
	1,644	1,644
Statutory		
Long Service Leave - DHHS	257,233	295,032
	257,233	295,032
TOTAL NON-CURRENT RECEIVABLES	258,877	296,676
TOTAL RECEIVABLES	644,752	964,153

(a) Movement in the Allowance for doubtful debts

	2015 \$	2014 \$
Balance at the beginning of year - REDHS	1,721	14,000
Balance at the beginning of year - LMRHA	700	312
Increase/(decrease) in allowance recognised in net result	(700)	(11,891)
Balance at end of year	1,721	2,421

(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.

Note 8: Investments and Other Financial Assets

CURRENT

Term Deposit

Aust. Dollar Term Deposits(i)

TOTAL CURRENT

	Capital		Total	
	2015	2014	2015	2014
	\$	\$	\$	\$
	7,176,032	3,475,237	7,176,032	3,475,237
TOTAL CURRENT	7,176,032	3,475,237	7,176,032	3,475,237

Represented by:

Health Services Investments

Accommodation Bonds (Refundable Entrance Fees)

Term Deposits

TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	768,982	1,058,982	768,982	1,058,982
	4,304,268	2,415,499	4,304,268	2,415,499
	2,102,782	756	2,102,782	756
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	7,176,032	3,475,237	7,176,032	3,475,237

Notes:

(i) Term deposits under 'investment and other financial assets' class include only term deposits with maturity greater than 90 days.

(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.

In accordance with Standing Direction 4.5.6, the Health Service is required to invest surplus funds with TCV/VFMC. As at 30 June 2015 the Health Service is compliant with this Standing Direction.

Note 9: Inventories

CURRENT

Pharmaceuticals - at cost

Catering Supplies - at cost

Housekeeping - at cost

Medical and Surgical Lines - at cost

Administration Stores - at cost

TOTAL INVENTORIES

	2015	2014
	\$	\$
	12,249	12,171
	10,964	16,961
	852	6,309
	33,814	22,425
	3,380	4,650
TOTAL INVENTORIES	61,259	62,516

Note 10: Other Assets

Current:

Prepayments

Loddon Mallee Rural Health Alliance

TOTAL OTHER ASSETS

	2015	2014
	\$	\$
	104,751	98,078
	4,407	7,186
TOTAL OTHER ASSETS	109,158	105,264

Note 11: Investment Accounted for Using Joint Operations

Name of entity	Principal Activity	Ownership Interest	
		2015 %	2014 %
Loddon Mallee Rural Health Alliance	Information Technology	4.00	3.88

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

	2015 \$	2014 \$
CURRENT ASSETS		
Cash and Cash Equivalents	273,139	207,808
Receivables	4,005	7,015
Prepayments	4,407	7,186
TOTAL CURRENT ASSETS	281,551	222,009
NON-CURRENT ASSETS		
Property, Plant and Equipment	18,837	18,364
TOTAL NON-CURRENT ASSETS	18,837	18,364
TOTAL ASSETS	300,388	240,373
CURRENT LIABILITIES		
Payables	32,303	30,651
TOTAL CURRENT LIABILITIES	32,303	30,651
NET ASSETS	268,085	209,722

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

Revenue from Continuing Operations	326,609	241,259
Capital Purpose Income	(29)	27,309
Total Revenue	326,580	268,568
Other Expenses from Continuing Operations	287,790	284,297
Total Expenses	287,790	284,297
Net Result	38,790	(15,729)

Contingent Assets and Liabilities

The joint venture does not have any known contingent assets or contingent liabilities as at 30 June 2015.

Note 12: Property, Plant and Equipment**(a) Gross carrying amount and accumulated depreciation**

	2015	2014
	\$	\$
Land		
- Land at Fair Value	382,000	382,000
- Landscaping at Fair Value	257,000	257,000
Less Accumulated Depreciation	(5,140)	-
Total Land	633,860	639,000
Buildings		
- Buildings at Fair Value	36,325,000	36,325,000
Less Accumulated Depreciation	(1,111,920)	-
Total Buildings	35,213,080	36,325,000
Plant and Equipment		
- Plant and Equipment at Fair Value	2,840,246	2,867,929
Less Accumulated Depreciation	(2,319,094)	(2,170,296)
- Loddon Mallee Rural Health Alliance at Fair Value	35,835	36,343
Less Accumulated Depreciation	(16,998)	(17,985)
Total Plant and Equipment	539,989	715,991
Computers and Communication		
- Computers and Communication at Fair Value	143,738	53,010
Less Accumulated Depreciation	(32,994)	(11,789)
Total Computers and Communications	110,744	41,221
Furniture and Fittings		
- Furniture and Fittings at Fair Value	628,642	625,933
Less Accumulated Depreciation	(395,857)	(336,807)
Total Furniture and Fittings	232,785	289,126
Motor Vehicles		
- Motor Vehicles at Fair Value	477,557	530,538
Less Accumulated Depreciation	(287,424)	(244,080)
Total Motor Vehicles	190,133	286,458
Under Construction		
- Work in Progress	170,176	-
Total Assets under construction	170,176	-
TOTAL	37,090,767	38,296,796

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	Computer Equip	Motor Vehicles	Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	695,000	24,888,041	1,041,952	274,332	28,500	276,888	169,811	27,374,524
Additions	-	12,950	59,871	127,347	24,510	200,660	476,706	902,044
Transfers In/(out)	-	763,251	(70,304)	(46,430)	-	-	(646,517)	-
Revaluation increments	(40,000)	11,658,455	-	-	-	-	-	11,618,455
Loddon Mallee Rural Health Alliance	-	-	18,358	-	-	-	-	18,358
Disposals	-	-	(4,821)	-	-	(102,153)	-	(106,974)
Depreciation (see Note 4)	(16,000)	(997,697)	(329,065)	(66,123)	(11,789)	(88,937)	-	(1,509,611)
Balance at 30 June 2014	639,000	36,325,000	715,991	289,126	41,221	286,458	-	38,296,796
Additions	-	-	24,268	2,710	90,729	62,448	170,176	350,331
Transfers In/(out)	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Loddon Mallee Rural Health Alliance	-	-	11,627	-	-	-	-	11,627
Disposals	-	-	-	-	-	(55,834)	-	(55,834)
Depreciation (see Note 4)	(5,140)	(1,111,920)	(211,897)	(59,051)	(21,206)	(102,939)	-	(1,512,153)
Balance at 30 June 2015	633,860	35,213,080	539,989	232,785	110,744	190,133	170,176	37,090,767

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 2014.

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

Note 12: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾
Land at fair value				
Non-specialised land	140,200	-	140,200	-
Specialised land	241,800	-	-	241,800
Total of land at fair value	382,000	-	140,200	241,800
Buildings at fair value				
Non-specialised buildings	1,490,775	-	1,490,775	-
Specialised buildings	33,722,305	-	-	33,722,305
Total of building at fair value	35,213,080	-	1,490,775	33,722,305
Land Improvements at fair value				
Specialised land improvements	251,860	-	-	251,860
Total of land improvements at fair value	251,860	-	-	251,860
Plant and Equipment at fair value				
Plant and Equipment	539,989	-	-	539,989
Total of plant and equipment at fair value	539,989	-	-	539,989
Computer and Communication at fair value				
Computers and Communication	110,744	-	-	110,744
Total Computer and communication at fair value	110,744	-	-	110,744
Furniture and Fittings at fair value				
Furniture and Fittings	232,785	-	-	232,785
Total Furniture and Fittings at fair value	232,785	-	-	232,785
Motor Vehicles at fair value				
Motor Vehicles	190,133	-	-	190,133
Total Motor Vehicles at fair value	190,133	-	-	190,133
Under Construction				
Work in Progress	170,176	-	-	170,176
Total Motor Vehicles at fair value	170,176	-	-	170,176
	37,090,767	-	1,630,975	35,459,792

Note

⁽¹⁾ Classified in accordance with the fair value hierarchy, see Note 1

There have been no transfers between levels during the period.

Note 12: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets as at 30 June 2014

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾
Land at fair value				
Non-specialised land	140,200	-	140,200	-
Specialised land	241,800	-	-	241,800
Total of land at fair value	382,000	-	140,200	241,800
Buildings at fair value				
Non-specialised buildings	1,529,000	-	1,529,000	-
Specialised buildings	34,796,000	-	-	34,796,000
Total of building at fair value	36,325,000	-	1,529,000	34,796,000
Land Improvements at fair value				
Specialised land improvements	257,000	-	-	257,000
Total of land improvements at fair value	257,000	-	-	257,000
Plant and Equipment at fair value				
Plant and Equipment	715,991	-	-	715,991
Total of plant and equipment at fair value	715,991	-	-	715,991
Computer and Communication at fair value				
Computers and Communication	41,221	-	-	41,221
Total Computer and communication at fair value	41,221	-	-	41,221
Furniture and Fittings at fair value				
Furniture and Fittings	289,126	-	-	289,126
Total Furniture and Fittings at fair value	289,126	-	-	289,126
Motor Vehicles at fair value				
Motor Vehicles	286,458	-	-	286,458
Total Motor Vehicles at fair value	286,458	-	-	286,458
Under Construction				
Work in Progress	-	-	-	-
Total Motor Vehicles at fair value	-	-	-	-
	38,296,796	-	1,669,200	36,627,596

Note

⁽¹⁾ Classified in accordance with the fair value hierarchy, see Note 1

There have been no transfers between levels during the period.

Note 12: Property, plant & equipment (continued)

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers *Countrywide Valuers* on behalf of the *Valuer-General Victoria* to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land, specialised buildings and specialised land improvements

The market approach is also used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the health services, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of the Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

Motor Vehicles

The Health Service acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by the Health Service who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (depreciated cost).

Other Non-Financial Assets - Plant & Machinery, Medical Equipment, Furniture & Fitting, Computers & Communication, Non-Medical Equipment

Other non-financial assets are held at carrying value (depreciated cost). When other non-financial assets are specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

There were no changes in valuation techniques throughout the period to 30 June 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

(d) Reconciliation of Level 3 fair value 2015

	Land	Buildings	Land Improvements	Plant and Equipment	Computers & Communication	Furniture & Fittings	Motor Vehicles	Assets under construction
Opening Balance	241,800	34,834,225	257,000	727,618	41,221	289,126	286,458	-
Purchases (sales)	-	-	-	24,268	90,729	2,710	6,614	170,176
Transfers in (out) of Level 3	-	-	-	-	-	-	-	-
Gains or losses recognised in net result								
- Depreciation	-	(1,111,920)	(5,140)	(211,897)	(21,206)	(59,051)	(102,939)	-
- Impairment loss	-	-	-	-	-	-	-	-
Subtotal	241,800	33,722,305	251,860	539,989	110,744	232,785	190,133	170,176
Items recognised in other comprehensive income								
- Revaluation	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Closing Balance	241,800	33,722,305	251,860	539,989	110,744	232,785	190,133	170,176
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-	-	-	-
	241,800	33,722,305	251,860	539,989	110,744	232,785	190,133	170,176

Note

There have been no transfers between levels during the period.

(d) Reconciliation of Level 3 fair value 2014

	Land	Buildings	Land Improvements	Plant and Equipment	Computers & Communication	Furniture & Fittings	Motor Vehicles	Assets under construction
Opening Balance	276,570	23,892,519	320,000	1,041,952	28,500	274,332	276,888	169,811
Purchases (sales)	-	-		(12,752)	24,510	83,032	114,292	(169,811)
Transfers in (out) of Level 3	-	-						
Gains or losses recognised in net result								
- Depreciation		-	-	(313,210)	(11,789)	(68,238)	(104,721)	-
- Impairment loss	-	-	-	-	-	-	-	-
Subtotal	276,570	23,892,519	320,000	715,990	41,221	289,126	286,459	-
Items recognised in other comprehensive income								
- Revaluation	(34,770)	10,903,481	(63,000)	-	-	-	-	-
Subtotal	(34,770)	10,903,481	(63,000)	-	-	-	-	-
Closing Balance	241,800	34,796,000	257,000	715,990	41,221	289,126	286,459	-
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-	-	-	-
	241,800	34,796,000	257,000	715,990	41,221	289,126	286,459	-

Note

There have been no transfers between levels during the period.

(e) Description of significant unobservable inputs to Level 3 valuations:

	Valuation technique (i)	Significant unobservable inputs (i)
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Landscaping & Grounds	Depreciated replacement cost	Direct replacement cost Useful life of Landscaping & Grounds
Plant & Equipment	Depreciated replacement cost	Cost per unit Useful life of PPE
Motor Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles
Computers and Communication	Depreciated replacement cost	Cost per unit Useful life of furniture & fittings
Furniture & Fittings at fair value	Depreciated replacement cost	Cost per unit Useful life of furniture & fittings

Note 13: Payables

	2015	2014
	\$	\$
CURRENT		
Contractual		
Trade Creditors	107,720	260,484
Accrued Expenses	273,898	87,339
Accrued Audit Fees	16,000	11,719
Other Payable - Social Club/OffLine S & W	72,655	10,408
Loddon Mallee Rural Health Alliance	32,303	30,651
	502,576	400,601
Statutory		
GST Payable	46,320	207,414
PAYG Payable	-	104,385
TOTAL CURRENT	46,320	311,799
TOTAL PAYABLES	548,896	712,400

(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: Borrowings

	2015	2014
	\$	\$
CURRENT		
Australian Dollar Borrowings		
– Hire Purchase Liability (refer Note 21)	-	132,679
Total Current Australian Dollars Borrowings	-	132,679
NON CURRENT		
Australian Dollar Borrowings		
– Hire Purchase Liability (refer Note 21)	-	-
Total Non-Current Australian Dollars Borrowings	-	-
TOTAL BORROWINGS	-	132,679

Rochester and Elmore District Health Service no longer have any Hire Purchase agreements, since the final payments for existing agreements were completed during the year

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)	4,285	9,691
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(a) Maturity analysis of interest bearing liabilities

Please refer to note 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

	2015 \$	2014 \$
CURRENT PROVISIONS		
Employee Benefits (Note 15(a))		
Annual Leave (Note 15(a))		
- Unconditional and expected to be settled within 12 months (ii)	652,255	521,612
- Unconditional and expected to be settled after 12 months (ii)	109,271	196,550
ADO (Note 15(a))		
- Unconditional and expected to be settled within 12 months (ii)	7,235	11,363
- Unconditional and expected to be settled after 12 months (ii)	1,212	1,698
Long Service Leave (Note 15(a))		
- Unconditional and expected to be settled within 12 months (ii)	289,123	512,552
- Unconditional and expected to be settled after 12 months (ii)	939,965	740,937
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (ii)	74,055	59,300
- Unconditional and expected to be settled after 12 months (ii)	12,406	21,804
TOTAL CURRENT PROVISIONS	2,085,522	2,065,816
NON-CURRENT PROVISIONS		
Employee Benefits (i) (Note 15(a))	286,067	406,318
Provisions related to employee benefits on-costs (Note 15(a) and 15(b))	-	-
TOTAL NON-CURRENT PROVISIONS	286,067	406,318
TOTAL PROVISIONS	2,371,589	2,472,134
(a) Employee Benefits and Related On-Costs		
CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Annual Leave Entitlements	761,526	718,162
Accrued Wages and Salaries	226,680	279,791
Accrued Days Off	8,447	13,061
Unconditional Long Service Leave Entitlements	1,002,408	973,698
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Conditional Long Service Leave Entitlements (iii)	286,067	406,318
Current On-Costs	74,055	59,300
Non-Current On-Costs	12,406	21,804
TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS	2,371,589	2,472,134
(b) Movements in Provisions		
Movement in Long Service Leave:		
Balance at start of year	1,380,016	1,427,183
Provision made during the year	197,581	140,299
Settlement made during the year	(289,123)	(187,466)
Balance at end of year	1,288,474	1,380,016

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are at present values.

(iii) The provision for onerous lease contracts represents the present value of the future lease payments that the Health Service is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less income expected to be earned on the lease including estimated future sub-lease income, where applicable. The estimate may vary as a result of changes in utilisation of the leased premises and sub lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.

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:

	2015 \$	2014 \$
Defined benefit plans:		
Health Super	-	3,173
Defined Contribution plans:		
Health Super	593,572	634,245
Hesta	150,005	127,955
TOTAL	743,577	765,373

Note 17: Other Current Liabilities

	2015 \$	2014 \$
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	25,864	27,231
- Accommodation Bonds (Refundable Entrance Fees)	4,304,268	2,415,499
Rochester Community House	7,382	7,382
TOTAL CURRENT	4,337,514	2,450,112
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6)	25,864	27,231
Receivables (refer to Note 7)	1,644	1,644
Other Financial Assets (refer to Note 8)	3,651,124	1,762,355
Land and Buildings	651,500	651,500
Rochester Community House	7,382	7,382
TOTAL	4,337,514	2,450,112

Note 18: Equity**(a) Surpluses****Property, Plant and Equipment Revaluation Surplus**

Balance at the beginning of the reporting period

- Land	196,325	253,325
- Buildings	17,856,701	6,181,246

Revaluation Increment/Decrement

- Land	-	(57,000)
- Buildings	-	11,675,455

Balance at the end of the reporting period**18,053,026 18,053,026****Balance at the end of the reporting period****** Represented by:**

- Land	196,325	196,325
- Buildings	17,856,701	17,856,701
	18,053,026	18,053,026

Restricted Specific Purpose Surplus

Balance at the beginning of the reporting period

822,050 1,038,631

Transfer to and from Restricted Purpose Surplus
Bequests45,955 (216,581)
- -**Balance at the end of the reporting period****868,005 822,050****TOTAL SURPLUSES****18,921,031 18,875,076****(b) Contributed Capital**

Balance at the beginning of the reporting period

7,369,839 7,369,839

Capital Contribution received from Victorian Government

- -

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

13,703,240 14,586,027

Net Result for the year

(1,198,800) (1,099,368)

Transfer to and from Restricted Purpose Surplus

(45,955) 216,581

Balance at the end of the reporting period**12,458,485 13,703,240****TOTAL EQUITY AT END OF FINANCIAL YEAR****38,749,355 39,948,155****Note 19: Reconciliation of the net result for the year to net cash inflow/(outflow) from operating activities****Net result for the period**

2015	2014
\$	\$
(1,198,800)	(1,099,368)

Non-cash movements:

Depreciation

1,512,153 1,509,611

Share of Net Result from LMRHA

46,490 (21,873)

Movements included in investing and financing activities:

Net (Gain)/Loss from Sale of Motor Vehicles

(1,805) (2,208)

Movements in assets and liabilities:

Change in operating assets and liabilities

(Increase)/Decrease in Receivables (319,403) 195,730

(Increase)/Decrease in Prepayments 3,894 (82,819)

Change in Inventories (1,256) (5,054)

Increase/(Decrease) in Payables 163,505 (514,345)

Increase/(Decrease) in Provisions 100,545 35,572

NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**305,323 15,246**

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
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)
- Finance Lease 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.

	Contractual financial assets/liabilities designated at fair value through profit/loss	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss	Contractual financial assets - loans and receivables	Contractual financial assets - available for sale	Contractual financial liabilities at amortised cost	Total
2015	\$	\$	\$	\$	\$	\$
Contractual Financial Assets						
Cash and cash equivalents	-	-	925,386	-	-	925,386
Receivables	-	-	-	-	-	-
- Trade Debtors	-	-	224,737	-	-	224,737
- Other Receivables	-	-	44,008	-	-	44,008
Other Financial Assets	-	-	-	-	-	-
- Term Deposit	-	-	7,176,032	-	-	7,176,032
Total Financial Assets ⁽ⁱ⁾	-	-	8,370,163	-	-	8,370,163
Financial Liabilities						
Payables	-	-	-	-	454,273	454,273
Other Financial Liabilities	-	-	-	-	-	-
- Accomodation bonds	-	-	-	-	4,304,268	4,304,268
Total Financial Liabilities ⁽ⁱⁱ⁾	-	-	-	-	4,758,541	4,758,541

	Contractual financial assets/liabilities designated at fair value through profit/loss	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss	Contractual financial assets - loans and receivables	Contractual financial assets - available for sale	Contractual financial liabilities at amortised cost	Total
2014	\$	\$	\$	\$	\$	\$
Contractual Financial Assets						
Cash and cash equivalents	-	-	2,811,514	-	-	2,811,514
Receivables	-	-	-	-	-	-
- Trade Debtors	-	-	297,155	-	-	297,155
- Other Receivables	-	-	54,808	-	-	54,808
Other Financial Assets	-	-	-	-	-	-
- Term Deposit	-	-	3,475,237	-	-	3,475,237
Total Financial Assets ⁽ⁱ⁾	-	-	6,638,714	-	-	6,638,714
Financial Liabilities						
Payables	-	-	-	-	358,231	358,231
Other Financial Liabilities	-	-	-	-	-	-
- Accomodation bonds	-	-	-	-	2,415,499	2,415,499
- Other	-	-	-	-	132,679	132,679
Total Financial Liabilities ⁽ⁱⁱ⁾	-	-	-	-	2,906,409	2,906,409

(i) The total amount of financial assets disclosed here excludes statutory receivables

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

Note 20: Financial Instruments (continued)
(b) Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) \$	Total interest income / (expense) \$	Fee income / (expense) \$	Impairment loss \$	Total \$
2015					
Financial Assets					
Cash and Cash Equivalents	-	159,567	-	-	-
Designated at Fair Value through Profit or Loss	-	-	-	-	-
Held-for-Trading at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables	-	-	-	-	-
Available for Sale	-	-	-	-	-
Total Financial Assets	-	159,567	-	-	-
Financial Liabilities					
Designated at Fair Value through Profit or Loss	-	-	-	-	-
Held-for-Trading at Fair Value through Profit or Loss	-	-	-	-	-
At Amortised Cost	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	-
2014					
Financial Assets					
Cash and Cash Equivalents	-	124,120	-	-	-
Designated at Fair Value through Profit or Loss	-	-	-	-	-
Held-for-Trading at Fair Value through Profit or Loss	-	-	-	-	-
Loans and Receivables	-	-	-	-	-
Available for Sale	-	-	-	-	-
Total Financial Assets	-	124,120	-	-	-
Financial Liabilities					
Designated at Fair Value through Profit or Loss	-	-	-	-	-
Held-for-Trading at Fair Value through Profit or Loss	-	-	-	-	-
At Amortised Cost	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	-

(c) 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 Elmroe District Health Service's maximum exposure to credit risk without taking account of the value of any collateral obtained.

	Financial Institutions (AA credit Rating) \$	Government agencies (AAA credit Rating) \$	Financial Institutions (A credit Rating) \$	Other (min BBB credit Rating) \$	Total \$
2015					
Financial Assets					
Cash and cash equivalents	-	-	925,386	-	925,386
Receivables	-	-	-	-	-
- Trade Debtors	-	-	-	224,737	224,737
- Other Receivables	-	-	-	44,008	44,008
Other Financial Assets					
- Term Deposit	2,736,074	1,000,000	3,439,958	-	7,176,032
Total Financial Assets	-	1,000,000	4,365,344	268,745	8,370,163
2014					
Financial Assets					
Cash and cash equivalents	-	-	2,811,514	-	2,811,514
Receivables	-	-	-	-	-
- Trade Debtors	-	-	-	297,155	297,155
- Other Receivables	-	-	-	54,808	54,808
Other Financial Assets					
- Term Deposit	-	-	3,475,237	-	3,475,237
Total Financial Assets	-	-	6,286,751	351,963	6,638,714

Note 20: Financial Instruments (continued)

(c) Credit Risk (continued)

Ageing analysis of Financial Assets as at 30 June

	Total Carrying Amount \$	Not Past Due and Not Impaired \$	Less than 1 Month \$	Past Due But Not Impaired 1 to 3 Months \$	3 months to 1 Year \$	1 to 5 Years \$
2015						
Financial Assets						
Cash & Cash Equivalents	925,386	925,386	-	-	-	-
Receivables						
- Trade Debtors	224,737	214,223	327	8,311	1,876	-
- Other Receivables	44,008	44,008	-	-	-	-
Other Financial Assets						
-Term Deposit	7,176,032	7,176,032	-	-	-	-
Total Financial Assets	8,370,163	8,359,649	327	8,311	1,876	-
2014						
Financial Assets						
Cash & Cash Equivalents	2,811,514	2,811,514	-	-	-	-
Receivables						
- Trade Debtors	297,155	190,464	94,805	11,886	-	-
- Other Receivables	54,808	54,808	-	-	-	-
Other Financial Assets						
- Term Deposit	3,475,237	3,475,237	-	-	-	-
Total Financial Assets	6,638,714	6,532,023	94,805	11,886	-	-

(d) 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 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

	Carrying Amount \$	Nominal Amount \$	Less than 1 Month \$	Maturity Dates 1 to 3 Months \$	3 months to 1 Year \$	1 to 5 Years \$
2015						
Financial Liabilities						
Payables	454,273	454,273	454,273	-	-	-
Borrowings Note 14	-	-	-	-	-	-
Other Financial Liabilities(i)						
- Monies Held in Trust	4,304,268	4,304,268	25,864	31,731	4,246,673	-
Total Financial Liabilities	4,758,541	4,758,541	480,137	31,731	4,246,673	-
2014						
Financial Liabilities						
Trade Creditors & Accruals	358,231	358,231	358,231	-	-	-
Borrowings Note 14	132,679	132,679	3,052	9,239	120,388	-
Other Financial Liabilities(i)						
- Monies Held in Trust	2,415,499	2,415,499	25,150	4,516	2,385,833	-
Total Financial Liabilities	2,906,409	2,906,409	386,433	13,755	2,506,221	-

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

Note 20: Financial Instruments (continued)

(e) 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		
	Rates (%)	\$	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
			\$	\$	\$
2015					
Financial Assets					
Cash & Cash Equivalents	2.00	925,386	-	925,386	-
Receivables(i)		224,737	-	-	224,737
- Trade Debtors		44,008	-	-	44,008
- Other Receivables					
Other Financial Assets					
- Term Deposits	2.68	7,176,032	7,176,032	-	-
Total Financial Assets		8,370,163	7,176,032	925,386	268,745
Financial Liabilities					
Payables(i)		454,273	-	-	454,273
Borrowings		-	-	-	-
Other Financial Liabilities		4,304,268	-	-	4,304,268
- Monies Held in Trust					
Total Financial Liabilities		4,758,541	-	-	4,758,541
2014					
Financial Assets					
Cash & Cash Equivalents	2.25	2,811,514	-	2,811,514	-
Receivables(i)		297,155	-	-	297,155
- Trade Debtors		54,808	-	-	54,808
- Other Receivables					
Other Financial Assets					
- Term Deposits	3.45	3,475,237	3,475,237	-	-
Total Financial Assets		6,638,714	3,475,237	2,811,514	351,963
Financial Liabilities					
Payables(i)		358,231	-	-	358,231
Borrowings	5.38	132,679	132,679	-	-
Other Financial Liabilities		2,415,499	-	-	2,415,499
- Monies Held in Trust					
Total Financial Liabilities		2,906,409	132,679	-	2,773,730

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

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 Reserve Bank of Australia).

A parallel shift of 1% in market interest rates (AUD) from year end rates of 3%.

A parallel shift of 1% in inflation rate from year end rates of 3%.

A movemnet of 15% up and down (2014: 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 personnel, 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 \$
2015	\$								
Financial Assets									
Cash & Cash Equivalents	925,386	(9,253)	(9,253)	9,253	9,253	-	-	-	-
Receivables									
- Trade Debtors	224,737	-	-	-	-	-	-	-	-
- Other Receivables	44,008	-	-	-	-	-	-	-	-
Other Financial Assets									
- Term Deposits	7,176,032	(71,760)	(71,760)	71,760	71,760	-	-	-	-
Financial Liabilities									
Payables	454,273	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Monies Held in Trust	4,304,268	-	-	-	-	-	-	-	-
		(81,013)	(81,013)	81,013	81,013	-	-	-	-

	Carrying Amount	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
2014	\$								
Financial Assets									
Cash & Cash Equivalents	2,811,514	(28,115)	(28,115)	28,115	28,115	-	-	-	-
Receivables									
- Trade Debtors	297,155	-	-	-	-	-	-	-	-
- Other Receivables	54,808	-	-	-	-	-	-	-	-
Other Financial Assets									
-Term Deposits	3,475,237	(34,752)	(34,752)	34,752	34,752	-	-	-	-
Financial Liabilities									
Payables	358,231	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	132,679	1327	1327	(1,327)	(1,327)	-	-	-	-
Other Financial Liabilities									
-Monies Held in Trust	2,415,499	-	-	-	-	-	-	-	-
		(61,540)	(61,540)	61,540	61,540	-	-	-	-

Note 20: Financial Instruments (continued)**(f) 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 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 unobservable 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

	Carrying Amount 2015 \$	Fair value 2015 \$	Carrying Amount 2014 \$	Fair value 2014 \$
Financial Assets				
Cash and Cash Equivalents	925,386	925,386	2,811,514	2,811,514
Receivables				
- Trade Debtors	224,737	224,737	297,155	297,155
- Other Receivables	44,008	44,008	54,808	54,808
Other Financial Assets				
- Term Deposit	7,176,032	7,176,032	3,475,237	3,475,237
Total Financial Assets	8,370,163	8,370,163	6,638,714	6,638,714
Financial Liabilities				
Payables	454,273	454,273	358,231	358,231
Interest Bearing Liabilities	-	-	132,679	132,679
Other Financial Liabilities				
- Monies Held in Trust	4,304,268	4,304,268	2,415,499	2,415,499
Total Financial Liabilities	4,758,541	4,758,541	2,906,409	2,906,409

Note 21: Commitments**Hire Purchases**

Commitments in relation to Hire Purchases are payable as follows:

Less than 1 year

Longer than 1 year but not longer than 5 years

Minimum Hire Purchase Payments

Less Future Finance Charges

Total Hire Purchase Commitments

	2015 \$	2014 \$
	-	132,679
	-	-
	-	132,679
	-	-
	-	132,679
Representing Hire Purchase Liabilities:		
Current (refer Note 14)	-	132,679
Non-Current (refer Note 14)	-	-
TOTAL COMMITMENTS	-	132,679

Note 22: Contingent Assets & Contingent Liabilities

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

Contingent Assets

Rochester and Elmore District Health Service does not have any known contingent assets at 30 June, 2015

TOTAL CONTINGENT ASSETS

	2015 \$'000	2014 \$'000
	-	-
	-	-

Contingent Liabilities

Air Conditioner Contract - BURNS P/L

TOTAL CONTINGENT LIABILITIES

	2015 \$'000	2014 \$'000
	65,333	-
	65,333	-

Note 23: Operating Segments

	Health Services		RACS		Other Services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE								
External Segment Revenue	6,474,251	7,593,487	5,998,026	5,005,807	313,405	-	12,785,682	12,599,294
Total Revenue	6,474,251	7,593,487	5,998,026	5,005,807	313,405	-	12,785,682	12,599,294
EXPENSES								
External Segment Expenses	(9,577,955)	(9,516,894)	(4,382,145)	(4,361,792)	(276,541)	-	(14,236,641)	(13,878,686)
Total Expenses	(9,577,955)	(9,516,894)	(4,382,145)	(4,361,792)	(276,541)	-	(14,236,641)	(13,878,686)
Net Result from ordinary activities	(3,103,703)	(1,923,407)	1,615,881	644,015	36,864	-	(1,450,959)	(1,279,392)
Interest Expense	(4,285)	(9,691)	0	0	0	-	(4,285)	(9,691)
Interest Income	112,555	34,574	116,877	155,141	27,012	-	256,444	189,715
Net Result for Year	(2,995,433)	(1,898,524)	1,732,757	799,156	63,876	-	(1,198,800)	(1,099,368)
OTHER INFORMATION								
Segment Assets	11,140,805	7,277,519	24,048,591	21,815,717	-	-	35,189,396	29,093,236
Unallocated Assets	-	-	-	-	10,817,958	16,622,244	10,817,958	16,622,244
Total Assets	11,140,805	7,277,519	24,048,591	21,815,717	10,817,958	16,622,244	46,007,354	45,715,480
Segment Liabilities	2,346,252	2,065,808	4,253,089	3,162,512	-	-	6,599,340	5,228,320
Unallocated Liabilities	-	-	-	-	658,659	539,005	658,659	539,005
Total Liabilities	2,346,252	2,065,808	4,253,089	3,162,512	658,659	539,005	7,257,999	5,767,325
Acquisition of property, plant and equipment and intangible assets	26,978	224,678	0	476,706	153,177	200,660	180,155	902,044
Depreciation expense	(990,663)	(997,697)	(315,211)	(308,595)	(206,279)	(203,319)	(1,512,153)	(1,509,611)
Non cash expenses other than depreciation	-	-	-	-	-	-	-	-

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.

Note 24a: 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

The Honourable Jill Hennessy, MLC, Minister for Health, Minister for Ambulance Services

The Honourable Martin Foley, Minister for Housing, Disability and Ageing

Period
01/07/2014-03/12/2014
04/12/2014-30/06/2015
04/12/2014-30/06/2015

Governing Boards

Mr A Darbyshire

Mr T Fulton

Mr G Hodgins

Mr R Johnson

Ms K Lee

Mr B Maw

Dr C McKinstry

Mr K Oberin

Ms M O'Sullivan

01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015
01/07/2014 - 30/06/2015

No remuneration was paid to any Governing Board Members for the Financial Year ended 30 June 2015.

Accountable Officers

Mrs Anne McEvoy

01/07/2014-30/06/2015

Remuneration of Responsible Persons

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

Income Band

\$0

\$100,000 - \$109,999

\$120,000 - \$129,999

2015 No.	2014 No.
9	9
0	2
1	0
10	11
\$126,580	\$236,737

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 24b: Executive Officer Disclosures

There are no executive officers whose total remuneration exceeds \$100,000.

Note 25: Remuneration of auditors

Victorian Auditor-General's Office

Audit or review of financial statements

TOTAL

2015 \$	2014 \$
16,000	14,500
16,000	14,500

Note 26: Events occurring after the Balance Sheet Date.

No events occurred after Balance Sheet Date.

Rochester and Elmore District Health Service
Appendix A - Alternative presentation of Comprehensive Operating Statement

*The below Comprehensive Operating Statement has been prepared in line with Department of Treasury and Finance requirements, **and do not form part of the audited financial statements.***

	2015 \$'000	2014 \$'000
Interest and Dividends	253,867	271,480
Sales of goods and services	1,959,323	2,161,925
Grants	9,261,364	8,705,633
Other income	1,578,821	1,649,971
Total revenue	13,053,375	12,789,009
Employee expenses	10,031,621	9,857,168
Depreciation	1,512,153	1,509,611
Finance expenses	4,285	9,691
Other operating expenses	2,704,116	2,511,907
Total expenses	14,252,175	13,888,377
Net result from transactions - Net operating balance	(1,198,800)	(1,099,368)
Other gains / (losses) from other economic flows	0	11,618,455
Total other economic flows included in net result	0	11,618,455
Net result	(1,198,800)	10,519,087

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Rochester and Elmore District Health Service

ABN 76 670 975 935

PO Box 202 (Pascoe Street)

Rochester Victoria 3561 Australia

Ph: (03) 5484 4400

Fax: (03) 5484 2291

Email: rochhosp@redhs.com.au

www.redhs.com.au