



redhs

*More Than a Hospital*

Rochester and Elmore District Health Service



**Financial Report 2016**

---

## PERFORMANCE AGAINST STATEMENT OF PRIORITIES

The statement of priorities is the key accountability agreement between the Secretary for Health and Human Services and Rochester and Elmore District Health Service.

There were no significant changes in the financial position during 2015/16.

### PART A: Strategic Priorities

See REDHS 2015/16 Report of Operations pages 8-10 for details

### PART B: Performance Priorities

**Service Performance:** See REDHS 2015/16 Report of Operations page 11 for details

### Financial Sustainability Performance

Key Performance Indicator	Target	2015/16 Result
<b>Finance</b>		
Operating Result (\$M)	0.1	0.427
Trade creditors	< 60 days	41
Patient debtor fees	< 60 days	10
<b>Asset management</b>		
Asset management plan	Full compliance	Met
Adjusted current asset ratio	0.7	1.35
Days of available cash	14 days	104.3

### PART C: Activity and Funding

Funding Type	2015/16 Activity Achievement
<b>Small Rural</b>	
Small Rural Acute	508
Small Rural Residential Care	21,596
Small Rural HACC	15,416

### Financials in Brief

The table below is a summary of the financial results for 2015/16, from annual financial statements, with comparative results for the preceding four financial years.

	2016 \$000	2015 \$000	2014 \$000	2013 \$000	2012 \$000
Total Revenue	13,344	13,053	12,789	12,723	12,275
Total Expenses	14,158	14,252	13,888	13,321	12,840
Net Result for the Year (incl. Capital and Specific Items)	(814)	(1,199)	(1,099)	(597)	(566)
Retained Surplus/ (Accumulated Deficit)	11,624	12,458	13,703	14,586	15,245
Total Assets	46,965	46,007	45,715	36,190	33,431
Total Liabilities	9,030	7,258	5,767	6,761	5,747
Net Assets	37,935	38,749	39,948	29,429	27,684
Net Cash Result	796	(1,950)	1,236	671	(1,977)
Total Equity	37,935	38,749	39,948	29,429	27,684

## **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 Direction 4.2 of the Standing Directions of the Minister for Finance under 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 2016 and the financial position of Rochester and Elmore District Health Service at 30 June 2016.

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 Ben Maw  
Chairperson

Rochester

30 August 2016



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

Rochester

30 August 2016

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Rochester and Elmore District Health Service

#### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 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 & Chief Finance and Accounting Officer's declaration.

#### *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, I and my 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 2016 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  
9 September 2016

  
Dr Peter Frost  
Acting Auditor-General

## Rochester and Elmore District Health Service

### Comprehensive Operating Statement for the financial year ended 30 June 2016

	NOTE	2016 \$	2015 \$
Revenue from Operating Activities	2	12,767,432	12,532,615
Revenue from Non-operating Activities	2	170,626	320,142
Employee Expenses	3	(9,443,509)	(9,536,646)
Non Salary Labour Costs	3	(499,363)	(494,975)
Supplies and Consumables	3	(1,100,978)	(1,131,083)
Other Expenses	3	(1,467,081)	(1,573,033)
<b>Net Result Before Capital and Specific Items</b>		<b>427,127</b>	<b>117,020</b>
Capital Purpose Income	2	405,737	200,618
Depreciation	4	(1,513,749)	(1,512,153)
Finance Costs	5	0	(4,285)
Expenditure for Capital Purpose	3	(132,987)	0
<b>NET RESULT FOR THE YEAR</b>		<b>(813,871)</b>	<b>(1,198,800)</b>
<b>COMPREHENSIVE RESULT</b>		<b>(813,871)</b>	<b>(1,198,800)</b>

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

# Rochester and Elmore District Health Service

## Balance Sheet as at 30 June 2016

	NOTE	2016 \$	2015 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	6	7,752,309	925,386
Receivables	7	463,752	385,875
Investments and other financial assets	8	2,223,205	7,176,032
Inventories	9	53,635	61,259
Prepayments and Other Assets	10	125,228	109,158
<b>Total Current Assets</b>		<b>10,618,129</b>	<b>8,657,710</b>
<b>Non-Current Assets</b>			
Receivables	7	274,256	258,877
Property, Plant & Equipment	12	36,072,982	37,090,767
<b>Total Non-Current Assets</b>		<b>36,347,238</b>	<b>37,349,644</b>
<b>TOTAL ASSETS</b>		<b>46,965,367</b>	<b>46,007,354</b>
<b>Current Liabilities</b>			
Payables	13	461,011	548,896
Provisions	14	2,205,016	2,085,522
Other Current Liabilities	16	6,113,085	4,337,514
<b>Total Current Liabilities</b>		<b>8,779,112</b>	<b>6,971,932</b>
<b>Non-Current Liabilities</b>			
Provisions	14	250,771	286,067
<b>Total Non-Current Liabilities</b>		<b>250,771</b>	<b>286,067</b>
<b>TOTAL LIABILITIES</b>		<b>9,029,883</b>	<b>7,257,999</b>
<b>NET ASSETS</b>		<b>37,935,484</b>	<b>38,749,355</b>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	17a	18,053,026	18,053,026
Restricted Specific Purpose Surplus	17a	888,835	868,005
Contributed Capital	17b	7,369,839	7,369,839
Accumulated Surpluses	17c	11,623,784	12,458,485
<b>TOTAL EQUITY</b>		<b>37,935,484</b>	<b>38,749,355</b>
Contingent Assets and Contingent Liabilities	21		
Commitments	20		

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

## Rochester and Elmore District Health Service

### Statement of Changes in Equity for the financial year ended 30 June 2016

		Property, Plant and Equipment Revaluation Surplus	Restricted Special Purpose Surplus	Contribution by Owners	Accumulated Surpluses / (Deficits)	Total
	Note	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>		18,053,026	822,050	7,369,839	13,703,240	39,948,155
Net result for the year	17c	-	-	-	(1,198,800)	(1,198,800)
Transfers		-	45,955	-	(45,955)	-
Other comprehensive income for the year	17a	-	-	-	-	-
<b>Balance at 30 June 2015</b>		<b>18,053,026</b>	<b>868,005</b>	<b>7,369,839</b>	<b>12,458,485</b>	<b>38,749,355</b>
Net result for the year	17c	-	-	-	(813,871)	(813,871)
Transfers		-	20,830	-	(20,830)	-
Other comprehensive income for the year	17a	-	-	-	-	-
<b>Balance at 30 June 2016</b>		<b>18,053,026</b>	<b>888,835</b>	<b>7,369,839</b>	<b>11,623,784</b>	<b>37,935,484</b>

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



# Rochester and Elmore District Health Service

## Cash Flow Statement for the financial year ended 30 June 2016

	NOTE	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		9,430,812	9,244,992
Capital Grants from Government		99,732	41,069
Patient and Resident Fees Received		1,939,430	1,862,678
Donations and Bequests Received		36,438	38,818
GST Received from/(paid to) ATO		176,173	147,999
Interest Received		243,064	162,359
Other Capital Receipts		156,439	-
Other Receipts		1,125,245	1,719,418
<b>Total Receipts</b>		<b>13,207,333</b>	<b>13,217,334</b>
Employee Expenses Paid		(9,626,969)	(9,713,733)
Non Salary Labour Costs		(315,901)	(380,635)
Payments for Supplies & Consumables		(1,100,978)	(1,129,826)
Finance Costs		-	(4,285)
Other Payments		(1,646,184)	(1,683,712)
<b>Total Payments</b>		<b>(12,690,032)</b>	<b>(12,912,191)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	18	<b>517,301</b>	<b>305,143</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Investments		783,045	-
Proceeds from Sale of Investments		-	(1,828,053)
Payments for Non-Financial Assets		(541,836)	(350,331)
Proceeds from sale of Non-Financial Assets		37,859	55,834
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>279,068</b>	<b>(2,122,550)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of Borrowings		-	(132,679)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>		<b>-</b>	<b>(132,679)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>		<b>796,369</b>	<b>(1,950,086)</b>
Cash and Cash Equivalents at beginning of financial year		619,001	2,569,087
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	6	<b>1,415,370</b>	<b>619,001</b>

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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### **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 2016. 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 22<sup>nd</sup> August 2016.

#### **(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 2016, and the comparative information presented in these financial statements for the year ended 30 June 2015.

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:

## **Rochester and Elmore District Health Service**

### **Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

- 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 when new indices are published by the Valuer General 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(j));
- superannuation expense (refer to Note 1(g); 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(k)).
- 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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

- 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**

#### **Intersegment Transactions**

Transactions between segments within the Rochester and Elmore District Health Service have been eliminated to reflect the extent of the Rochester and Elmore District Health Service.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### **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(j) 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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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

- capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (f)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- 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 (i)
- depreciation and amortisation, as described in Note 1 (g);
- assets provided or received free of charge (refer to Notes 1 (f) and (g)); and
- expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Other economic flows; are changes arising from market remeasurements. They include:

- gains and losses from disposals of non-financial assets;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans; and
- fair value changes of financial instruments.

### **Balance sheet**

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

### **Statement of changes in equity**

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

### **Cash flow statement**

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



## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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) 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 2014-15).

### **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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### **Donations and Other Bequests**

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

### **Interest Revenue**

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

### **Other Income**

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

### **(g) 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;
- workcover premiums;
- termination payments;
- fringe benefits tax; and

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

- 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 15: 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 \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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

	<b>2016</b>	<b>2015</b>
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 20 years	3 to 7 years
Medical Equipment	5 to 10 years	7 to 10 years
Computers and Communication	3 years	3 years
Furniture and Fitting	3 to 40 years	13 years
Motor Vehicles	2 to 5 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.

### **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 (j) *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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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.

### **(h) 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(j) *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 (j)); 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:

- i. transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

### **(i) 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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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, as required AASB 139 para 55. Any dividend or interest on a financial asset is recognised in the net result for the year.

Financial assets and liabilities at fair value through profit and loss include the majority of the Rochester and Elmore District Health Service's equity investments, debt securities and borrowings.

#### **Loans and receivables**

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

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

#### **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 19.

#### **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.



## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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.

### **(j) 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;

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

- 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 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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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(h) – 'other comprehensive income'.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### **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 joint operations, Rochester and Elmore District Health Service recognises in the financial statements:

- its assets, including its share of any assets held jointly;
- any liabilities including its share of liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the operation; and
- its expenses, including its share of any expenses incurred jointly.

### **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

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

(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 2016 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 2016. 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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### ***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.

## **(k) 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.

### **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.



## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

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.

### ***On-costs related to employee expense***

Provision for 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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an expense in the consolidated comprehensive operating statement.

### **(I) 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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

### ***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.

### **(m) 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.

### **(n) 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 20) 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.

### **(o) 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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

### **(p) Goods and Services Tax ("GST")**

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

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

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

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

### **(q) AASs issued that are not yet effective**

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2016, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Rochester and Elmore District Health Service has not and does not intend to adopt these standards early.

# **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

<b>Standard/Interpretation 1</b>	<b>Summary</b>	<b>Applicable for annual reporting periods beginning on</b>	<b>Impact on public sector entity financial statements</b>
AASB 9 Financial Instruments	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	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.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> <li>• The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul>	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).  Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs 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 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

AASB 14 Regulatory Deferral Accounts 2	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 Revenue from Contracts with Customers	The core principle 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 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 against the opening returned earnings if there are no former performance obligations outstanding.</p>
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> <li>• the entity's right to receive payment of the dividend is established;</li> <li>• it is probable that the economic benefits associated with the dividend will flow to the entity; and</li> <li>• the amount can be measured reliably.</li> </ul>	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.



## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	<p><i>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</i></p> <ul style="list-style-type: none"> <li>• <i>A promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation;</i></li> <li>• <i>For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and</i></li> <li>• <i>For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).</i></li> </ul>	1 Jan 2018	<p><i>The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.</i></p>
AASB 16 Leases	<p><i>The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.</i></p>	1 Jan 2019	<p><i>The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.</i></p> <p><i>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</i></p> <p><i>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</i></p> <p><i>No change for lessors.</i></p>

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	<p>Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul>	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 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]	Amends AASB 127 Separate Financial Statements 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 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]	<p>AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates 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 that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>	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.

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations.  Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 Jan 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements.  Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.
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]	The Amendments extend the scope of AASB 124 Related Party Disclosures 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.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 Fair Value Measurement is the same as the depreciated replacement cost concept under AASB 136.

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 2015-16 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 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*<sup>2</sup>
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* [AASB 1 & AASB 11]
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants* [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12, AASB 128]<sup>2</sup>
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

## **Rochester and Elmore District Health Service**

**Notes to and forming part of the Financial Statements for the year ended 30 June 2016**

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

### **(r) Category groups**

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

**Admitted Patient Services (Admitted Patients)** comprises all 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.

# Rochester and Elmore District Health Service

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## Note 2: Analysis of Revenue by Source

	Admitted Patients 2016 \$	Residential Aged Care 2016 \$	Aged Care 2016 \$	Primary Health 2016 \$	Other 2016 \$	Total 2016 \$
Government Grants	3,056,094	5,205,880	667,404	518,218	57,959	9,505,555
Indirect contributions by Department of Health and Human Services	(77,760)	(14,726)	-	-	17,743	(74,743)
Patient & Resident Fees	314,172	1,413,370	49,886	82,534	79,468	1,939,430
Commercial Activities	-	-	14,166	65,678	154,742	234,586
Other Revenue from Operating Activities	290,124	63,589	11,549	227,459	569,883	1,162,604
<b>Total Revenue from Operating Activities</b>	<b>3,582,629</b>	<b>6,668,114</b>	<b>743,005</b>	<b>893,889</b>	<b>879,795</b>	<b>12,767,432</b>
Interest and Dividends	-	2,832	-	-	131,356	134,188
Other Revenue from Non-Operating Activities	-	-	-	-	36,438	36,438
<b>Total Revenue from Non-Operating Activities</b>	<b>-</b>	<b>2,832</b>	<b>-</b>	<b>-</b>	<b>167,794</b>	<b>170,626</b>
Capital Purpose Income (excluding Interest)	-	22,765	-	-	233,405	256,170
Capital Interest	-	-	-	-	111,708	111,708
Gain/(Loss) on Sale of Assets (refer Note 2a)	-	-	-	-	37,859	37,859
<b>Total Capital Purpose Income</b>	<b>-</b>	<b>22,765</b>	<b>-</b>	<b>-</b>	<b>382,972</b>	<b>405,737</b>
<b>Total Revenue</b>	<b>3,582,629</b>	<b>6,693,711</b>	<b>743,005</b>	<b>893,889</b>	<b>1,430,561</b>	<b>13,343,795</b>

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

	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
<b>Total Revenue from Operating Activities</b>	<b>5,219,358</b>	<b>5,423,463</b>	<b>597,355</b>	<b>877,143</b>	<b>415,296</b>	<b>12,532,615</b>
Interest and Dividends	-	-	-	-	159,567	159,567
Other revenue from Non - Operating Activities	-	-	-	-	160,575	160,575
<b>Total Revenue from Non - Operating Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,142</b>	<b>320,142</b>
Capital Purpose Income (excluding Interest)	-	-	-	-	104,513	104,513
Capital Interest	-	94,085	-	-	215	94,300
Gain/(loss) on Sale of Assets (refer Note 2a)	-	-	-	-	1,805	1,805
<b>Total Capital Purpose Income</b>	<b>-</b>	<b>94,085</b>	<b>-</b>	<b>-</b>	<b>106,533</b>	<b>200,618</b>
<b>Total Revenue</b>	<b>5,219,358</b>	<b>5,517,548</b>	<b>597,355</b>	<b>877,143</b>	<b>841,971</b>	<b>13,053,375</b>

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

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Proceeds from Disposals of Non-Current Assets</b>		
Motor Vehicles	74,727	57,616
Plant and Equipment	9,000	23
Computer Equipment	432	-
<b>Total Proceeds from Disposal of Non-Current Assets</b>	<b>84,159</b>	<b>57,639</b>
<b>Less: Written Down Value of Non-Current Assets Sold</b>		
Motor Vehicles	(48,580)	(55,834)
Plant and Equipment	(1,350)	-
Computer Equipment	(672)	-
Furniture and Fittings	4,302	-
<b>Total Written Down Value of Non-Current Assets Sold</b>	<b>(46,300)</b>	<b>(55,834)</b>
<b>Net Gain/(Loss) on Disposal of Non-Financial Assets</b>	<b>37,859</b>	<b>1,805</b>

**Note 2b: Assets received free of charge or for nominal consideration**

During the reporting period, the fair value of assets received free of charge, was as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Computers and Communications	13,331	-
<b>Total</b>	<b>13,331</b>	<b>0</b>

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 3: Analysis of Expenses by Source**

	<b>Admitted Patients 2016</b>	<b>Residential Aged Care 2016</b>	<b>Aged Care 2016</b>	<b>Primary Health 2016</b>	<b>Other 2016</b>	<b>Total 2016</b>
	\$	\$	\$	\$	\$	\$
Employee Expenses	1,616,030	3,513,400	358,347	1,042,203	2,913,529	9,443,509
Non Salary Labour Costs	364,018	107,840		5,592	21,913	499,363
Supplies & Consumables	288,260	188,807	5,737	15,157	603,017	1,100,978
Other Expenses	156,715	173,570	19,829	61,394	1,055,573	1,467,081
<b>Total Expenditure from Operating Activities</b>	<b>2,425,023</b>	<b>3,983,617</b>	<b>383,913</b>	<b>1,124,346</b>	<b>4,594,032</b>	<b>12,510,931</b>
Expenditure for Capital Purpose	-	-	-	-	132,987	132,987
Depreciation (refer Note 4)	-	-	-	-	1,513,749	1,513,749
<b>Total Other Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,646,736</b>	<b>1,646,736</b>
<b>Total Expenses</b>	<b>2,425,023</b>	<b>3,983,617</b>	<b>383,913</b>	<b>1,124,346</b>	<b>6,240,768</b>	<b>14,157,667</b>

	<b>Admitted Patients 2015</b>	<b>Residential Aged Care 2015</b>	<b>Aged Care 2015</b>	<b>Primary Health 2015</b>	<b>Other 2015</b>	<b>Total 2015</b>
	\$	\$	\$	\$	\$	\$
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
<b>Total Expenditure from Operating Activities</b>	<b>2,578,059</b>	<b>3,957,117</b>	<b>425,028</b>	<b>1,350,993</b>	<b>4,424,540</b>	<b>12,735,737</b>
Depreciation (refer Note 4)	-	-	-	-	1,512,153	1,512,153
Finance Costs (refer Note 5)	-	-	-	-	4,285	4,285
<b>Total Other Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,516,438</b>	<b>1,516,438</b>
<b>Total Expenses</b>	<b>2,578,059</b>	<b>3,957,117</b>	<b>425,028</b>	<b>1,350,993</b>	<b>5,940,978</b>	<b>14,252,175</b>



**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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

	<b>Expense</b>		<b>Revenue</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Commercial Activities</b>				
Radiology	62,258	55,736	90,101	91,895
Meals on Wheels	27,380	46,082	52,034	51,530
Cafeteria	81,308	93,277	39,557	51,602
Primary Care Partnership	402,318	281,245	409,725	285,716
<b>Total</b>	<b>573,264</b>	<b>476,340</b>	<b>591,417</b>	<b>480,743</b>

**Note 4: Depreciation**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Buildings	1,111,920	1,111,920
Land Improvements	5,140	5,140
Plant & Equipment	187,391	200,750
Motor Vehicles	91,530	102,939
Furniture and Fittings	53,320	59,051
Computer and Communications	53,019	21,205
Loddon Mallee Rural Health Alliance	11,429	11,148
<b>Total Depreciation</b>	<b>1,513,749</b>	<b>1,512,153</b>

**Note 5: Finance Costs**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Finance charges on Hire Purchase Liabilities	-	4,285
<b>Total Finance Costs</b>	<b>-</b>	<b>4,285</b>

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash on Hand	700	670
Cash at Bank	7,751,609	924,716
<b>Total Cash and Cash Equivalents</b>	<b>7,752,309</b>	<b>925,386</b>

**Represented by:**

Cash for Health Service Operations (as per Cash Flow Statement)	1,415,370	619,001
Cash for Monies Held in Trust		
- Deposits at Call	6,918	7,382
- Accommodation Bonds (Refundable Entrance Fees)	6,084,561	0
- Resident Trust Account	21,606	25,864
- Loddon Mallee Rural Health Alliance	223,853	273,139
<b>Total Cash and Cash Equivalents</b>	<b>7,752,309</b>	<b>925,386</b>

**Note 7: Receivables**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Debtors	168,797	189,486
Patient Fees	68,791	35,251
Accrued Investment Income	19,084	21,210
Accrued Revenue - Other	45,026	22,744
Loddon Mallee Rural Health Alliance Receivables	6,988	1,775
Less Allowance for Doubtful Debts Patient Fees	(1,721)	(1,721)
	<b>306,965</b>	<b>268,745</b>
<b>Statutory</b>		
GST Receivable	152,422	114,900
Loddon Mallee Rural Health Alliance GST Receivables	4,365	2,230
	<b>156,787</b>	<b>117,130</b>
<b>TOTAL CURRENT RECEIVABLES</b>	<b>463,752</b>	<b>385,875</b>

**NON CURRENT**

<b>Contractual</b>		
Bond Debtors	-	1,644
	<b>-</b>	<b>1,644</b>
<b>Statutory</b>		
Long Service Leave - Department of Health and Human Services	274,256	257,233
	<b>274,256</b>	<b>257,233</b>
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<b>274,256</b>	<b>258,877</b>
<b>TOTAL RECEIVABLES</b>	<b>738,008</b>	<b>644,752</b>

**(a) Movement in the Allowance for doubtful debts**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of year - REDHS	1,721	1,721
Balance at the beginning of year - LMRHA	-	700
Increase/(decrease) in allowance recognised in net result	-	(700)
<b>Balance at end of year</b>	<b>1,721</b>	<b>1,721</b>

**(b) Ageing analysis of receivables**

Please refer to note 19(b) for the ageing analysis of contractual receivables.

**(c) Nature and extent of risk arising from receivables**

Please refer to note 19(b) for the nature and extent of credit risk arising from contractual receivables.

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 8: Investments and Other Financial Assets**

	<b>Capital</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>				
<b>Term Deposit</b>				
Aust. Dollar Term Deposits(i)	2,223,205	7,176,032	2,223,205	7,176,032
<b>Total Current</b>	<b>2,223,205</b>	<b>7,176,032</b>	<b>2,223,205</b>	<b>7,176,032</b>
<b>Represented by:</b>				
Health Services Investments	-	768,982	-	768,982
Accommodation Bonds (Refundable Entrance Fees)	-	4,304,268	-	4,304,268
Term Deposits	2,223,205	2,102,782	2,223,205	2,102,782
<b>TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS</b>	<b>2,223,205</b>	<b>7,176,032</b>	<b>2,223,205</b>	<b>7,176,032</b>

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 19(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 19(b) for the nature and extent of credit risk arising from investments and other financial assets.

**Note 9: Inventories**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Pharmaceuticals - at cost	9,945	12,249
Catering Supplies - at cost	9,827	10,964
Housekeeping Supplies - at cost	1,000	852
Medical and Surgical Lines - at cost	29,556	33,814
Administration Stores - at cost	2,452	3,380
Inventory - LMRHA	855	-
<b>TOTAL INVENTORIES</b>	<b>53,635</b>	<b>61,259</b>

**Note 10: Prepayments and Other Assets**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Prepayments	102,763	104,751
Loddon Mallee Rural Health Alliance	22,465	4,407
<b>TOTAL CURRENT OTHER ASSETS</b>	<b>125,228</b>	<b>109,158</b>
<b>TOTAL OTHER ASSETS</b>	<b>125,228</b>	<b>109,158</b>

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 11: Investment Accounted for Using Joint Operations**

Name of entity	Principal Activity	Ownership Interest	
		2016 %	2015 %
Loddon Mallee Rural Health Alliance	Information Technology	4.05	4.00

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:

	2016 \$	2015 \$
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	223,848	273,139
Receivables	12,207	4,005
Prepayments	22,465	4,407
<b>TOTAL CURRENT ASSETS</b>	<b>258,520</b>	<b>281,551</b>
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	8,581	18,837
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,581</b>	<b>18,837</b>
<b>TOTAL ASSETS</b>	<b>267,101</b>	<b>300,388</b>
<b>CURRENT LIABILITIES</b>		
Payables	46,797	32,303
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,797</b>	<b>32,303</b>
<b>NET ASSETS</b>	<b>220,304</b>	<b>268,085</b>
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	344,023	326,609
Capital Purpose Income	(62,064)	(29)
<b>Total Revenue</b>	<b>281,959</b>	<b>326,580</b>
Other Expenses from Continuing Operations	309,281	287,790
<b>Total Expenses</b>	<b>309,281</b>	<b>287,790</b>
<b>Net Result</b>	<b>(27,322)</b>	<b>38,790</b>

**Contingent Assets and Liabilities**

The joint venture does not have any known contingent assets or contingent liabilities as at 30 June 2016.

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Land</b>		
- Land at Fair Value	382,000	382,000
- Landscaping at Fair Value	257,000	257,000
Less Accumulated Depreciation	(10,280)	(5,140)
<b>Total Land</b>	<b>628,720</b>	<b>633,860</b>
<b>Buildings</b>		
- Buildings at Fair Value	36,325,000	36,325,000
Less Accumulated Depreciation	(2,223,840)	(1,111,920)
<b>Total Buildings</b>	<b>34,101,160</b>	<b>35,213,080</b>
<b>Plant and Equipment</b>		
- Plant and Equipment at Fair Value	2,778,339	2,840,246
Less Accumulated Depreciation	(2,134,291)	(2,319,094)
- Loddon Mallee Rural Health Alliance at Fair Value	36,382	35,835
Less Accumulated Depreciation	(27,807)	(16,998)
<b>Total Plant and Equipment</b>	<b>652,622</b>	<b>539,989</b>
<b>Computers and Communication</b>		
- Computers and Communication at Fair Value	211,062	143,738
Less Accumulated Depreciation	(85,095)	(32,994)
<b>Total Computers and Communications</b>	<b>125,966</b>	<b>110,744</b>
<b>Furniture and Fittings</b>		
- Furniture and Fittings at Fair Value	851,219	628,642
Less Accumulated Depreciation	(430,176)	(395,857)
<b>Total Furniture and Fittings</b>	<b>421,044</b>	<b>232,785</b>
<b>Motor Vehicles</b>		
- Motor Vehicles at Fair Value	398,527	477,557
Less Accumulated Depreciation	(255,057)	(287,424)
<b>Total Motor Vehicles</b>	<b>143,470</b>	<b>190,133</b>
<b>Under Construction</b>		
- Work in Progress	-	170,176
<b>Total Assets under construction</b>	<b>-</b>	<b>170,176</b>
<b>TOTAL</b>	<b>36,072,982</b>	<b>37,090,767</b>

**Note 12: Property, Plant and Equipment (Continued)**

**(b) 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.**

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Computer Equip</b>	<b>Motor Vehicles</b>	<b>Under Construction</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2014</b>	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
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)
<b>Balance at 30 June 2015</b>	633,860	35,213,080	539,989	232,785	110,744	190,133	170,176	37,090,767
Additions	-	-	312,375	21,588	68,913	93,447	45,513	541,836
Transfers In/(out)	-	-	-	215,689	-	-	(215,689)	-
Loddon Mallee Rural Health Alliance	-	-	428	-	-	-	-	428
Disposals	-	-	(1,350)	4,302	(672)	(48,580)	-	(46,300)
Depreciation (see Note 4)	(5,140)	(1,111,920)	(198,820)	(53,320)	(53,019)	(91,530)	-	(1,513,749)
<b>Balance at 30 June 2016</b>	628,720	34,101,160	652,622	421,044	125,966	143,470	-	36,072,982

**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.

## **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

### **Note 12: Property, plant & equipment (continued)**

#### **(c) Fair value measurement hierarchy for assets as at 30 June 2016**

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3 <sup>(1)</sup>
<b>Land at fair value</b>				
Non-specialised land	140,200	-	140,200	-
Specialised land	241,800	-	-	241,800
<b>Total of land at fair value</b>	<b>382,000</b>	-	<b>140,200</b>	<b>241,800</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	1,490,775	-	1,490,775	-
Specialised buildings	32,610,385	-	-	32,610,385
<b>Total of building at fair value</b>	<b>34,101,160</b>	-	<b>1,490,775</b>	<b>32,610,385</b>
<b>Land Improvements at fair value</b>				
Specialised land improvements	246,720	-	-	246,720
<b>Total of land improvements at fair value</b>	<b>246,720</b>	-	-	<b>246,720</b>
<b>Plant and Equipment at fair value</b>				
Plant and Equipment	652,622	-	-	652,622
<b>Total of plant and equipment at fair value</b>	<b>652,622</b>	-	-	<b>652,622</b>
<b>Computer and Communication at fair value</b>				
Computers and Communication	125,966	-	-	125,966
<b>Total Computer and communication at fair value</b>	<b>125,966</b>	-	-	<b>125,966</b>
<b>Furniture and Fittings at fair value</b>				
Furniture and Fittings	421,044	-	-	421,044
<b>Total Furniture and Fittings at fair value</b>	<b>421,044</b>	-	-	<b>421,044</b>
<b>Motor Vehicles at fair value</b>				
Motor Vehicles	143,470	-	-	143,470
<b>Total Motor Vehicles at fair value</b>	<b>143,470</b>	-	-	<b>143,470</b>
<b>Under Construction</b>				
Work in Progress	-	-	-	-
<b>Total Motor Vehicles at fair value</b>	<b>-</b>	-	-	-
	<b>36,072,982</b>	-	<b>1,630,975</b>	<b>34,442,007</b>

*Note*

<sup>(1)</sup> Classified in accordance with the fair value hierarchy, see Note 1

There have been no transfers between levels during the period.



## **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

### **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 <sup>(1)</sup>	Level 2 <sup>(1)</sup>	Level 3 <sup>(1)</sup>
<b>Land at fair value</b>				
Non-specialised land	140,200	-	140,200	-
Specialised land	241,800	-	-	241,800
<b>Total of land at fair value</b>	<b>382,000</b>	<b>-</b>	<b>140,200</b>	<b>241,800</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	1,490,775	-	1,490,775	-
Specialised buildings	33,722,305	-	-	33,722,305
<b>Total of building at fair value</b>	<b>35,213,080</b>	<b>-</b>	<b>1,490,775</b>	<b>33,722,305</b>
<b>Land Improvements at fair value</b>				
Specialised land improvements	251,860	-	-	251,860
<b>Total of land improvements at fair value</b>	<b>251,860</b>	<b>-</b>	<b>-</b>	<b>251,860</b>
<b>Plant and Equipment at fair value</b>				
Plant and Equipment	539,989	-	-	539,989
<b>Total of plant and equipment at fair value</b>	<b>539,989</b>	<b>-</b>	<b>-</b>	<b>539,989</b>
<b>Computer and Communication at fair value</b>				
Computers and Communication	110,744	-	-	110,744
<b>Total Computer and communication at fair value</b>	<b>110,744</b>	<b>-</b>	<b>-</b>	<b>110,744</b>
<b>Furniture and Fittings at fair value</b>				
Furniture and Fittings	232,785	-	-	232,785
<b>Total Furniture and Fittings at fair value</b>	<b>232,785</b>	<b>-</b>	<b>-</b>	<b>232,785</b>
<b>Motor Vehicles at fair value</b>				
Motor Vehicles	190,133	-	-	190,133
<b>Total Motor Vehicles at fair value</b>	<b>190,133</b>	<b>-</b>	<b>-</b>	<b>190,133</b>
<b>Under Construction</b>				
Work in Progress	170,176	-	-	170,176
<b>Total Motor Vehicles at fair value</b>	<b>170,176</b>	<b>-</b>	<b>-</b>	<b>170,176</b>
	<b>37,090,767</b>	<b>-</b>	<b>1,630,975</b>	<b>35,459,792</b>

*Note*

<sup>(1)</sup> 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 2016.

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

#### (d) Reconciliation of Level 3 fair value 2016

	Land	Buildings	Land Improvements	Plant and Equipment	Computers & Communication	Furniture & Fittings	Motor Vehicles	Assets under construction
<b>Opening Balance</b>	241,800	33,722,305	251,860	539,989	110,744	232,785	190,133	170,176
<b>Purchases (sales)</b>	-	-	-	311,453	68,241	25,890	44,867	45,513
<b>Transfers in (out) of Level 3</b>	-	-	-	-	-	215,689	-	(215,689)
Gains or losses recognised in net result								
- Depreciation	-	(1,111,920)	(5,140)	(198,820)	(53,019)	(53,320)	(91,530)	-
- Impairment loss	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>241,800</b>	<b>32,610,385</b>	<b>246,720</b>	<b>652,622</b>	<b>125,966</b>	<b>421,044</b>	<b>143,470</b>	<b>-</b>
Items recognised in other comprehensive income								
- Revaluation	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing Balance</b>	<b>241,800</b>	<b>32,610,385</b>	<b>246,720</b>	<b>652,622</b>	<b>125,966</b>	<b>421,044</b>	<b>143,470</b>	<b>-</b>
	<b>241,800</b>	<b>32,610,385</b>	<b>246,720</b>	<b>652,622</b>	<b>125,966</b>	<b>421,044</b>	<b>143,470</b>	<b>-</b>

Note

There have been no transfers between levels during the period.

**Note 12: Property, plant & equipment (continued)**

**(d) Reconciliation of Level 3 fair value 2015**

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

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)
<b>Specialised land</b>	Market approach	Community Service Obligation (CSO) adjustment
<b>Specialised buildings</b>	Depreciated replacement cost	Direct cost per square metre  Useful life of specialised buildings
<b>Landscaping &amp; Grounds</b>	Depreciated replacement cost	Direct replacement cost  Useful life of Landscaping & Grounds
<b>Plant &amp; Equipment</b>	Depreciated replacement cost	Cost per unit  Useful life of PPE
<b>Motor Vehicles</b>	Depreciated replacement cost	Cost per unit  Useful life of vehicles
<b>Computers and Communication</b>	Depreciated replacement cost	Cost per unit  Useful life of furniture & fittings
<b>Furniture &amp; Fittings at fair value</b>	Depreciated replacement cost	Cost per unit  Useful life of furniture & fittings

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 13: Payables**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
<b>Contractual</b>		
Trade Creditors	180,475	107,720
Accrued Expenses	130,367	273,898
Accrued Audit Fees	16,500	16,000
Other Payable - Social Club/OffLine S & W	11,843	72,655
Loddon Mallee Rural Health Alliance	46,797	32,303
	<b>385,983</b>	<b>502,576</b>
<b>Statutory</b>		
GST Payable	75,028	46,320
<b>TOTAL CURRENT</b>	<b>75,028</b>	<b>46,320</b>
<b>TOTAL PAYABLES</b>	<b>461,011</b>	<b>548,896</b>

**(a) Maturity analysis of payables**

Please refer to Note 19(b) for the ageing analysis of contractual payables.

**(b) Nature and extent of risk arising from payables**

Please refer to note 19(b) for the nature and extent of risks arising from contractual payables.

**Note 14: Provisions**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current Provisions</b>		
Employee Benefits (Note 14(a))		
Annual Leave (Note 14(a))		
- Unconditional and expected to be settled within 12 months (ii)	665,307	652,255
- Unconditional and expected to be settled after 12 months (ii)	109,173	109,271
Accrued Day Off (Note 14(a))		
- Unconditional and expected to be settled within 12 months (ii)	7,891	7,235
- Unconditional and expected to be settled after 12 months (ii)	1,295	1,212
Long Service Leave (Note 14(a))		
- Unconditional and expected to be settled within 12 months (ii)	83,009	62,442
- Unconditional and expected to be settled after 12 months (ii)	853,007	939,965
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (ii)	79,472	74,055
- Unconditional and expected to be settled after 12 months (ii)	101,882	12,406
Salaries and Wages (Note 14(a))	303,980	226,681
<b>Total Current Provisions</b>	<b>2,205,016</b>	<b>2,085,522</b>
<b>Non-Current Provisions</b>		
Employee Benefits (i) (Note 14(a))	226,770	286,067
Provisions related to employee benefits on-costs (Note 14(a) and 14(b))	24,001	-
<b>Total Non-Current Provisions</b>	<b>250,771</b>	<b>286,067</b>
<b>Total Provisions</b>	<b>2,455,787</b>	<b>2,371,589</b>

**(a) Employee Benefits and Related On-Costs****Current Employee Benefits and Related On-Costs**

Annual Leave Entitlements	774,480	761,526
Accrued Wages and Salaries	303,980	226,680
Accrued Days Off	9,186	8,447
Unconditional Long Service Leave Entitlements	936,016	1,002,408

**Non-Current Employee Benefits and Related On-Costs**

Conditional Long Service Leave Entitlements (iii)	226,770	286,067
Current On-Costs	79,472	74,055
Non-Current On-Costs	125,883	12,406
<b>Total Employee Benefits and Related On-Costs</b>	<b>2,455,787</b>	<b>2,371,589</b>

**(b) Movements in Provisions****Movement in Long Service Leave:**

<b>Balance at start of year</b>	1,288,474	1,380,016
Provision made during the year	117,828	197,581
Settlement made during the year	(151,074)	(289,123)
<b>Balance at end of year</b>	<b>1,255,228</b>	<b>1,288,474</b>

(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.

## Note 15: 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:

	2016 \$	2015 \$
<b>Defined Contribution plans:</b>		
First State Super Pty Ltd	604,167	593,572
HESTA Administration	186,707	150,005
<b>TOTAL</b>	<b>790,874</b>	<b>743,577</b>

## Note 16: Other Current Liabilities

	2016 \$	2015 \$
<b>CURRENT</b>		
Monies Held in Trust*		
- Patient Monies Held in Trust	21,606	25,864
- Accommodation Bonds (Refundable Entrance Fees)	6,084,561	4,304,268
Rochester Community House	6,918	7,382
<b>TOTAL CURRENT</b>	<b>6,113,085</b>	<b>4,337,514</b>

### \* Total Monies Held in Trust

#### Represented by the following assets:

Cash Assets (refer to Note 6)	21,606	25,864
Receivables (refer to Note 7)	-	1,644
Cash and Cash Equivalents (refer to Note 6)	6,084,561	3,651,124
Land and Buildings	-	651,500
Rochester Community House	6,918	7,382
<b>TOTAL</b>	<b>6,113,085</b>	<b>4,337,514</b>

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 17: Equity****(a) Surpluses****Property, Plant and Equipment Revaluation Surplus**

Balance at the beginning of the reporting period

- Land

- Buildings

**Balance at the end of the reporting period****Balance at the end of the reporting period\*****\* Represented by:**

- Land

- Buildings

**Restricted Specific Purpose Surplus**

Balance at the beginning of the reporting period

Transfer to and from Restricted Purpose Surplus

**Balance at the end of the reporting period****TOTAL SURPLUSES****(b) Contributed Capital**

Balance at the beginning of the reporting period

**Balance at the end of the reporting period****(c) Accumulated Surpluses/(Deficits)**

Balance at the beginning of the reporting period

Net Result for the year

Transfer to and from Restricted Purpose Surplus

**Balance at the end of the reporting period****TOTAL EQUITY AT END OF FINANCIAL YEAR**

	2016	2015
	\$	\$
	196,325	196,325
	17,856,701	17,856,701
	<b>18,053,026</b>	<b>18,053,026</b>
	196,325	196,325
	17,856,701	17,856,701
	<b>18,053,026</b>	<b>18,053,026</b>
	868,005	822,050
	20,830	45,955
	<b>888,835</b>	<b>868,005</b>
	<b>18,941,861</b>	<b>18,921,031</b>
	7,369,839	7,369,839
	<b>7,369,839</b>	<b>7,369,839</b>
	12,458,485	13,703,240
	(813,871)	(1,198,800)
	(20,830)	(45,955)
	<b>11,623,784</b>	<b>12,458,485</b>
	<b>37,935,484</b>	<b>38,749,355</b>

**Note 18: Reconciliation of the net result for the year to net cash inflow/(outflow) from operating activities****Net result for the period****Non-cash movements:**

Depreciation

Share of Net Result from LMRHA

**Movements included in investing and financing activities:**

Net (Gain)/Loss from Sale of Motor Vehicles

Net (Gain)/Loss from Sale of Plant &amp; Equipment

Net (Gain)/Loss from Sale of Computer Equipment

Net (Gain)/Loss from Sale of Furniture &amp; Fittings

**Movements in assets and liabilities:**

Change in operating assets and liabilities

(Increase)/Decrease in Receivables

(Increase)/Decrease in Prepayments

Change in Inventories

Increase/(Decrease) in Payables

Increase/(Decrease) in Provisions

**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2016	2015
	\$	\$
	(813,871)	(1,198,800)
	1,513,749	1,512,153
	(56,221)	46,490
	(26,147)	(1,805)
	(7,650)	-
	240	-
	(4,302)	-
	(93,255)	(319,403)
	16,070	3,894
	(7,624)	(1,256)
	(87,885)	163,505
	84,198	100,545
	<b>517,301</b>	<b>305,323</b>

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 19: 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 \$
<b>2016</b>						
<b>Contractual Financial Assets</b>						
Cash and cash equivalents	-	-	7,752,309	-	-	7,752,309
Receivables						-
- Trade Debtors	-	-	237,588	-	-	237,588
- Other Receivables	-	-	69,377	-	-	69,377
Other Financial Assets						
- Term Deposit	-	-	2,223,205	-	-	2,223,205
<b>Total Financial Assets <sup>(i)</sup></b>	-	-	<b>10,282,479</b>	-	-	<b>10,282,479</b>
<b>Financial Liabilities</b>						
Payables					385,983	385,983
Other Financial Liabilities						
- Patient Monies in Trust	-	-	-	-	21,606	21,606
- Accomodation bonds	-	-	-	-	6,084,561	6,084,561
- Rochester Community House	-	-	-	-	6,918	6,918
<b>Total Financial Liabilities <sup>(ii)</sup></b>	-	-	-	-	<b>6,499,068</b>	<b>6,499,068</b>

	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 \$
<b>2015</b>						
<b>Contractual Financial Assets</b>						
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
<b>Total Financial Assets <sup>(i)</sup></b>	-	-	<b>8,370,163</b>	-	-	<b>8,370,163</b>
<b>Financial Liabilities</b>						
Payables					502,576	502,576
Other Financial Liabilities						
- Patient Monies in Trust	-	-	-	-	25,864	25,864
- Accomodation bonds	-	-	-	-	4,304,268	4,304,268
- Rochester Community House	-	-	-	-	7,382	7,382
<b>Total Financial Liabilities <sup>(ii)</sup></b>	-	-	-	-	<b>4,840,090</b>	<b>4,840,090</b>

(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 payable)



**Note 19: Financial Instruments (continued)**

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

	Net holding gain/(loss) \$	Total interest income / (expense) \$	Fee income / (expense) \$	Impairment loss \$	Total \$
<b>2016</b>					
<b>Financial Assets</b>					
Loans and Receivables	-	245,896	-	-	245,896
<b>Total Financial Assets</b>	-	<b>245,896</b>	-	-	<b>245,896</b>
<b>2015</b>					
<b>Financial Assets</b>					
Loans and Receivables	-	253,867	-	-	253,867
<b>Total Financial Assets</b>	-	<b>253,867</b>	-	-	<b>253,867</b>

**(b) Credit Risk**

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

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

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

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

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

	Financial Institutions (AA credit Rating) \$	Government agencies (AAA credit Rating) \$	Financial Institutions (A credit Rating) \$	Other (min BBB credit Rating) \$	Total \$
<b>2016</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	2,317,191	-	5,435,118	-	7,752,309
Receivables					-
- Trade Debtors	-	-	-	237,588	237,588
- Other Receivables	-	-	-	69,377	69,377
Other Financial Assets					
- Term Deposit		2,223,205	-	-	2,223,205
<b>Total Financial Assets</b>	<b>2,317,191</b>	<b>2,223,205</b>	<b>5,435,118</b>	<b>306,965</b>	<b>10,282,479</b>
<b>2015</b>					
<b>Financial Assets</b>					
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
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>4,365,344</b>	<b>268,745</b>	<b>8,370,163</b>

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 19: Financial Instruments (continued)**

### **(b) Credit Risk (continued)**

#### **Ageing analysis of Financial Assets as at 30 June**

	<b>Total Carrying Amount \$</b>	<b>Not Past Due and Not Impaired \$</b>	<b>Less than 1 Month \$</b>	<b>Past Due But Not Impaired 1 to 3 Months \$</b>	<b>3 months to 1 Year \$</b>	<b>1 to 5 Years \$</b>
<b>2016</b>						
<b>Financial Assets</b>						
Cash & Cash Equivalents	7,752,309	7,752,309	-	-	-	-
Receivables						
- Trade Debtors	237,588	154,370	74,081	9,137	-	-
- Other Receivables	69,377	69,377	-	-	-	-
Other Financial Assets						
-Term Deposit	2,223,205	2,223,205	-	-	-	-
<b>Total Financial Assets</b>	<b>10,282,479</b>	<b>10,199,261</b>	<b>74,081</b>	<b>9,137</b>	<b>-</b>	<b>-</b>
<b>2015</b>						
<b>Financial Assets</b>						
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	-	-	-	-
<b>Total Financial Assets</b>	<b>8,370,163</b>	<b>8,359,649</b>	<b>327</b>	<b>8,311</b>	<b>1,876</b>	<b>-</b>

(i) Aging analysis of financial assets must exclude the types of statutory financial assets (ie GST input tax)

### **(c) Liquidity Risk**

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

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

The 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**

	<b>Carrying Amount \$</b>	<b>Nominal Amount \$</b>	<b>Less than 1 Month \$</b>	<b>Maturity Dates 1 to 3 Months \$</b>	<b>3 months to 1 Year \$</b>	<b>1 to 5 Years \$</b>
<b>2016</b>						
<b>Financial Liabilities</b>						
Payables	385,983	385,983	385,983	-	-	-
Other Financial Liabilities(i)						
- Monies Held in Trust	6,113,085	6,113,085	65,031	42,592	6,005,462	-
- Patient Monies in Trust	21,606	21,606	21,606	-	-	-
- Rochester Community House	6,918	6,918	6,918	-	-	-
<b>Total Financial Liabilities</b>	<b>6,527,592</b>	<b>6,527,592</b>	<b>479,538</b>	<b>42,592</b>	<b>6,005,462</b>	<b>-</b>
<b>2015</b>						
<b>Financial Liabilities</b>						
Trade Creditors & Accruals	502,576	502,576	502,576	-	-	-
Other Financial Liabilities(i)						
- Monies Held in Trust	4,337,514	4,337,514	59,110	31,731	4,246,673	-
- Patient Monies in Trust	25,864	25,864	25,864	-	-	-
- Rochester Community House	7,382	7,382	7,382	-	-	-
<b>Total Financial Liabilities</b>	<b>4,873,336</b>	<b>4,873,336</b>	<b>594,932</b>	<b>31,731</b>	<b>4,246,673</b>	<b>-</b>

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

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 19: Financial Instruments (continued)**

### **(d) Market Risk**

Rochester and Elmore District Health Service's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage these risks are disclosed below.

#### **Currency Risk**

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

#### **Interest Rate Risk**

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

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

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

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

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

	Weighted Average Effective Interest Rates (%)	Carrying Amount \$	Interest Rate Exposure		
			Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2016</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	2.47	7,752,309	6,738,731	1,013,578	-
Receivables(i)					
- Trade Debtors		237,588	-	-	237,588
- Other Receivables		69,377	-	-	69,377
Other Financial Assets					
- Term Deposits	2.11	2,223,205	2,223,205	-	-
<b>Total Financial Assets</b>		<b>10,282,479</b>	<b>8,961,936</b>	<b>1,013,578</b>	<b>306,965</b>
<b>Financial Liabilities</b>					
Payables(i)		322,685	-	-	322,685
Borrowings		-	-	-	-
Other Financial Liabilities					
- Monies Held in Trust		6,084,561	-	-	6,084,561
- Patient Monies in Trust		21,606	-	-	21,606
- Rochester Community House		6,918	-	-	6,918
<b>Total Financial Liabilities</b>		<b>6,435,770</b>	<b>-</b>	<b>-</b>	<b>6,435,770</b>
<b>2015</b>					
<b>Financial Assets</b>					
Cash & Cash Equivalents	2.00	925,386	-	925,386	-
Receivables(i)					
- Trade Debtors		224,737	-	-	224,737
- Other Receivables		44,008	-	-	44,008
Other Financial Assets					
- Term Deposits	2.68	7,176,032	7,176,032	-	-
<b>Total Financial Assets</b>		<b>8,370,163</b>	<b>7,176,032</b>	<b>925,386</b>	<b>268,745</b>
<b>Financial Liabilities</b>					
Payables(i)		454,273	-	-	454,273
Borrowings		-	-	-	-
Other Financial Liabilities					
- Monies Held in Trust		4,304,268	-	-	4,304,268
- Patient Monies in Trust		25,864	-	-	25,864
- Rochester Community House		7,382	-	-	7,382
<b>Total Financial Liabilities</b>		<b>4,791,787</b>	<b>-</b>	<b>-</b>	<b>4,791,787</b>

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

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 19: Financial Instruments (continued)** **Sensitivity Disclosure Analysis**

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

A parallel shift of 1% in market interest rates (AUD) from year end rates of 2.39%.

A parallel shift of 1% in inflation rate from year end rates of 2.39%.

A movement of 15% up and down (2016: 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 \$
<b>2016</b>									
<b>Financial Assets</b>									
Cash & Cash Equivalents	7,752,309	(77,523)	(77,523)	77,523	77,523	-	-	-	-
Receivables									
- Trade Debtors	237,588	-	-	-	-	-	-	-	-
- Other Receivables	69,377	-	-	-	-	-	-	-	-
Other Financial Assets									
- Term Deposits	2,223,205	(22,232)	(22,232)	22,232	22,232	-	-	-	-
<b>Financial Liabilities</b>									
Payables	322,685	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Monies Health in Trust	6,084,561	-	-	-	-	-	-	-	-
- Patient Monies in Trust	21,606	-	-	-	-	-	-	-	-
- Rochester Community Health	6,918	-	-	-	-	-	-	-	-
		(99,755)	(99,755)	99,755	99,755	-	-	-	-

	Carrying Amount \$	Interest Rate Risk				Other Price Risk			
		-1%		+1%		-1%		+1%	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
<b>2015</b>									
<b>Financial Assets</b>									
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	-	-	-	-
<b>Financial Liabilities</b>									
Payables	454,273	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-
Other Financial Liabilities									
- Monies Health in Trust	4,304,268	-	-	-	-	-	-	-	-
- Patient Monies in Trust	25,864	-	-	-	-	-	-	-	-
- Rochester Community Health	7,312	-	-	-	-	-	-	-	-
		(81,013)	(81,013)	81,013	81,013	-	-	-	-

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 19: Financial Instruments (continued)****(e) Fair Value**

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

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using 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 2016 \$	Fair value 2016 \$	Carrying Amount 2015 \$	Fair value 2015 \$
<b>Financial Assets</b>				
Cash and Cash Equivalents	7,752,309	7,752,309	925,386	925,386
Receivables				
- Trade Debtors	237,588	237,588	224,737	224,737
- Other Receivables	69,377	69,377	44,008	44,008
Other Financial Assets				
- Term Deposit	2,223,205	2,223,205	7,176,032	7,176,032
<b>Total Financial Assets</b>	<b>10,282,479</b>	<b>10,282,479</b>	<b>8,370,163</b>	<b>8,370,163</b>
<b>Financial Liabilities</b>				
Payables	322,685	322,685	454,273	454,273
Other Financial Liabilities				
- Monies Held in Trust	6,084,561	6,084,561	4,304,268	4,304,268
- Patient Monies in Trust	21,606	21,606	25,864	25,864
- Rochester Community House	6,918	6,918	7,382	7,382
<b>Total Financial Liabilities</b>	<b>6,435,770</b>	<b>6,435,770</b>	<b>4,791,787</b>	<b>4,791,787</b>

**Note 20: Commitments**

Rochester and Elmore District Health Service does not have any commitments.

**Note 21: 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, 2016

**TOTAL CONTINGENT ASSETS****Contingent Liabilities**

Air Conditioner Contract - BURNS P/L

**TOTAL CONTINGENT LIABILITIES**

2016 \$'000	2015 \$'000
-	-
-	-
-	-
-	65,333
-	<b>65,333</b>

# **Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

## **Note 22: Operating Segments**

	<b>Health Services</b>		<b>RACS</b>		<b>Other Services</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>REVENUE</b>								
External Segment Revenue	5,850,177	6,474,251	6,668,114	5,998,026	579,421	313,405	13,097,712	12,785,682
<b>Total Revenue</b>	<b>5,850,177</b>	<b>6,474,251</b>	<b>6,668,114</b>	<b>5,998,026</b>	<b>579,421</b>	<b>313,405</b>	<b>13,097,712</b>	<b>12,785,682</b>
<b>EXPENSES</b>								
External Segment Expenses	(9,047,949)	(9,577,955)	(4,298,827)	(4,382,145)	(810,704)	(276,541)	(14,157,480)	(14,236,641)
<b>Total Expenses</b>	<b>(9,047,949)</b>	<b>(9,577,955)</b>	<b>(4,298,827)</b>	<b>(4,382,145)</b>	<b>(810,704)</b>	<b>(276,541)</b>	<b>(14,157,480)</b>	<b>(14,236,641)</b>
<b>Net Result from ordinary activities</b>	<b>(3,197,772)</b>	<b>(3,103,703)</b>	<b>2,369,287</b>	<b>1,615,881</b>	<b>(231,283)</b>	<b>36,864</b>	<b>(1,059,768)</b>	<b>(1,450,959)</b>
Interest Expense	-	(4,285)	-	-	-	-	-	(4,285)
Interest Income	110,525	112,555	114,540	116,877	20,831	27,012	245,896	256,444
<b>Net Result for Year</b>	<b>(3,087,247)</b>	<b>(2,995,433)</b>	<b>2,483,827</b>	<b>1,732,758</b>	<b>(210,452)</b>	<b>377,281</b>	<b>(813,872)</b>	<b>(1,198,800)</b>
<b>OTHER INFORMATION</b>								
Segment Assets	14,089,610	11,140,805	23,482,683	24,048,591	-	-	37,572,293	35,189,396
Unallocated Assets	-	-	-	-	9,393,074	10,817,958	9,393,074	10,817,958
<b>Total Assets</b>	<b>14,089,610</b>	<b>11,140,805</b>	<b>23,482,683</b>	<b>24,048,591</b>	<b>9,393,074</b>	<b>10,817,958</b>	<b>46,965,367</b>	<b>46,007,354</b>
Segment Liabilities	2,420,820	2,346,252	6,143,741	4,253,089	-	-	8,564,561	6,599,340
Unallocated Liabilities	-	-	-	-	465,322	658,659	465,322	658,659
<b>Total Liabilities</b>	<b>2,420,820</b>	<b>2,346,252</b>	<b>6,143,741</b>	<b>4,253,089</b>	<b>465,322</b>	<b>658,659</b>	<b>9,029,883</b>	<b>7,257,999</b>
Acquisition of property, plant and equipment and intangible assets	512,376	26,978	37,157	-	162,479	153,177	712,012	180,155
Depreciation expense	(908,249)	(990,663)	(302,750)	(315,211)	(302,750)	(206,279)	(1,513,749)	(1,512,153)
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.

**Rochester and Elmore District Health Service**

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

**Note 23a: 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:**

	<b>Period</b>
The Honourable Jill Hennessy, MLC, Minister for Health, Minister for	01/07/2015-30/06/2016
The Honourable Martin Foley, Minister for Housing, Disability and Ageing,	
Minister for Health	01/07/2015-30/06/2016

**Governing Boards**

Mr A Darbyshire	01/07/2015 - 30/06/2016
Mr T Fulton	01/07/2015 - 30/06/2016
Mr G Hodgins	01/07/2015 - 30/06/2016
Ms K Lee	01/07/2015 - 30/06/2016
Mr B Maw	01/07/2015 - 30/06/2016
Dr C McKinstry	01/07/2015 - 30/06/2016
Mr K Oberin	01/07/2015 - 30/06/2016
Ms M O'Sullivan	01/07/2015 - 30/06/2016
No remuneration was paid to any Governing Board Members for the Financial Year	

**Accountable Officers**

Mrs Anne McEvoy	01/07/2015-30/06/2016
-----------------	-----------------------

**Remuneration of Responsible Persons**

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

<b>Income Band</b>	<b>2016 No.</b>	<b>2015 No.</b>
\$0	8	8
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	1	-
<b>Total Numbers</b>	<b>9</b>	<b>9</b>
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>\$139,207</b>	<b>\$126,580</b>

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 23b: Executive Officer Disclosures**

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

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

	<b>CONSOLIDATED</b>			
	<b>Total Remuneration</b>		<b>Base Remuneration</b>	
	<b>2016 No.</b>	<b>2015 No.</b>	<b>2016 No.</b>	<b>2015 No.</b>
\$100,000 - \$109,999	106,919	-	106,919	-
\$110,000 - \$119,999	-	-	-	-
\$120,000 - \$129,999	-	126,580	-	126,580
\$130,000 - \$139,999	139,207	-	139,207	-
<b>TOTAL REMUNERATION</b>	<b>\$246,126</b>	<b>\$126,580</b>	<b>\$246,126</b>	<b>\$126,580</b>

**Note 24: Remuneration of auditors****Victorian Auditor-General's Office**

	<b>2016 \$</b>	<b>2015 \$</b>
Audit or review of financial statements	16,500	16,000
<b>TOTAL</b>	<b>16,500</b>	<b>16,000</b>

**Note 25: Events occurring after the Balance Sheet Date.**

No events occurred after Balance Sheet Date.

*This page has been intentionally left blank.*



*This page has been intentionally left blank.*





**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](mailto:rochhosp@redhs.com.au)

**[www.redhs.com.au](http://www.redhs.com.au)**