

Financial Report



Financial & Operational Performance Summary

Financials in Brief	2009-10 \$000's	2008-09 \$000's	2007-08 \$000's	2006-07 \$000's	2005-06 \$000's
Total Revenue	14,250	16,096	16,803	7,937	8,493
Total Expenses	10,531	9,732	9,607	8,531	8,268
Operating Surplus (Deficit)	379	509	(93)	(27)	225
Retained Surplus/(Accumulated Deficit)	16,779	13,060	6,695	(500)	94
Total Assets	33,651	30,591	22,182	14,606	11,563
Total Liabilities	5,228	5,857	5,276	5,105	4,372
Net Assets	28,423	24,704	16,906	9,501	7,191
Net Cash Result	(595)	(239)	1,210	846	14
Total Equity	28,423	24,704	16,906	9,501	7,191
Other (List)					

Revenue Indicators

Revenue Indicators	Average Collection Days	
	2010	2009
Private	44	31
TAC	-	-
VWA	-	-
Other Compensable	-	-
Psychiatric	-	-
Residential Aged Care	52	47

Debtors Outstanding as at 30 June, 2010						
	Under 30 days	31-60 days	61-90 days	Over 90 days	Total 30/6/10	Total 30/6/09
Private	5,130	1,710	1,022	4,541	12,403	14,408
TAC	-	-	-	-	-	-
VWA	-	-	-	-	-	-
Other Compensable	-	-	-	-	-	-
Psychiatric	-	-	-	-	-	-
Residential Aged Care	116,847	5,519	5,712	18,125	146,203	63,936

Significant changes: There have been no significant changes in the financial position during the reporting period.

ROCHESTER & ELMORE DISTRICT HEALTH SERVICE

BOARD MEMBER'S, ACCOUNTABLE OFFICERS AND CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

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

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position at that date of Rochester & Elmore District Health at 30 June 2010.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

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



Ms M. Magennis
Chairperson

Rochester

26/8/2010



Mrs G. Beaumont
Accountable Officer
Chief Finance & Accounting Officer

Rochester

26/8/2010



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Rochester and Elmore District Health Service

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of Rochester and Elmore District Health Service which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the board member's, accountable officer's and chief finance & accounting officer's declaration, has been audited.

The Board Members Responsibility for the Financial Report

The board members of Rochester and Elmore District Health Service are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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.

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Rochester and Elmore District Health Service for the year ended 30 June 2010. The board members of the health service are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the health service's web site.

Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Rochester and Elmore District Health Service as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
26 August 2010


D D R Pearson
Auditor-General

Comprehensive Operating Statement for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from Operating Activities	2	9,180,992	8,922,785
Revenue from Non-operating Activities	2	425,369	426,401
Employee Benefits	3	(7,032,321)	(6,862,981)
Non Salary Labour Costs	3	(325,018)	(302,752)
Supplies and Consumables	3	(598,355)	(511,443)
Other Expenses from Continuing Operations	3	(1,271,690)	(1,163,394)
Net Result Before Capital & Specific Items		378,977	508,616
Capital Purpose Income	2	4,644,048	6,746,832
Impairment of Non-Financial Assets	3	0	(21,036)
Depreciation and Amortisation	4	(1,057,877)	(661,131)
Finance Costs	5	(13,777)	(23,455)
Expenditure Using Capital Purpose Income	3	(231,763)	(185,598)
NET RESULT FOR THE YEAR		3,719,608	6,364,228
Other Comprehensive Income			
Net fair value revaluation on Non Financial Assets		0	1,433,424
COMPREHENSIVE RESULT FOR THE YEAR		3,719,608	7,797,652

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

Balance Sheet as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	2,128,081	2,825,352
Receivables	7	529,420	593,818
Other Financial Assets	8	2,664,097	2,552,042
Inventories	9	28,423	41,821
Non-Financial Assets Classified as Held for Sale	10	18,000	24,450
Prepayments	11	19,444	277,191
Total Current Assets		5,387,465	6,314,674
Non-Current Assets			
Receivables	7	204,947	150,765
Property, Plant & Equipment	12	28,059,083	24,095,120
Total Non-Current Assets		28,264,030	24,245,885
TOTAL ASSETS		33,651,495	30,560,559
LIABILITIES			
Current Liabilities			
Payables	13	528,672	622,879
Interest Bearing Liabilities	14	134,746	143,317
Employee Benefits and Related On-Cost Provisions	15	1,497,791	1,551,968
Other Liabilities	16	2,718,388	3,157,007
Total Current Liabilities		4,879,597	5,475,171
Non-Current Liabilities			
Interest Bearing Liabilities	14	69,291	105,145
Employee Benefits and Related On-Cost Provisions	15	279,454	276,698
Total Non-Current Liabilities		348,745	381,843
TOTAL LIABILITIES		5,228,342	5,857,014
NET ASSETS		28,423,153	24,703,545
EQUITY			
Property, Plant & Equipment Revaluation Reserve	17a	4,092,074	4,092,074
Restricted Specific Purpose Reserve	17a	181,933	181,933
Contributed Capital	17b	7,369,839	7,369,839
Accumulated Surplus	17c	16,779,307	13,059,699
TOTAL EQUITY		28,423,153	24,703,545
Commitments for Expenditure	20		
Contingent Liabilities and Contingent Assets	21		

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

Statement of Changes in Equity for the year ended 30 June 2010

2010

2010		Changes due to			
	Note	Equity at 1 July 2009 \$	Comprehensive Result \$	Transactions with owner in its capacity as owner \$	Equity at 30 June 2010 \$
Accumulated Surplus/(Deficit)		13,059,699	3,719,608		16,779,307
		13,059,699	3,719,608	0	16,779,307
Contribution by Owners	17b	7,369,839	0	0	7,369,839
		7,369,839	0	0	7,369,839
Reserves					
Property Plant and Equipment Revaluation Surplus	17a	4,092,074	0	0	4,092,074
Restricted Specific Purpose Reserve	17a	181,933	0	0	181,933
		4,274,007	0	0	4,274,007
Total Equity at the end of the financial year		24,703,545	3,719,608	0	28,423,153

Statement of Changes in Equity for the year ended 30 June 2010

2009

2009		Changes due to			
	Note	Equity at 1 July 2008 \$	Comprehensive Result \$	Transactions with owner in its capacity as owner \$	Equity at 30 June 2009 \$
Accumulated Surplus/(Deficit)		6,695,471	6,364,228		13,059,699
		6,695,471	6,364,228	0	13,059,699
Contribution by Owners	17b	7,369,839	0	0	7,369,839
		7,369,839	0	0	7,369,839
Reserves					
Property Plant and Equipment Revaluation Surplus	17a	2,658,650	1,433,424	0	4,092,074
Restricted Specific Purpose Reserve	17a	181,933	0	0	181,933
		2,840,583	1,433,424	0	4,274,007
Total Equity at the end of the financial year		16,905,893	7,797,652	0	24,703,545

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

Cash Flow Statement for the year ended 30 June 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		Inflows/(Outflows)	Inflows/(Outflows)
Operating Grants from Government		7,285,620	7,205,304
Patient and Resident Fees Received		1,082,040	1,279,351
Donations and Bequests Received		16,588	23,624
GST (Paid to)/received from ATO		51,513	(141,753)
Interest Received		197,330	265,511
Other Receipts		710,476	358,482
Employee Benefits Paid		(7,127,859)	(6,887,535)
Fee for Service Medical Officers		(325,018)	(302,752)
Payments for Supplies and Consumables		(584,957)	(511,145)
Finance Costs		(13,777)	(23,455)
Other Payments		(831,684)	(951,634)
Cash Generated from Operations		460,272	313,998
Capital Grants from Government		4,503,539	6,533,426
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	18	4,963,811	6,847,424
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(5,093,779)	(7,121,455)
Proceeds from sale of Non-Financial Assets		85,000	61,795
Proceeds from Sale of Assets Held for Resale		6,450	0
Purchase of Investments		(512,055)	(152,043)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(5,514,384)	(7,211,703)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		(44,425)	125,509
Contributed Capital from Government		0	0
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		(44,425)	125,509
NET INCREASE /(DECREASE) IN CASH HELD		(594,998)	(238,770)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,532,944	2,771,714
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	1,937,946	2,532,944

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

Note 1 : Statement Of Significant Accounting Policies

(a) Statement of Compliance

These financial statements are a general purpose financial report which have been prepared in accordance with the *Financial Management Act 1994*, and applicable Australian Accounting Standards (AASs) and Australian Accounting Interpretations and other mandatory requirements. AASs includes Australian equivalents to International Financial Reporting Standards.

The financial statements also complies 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 AAS's.

(b) Basis of accounting preparation and measurement

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010, and the comparative information presented in these financial statements for the year ended 30 June 2009.

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 going concern basis was used to prepare the financial statements.

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 the revaluation of certain non-financial assets and financial instruments, as noted. Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values.
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value 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.

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

(c) Reporting Entity Report

The financial statements includes all the controlled activities of Rochester & Elmore District Health Service.

Its principle address is:
1 Pascoe Street
Rochester Vic 3561

(d) Rounding Of Amounts

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

(e) Functional and Presentation Currency

The presentation currency of Rochester & Elmore District Health Service is the Australian dollar, which has also been identified as the functional currency of the Health Service.

(f) Change in Accounting Policies

There have been no changes in Accounting Policies which have impacted on the presentation of the financial statements.

(g) Comparative Information

There have been no changes to comparative information which require additional disclosure.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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

(i) Receivables

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 an impairment loss has occurred. Bad debts are written off when identified.

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

(j) Inventories

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

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

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 inventory is measured on the basis of weighted average cost.

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

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.

(k) Investments and Other Financial Assets

Other financial assets 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.

Rochester & 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 & 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 and loss are subject to annual review for impairment.

Note 1 : Statement Of Significant Accounting Policies (cont)

(k) Investments and Other Financial Assets (cont)

Financial assets at fair value through profit or loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit and loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 19.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. Term deposits with maturity greater than three months are also measured at amortised cost, using the effective interest method, less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Held-to-maturity investments

Where the Health Service has the positive intent and ability to hold investments to maturity, they are measured at amortised cost less impairment losses.

Available-for-sale financial assets

Other financial assets held by the Health Service are classified as being available-for-sale and are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity 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 profit or loss for the period. Fair value is determined in the manner described in Note 19.

(l) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as patents, trademarks, and computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Amortisation is allocated to intangible assets with finite useful lives on a systematic (typically straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the entity tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually, and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over a 10-15 year period (2009: 10-15 years).

(m) Property, Plant and Equipment

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

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

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

(n) Revaluations of Non-current Physical Assets

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

Revaluation increments are credited directly to the property, plant & equipment 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 immediately as expenses in the net result, except that, to the extent that a credit balance exists in the property, plant & equipment revaluation surplus in respect of the same class of assets, they are debited directly to the property, plant & equipment revaluation surplus.

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 are normally not transferred to accumulated funds on derecognition of the relevant asset.

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

(o) Investment Property

Investment properties represent properties held to earn rentals or for capital appreciation or both.

Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Health Service.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers. Changes in the fair value are recognised as income or expenses in the period that they arise. Investment properties are not depreciated.

Rental revenue from leasing of investment properties is recognised in the Comprehensive Operating Statement in the periods in which it is receivable on a straight line basis over the lease term.

(p) Non-Current Assets Classified as Held for Sale

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

Note 1 : Statement Of Significant Accounting Policies (cont)

(p) Non-Current Assets Classified as Held for Sale (cont)

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

(q) Depreciation

Assets with a cost in excess of \$1,000 (2008-09 and 2009-10) are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually. This depreciation charge is not funded by the Department of Health.

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land 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.

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

Buildings	2010	2009
Buildings		
Structure Shell Building Fabric	25 to 40 years	25 to 40 years
Site Engineering Services and Central Plant	20 to 40 years	20 to 40 years
Central Plant		
Fit Out	20 to 40 years	20 to 40 years
Trunk Reticulated Building Systems	10 to 25 years	10 to 25 years
Plant & Equipment	8 to 10 years	8 to 10 years
Medical Equipment	4 to 5 years	4 to 5 years
Computers and Communication	3 years	3 years
Furniture & Fittings	3 to 5 years	3 to 5 years
Motor Vehicles	2 to 3 years	2 to 3 years

As part of the Buildings valuation, building values were componentised and each component assessed for its useful life which is represented above.

(r) Net Gain/(Loss) on Non-Financial Assets

Net gain/(Loss) on Non-financial assets includes realised and unrealised gains and losses from revaluations, impairments and disposals of all physical assets and intangible assets.

Disposal of Non-Financial Assets

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

Impairment of Non-Financial Assets

Apart from intangible assets with indefinite useful lives, all other assets are assessed annually for indications of impairment, except for:

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

(r) Net Gain/(Loss) on Non-Financial Assets (cont)

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 reserve amount applicable to that same class of asset.

It is deemed that, in the event of the loss off 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.

(s) 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.

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.

Impairment of Financial Assets

Financial Assets have been assessed for impairment in accordance with Australian Accounting Standards. Where a financial asset's fair value at balance date has reduced by 20 per cent 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 instrument is treated as impaired.

In order to determine an appropriate fair value at 30 June 2010 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 price through a reputable financial institution. This value was compared against valuation methodologies provided by the issuer as at 30 June 2010. These methodologies were critiqued and considered to be consistent with the standard market valuation techniques.

Prices obtained from both sources were compared and were generally consistent with the full portfolio. The above valuation process was used to quantify the level of impairment on the portfolio of financial assets as at year end.

(t) Payables

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, and then subsequently carried at amortised cost and represent 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 these goods and services.

The normal credit terms are usually Nett 30 days.

(u) 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 provision 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.

(v) Interest Bearing Liabilities

Interest bearing liabilities in the Balance Sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, interest bearing liabilities 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. Fair value is determined in the manner described in Note 19.

Note 1 : Statement Of Significant Accounting Policies (cont)

(w) Goods and Services Tax

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 it 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 operating cash flow.

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

(x) Employee Benefits

Wages and Salaries, Annual Leave, Sick Leave and Accrued Days Off

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

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

Long Service Leave

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

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

The components of this current LSL liability are measured at:

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

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

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

Superannuation**Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit 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.

Superannuation contributions are made to the plans based on the relevant rules of each plan.

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

(x) Employee Benefits (cont)

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

Fund		Contributions Paid or Payable for the year	
		2010 \$	2009 \$
Defined Benefit Plans:	Health Super	19,173	26,779
Defined Contribution Plans:	Health Super	532,755	466,527
	HESTA	35,988	49,282

Rochester & Elmore District Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation plans 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 administers and discloses the State's defined benefit liabilities in its financial statements.

Termination Benefits

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

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out.

The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-Costs

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

(y) 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;
- 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*.

(z) Residential Aged Care Service

The Residential Aged Care Service operations are an integral part of Rochester & 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 Note 2b to the financial statements.

(aa) Joint Ventures

Interests in jointly controlled assets are accounted for by recognising in Rochester & Elmore District Health Service's financial statements, its share of assets, liabilities and any revenue and expenses of such joint ventures. Details of joint ventures are set out in Note 23.

(ab) Intersegment Transactions

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

(ac) Leases

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.

Notes to the Financial Statements 30 June 2010

Note 1 : Statement Of Significant Accounting Policies (cont)

(ac) Leases (cont)

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

**Finance Leases
Entity as lessor**

The Health Service does not hold any finance lease arrangements with other parties.

Operating Leases

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

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.

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.

Leasehold Improvements

The cost of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

(ad) Income Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent it is earned. 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)

Grants are recognised as income when the Health Service gains control of the underlying assets in accordance with AASB 1004 Contributions. For reciprocal grants, Rochester & Elmore District Health Service is deemed to have assumed control when the performance has occurred under the grant. For non-reciprocal grants, Rochester & Elmore District Health Service is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Indirect Contributions from the Department of Health

- Insurance is recognised as revenue following advice from the Department of Health.
- Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL Liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 14/2009.

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.

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 reserve, such as specific restricted purpose reserve.

Interest Revenue

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

Sale of investments

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

(ae) Fund Accounting

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

(af) 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 include 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* (Non HSA) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

(ag) Resources Provided and Received Free of Charge or for Nominal Consideration

Resources provided or 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 entity 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 services would have been purchased if not donated.

(ah) Amalgamations and Mergers

Assets and liabilities of the acquired (amalgamated) Health Services are taken up at book value at date of acquisition (amalgamation). Crown assets acquired remain the property of the Crown, however they are reported as assets of the Health Services, because effective control passes to the entity along with a substantial benefit.

(ai) Property, Plant & Equipment Revaluation Surplus

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

(aj) Financial Asset Available-for-Sale Revaluation Surplus

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

(ak) General Reserves

No General Reserves are in existence at the date of this report.

(al) Specific Restricted Purpose Reserve

A specific restricted purpose reserve 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.

(am) Contributed Capital

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

(an) Commitments

Commitments are not recognised on the Balance Sheet. Commitments are disclosed at their nominal value and are inclusive of the GST payable.

(ao) Contingent assets and contingent liabilities

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

Note 1 : Statement Of Significant Accounting Policies (cont)

(ap) Net Result Before Capital & Specific Items

The subtotal entitled 'Net Result Before Capital & Specific Items' is included in the Comprehensive Operating Statement to enhance the understanding of the financial performance of Rochester & Elmore District Health Service. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, and items of an unusual nature and amount such as specific revenues and expenses. The exclusion of these items are 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 & Elmore District Health Service, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services in operating hospital services.

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer Note 1 (ag)). 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:
 - Voluntary departure packages
 - Write-down of inventories
 - Non-current asset revaluation increments/decrements
 - Diminution/impairment of investments
 - Restructuring of operations (disaggregation/aggregation of health services)
 - Litigation settlements
 - Non-current assets lost or found
 - Forgiveness of loans
 - Reversals of provisions
 - Voluntary changes in accounting policies (which are not required by an accounting standard or other authoritative pronouncement of the Australian Accounting Standards Board)
- Impairment of financial and non-financial assets, includes all impairment losses (and reversal of previous impairment losses), which have been recognised in accordance with Note 1 (o) and (p)
- Depreciation and amortisation, as described in Note 1 (q)
- Assets provided or received free of charge, as described in Note 1 (ag)
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold (Note 1 (q)), 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.

(aq) Category Groups

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

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

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

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

(aq) Category Groups (cont)

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

Residential Aged Care including Mental Health (RAC incl. Mental Health)

referred to in the past as psycho geriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

Other Services excluded from Australian Health Care Agreement (AHCA) (Other)

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

(ar) New Accounting Standards and Interpretations

Certain new Australian accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for the reporting period ending 30 June 2010. Rochester & Elmore District Health Service has not and does not intend to adopt these standards early.

Note 1 : Statement Of Significant Accounting Policies (cont)**(ar) New Accounting Standards and Interpretations (cont)**

Standard / Interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on Health Service's Annual Statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 January 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards - additional exemptions for first-time adopters [AASB 1]	Applies to Health Services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 January 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with certain disclosure requirements.	Beginning 1 January 2011	Preliminary assessment suggests that impact is insignificant. However, the Health Services is still assessing the detailed impact and whether to early adopt.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and Health Services known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 January 2011	AASB 8 does not apply to Health Services therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendments to Interpretation 14 arising from the issuance of <i>Prepayments of a minimum funding requirement</i> .	Beginning 1 January 2011	Expected to have no significant impact.
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial instruments: recognition and measurement</i> (AASB 139 <i>financial Instruments: recognition and measurement</i>).	Beginning 1 January 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 January 2013	Detail of impact is still being assessed.

Note 2: Revenue

	HSA 2010 \$	HSA 2009 \$	Non HSA 2010 \$	Non HSA 2009 \$	TOTAL 2010 \$	TOTAL 2009 \$
Revenue from Operating Activities						
Government Grants						
- Department of Health	5,221,136	5,005,210	0	0	5,221,136	5,005,210
- Commonwealth Government						0
- Residential Aged Care Subsidy	2,179,844	1,997,726	0	0	2,179,844	1,997,726
Total Government Grants	7,400,980	7,002,936	0	0	7,400,980	7,002,936
Indirect Contributions by Department of Health						
- Insurance	247,798	223,881	0	0	247,798	223,881
- Long Service Leave	54,868	125,257	0	0	54,868	125,257
Total Indirect Contributions by Department of Health	302,666	349,138	0	0	302,666	349,138
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2b)	189,890	327,098	0	0	189,890	327,098
- Residential Aged Care (refer note 2b)	823,554	809,845	0	0	823,554	809,845
Total Patient & Resident Fees	1,013,444	1,136,943	0	0	1,013,444	1,136,943
Business Units & Specified Purposes Funds						
Catering	0	0	84,384	70,723	84,384	70,723
Property Income	0	0	17,005	23,610	17,005	23,610
Total Business Units & Specific Purpose Funds	0	0	101,389	94,333	101,389	94,333
Interest & Dividends	85,244	121,186	0	0	85,244	121,186
Loddon Mallee Rural Health Alliance Revenue	49,383	84,726	0	0	49,383	84,726
Other Revenue from Operating Activities	227,886	133,523	0	0	227,886	133,523
Sub-Total Revenue from Operating Activities	9,079,603	8,828,452	101,389	94,333	9,180,992	8,922,785
Revenue from Non-Operating Activities						
Interest and Dividends	0	0	133,230	128,998	133,230	128,998
Other Revenue from Non-Operating activities	0	0	292,139	297,403	292,139	297,403
Sub-Total Revenue from Non-Operating Activities	0	0	425,369	426,401	425,369	426,401
Revenue from Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	4,370,139	6,483,426	0	0	4,370,139	6,483,426
- Other	133,400	73,000	0	0	133,400	73,000
- Loddon Mallee Rural Health Alliance	19,078	90,369	0	0	19,078	90,369
Residential Accommodation Payments (refer note 2b)	105,888	109,130	0	0	105,888	109,130
Net Gain/(Loss) on Disposal of Non-Financial Assets (refer note 2c)	0	0	(1,045)	(32,717)	(1,045)	(32,717)
Donations and Bequests	9,474	2,411	7,114	21,213	16,588	23,624
Sub-Total Revenue from Capital Purpose Income	4,637,979	6,758,336	6,069	(11,504)	4,644,048	6,746,832
Total Revenue (refer note 2a)	13,717,582	15,586,788	532,827	509,230	14,250,409	16,096,018

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

This note relates to revenues above the net result line only, and does not reconcile to comprehensive income.

Note 2a: Analysis of revenue by source

	Admitted Patients 2010 \$	Residential Aged Care 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	TOTAL 2010 \$
Revenue from Services Supported by Health Services Agreement						
Government Grants	3,862,796	3,017,344	512,698	142	8,000	7,400,980
Indirect Contributions by Department of Human Services	302,666	0	0	0	0	302,666
Patient and Resident Fees (refer note 2b)	138,945	823,554	39,380	11,565	0	1,013,444
Interest and Dividends	85,244	0	0	0	0	85,244
Other	121,596	101,709	9,406	44,558	0	277,269
Capital Purpose Income (refer note 2)	4,513,013	105,888	0	0	19,078	4,637,979
Sub-Total Revenue from Services Supported by Health Services Agreement	<u>9,024,260</u>	<u>4,048,495</u>	<u>561,484</u>	<u>56,265</u>	<u>27,078</u>	<u>13,717,582</u>
Revenue from Services Supported by Hospital and Community Initiatives						
Catering	0	0	0	0	84,384	84,384
Bank & Investment Income	0	0	0	0	133,230	133,230
Property Income	0	0	0	0	17,005	17,005
Other Activities						
Capital Purpose Income (refer note 2)	0	0	0	0	6,069	6,069
Other	0	0	0	0	292,139	292,139
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>532,827</u>	<u>532,827</u>
TOTAL REVENUE FROM ALL SOURCES	<u>9,024,260</u>	<u>4,048,495</u>	<u>561,484</u>	<u>56,265</u>	<u>559,905</u>	<u>14,250,409</u>

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

Note 2a: Analysis of revenue by source

	Admitted Patients 2009 \$	Residential Aged Care 2009 \$	Aged Care 2009 \$	Primary Health 2009 \$	Other 2009 \$	TOTAL 2009 \$
Revenue from Services Supported by Health Services Agreement						
Government Grants	3,610,777	2,864,192	491,824	36,144	0	7,002,937
Indirect Contributions by Department of Human Services	349,138	0	0	0	0	349,138
Patient and Resident Fees (refer note 2b)	274,294	809,845	52,288	516	0	1,136,943
Interest and Dividends	121,186	0	0	0	0	121,186
Other	8,012	39,991	7,759	77,760	84,726	218,248
Capital Purpose Income (refer note 2)	6,558,767	109,130	0	70	90,369	6,758,336
Sub-Total Revenue from Services Supported by Health Services Agreement	<u>10,922,174</u>	<u>3,823,158</u>	<u>551,871</u>	<u>114,490</u>	<u>175,095</u>	<u>15,586,788</u>
Revenue from Services Supported by Hospital and Community Initiatives						
Catering	0	0	0	0	70,723	70,723
Bank & Investment Income	0	0	0	0	128,998	128,998
Property Income	0	0	0	0	23,610	23,610
Other Activities						
Capital Purpose Income (refer note 2)	0	0	0	0	(11,504)	(11,504)
Other	0	0	0	0	297,403	297,403
Sub-Total Revenue from Services Supported by Hospital and Community Initiatives	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>509,230</u>	<u>509,230</u>
TOTAL REVENUE FROM ALL SOURCES	<u>10,922,174</u>	<u>3,823,158</u>	<u>551,871</u>	<u>114,490</u>	<u>684,325</u>	<u>16,096,018</u>

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

Note 2b: Patient and resident fees

Patient and Resident Fees Raised

Recurrent:

	2010 \$	2009 \$
Acute		
- Inpatients	138,945	274,294
Residential Aged Care		
- Nursing Home	429,543	426,840
- Hostel	394,011	383,005
Aged Care & Primary Health		
- District Nursing	39,380	52,288
Primary Health	11,565	516
TOTAL RECURRENT	1,013,444	1,136,943

Capital Purpose:

Residential Accommodation Payments (*)	105,888	109,130
TOTAL CAPITAL	105,888	109,130

(*) This includes accommodation charges, interest earned on accommodation bonds and retention amount.

Note 2c: Net gain/(loss) on disposal of non-financial assets

	2010 \$	2009 \$
Proceeds from Disposal of Non-Current Assets		
- Motor Vehicles	85,000	46,091
- Plant & Equipment	0	15,704
Total Proceeds from Disposal of Non-Current Assets	85,000	61,795
Less: Written Down Value of Non-Current Assets Sold		
- Motor Vehicles	(86,045)	(43,129)
- Plant & Equipment	0	(46,057)
- Furniture & Fittings	0	(5,326)
Total Written Down Value of Non-Current Assets Sold	(86,045)	(94,512)
NET GAINS/(LOSSES) ON DISPOSAL OF NON-FINANCIAL ASSETS	(1,045)	(32,717)

Note 3: Expenses

	HSA 2010 \$	HSA 2009 \$	Non HSA 2010 \$	Non HSA 2009 \$	TOTAL 2010 \$	TOTAL 2009 \$
Employee Benefits						
Salaries & Wages	5,890,012	5,750,409	327,372	275,568	6,217,384	6,025,977
WorkCover Premium	34,176	69,968	1,896	3,532	36,072	73,500
Long Service Leave	163,304	219,007	27,645	1,909	190,949	220,916
Superannuation (refer note 1(x))	557,631	518,408	30,285	24,180	587,916	542,588
Total Employee Benefits	6,645,123	6,557,792	387,198	305,189	7,032,321	6,862,981
Non Salary Labour Costs						
Fee for Service Medical Officers	200,319	161,976	0	0	200,319	161,976
Purchased Services	117,610	115,312	7,089	25,464	124,699	140,776
Total Non Salary Labour Costs	317,929	277,288	7,089	25,464	325,018	302,752
Supplies and Consumables						
Drug Supplies	62,264	52,564	0	0	62,264	52,564
Medical, Surgical Supplies and Prosthesis	209,151	168,996	13,520	178	222,671	169,174
Pathology Supplies	22,549	14,162	0	0	22,549	14,162
Special Services	0	0	40	1,492	40	1,492
Food Supplies	244,734	230,866	46,097	43,185	290,831	274,051
Total Supplies and Consumables	538,698	466,588	59,657	44,855	598,355	511,443
Other Expenses from Continuing Operations						
Domestic Services & Supplies	107,102	112,266	11,581	5,443	118,683	117,709
Fuel, Light, Power and Water	140,714	105,695	10,686	4,407	151,400	110,102
Insurance costs funded by DHS	247,801	223,881	0	0	247,801	223,881
Motor Vehicle Expenses	53,735	45,867	0	0	53,735	45,867
Repairs & Maintenance	100,354	69,911	4,353	0	104,707	69,911
Maintenance Contracts	27,423	38,093	0	0	27,423	38,093
Patient Transport	61,846	45,813	0	0	61,846	45,813
Bad & Doubtful Debts	3,625	0	0	0	3,625	0
Administrative Expenses	466,965	489,422	16,995	0	483,960	489,422
Audit Fees						
- VAGO - Audit of Financial Statements	14,610	10,800	0	0	14,610	10,800
- Other	3,900	11,796	0	0	3,900	11,796
Total Other Expenses from Continuing Operations	1,228,075	1,153,544	43,615	9,850	1,271,690	1,163,394
Expenditure Using Capital Purpose Income						
Employee Benefits						
Salaries & Wages	0	0	45,848	50,327	45,848	50,327
WorkCover Premium	0	0	312	958	312	958
Long Service Leave	0	0	1,081	2,663	1,081	2,663
Superannuation	0	0	952	5,250	952	5,250
	0	0	48,193	59,198	48,193	59,198
Other Expenses from Continuing Operations						
Domestic Services & Supplies	0	0	3,410	100	3,410	100
Fuel, Light, Power and Water	0	0	54	4,400	54	4,400
Repairs & Maintenance	0	0	59,253	63,165	59,253	63,165
Administrative Expenses	0	0	120,853	58,735	120,853	58,735
Total Expenditure using Capital Purpose Income	0	0	231,763	185,598	231,763	185,598
Impairment of Non-Financial Assets	0	21,036	0	0	0	21,036
Depreciation and Amortisation	1,057,877	661,131	0	0	1,057,877	661,131
Finance Costs	9,603	19,038	4,174	4,417	13,777	23,455
Total	1,067,480	701,205	4,174	4,417	1,071,654	705,622
Total Expenses	9,797,305	9,156,417	733,496	575,373	10,530,801	9,731,790

Note 3a: Analysis of expenses by source

	Admitted Patients 2010 \$	Residential Aged Care 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	TOTAL 2010 \$
Services Supported by Health Service Agreement						
Employee Benefits	2,041,433	3,919,546	431,786	252,358	0	6,645,123
Non Salary Labour Costs	219,855	30,281	2,357	65,436	0	317,929
Supplies and Consumables	181,052	331,994	17,937	7,715	0	538,698
Other Expenses	543,931	528,373	73,215	82,556	0	1,228,075
Depreciation and Amortisation (refer note 4)	0	0	0	0	1,057,877	1,057,877
Finance Costs (refer note 5)	2,835	2,956	2,116	1,696	0	9,603
Sub-Total Expenses from Services Supported by Health Services Agreement	2,989,106	4,813,150	527,411	409,761	1,057,877	9,797,305
Services Supported by Hospital and Community Initiatives						
Employee Benefits	0	0	0	0	435,391	435,391
Non Salary Labour Costs	0	0	0	0	7,089	7,089
Supplies and Consumables	0	0	0	0	59,658	59,658
Other Expenses	0	0	0	0	128,196	128,196
Finance Costs (refer note 5)	0	0	0	0	4,174	4,174
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	0	634,508	634,508
Expenditure using Capital Purpose Income						
Other Expenses	0	0	0	98,988	0	98,988
Sub-total Expenditure using Capital Purpose Income	0	0	0	98,988	0	98,988
TOTAL EXPENSES	2,989,106	4,813,150	527,411	508,749	1,692,385	10,530,801

Note 3a: Analysis of expenses by source

	Admitted Patients 2009 \$	Residential Aged Care 2009 \$	Aged Care 2009 \$	Primary Health 2009 \$	Other 2009 \$	TOTAL 2009 \$
Services Supported by Health Service Agreement						
Employee Benefits	1,975,796	3,663,280	472,008	446,710	0	6,557,794
Non Salary Labour Costs	160,462	27,279	2,498	87,049	0	277,288
Supplies and Consumables	130,578	310,035	16,986	8,990	0	466,589
Other Expenses	365,008	637,961	80,481	76,869	(6,778)	1,153,541
Depreciation and Amortisation (refer note 4)	0	0	0	0	661,131	661,131
Finance Costs (refer note 5)	4,733	6,207	7,754	344	0	19,038
Impairment of Non-Financial Assets (refer note 3)	0	0	0	0	21,036	21,036
Sub-Total Expenses from Services Supported by Health Services Agreement	2,636,577	4,644,762	579,727	619,962	675,389	9,156,417
Services Supported by Hospital and Community Initiatives						
Employee Benefits	0	0	0	0	305,189	305,189
Non Salary Labour Costs	0	0	0	0	25,464	25,464
Supplies and Consumables	0	0	0	0	44,855	44,855
Other Expenses	0	0	0	0	5,433	5,433
Finance Costs (refer note 5)	0	0	0	0	4,417	4,417
Sub-Total Expense from Services Supported by Hospital and Community Initiatives	0	0	0	0	385,358	385,358
Services Supported by Capital Sources						
Other Expenses	0	0	0	0	190,015	190,015
TOTAL EXPENSES	2,636,577	4,644,762	579,727	619,962	1,250,762	9,731,790

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

	2010 \$	2009 \$
Radiology	43,523	67,097
Property Maintenance	0	25,090
Meals on wheels	178,154	167,535
Redevelopment Expenditure	138,055	152,379
Primary Care Partnership	237,564	163,272
TOTAL	597,296	575,373

Note 4: Depreciation

	2010 \$	2009 \$
Depreciation		
Buildings	589,574	315,573
Land Improvements	16,000	4,050
Plant & Equipment		
- Plant	328,869	216,976
- Motor Vehicles	66,735	69,188
Furniture and Fittings	54,305	54,736
Loddon Mallee Rural Health Alliance	2,394	608
TOTAL DEPRECIATION	1,057,877	661,131

Note 5: Finance costs

	2010 \$	2009 \$
Finance charges on Hire		
Purchase Liabilities	13,777	23,455
TOTAL FINANCE COSTS	13,777	23,455

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.

	2010 \$	2009 \$
Cash on Hand	650	650
Cash at Bank	2,119,759	2,817,030
Deposits at Call	7,672	7,672
TOTAL	2,128,081	2,825,352

Represented by:

Cash for Health Service Operations (as per Cash Flow Statement)	1,937,946	2,532,944
Cash Held for Loddon Mallee Rural Health Alliance	125,371	189,707
Cash for Monies Held in Trust		
- Cash at Bank	64,764	102,701
TOTAL CASH AND CASH EQUIVALENTS	2,128,081	2,825,352

Note 7: Receivables

	2010 \$	2009 \$
CURRENT		
Contractual		
Trade Debtors	113,929	160,746
Patient Fees	191,844	154,552
Accrued Investment Income	43,351	22,207
Accrued Revenue - Other	16,203	53,429
Loddon Mallee Health Alliance Receivables	20,894	7,732
Less Allowance for Doubtful Debts		
Patient fees	(14,000)	(14,000)
	372,221	384,666
Statutory		
GST Receivable - Health Service	152,620	204,133
Loddon Mallee Health Alliance GST Receivable	4,579	0
FBT Refund Owing	0	5,019
	157,199	209,152
TOTAL CURRENT RECEIVABLES	529,420	593,818
NON CURRENT		
Contractual		
Bond Debtors	2,124	2,806
	2,124	2,806
Statutory		
Long Service Leave - DH	202,823	147,959
	202,823	147,959
TOTAL NON-CURRENT RECEIVABLES	204,947	150,765
TOTAL RECEIVABLES	734,367	744,583

(a) Movement in the Allowance for doubtful debts

	2010 \$	2009 \$
Balance at beginning of the year		
Balance at end of the year	(14,000)	(14,000)

(b) Ageing analysis of receivables

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

Note 8: Other financial assets

	Capital		Total	
	2010	2009	2010	2009
	\$	\$	\$	\$
CURRENT				
<i>Term Deposit</i>				
Aust. Dollar Term deposits	2,664,097	2,552,042	2,664,097	2,552,042
TOTAL CURRENT OTHER FINANCIAL ASSETS	<u>2,664,097</u>	<u>2,552,042</u>	<u>2,664,097</u>	<u>2,552,042</u>
Represented by:				
Health Service Investments	664,097	152,042	664,097	152,042
Accommodation Bonds (Refundable Entrance Fees)	2,000,000	2,400,000	2,000,000	2,400,000
TOTAL	<u>2,664,097</u>	<u>2,552,042</u>	<u>2,664,097</u>	<u>2,552,042</u>

(b) Ageing analysis of other financial assets

Please refer to note 19(b) for the ageing analysis of other financial assets

(c) 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 other financial assets

Note 9: Inventories

	2010	2009
	\$	\$
CURRENT		
Pharmaceuticals - at cost	12,638	13,451
Catering Supplies - at cost	0	7,033
Housekeeping Supplies - at cost	1,471	3,520
Medical and Surgical Lines - at cost	11,161	12,031
Administration Stores - at cost	<u>3,153</u>	<u>5,786</u>
TOTAL INVENTORIES	<u>28,423</u>	<u>41,821</u>

Inventories held by the Health Service are held for short periods of time with regular turnover. There is no material loss of service potential in inventories held at the end of the year.

Note 10: Non financial assets classified as held for sale

	2010	2009
	\$	\$
Plant	18,000	23,700
Furniture & Fittings	<u>0</u>	<u>750</u>
TOTAL	<u>18,000</u>	<u>24,450</u>

Note 11: Other assets

	2010	2009
	\$	\$
Prepayments	14,733	274,742
Loddon Mallee Rural Health Alliance Prepayments	<u>4,711</u>	<u>2,449</u>
TOTAL	<u>19,444</u>	<u>277,191</u>

Note 12: Property, plant & equipment

	2010 \$	2009 \$
Land		
- Land at Fair Value	439,000	439,000
Less Impairment	439,000	439,000
Land Improvements at Valuation	320,000	320,000
Less Accumulated Depreciation	16,000	0
	304,000	320,000
Total Land	743,000	759,000
Buildings		
- Buildings Under Construction at Cost	0	9,374,686
- Buildings at Cost	0	0
Less Accumulated Depreciation	0	0
	0	0
- Buildings at Fair Value	13,465,791	214,010
Less Accumulated Depreciation	38,026	0
	13,427,765	214,010
- Buildings at Valuation	11,818,000	11,818,000
Less Accumulated Depreciation	551,549	0
	11,266,451	11,818,000
Total Buildings	24,694,216	21,406,696
Plant & Equipment		
- Loddon Mallee Rural Health Alliance Equipment at Cost	16,666	2,520
Less Accumulated Depreciation	3,043	609
- Plant and Equipment at Fair Value	2,957,710	2,036,212
Less Accumulated Depreciation	1,092,334	763,465
Total Plant and Equipment	1,878,999	1,274,658
Furniture and Fittings		
- Furniture and Fittings at Fair Value	813,539	630,618
Less Accumulated Depreciation	424,749	370,444
Total Furniture and Fittings	388,790	260,174
Motor Vehicles		
- Motor Vehicles at Fair Value	463,314	489,445
Less Accumulated Depreciation	109,236	94,853
Total Motor Vehicles	354,078	394,592
TOTAL	28,059,083	24,095,120

Note 12: Property, plant & equipment (cont)

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

	Land \$	Buildings & Land Improv. \$	Plant & Equipment \$	Furniture & Fittings \$	Motor Vehicles \$	Total \$
Balance at 1 July 2008	534,576	14,445,822	870,593	274,575	213,284	16,338,850
Additions	0	5,979,825	744,757	103,248	293,625	7,121,455
Loddon Mallee Rural Health Alliance	0	0	2,520	0	0	2,520
Disposals	0	0	(46,057)	(5,326)	(43,129)	(94,512)
Classified as Held for Sale	0	0	(23,700)	(750)	0	(24,450)
Impairment losses recognised in net result	0	0	(20,453)	(583)	0	(21,036)
Revaluation Increments/(Decrements)	(95,576)	1,529,000	0	0	0	1,433,424
Transfers	0	91,672	(35,418)	(56,254)	0	0
Depreciation and Amortisation	0	(319,623)	(217,584)	(54,736)	(69,188)	(661,131)
Balance at 1 July 2009	439,000	21,726,696	1,274,658	260,174	394,592	24,095,120
Additions	0	3,877,094	921,497	182,920	112,268	5,093,779
Loddon Mallee Rural Health Alliance	0	0	14,106	0	0	14,106
Disposals	0	0	0	0	(86,045)	(86,045)
Depreciation and Amortisation	0	(605,574)	(331,263)	(54,305)	(66,735)	(1,057,877)
Balance at 30 June 2010	439,000	24,998,216	1,878,998	388,789	354,080	28,059,083

Land and buildings carried at valuation

An independent valuation of the Health Service's land & buildings was performed by the Valuer-General Victoria to determine the value of the land and buildings. 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.

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

The effective date of the valuation is 30 June 2009.

Note 13: Payables

	2010 \$	2009 \$
CURRENT		
Contractual		
Trade Creditors	359,414	374,995
Accrued Expenses	80,355	33,300
Accrued Audit Fees	11,700	10,800
Loddon Mallee Rural Health Alliance Payables	9,077	20,534
Other Payable	0	3,840
	460,546	443,469
Statutory		
PAYG Payable	68,126	64,050
Department of Health	0	115,360
	68,126	179,410
TOTAL	528,672	622,879

(a) **Maturity analysis of payables** Please refer to Note 19(c) for the ageing analysis of payables

(b) **Nature and extent of risk arising from payables** Please refer to note 19(c) for the nature and extent of risks arising payables

Note 14: Interest bearing liabilities

	2010 \$	2009 \$
CURRENT		
Australian Dollar Borrowings		
- Hire Purchase Liability	134,746	143,317
Total Current Australian Dollars Borrowings	134,746	143,317
NON CURRENT		
Australian Dollar Borrowings		
- Hire Purchase Liability	69,291	105,145
Total Non Current Australian Dollars Borrowings	69,291	105,145
TOTAL INTEREST BEARING LIABILITIES	204,037	248,462
CURRENT		
Secured		
- Hire Purchase Liability	134,746	143,317
NON CURRENT		
Secured		
- Hire Purchase Liability	69,291	105,145

Borrowings are secured by motor vehicles to which the agreements relate. Ten hire purchase agreements exist with terms of up to 24 monthly payments followed by a balloon payment. Interest rates vary between 6.0% and 9.5%.

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

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

Amount of Finance Costs recognised as expenses	13,777	23,455
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(a) Maturity analysis of interest bearing liabilities

Please refer to note 19(c) for the ageing analysis of interest bearing liabilities.

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

Please refer to note 19(c) for the nature and extent of risks arising from interest bearing liabilities.

(c) Defaults and breaches

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

Note 15: Employee benefits and related on-costs provisions

	2010 \$	2009 \$
Current Provisions		
Employee Benefits		
- unconditional and expected to be settled within 12 months	780,323	798,371
- unconditional and expected to be settled after 12 months	569,106	582,268
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled within 12 months (nominal value)	96,116	98,339
- unconditional and expected to be settled after 12 months (present value)	52,246	72,990
Total Current Provisions	1,497,791	1,551,968
Non-Current Provisions		
Employee Benefits	254,049	249,277
Provisions related to employee benefit on-costs	25,405	27,421
Total Non-Current Provisions	279,454	276,698
Current Employee Benefits		
Unconditional Long Service Leave Entitlements	662,464	520,705
Annual Leave Entitlements	621,858	598,316
Accrued Salaries and Wages	55,011	252,879
Accrued Days Off	10,096	8,739
Non-Current Employee Benefits		
Conditional Long Service Leave Entitlements (present value)	254,049	249,277
Total Employee Benefits	1,603,478	1,629,916
On-Costs		
Current On-Costs	148,362	171,329
Non-Current On-Costs	25,405	27,421
Total On-Costs	173,767	198,750
Total Employee Benefits and Related On-Costs	1,777,245	1,828,666
Movement in Long Service Leave:		
Balance at start of year	769,982	647,665
Provision made during the year	190,949	220,916
Settlement made during the year	(44,418)	(98,599)
Balance at end of year	916,513	769,982

Note 16: Other liabilities

	2010	2009
	\$	\$
CURRENT		
Monies Held in Trust*		
- Patient Monies Held in Trust	32,466	18,538
- Accommodation Bonds (Refundable Entrance Fees)	2,685,922	3,138,469
Total Current	<u>2,718,388</u>	<u>3,157,007</u>
* Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6)	64,764	102,701
Receivables (refer to Note 7)	2,124	2,806
Other Financial Assets (refer to Note 8)	2,000,000	2,400,000
Land and Buildings	651,500	651,500
TOTAL	<u>2,718,388</u>	<u>3,157,007</u>

Note 17: Equity

	2010	2009
	\$	\$
(a) Reserves		
Property, Plant & Equipment Revaluation Reserve¹		
Balance at beginning of the reporting period		
- Land	253,325	348,901
- Buildings	3,838,749	2,309,749
Revaluation Increment/Decrement		
- Land	0	(95,576)
- Buildings	0	1,529,000
Balance at the end of the reporting period	<u>4,092,074</u>	<u>4,092,074</u>
Represented by:		
- Land	253,325	253,325
- Buildings	3,838,749	3,838,749
	<u>4,092,074</u>	<u>4,092,074</u>
(1) The property, plant & equipment asset revaluation reserve arises on the revaluation of property, plant & equipment.		
Restricted Specific Purpose Reserve		
Balance at the beginning of the reporting period	181,933	181,933
Balance at the end of the reporting period	<u>181,933</u>	<u>181,933</u>
Total Reserves	<u>4,274,007</u>	<u>4,274,007</u>
(b) Contributed Capital		
Balance at the beginning of the reporting period	7,369,839	7,369,839
Capital Contribution received from Victorian Government	0	0
Balance at the end of the reporting period	<u>7,369,839</u>	<u>7,369,839</u>
(c) Accumulated Surpluses/(Deficits)		
Balance at the beginning of the reporting period	13,059,699	6,695,471
Net Result for the Year	3,719,608	6,364,228
Balance at the end of the reporting period	<u>16,779,307</u>	<u>13,059,699</u>
(d) Total Equity at end of financial year	<u>28,423,153</u>	<u>24,703,545</u>

Note 18: Reconciliation of net result for the year to net cash flows from operating activities

	2010 \$	2009 \$
NET RESULT FOR THE YEAR	3,719,608	6,364,228
Depreciation & Amortisation	1,057,877	661,131
Impairment of Non Current Assets	0	21,036
Share of Net Result from Joint Ventures	18,770	(181,873)
Net (Gain)/Loss from Sale of Plant and Equipment	1,045	32,717
Change in Operating Assets & Liabilities, Net of Effect from Restructuring		
(Increase)/Decrease in Receivables	27,275	(156,422)
(Increase)/Decrease in Prepayments	260,009	(224,937)
(Increase)/Decrease in Stores	13,398	298
Increase/(Decrease) in Payables	(82,750)	144,707
Increase/(Decrease) in Employee Benefits	(51,421)	186,539
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	4,963,811	6,847,424

Note 19: Financial instruments**(a) Financial Risk Management Objectives and Policies**

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

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

Categorisation of financial instruments

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

	Carrying Amount 2010 \$	Carrying Amount 2009 \$
Financial Assets		
Cash and cash equivalents	2,128,081	2,825,352
Receivables	3,036,318	2,936,708
Total Financial Assets (i)	5,164,399	5,762,060
Financial Liabilities		
At amortised cost	3,382,971	3,848,938
Total Financial Liabilities (ii)	3,382,971	3,848,938

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

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

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

	Carrying Amount 2010 \$	Carrying Amount 2009 \$
Financial Assets		
Receivables (i)	85,244	121,186
Total Financial Assets	85,244	121,186

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

Note 19: Financial instruments (cont)**(b) Credit Risk**

Rochester and Elmore District Health Services' exposure to credit risk and effective weighted average interest rate by ageing periods is set out in the following table. For interest rates applicable to each class of asset refer to individual notes to the financial statements.

Ageing analysis of financial asset as at 30 June

	Total Carrying Amount \$	Not Past due and not impaired \$	Less than 1 Month \$	1 - 3 Months \$	3 Months - 1 Year \$	1 - 5 Years \$	Impaired Financial Assets \$
2010							
Financial Assets							
Cash and Cash Equivalents	2,128,081	2,128,081	0	0	0	0	0
Receivables							
- Trade Debtors	305,773	25,006	87,976	70,778	122,013	0	0
- Other Receivables	66,448	66,448	0	0	0	0	0
Other Financial Assets							
- Term Deposit	2,664,097	2,664,097	0	0	0	0	0
- Other	0	0	0	0	0	0	0
Total Financial Assets	5,164,399	4,883,632	87,976	70,778	122,013	0	0
2009							
Financial Assets							
Cash and Cash Equivalents	2,825,352	2,825,352	0	0	0	0	0
Receivables							
- Trade Debtors	315,298	25,785	90,716	72,983	125,814	0	0
- Other Receivables	69,368	69,368	0	0	0	0	0
Other Financial Assets							
- Term Deposit	2,552,042	2,552,042	0	0	0	0	0
- Other	0	0	0	0	0	0	0
Total Financial Assets	5,762,060	5,472,547	90,716	72,983	125,814	0	0

Note 19: Financial instruments (cont)

(c) Liquidity Risk

The following table discloses the contractual maturity analysis for Rochester and Elmore District Health Services' 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

	Total Carrying Amount \$	Contractual Cash Flows \$	Maturity Dates			
			Less than 1 Month \$	1 - 3 Months \$	3 Months - 1 Year \$	1 - 5 Years \$
2010						
Financial Liabilities						
Payables	460,546	460,546	460,546	0	0	0
Interest Bearing Liabilities	204,037	204,037	4,675	14,209	98,805	86,348
Other Financial Liabilities - Monies Held in Trust	2,685,922	2,718,388	0	0	2,718,388	0
Total Financial Liabilities	3,350,505	3,382,971	465,221	14,209	2,817,193	86,348
2009						
Financial Liabilities						
Payables	443,469	443,469	443,469	0	0	0
Interest Bearing Liabilities	248,462	248,455	5,693	17,302	120,315	105,145
Other Financial Liabilities - Monies Held in Trust	3,138,469	3,157,007	0	0	3,157,007	0
Total Financial Liabilities	3,830,400	3,848,931	449,162	17,302	3,277,322	105,145

(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 each of these risks are disclosed in the paragraph below.

Currency Risk

Rochester and Elmore District Health Services 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 commitment and settlement.

Interest Rate Risk

Exposure to interest rate risk's 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 assets the Hospital mainly holds financial assets with relatively even maturity profiles.

Other Price Risk

The Hospital is exposed to normal price fluctuations from time to time through market forces. Where adequate notice is provided by suppliers, additional purchases are made for long term goods. Supplier contracts are also in place for major product lines purchased by the Hospital on a monthly basis. These contracts have set price arrangements and are reviewed on a regular basis.

Note 19: Financial instruments (cont)**Interest Rate Exposure of Financial Assets and Liabilities as at 30 June**

	Weighted Average Effective Interest Rate (%)	Carrying Amount	Interest Rate Exposure		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non-Interest Bearing \$'000
2010					
Financial Assets					
Cash and Cash Equivalents	4.50	2,128,081	0	2,128,081	0
Receivables					
- Trade Debtors	0.00	305,773	0	0	305,773
- Other Receivables	0.00	66,448	0	0	66,448
Other Financial Assets					
- Term Deposit	6.10	2,664,097	2,664,097	0	0
- Other	0.00	0	0	0	0
Total Financial Assets		5,164,399	2,664,097	2,128,081	372,221
Financial Liabilities					
Payables	0.00	460,546	0	0	460,546
Interest Bearing Liabilities	8.00	204,037	204,037	0	0
Other Financial Liabilities					
- Accommodation Bonds	0	2,685,922	0	0	2,685,922
Total Financial Liabilities		3,350,505	204,037	0	3,146,468
2009					
Financial Assets					
Cash and Cash Equivalents	3.50	2,825,352	0	2,825,352	0
Receivables					
- Trade Debtors	0.00	315,298	0	0	315,298
- Other Receivables	0.00	69,368	0	0	69,368
Other Financial Assets					
- Term Deposit	4.09	2,552,042	2,552,042	0	0
- Other	0.00	0	0	0	0
Total Financial Assets		5,762,060	2,552,042	2,825,352	384,666
Financial Liabilities					
Payables	0.00	443,469	0	0	443,469
Interest Bearing Liabilities	8.00	248,462	248,462	0	0
Other Financial Liabilities					
- Accommodation Bonds	0	3,138,469	0	0	3,138,469
Total Financial Liabilities		3,830,400	248,462	0	3,581,938

Note 19: Financial instruments (cont)

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 (base rates are sourced from the Bendigo Bank).

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2%

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% Profit \$	Equity \$	+1% Profit \$	Equity \$	-1% Profit \$	Equity \$	+1% Profit \$	Equity \$
2010									
Financial Assets									
Cash and Cash Equivalents	2,128,081	(21,281)	(21,281)	21,281	21,281	0	0	0	0
Receivables									
- Trade Debtors	305,773	0	0	0	0	0	0	0	0
- Other Receivables	66,448	0	0	0	0	0	0	0	0
Other Financial Assets									
- Term Deposit	2,664,097	(26,641)	(26,641)	26,641	26,641	0	0	0	0
Financial Liabilities									
Payables	460,546	0	0	0	0	0	0	0	0
Interest Bearing Liabilities	204,037	2,040	2,040	(2,040)	(2,040)	0	0	0	0
Other Financial Liabilities									
- Accommodation Bonds	2,685,922	0	0	0	0	0	0	0	0
		(45,881)	(45,881)	45,881	45,881	0	0	0	0
2009									
Financial Assets									
Cash and Cash Equivalents	2,825,352	(28,254)	(28,254)	28,254	28,254	0	0	0	0
Receivables									
- Trade Debtors	315,298	0	0	0	0	0	0	0	0
- Other Receivables	69,368	0	0	0	0	0	0	0	0
Other Financial Assets									
- Term Deposit	2,552,042	(25,520)	(25,520)	25,520	25,520	0	0	0	0
Financial Liabilities									
Payables	443,469	0	0	0	0	0	0	0	0
Interest Bearing Liabilities	248,462	2,485	2,485	(2,485)	(2,485)	0	0	0	0
Other Financial Liabilities									
- Accommodation Bonds	3,138,469	0	0	0	0	0	0	0	0
		(51,289)	(51,289)	51,289	51,289	0	0	0	0

Note 19: Financial instruments (cont)**(e) Fair Value**

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

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The financial assets include holdings in unlisted shares. Fair value of these is determined by projecting future cash inflows from expected future dividends and subsequent disposals of the securities.

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

	Total Carrying Amount 2010 \$	Fair Value 2010 \$	Total Carrying Amount 2009 \$	Fair Value 2009 \$
Financial Assets				
Cash and Cash Equivalents	2,128,081	2,128,081	2,825,352	2,825,352
Receivables				
- Trade Debtors	305,773	305,773	315,298	315,298
- Other Receivables	66,448	66,448	69,368	69,368
Other Financial Assets				
- Term Deposit	2,664,097	2,664,097	2,552,042	2,552,042
Total Financial Assets	5,164,399	5,164,399	5,762,060	5,762,060
Financial Liabilities				
Payables	460,546	460,546	443,469	443,469
Interest Bearing Liabilities	204,037	204,037	248,462	248,462
Other Financial Liabilities				
- Accommodation Bonds	2,685,922	2,685,922	3,138,469	3,138,469
Total Financial Liabilities	3,350,505	3,350,505	3,830,400	3,830,400

Note 20: Commitments

	2010 \$	2009 \$
Capital Commitments		
Land & Buildings	0	13,000,000
Total Capital Commitments	0	13,000,000
Not Later than one year	0	10,000,000
Later than one year and not later than 5 years	0	3,000,000
Total	0	13,000,000

Total capital commitments for the hospital redevelopment will be met by the Department of Human Services.

Note 21: Contingent liabilities and contingent assets

There are no known contingent assets or liabilities for Rochester & Elmore District Health Service (2008-09: \$Nil)

Note 22: Segment reporting

	HEALTH SERVICES		RACS		OTHER SERVICES		CONSOLIDATED	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
REVENUE								
External Segment Revenue	9,983,440	12,022,676	4,048,495	3,823,158	0	0	14,031,935	15,845,834
Intersegment Revenue	0	0	0	0	0	0	0	0
Total Revenue	9,983,440	12,022,676	4,048,495	3,823,158	0	0	14,031,935	15,845,834
External Segment Expenses	(5,711,004)	(5,074,197)	(4,810,194)	(4,638,555)	0	0	(10,521,198)	(9,712,752)
Unallocated Expense	0	0	0	0	0	0	0	0
Segment Result	4,272,436	6,948,479	(761,699)	(815,397)	0	0	3,510,737	6,133,082
Net Result from ordinary activities	4,272,436	6,948,479	(761,699)	(815,397)	0	0	3,510,737	6,133,082
Interest Expense	(6,647)	(12,831)	(2,956)	(6,207)	0	0	(9,603)	(19,038)
Interest Income	85,244	121,186	133,230	128,998	0	0	218,474	250,184
Net Result for Year	4,351,033	7,056,834	(631,425)	(692,606)	0	0	3,719,608	6,364,228
OTHER INFORMATION								
Segment Assets	6,221,772	4,874,617	12,297,486	13,389,660	0	0	18,519,258	18,264,277
Unallocated Assets	0	0	0	0	15,132,237	12,296,282	15,132,237	12,296,282
Total Assets	6,221,772	4,874,617	12,297,486	13,389,660	15,132,237	12,296,282	33,651,495	30,560,559
Segment Liabilities	1,229,926	1,430,284	3,432,506	3,785,313	0	0	4,662,432	5,215,597
Unallocated Liabilities	0	0	0	0	565,910	641,417	565,910	641,417
Total Liabilities	1,229,926	1,430,284	3,432,506	3,785,313	565,910	641,417	5,228,342	5,857,014
Acquisition of property, plant and equipment and intangible assets	956,380	1,337,085	13,273	18,556	4,124,127	5,765,814	5,093,780	7,121,455
Depreciation & amortisation expense	(932,084)	(535,338)	(122,602)	(122,602)	(3,191)	(3,191)	(1,057,877)	(661,131)
Non cash expenses other than depreciation	247,801	283,976	0	0	0	0	247,801	283,976

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

Business Segments

Acute

Services

Acute Hospital services
Aged Care services
Primary Health services

Residential Aged Care

Nursing Home facilities
Hostel facilities

Geographical Segment

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

Note 23: Jointly controlled operations and assets

Name of Entity	Principle Activity	Ownership Interest	
		2010 %	2009 %
Loddon Mallee Rural Health Alliance	Information Systems	3.34	3.13

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

	2010 \$	2009 \$
Current Assets		
Cash and Cash Equivalents	125,371	189,707
Receivables	25,473	7,732
Prepayments	4,711	2,449
Total Current Assets	<u>155,555</u>	<u>199,888</u>
Non Current Assets		
Property Plant & Equipment	13,623	1,911
Total Non Current Assets	<u>13,623</u>	<u>1,911</u>
Total Assets	<u>169,178</u>	<u>201,799</u>
Current Liabilities		
Payables	3,563	19,308
Accrued Expenses	5,514	1,226
Total Current Liabilities	<u>9,077</u>	<u>20,534</u>
Total Liabilities	<u>9,077</u>	<u>20,534</u>
Net Assets	<u>160,101</u>	<u>181,265</u>

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

Operating Income/(Expenses)		
Grants	49,383	175,095
Information Technology and Administrative Expenses	(98,226)	(75,379)
Surplus/(Deficit) before Capital & Depreciation	<u>(48,843)</u>	<u>99,716</u>
Non Operating Income/(Expenses)		
Depreciation	(2,394)	(608)
Capital Purpose Income	19,078	0
Expenditure using Capital Purpose Income	(98,988)	0
Total	<u>(82,304)</u>	<u>(608)</u>
Current Year Surplus/(Deficit)	<u>(131,147)</u>	<u>99,108</u>

Contingent Liabilities and Capital Commitments

There are no known contingent liabilities for Loddon Mallee Rural Health Alliance as at the date of this report.

Commitments for Expenditure

Loddon Mallee Rural Health Alliance has entered into the following contract commitments for expenditure as at 30 June 2010:

	No Later than 1 year \$	Later than 1 year no later than 5 years \$	Later than 5 years \$	Total \$
<u>Payable:</u>				
Information Communication Technology	76,219	2,505	0	78,724
Total Capital Commitments	<u>76,219</u>	<u>2,505</u>	<u>0</u>	<u>78,724</u>

Note 23: Jointly controlled operations and assets (cont)

Commitments for Expenditure (cont)

Loddon Mallee Rural Health Alliance has entered into the following contract commitments for expenditure as at 30 June 2009:

	No Later than 1 year \$	Later than 1 year no later than 5 years \$	Later than 5 years \$	Total \$
Payable:				
Information Communication Technology	108,830	202,824	131,773	443,427
Total Capital Commitments	108,830	202,824	131,773	443,427

Note 24A: Responsible person 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:	Period
The Honourable Daniel Andrews, MLA, Minister for Health	01/07/09 - 30/06/2010

Governing Boards

Mrs H. Acocks	01/07/09 - 30/06/2010
Ms M. Magennis	01/07/09 - 30/06/2010
Ms D. Mellor	01/07/09 - 30/06/2010
Assoc Prof M. Boelen	01/07/09 - 30/06/2010
Mr K. Oberin	01/07/09 - 30/06/2010
Mr G. Clark	01/07/09 - 30/06/2010
Mr S. McDonald	01/07/09 - 30/06/2010
Ms T. Fulton	01/07/09 - 30/06/2010

Accountable Officers

Mrs Glenis Beaumont	01/07/09 - 30/06/2010
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Remuneration of Responsible Persons

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

Income Band	Total Remuneration		Base Remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
\$100,000 - \$110,000	0	1	0	1
\$180,000 - \$189,999	1	-	1	-
Total Numbers	1	1	1	1
Total Remuneration	180,000	155,344	180,000	155,344

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

Other Transactions of Responsible Persons and their Related Parties.

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

Note 24B: Executive officer disclosures

The number 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;

	2010 No.	2009 No.
\$110,000 - \$120,000	0	1
Total	0	1
Total Remuneration	0	113,840