

ALEXANDRA DISTRICT HEALTH

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

The attached financial statements for Alexandra District Health have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and the financial position of Alexandra District Health at 30 June 2019.

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

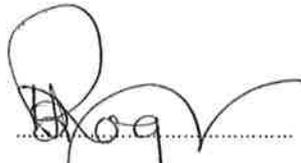
We authorise the attached financial statements for issue on this day.



Ms Cheryl Royle
Acting Board Chair

Alexandra

22nd August, 2019



Ms Deborah Rogers
Chief Executive Officer

Alexandra

22nd August, 2019



Mr Andrew Lowe
Chief Finance Officer

Alexandra

22nd August, 2019

ALEXANDRA DISTRICT HEALTH
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2019

	Note	Total 2019 \$	Total 2018 \$
Income from transactions			
Operating Activities	2.1	8,590,953	8,253,282
Non-Operating Activities	2.1	60,978	51,809
Total Income from Transactions		8,651,931	8,305,091
Expenses from Transactions			
Employee Expenses	3.1	(6,275,797)	(5,696,557)
Supplies and Consumables	3.1	(779,672)	(778,588)
Finance Costs	3.1	(824)	(887)
Depreciation and Amortisation	4.3	(1,019,622)	(1,244,715)
Other Operating Expenses	3.1	(1,425,838)	(1,667,154)
Total Expenses from Transactions		(9,501,753)	(9,387,901)
Net Result from Transactions - Net Operating Balance		(849,822)	(1,082,810)
Other Economic Flows Included in Net Result			
Net gain/(loss) on Non-Financial Assets	3.2	(2,488)	0
Net gain/(loss) on Financial Instruments at Fair Value	3.2	(3,592)	(1,425)
Revaluation of Long Service Leave	3.2	(56,965)	5,575
Total Other Economic Flows Included in Net Result		(63,045)	4,150
Net Result for the year		(912,867)	(1,078,660)
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus	4.2(f)	3,841,534	2,181,000
Total Other Comprehensive Income		3,841,534	2,181,000
Comprehensive Result for the year		2,928,667	1,102,340

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

ALEXANDRA DISTRICT HEALTH
Balance Sheet as at 30 June 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and Cash Equivalents	6.2	3,102,842	1,545,282
Receivables	5.1	171,101	209,968
Investments and Other Financial Assets	4.1	250,000	1,500,000
Inventories		12,356	85,073
Prepayments		135,668	131,805
Total Current Assets		<u>3,671,967</u>	<u>3,472,128</u>
Non-Current Assets			
Receivables	5.1	201,473	119,813
Property, Plant and Equipment	4.2	27,559,169	24,629,791
Intangible Assets	4.4	14,206	11,719
Total Non-Current Assets		<u>27,774,848</u>	<u>24,761,323</u>
TOTAL ASSETS		<u>31,446,815</u>	<u>28,233,451</u>
Current Liabilities			
Payables	5.2	1,016,010	881,046
Lease Liabilities	6.1	9,940	10,327
Provisions	3.4	1,162,532	1,106,564
Total Current Liabilities		<u>2,188,482</u>	<u>1,997,937</u>
Non-Current Liabilities			
Lease Liabilities	6.1	8,107	10,343
Provisions	3.4	279,015	182,627
Total Non-Current Liabilities		<u>287,122</u>	<u>192,970</u>
TOTAL LIABILITIES		<u>2,475,604</u>	<u>2,190,907</u>
NET ASSETS		<u>28,971,211</u>	<u>26,042,544</u>
EQUITY			
Property, Plant and Equipment Revaluation Surplus	4.2f	13,507,335	9,665,801
Restricted Specific Purpose Surplus		24,304	24,304
Contributed Capital		3,591,970	3,591,970
Accumulated Surpluses		11,847,602	12,760,469
TOTAL EQUITY		<u>28,971,211</u>	<u>26,042,544</u>
Commitments	6.3		

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

ALEXANDRA DISTRICT HEALTH
Statement of Changes in Equity
For the Financial Year Ended 30 June 2019

	Property, Plant and Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Contributed Capital	Accumulated Surpluses	Total
Note	\$	\$	\$	\$	\$
Balance at 1 July 2017	7,484,801	24,304	3,591,970	13,839,129	24,940,204
Net result for the year	0	0	0	(1,078,660)	(1,078,660)
Other comprehensive income for the year	2,181,000	0	0	0	2,181,000
Balance at 30 June 2018	9,665,801	24,304	3,591,970	12,760,469	26,042,544
Net result for the year	0	0	0	(912,867)	(912,867)
Other comprehensive income for the year	3,841,534	0	0	0	3,841,534
Balance at 30 June 2019	13,507,335	24,304	3,591,970	11,847,602	28,971,211

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

ALEXANDRA DISTRICT HEALTH
Cash Flow Statement
For the Financial Year Ended 30 June 2019

	Note	2019 \$	2018 \$
		Inflows / (Outflows)	Inflows / (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		7,664,400	7,366,775
Capital Grants from Government		42,644	41,931
Patient and Resident Fees Received		302,911	354,896
Donations and Bequests Received		44,112	28,675
GST received from / (paid to) ATO		(270)	1,219
Interest Received		73,313	49,680
Other Receipts		583,393	726,984
Total Receipts		8,710,503	8,570,160
Employee Expenses Paid		(5,672,846)	(5,114,044)
Fee for Service Medical Officers		(450,147)	(459,676)
Payments for Supplies and Consumables		(706,955)	(556,679)
Finance Costs		(824)	0
Other Payments		(1,457,107)	(1,684,976)
Total Payments		(8,287,879)	(7,815,375)
NET CASH FLOW FROM OPERATING ACTIVITIES	8.2	422,624	754,785
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Non-Financial Assets		(106,939)	(28,655)
Payments for Intangibles		(5,502)	0
Proceeds from Sale of Investments		1,250,000	3,393
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES		1,137,559	(25,262)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings		(2,623)	(13,339)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(2,623)	(13,339)
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		1,557,560	716,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,545,282	829,098
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	3,102,842	1,545,282

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

BASIS OF PRESENTATION

The financial statements are prepared in accordance with Australian Accounting Standards and relevant FRDs.

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the health service.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contribution by owners. Transfer of net liabilities arising from administrative restructurings are treated as distribution to owners.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Alexandra District Health for the year ended 30 June 2019. The report provides users with information about the Health Services' stewardship of resources entrusted to it.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB101 *Presentation of Financial Statements*.

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

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 AASB's.

The annual financial statements were authorised for issue by the Board of Alexandra District Health on 22nd August, 2019.

(b) Reporting Entity

The financial statements includes all the controlled activities of Alexandra District Health.

Its principal address is:
12 Cooper Street
Alexandra Vic 3714

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

(c) Basis of accounting preparation and measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018.

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

All amounts shown in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on professional judgements derived from historical experience and various experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

- The fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 4.2);
- Defined benefit superannuation expense (refer to Note 3.5);
- Employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4); and

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO 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 ATO, are presented as operating cash flow.

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

(d) Principles of Consolidation
Intersegment Transactions

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

(e) Jointly Controlled Operation

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In respect of any interest in joint operations, the Health Service recognises in the financial statements:

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

Alexandra District Health is a Member of the Hume Region Health Alliance Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.8)

(f) Equity

Contributed Capital

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Alexandra District Health.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

The hospital's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

Alexandra District Health Service is predominantly funded by accrual based grant funding for the provision of outputs. The Health Service also receives income from the supply of services.

Structure

2.1 Analysis of revenue by source

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE

	TOTAL 2019 \$	TOTAL 2018 \$
Government Grants - Operating	7,526,041	7,077,788
Government Grants - Capital	42,644	41,931
Other Capital Purpose Income	44,112	133,750
Indirect Contributions by Department of Health and Human Services	97,757	46,200
Patient Fees	311,937	353,915
Recoupment from Private Practice for Use of Hospital facilities	19,165	39,266
Commercial Activities	147,840	207,052
Other Revenue from Operating Activities (including non-capital donations)	401,457	353,380
Total Income from Operating Activities	8,590,953	8,253,282
Interest Income	60,978	0
Capital Purpose Interest	0	51,809
Total Income from Non-Operating Activities	60,978	51,809
Total Income from Transactions	8,651,931	8,305,091

NOTE 2.1: ANALYSIS OF REVENUE BY SOURCE (Continued)

Revenue Recognition

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

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

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

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

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

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

Non-cash contributions from the Department of Health and Human Services

The Department of Health and Human Services makes some payments on behalf of health services as follows:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services
- Long Service Leave (LSL) - revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular
- Public Private Partnership (PPP) lease and service payments are paid directly to the PPP consortium. Revenue and the matching expense are recognised in accordance with the nature and timing of the monthly or quarterly service payments made by the Department of Health and Human Services.

Patient Fees

Patient fees are recognised as revenue on an accrual basis.

Private Practice Fees

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

Revenue from commercial activities

Revenue from commercial activities such as provision of meals to external users is recognised on an accrual basis.

Donations and Other Bequests

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

Interest revenue

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

Sale of investments

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

Other Income

Other income includes recoveries, sundry sales and minor facility charges.

NOTE 3: THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Expenses from Transactions

3.2 Other Economic Flows

3.3 Analysis of expense and revenue by internally managed and restricted specific purpose funds

3.4 Employee benefits in the Balance Sheet

3.5 Superannuation

Note 3.1: Expenses from Transactions	TOTAL 2019 \$	TOTAL 2018 \$
Salaries and Wages	5,226,232	4,742,626
Oncosts	463,287	430,273
Agency Expenses	99,123	9,370
Fee for Service Medical Officer Expenses	450,147	450,306
Workcover Premium	37,008	63,982
Total Employee Expenses	6,275,797	5,696,557
Drug Supplies	81,106	107,287
Medical & Surgical Supplies (including Prosthesis)	424,772	381,987
Diagnostic and Radiology Supplies	105,009	113,791
Supplies and Consumables	168,785	175,523
Total Supplies and Consumables	779,672	778,588
Finance Costs	824	887
Total Finance Costs	824	887
Medical Indemnity Insurance	89,842	81,747
Fuel, Light, Power & Water	142,064	158,975
Repairs and Maintenance	65,109	95,992
Maintenance Contracts	200,889	185,864
Other Administration Expenses	926,652	991,394
Expenditure Using Capital Purpose Income	1,282	153,182
Total Other Operating Expenses	1,425,838	1,667,154
Depreciation and Amortisation (refer note 4.3)	1,019,622	1,244,715
Total Other Non-Operating Expenses	1,019,622	1,244,715
Total Expenses from Transactions	9,501,753	9,387,901

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

Employee Expenses

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency expenses;
- Fee for service medical officer expenses;
- Work cover premium.

Supplies and consumables

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

Finance costs

Finance costs include:

- finance charges in respect of finance leases which are recognised in accordance with AASB 117 Leases.

Other operating expenses

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

- Fuel, light and power
- Repairs and maintenance
- Other administrative expenses
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold).

The Department of Health and Human Services also makes certain payments on behalf of Alexandra District Health. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Non-operating expenses

Other non-operating expenses generally represent expenditure for outside the normal operations such as depreciation and amortisation, and assets and services provided free of charge or for nominal consideration.

NOTE 3.2: OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	Total 2019 \$	Total 2018 \$
<u>Net gain/(loss) on sale of non-financial assets</u>		
Net gain/(loss) on disposal of property plant and equipment	(2,488)	0
Total net gain/(loss) on non-financial assets	(2,488)	0
<u>Net gain/(loss) on financial instruments at fair value</u>		
Bad debts written off unilaterally	(3,592)	(1,425)
Total net gain/(loss) on financial instruments at fair value	(3,592)	(1,425)
<u>Other gains/(losses) from other economic flows</u>		
Net gain/(loss) arising from revaluation of long service liability	(56,965)	5,575
Total other gains/(losses) from other economic flows	(56,965)	5,575
Total other gains/(losses) from economic flows	(63,045)	4,150

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

Net Gain / (Loss) on Non-Financial Assets

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

- Revaluation gain/ (losses) of non-financial physical assets (Refer to Note 4.2 Property, Plant and Equipment)
- Net gain/(loss) on disposal of Non-Financial Assets
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 Investments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Derecognition of financial liabilities

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

NOTE 3.3: ANALYSIS OF EXPENSES AND REVENUE BY INTERNALLY MANAGED AND RESTRICTED SPECIFIC PURPOSE FUNDS

	Expense		Revenue	
	2019 \$	2018 \$	2019 \$	2018 \$
Commercial Activities				
Catering	52,493	53,760	63,631	52,855
Property Expenses/Revenue	15,816	17,812	78,368	81,675
Fundraising	0	0	5,841	2,522
Diagnostic Imaging	0	19,017	0	25,307
Other activities				
Project Expenditure	0	86,883	0	70,000
TOTAL	68,309	177,472	147,840	232,359

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET

	Total 2019	Total 2018
	\$	\$
Current Provisions		
Employee Benefits (i)		
Annual Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	366,989	328,860
- unconditional and expected to be settled wholly after 12 months (iii)	100,000	100,000
Accrued Days Off		
- unconditional and expected to be settled wholly within 12 months (ii)	7,508	4,058
Long Service Leave		
- unconditional and expected to be settled wholly within 12 months (ii)	117,734	124,961
- unconditional and expected to be settled wholly after 12 months (iii)	504,080	482,346
	<u>1,096,311</u>	<u>1,040,225</u>
Provisions related to employee benefit on-costs		
- unconditional and expected to be settled within 12 months (ii)	12,538	13,650
- unconditional and expected to be settled after 12 months (iii)	53,683	52,689
	<u>66,221</u>	<u>66,339</u>
Total Current Provisions	<u>1,162,532</u>	<u>1,106,564</u>
Non-Current Provisions		
Employee Benefits (iii)	252,160	164,642
Provisions related to employee benefit on-costs	26,855	17,985
Total Non-Current Provisions	<u>279,015</u>	<u>182,627</u>
Total Provisions	<u>1,441,547</u>	<u>1,289,191</u>
Notes:		
(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.		
(ii) The amounts disclosed are nominal amounts		
(iii) The amounts disclosed are discounted to present values		
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits and related on-costs (ii)		
Annual Leave Entitlements	466,989	428,860
Accrued Days Off	7,508	4,058
Unconditional Long Service Leave Entitlements	688,035	673,646
	<u>1,162,532</u>	<u>1,106,564</u>
Non-Current Employee Benefits and related On-Costs		
Conditional Long Service Leave Entitlements (iii)	279,015	182,627
Total Employee Benefits and Related On-Costs	<u>1,441,547</u>	<u>1,289,191</u>

NOTE 3.4: EMPLOYEE BENEFITS IN THE BALANCE SHEET (Continued)

(b) Movement in provisions

Movement in Long Service Leave:

	Total 2019	Total 2018
	\$	\$
Balance at start of year	856,273	856,273
Provision made during the year		
- Revaluations	(56,965)	5,575
- Expense recognising employee service	320,409	58,935
Settlement made during the year	<u>(152,667)</u>	<u>(64,510)</u>
Balance at end of year	<u>967,050</u>	<u>856,273</u>

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of accrued days off, annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

Provisions

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

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Employee Benefits

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

Annual Leave and Accrued Days Off

Liabilities for annual leave and accrued days off are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

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

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

Long Service Leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the health service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Nominal value – if the health service expects to wholly settle within 12 months; or
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination benefits

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

On-Costs related to employee expense

Provision for on-costs, such as workers compensation and superannuation are recognised together with provisions for employee benefits.

NOTE 3.5: SUPERANNUATION

Fund		Paid Contributions for the Year		Outstanding Contributions at Year End	
		2019 \$	2018 \$	2019 \$	2018 \$
(i) Defined Benefit Plans:	Health Super	9,221	11,853	0	0
Defined Contribution Plans:	Health Super	409,218	375,523	0	0
	HESTA	42,477	42,897	0	0
Total		460,916	430,273	0	0

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

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

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

The health service controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the hospital to be utilised for delivery of those outputs.

Structure

- 4.1 Investments and other financial assets
- 4.2 Property, plant & equipment
- 4.3 Depreciation and amortisation
- 4.4 Intangible assets

NOTE 4.1: INVESTMENTS AND OTHER FINANCIAL ASSETS

	Operating Fund		Total 2019	Total 2018
	2019	2018		
	\$	\$	\$	\$
CURRENT				
<i>Financial Assets at Amortised Cost</i>				
Term Deposits > 3 months (i)	250,000	1,500,000	250,000	1,500,000
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	<u>250,000</u>	<u>1,500,000</u>	<u>250,000</u>	<u>1,500,000</u>
Represented by:				
Health Service Investments	<u>250,000</u>	<u>1,500,000</u>	<u>250,000</u>	<u>1,500,000</u>
TOTAL	<u><u>250,000</u></u>	<u><u>1,500,000</u></u>	<u><u>250,000</u></u>	<u><u>1,500,000</u></u>

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

Investment Recognition

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

The Health Service classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

The Health Service's investments must comply with Standing Direction 3.7.2 - Treasury and Investment Risk Management.

All financial assets, except those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

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

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT	Total 2019 \$	Total 2018 \$
(a) Gross carrying amount and accumulated depreciation		
Land		
- Land at Fair Value	1,124,000	1,120,000
- Land Improvements at Fair Value	0	72,942
Less Accumulated Depreciation	0	9,787
	<u>0</u>	<u>63,155</u>
Total Land	<u>1,124,000</u>	<u>1,183,155</u>
Buildings		
- Buildings at Fair Value	25,920,000	22,846,636
Less Accumulated Depreciation	0	0
	<u>25,920,000</u>	<u>22,846,636</u>
Total Buildings	<u>25,920,000</u>	<u>22,846,636</u>
Plant & Equipment		
- Hume Rural Health Alliance	16,418	16,284
Less Accumulated Depreciation	7,976	3,904
	<u>8,442</u>	<u>12,380</u>
- Plant and Equipment at Fair Value	990,378	1,757,892
Less Accumulated Depreciation	866,870	1,615,594
	<u>123,508</u>	<u>142,298</u>
- Computers and Communication at Fair Value	249,341	242,469
Less Accumulated Depreciation	203,443	208,791
	<u>45,898</u>	<u>33,678</u>
- Furniture and Fittings at Fair Value	227,127	308,813
Less Accumulated Depreciation	201,211	274,679
	<u>25,916</u>	<u>34,134</u>
Total Plant and Equipment	<u>203,764</u>	<u>222,490</u>
Motor Vehicles		
- Motor Vehicles at Fair Value	202,948	202,948
Less Accumulated Depreciation	181,448	178,768
Total Motor Vehicles	<u>21,500</u>	<u>24,180</u>
Medical Equipment		
- Medical Equipment at Fair Value	1,584,555	1,550,593
Less Accumulated Depreciation	1,312,830	1,217,999
Total Medical Equipment	<u>271,725</u>	<u>332,594</u>
Leased Assets		
- Leased Equipment at Fair Value	61,966	53,400
Less Accumulated Amortisation	43,786	32,664
Total Leased Assets	<u>18,180</u>	<u>20,736</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>27,559,169</u>	<u>24,629,791</u>

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Reconciliations of the carrying amounts of each class of asset

	Land	Buildings	Plant & Equip	Motor Vehicles	Medical Equipment	Leased Assets	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	1,186,802	21,674,512	329,204	47,321	427,012	0	23,664,851
Additions	0	0	8,518	0	22,347	0	30,865
Transfers	0	0	(34,009)	0	0	34,009	0
Revaluation Increments	0	2,181,000	0	0	0	0	2,181,000
Hume Rural Health Alliance	0	0	8,936	0	0	(11,146)	(2,210)
Depreciation (note 4.3)	(3,647)	(1,008,876)	(90,159)	(23,141)	(116,765)	(2,127)	(1,244,715)
Balance at 1 July 2018	1,183,155	22,846,636	222,490	24,180	332,594	20,736	24,629,791
Additions	0	0	51,414	0	44,527	0	95,941
Disposals	0	0	(2,231)	0	(257)	0	(2,488)
Revaluation Increments	(55,508)	3,897,042	0	0	0	0	3,841,534
Hume Rural Health Alliance	0	0	712	0	0	10,286	10,998
Depreciation (note 4.3)	(3,647)	(823,678)	(68,811)	(2,680)	(104,949)	(12,842)	(1,016,607)
Balance at 30 June 2019	1,124,000	25,920,000	203,574	21,500	271,915	18,180	27,559,169

Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value all of the Health Service's land and buildings to determine their fair value.

The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

The valuation was based on independent assessments. The effective date of the valuation is 30 June 2019.

(c) Fair value measurement hierarchy for assets

Land at fair value

Non-specialised land
Specialised land
Total of land at fair value

Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
	Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
\$	\$	\$	\$
225,000	0	225,000	0
899,000	0	0	899,000
1,124,000	0	225,000	899,000

Buildings at fair value

Specialised buildings
Total of building at fair value

25,920,000	0	0	25,920,000
25,920,000	0	0	25,920,000

Plant and equipment at fair value

Plant equipment and vehicles at fair value
- Vehicles
- Plant and equipment
Total of plant, equipment and vehicles at fair value

21,500	0	0	21,500
203,574	0	0	203,574
225,074	0	0	225,074

Medical equipment at fair value

Medical Equipment
Total medical equipment at fair value

271,915	0	0	271,915
271,915	0	0	271,915

Leased Assets at fair value

Leased Plant & Equipment
Total leased assets at fair value

18,180	0	0	18,180
18,180	0	0	18,180

TOTAL

27,559,169	0	225,000	27,334,169
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(i) Classified in accordance with the fair value hierarchy,

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)
(c) Fair value measurement hierarchy for assets (Continued)

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱⁱ⁾	Level 3 ⁽ⁱⁱ⁾
	\$	\$	\$	\$
Land at fair value				
Non-specialised land	288,155	0	288,155	0
Specialised land	895,000	0	0	895,000
Total of land at fair value	1,183,155	0	288,155	895,000
Buildings at fair value				
Specialised buildings	22,846,636	0	0	22,846,636
Total of building at fair value	22,846,636	0	0	22,846,636
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	24,180	0	0	24,180
- Plant and equipment	222,490	0	0	222,490
Total of plant, equipment and vehicles at fair value	246,670	0	0	246,670
Medical equipment at fair value				
Medical Equipment	332,594	0	0	332,594
Total medical equipment at fair value	332,594	0	0	332,594
Leased Assets at fair value				
Leased Plant & Equipment	20,736	0	0	20,736
Total leased assets at fair value	20,736	0	0	20,736
TOTAL	24,629,791	0	288,155	24,341,636

(i) Classified in accordance with the fair value hierarchy,

(ii) There have been no transfers between levels during the period. In the prior year, there was a transfer from Level 2 to Level 3 for vehicles due to depreciated replacement cost being applied for fair value assessments.

(d) Reconciliation of Level 3 fair value

	Land	Buildings	Plant and equipment	Motor Vehicles	Medical equipment	Leased Assets
	\$	\$	\$	\$	\$	\$
30-Jun-19						
Opening Balance	895,000	22,846,636	222,490	24,180	332,594	20,736
Purchases (sales)	0	0	49,895	0	44,270	10,286
Transfers in (out) of Level 3	0	0	0	0	0	0
Gains or losses recognised in net result						
- Depreciation	0	(823,678)	(68,811)	(2,680)	(104,949)	(12,842)
Subtotal	895,000	22,022,958	203,574	21,500	271,915	18,180
Items recognised in other comprehensive income						
- Revaluation	4,000	3,897,042	0	0	0	0
Subtotal	4,000	3,897,042	0	0	0	0
Closing Balance	899,000	25,920,000	203,574	21,500	271,915	18,180

There have been no transfers between levels during the 2019 period.

	Land	Buildings	Plant and equipment	Motor Vehicles	Medical equipment	Leased Assets
	\$	\$	\$	\$	\$	\$
30-Jun-18						
Opening Balance	895,000	21,674,512	329,204	47,321	427,012	0
Purchases (sales)	0	0	(16,555)	0	22,347	22,863
Transfers in (out) of Level 3	0	0	0	0	0	0
Gains or losses recognised in net result						
- Depreciation	0	(1,008,876)	(90,159)	(23,141)	(116,765)	(2,127)
Subtotal	895,000	20,665,636	222,490	24,180	332,594	20,736
Items recognised in other comprehensive income						
- Revaluation	0	2,181,000	0	0	0	0
Subtotal	0	2,181,000	0	0	0	0
Closing Balance	895,000	22,846,636	222,490	24,180	332,594	20,736

A transfer from Level 2 to Level 3 has occurred for vehicles due to depreciated replacement cost being applied in 2018 for fair value assessments.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Fair Value Determination

Asset Class	Examples of types assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	In areas where there is an active market: - Vacant Land - Land not subject to restrictions as to use or sale	Level 2	Market Approach	n.a.
Specialised land (Crown/Freehold)	- Land subject to restriction as to use and/or sale - Land in areas where there is not an active market	Level 3	Market approach	Community Service Obligation Adjustments (25% applied in 2019 valuation)
Specialised Buildings	Specialised buildings with limited alternative uses and/or substantial customisation eg. Hospitals	Level 3	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Commercial and Non Commercial vehicles	Level 3	Depreciated replacement cost approach	- Useful life
Plant and equipment and Medical Equipment	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Depreciated replacement cost approach	- Cost per unit - Useful life

(f) Property, Plant and Equipment Revaluation Surplus

	Total 2019 \$	Total 2018 \$
Property, Plant and Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	9,665,801	7,484,801
Revaluation Increment/(Decrement)		
- Land	(55,508)	0
- Buildings	3,897,042	2,181,000
Balance at the end of the reporting period*	13,507,335	9,665,801
*Represented by:		
- Land	647,742	703,250
- Buildings	12,859,593	8,962,551
	13,507,335	9,665,801

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

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

The initial cost for non-financial physical assets under finance lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

Revaluations of Non-current Physical Assets

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

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

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

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

In accordance with FRD 103H, Alexandra District Health's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Identifying unobservable inputs (level 3) fair value measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Consideration of highest and best use (HBU) for non-financial physical assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with AASB 13.29, Health Services can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset. Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, Health Services are required to engage with VGV or other independent valuers for formal HBU assessment.

Non-specialised land and Non-specialised Buildings

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

For non-specialised land and non-specialised buildings an independent valuation was performed by independent valuers Valuer-General Victoria to determine the fair value using the market approach.

Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

NOTE 4.2: PROPERTY, PLANT AND EQUIPMENT (Continued)

Specialised land and specialised buildings

Specialised land includes Crown Land which is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

During the reporting period, the Health Service held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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

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

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

An independent valuation of Alexandra District Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

Vehicles

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

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

NOTE 4.3: DEPRECIATION AND AMORTISATION

	Total 2019	Total 2018
	\$	\$
Depreciation		
Buildings	823,678	1,008,876
Land Improvements	3,647	3,647
Plant and Equipment	33,003	40,561
Computers and Communication	24,844	25,661
Motor Vehicles	2,680	23,141
Furniture and Fittings	6,314	7,044
Medical Equipment	104,949	116,765
Hume Rural Health Alliance	4,650	16,893
Leased Assets	12,842	0
Total Depreciation	1,016,607	1,242,588
Amortisation		
Hume Rural Health Alliance Intangible Assets	3,015	2,127
TOTAL DEPRECIATION AND AMORTISATION	1,019,622	1,244,715

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

	2019	2018
Buildings		
- Structure Shell Building Fabric	5 to 47 years	5 to 47 years
- Site Engineering Services and Central Plant	2 to 20 years	2 to 20 years
Central Plant		
- Fit Out	2 to 3 years	2 to 3 years
- Trunk Reticulated Building Systems	3 to 5 years	3 to 5 years
Plant and Equipment	2 to 25 years	2 to 25 years
Medical Equipment	3 to 20 years	3 to 20 years
Computers and Communication	2 to 20 years	2 to 20 years
Furniture and Fittings	4 to 25 years	4 to 25 years
Motor Vehicles	2 to 3 years	2 to 3 years
Land Improvements	20 years	20 years

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

NOTE 4.4: INTANGIBLE ASSETS

	Total 2019	Total 2018
	\$	\$
Intangible Assets - Hume Rural Health Alliance	16,603	16,603
Less Accumulated Amortisation	2,397	4,884
TOTAL INTANGIBLE ASSETS	14,206	11,719

Reconciliation of the carrying amount of intangible assets at the beginning and end of the previous and current financial year:

	HRHA \$	Total \$
Balance at 1 July 2017	38,997	38,997
Additions	(25,151)	(25,151)
Amortisation (i)	2,127	2,127
Balance at 1 July 2018	11,719	11,719
Additions/(Disposals)	5,502	5,502
Amortisation (j)	3,015	3,015
Balance at 30 June 2019	14,206	14,206

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software.

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 Alexandra District Health Service.

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

NOTE 5: OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the hospital's operations.

Structure

5.1 Receivables

5.2 Payables

NOTE 5.1: RECEIVABLES

	Total 2019	Total 2018
	\$	\$
CURRENT		
Contractual		
Trade Debtors	71,973	30,686
Patient Fees	23,840	14,814
Accrued Investment Income	6,179	18,514
Hume Rural Health Alliance Receivables	37,249	94,661
Accrued Revenue - Other	3,694	2,500
Less Allowance for impairment losses of contractual receivables		
Trade Debtors	(2,787)	0
	140,148	161,175
Statutory		
Accrued Revenue - Department of Health & Human Services	5,000	23,110
GST Receivable - Health Service	25,953	25,683
	30,953	48,793
TOTAL CURRENT RECEIVABLES	171,101	209,968
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	201,473	119,813
TOTAL NON-CURRENT RECEIVABLES	201,473	119,813
TOTAL RECEIVABLES	372,574	329,781

Receivables recognition

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Health Service holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, which predominantly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Health Service applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

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

The Health Service is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Doubtful Debts

Collectability of debts is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as *other economic flows included in net result*.

NOTE 5.2: PAYABLES

	Total 2019	Total 2018
	\$	\$
CURRENT		
Contractual		
Trade Creditors	210,015	243,433
Accrued Audit Fees	20,004	15,000
Accrued Salaries and Wages	124,183	88,348
Other	100,610	83,083
Income in Advance	22,377	0
Hume Rural Health Alliance Payables	87,964	119,775
	565,153	549,639
Statutory		
Hume Region Health Alliance Fund Holding	66,954	32,500
Income in Advance - Department of Health and Human Services	304,286	240,868
Amounts Payable to Government - PAYG & FBT Payable	79,617	58,039
	450,857	331,407
TOTAL PAYABLES	1,016,010	881,046

Payables Recognition

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represents liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Maturity analysis of payables

Please refer to Note 7.1(b) for the ageing analysis of payables.

NOTE 6: HOW WE FINANCE OUR OPERATIONS

This section provides information on the sources of finance utilised by the hospital during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the hospital.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note: 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Borrowings

6.2 Cash and cash equivalents

6.3 Commitments for expenditure

NOTE 6.1: BORROWINGS	Total 2019 \$	Total 2018 \$
CURRENT		
Finance Lease Liability - HRHA (i)	9,940	10,327
Total Lease Liabilities - Current	<u>9,940</u>	<u>10,327</u>
NON CURRENT		
Finance Lease Liability - HRHA (i)	8,107	10,343
Total Lease Liabilities -Non Current	<u>8,107</u>	<u>10,343</u>
Total Lease Liabilities	<u>18,047</u>	<u>20,670</u>

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Refer to Note 6.3 for lease commitment details.

Maturity analysis of borrowings

Please refer to Note 7.1(b) for the ageing analysis of borrowings.

Defaults and breaches

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

Borrowing Recognition

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

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

Finance leases

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement.

Borrowings

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs.

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at 'fair value through profit or loss'.

NOTE 6.2: CASH AND CASH EQUIVALENTS

	Total 2019	Total 2018
	\$	\$
Cash on Hand	500	400
Cash at Bank	3,102,342	1,544,882
TOTAL CASH AND CASH EQUIVALENTS	3,102,842	1,545,282
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	3,102,842	1,545,282
TOTAL CASH AND CASH EQUIVALENTS	3,102,842	1,545,282

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

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

NOTE 6.3: COMMITMENTS FOR EXPENDITURE

(a) Commitments

Lease Commitments

Commitments in relation to leases contracted for at the reporting date:

Finance Leases - HRHA

Total Lease Commitments

	Total 2019	Total 2018
	\$	\$
	18,047	20,670
Total Lease Commitments	18,047	20,670

Finance Lease Commitments

Commitments in relation to finance leases are as payable as follows:

Less than 1 year

Longer than 1 year but not longer than 5 years

Minimum Lease Payments

Less Future Finance Charge

Total Finance Lease Commitments

Less than 1 year	10,536	10,947
Longer than 1 year but not longer than 5 years	8,593	10,964
Minimum Lease Payments	19,130	21,910
Less Future Finance Charge	(1,083)	(1,240)
Total Finance Lease Commitments	18,047	20,670

(b) Commitments Payable

Lease Commitments Payable

Less than 1 year

Longer than 1 year but not longer than 5 years

5 years or more

Total Finance Lease Commitments

Less than 1 year	9,940	10,327
Longer than 1 year but not longer than 5 years	8,107	10,343
5 years or more	0	0
Total Finance Lease Commitments	18,047	20,670

All amounts shown in the commitments note are nominal amounts inclusive of GST.

Commitments

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

The Health Service has entered into commercial leases on certain medical equipment, computer equipment and property where it is not in the interest of the Health Service to purchase these assets. These leases have an average life of between 1 and 20 years with renewal terms included in the contracts. Renewals are at the option of the Health Service. There are no restrictions placed upon the lessee by entering into these leases.

NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

The Health Service is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the hospital is related mainly to fair value determination.

Structure

7.1 Financial instruments

NOTE 7.1: FINANCIAL INSTRUMENTS

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Alexandra District Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

(a) Categorisation of financial instruments

	Financial Assets at Amortised Cost \$	Contractual financial liabilities at amortised cost \$	Total \$
2019			
Contractual Financial Assets			
Cash and cash equivalents	3,102,842	0	0
Receivables			0
- Trade Debtors	71,973	0	0
- Other Receivables	140,148	0	0
Other Financial Assets			
- Term Deposits	250,000	0	0
Total Financial Assets (i)	3,564,963	0	0
Financial Liabilities			
Payables	0	565,153	565,153
Lease Liabilities	0	18,047	18,047
Total Financial Liabilities(ii)	0	583,200	583,200

	Contractual financial assets - loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
2018			
Contractual Financial Assets			
Cash and cash equivalents	1,545,282	0	1,545,282
Receivables			
- Trade Debtors	30,686	0	30,686
- Other Receivables	130,489	0	130,489
Other Financial Assets			
- Term Deposits	1,500,000	0	1,500,000
Total Financial Assets (i)	3,206,457	0	3,206,457
Financial Liabilities			
Payables	0	549,639	549,639
Lease Liabilities	0	20,670	20,670
Total Financial Liabilities(ii)	0	570,309	570,309

(i) The carrying amount excludes statutory receivables (i.e. GST Receivable and DHHS Receivable) and statutory payables (i.e. Revenue in advance and DHHS payable).

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

(b) Maturity analysis of financial liabilities as at 30 June

	Carrying Amount \$	Nominal Amount \$	Maturity Dates			
			Less than 1 Month \$	1 - 3 Months \$	3 Months - 1 Year \$	1 - 5 Years \$
2019						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	565,153	565,153	565,153	0	0	0
Lease Liabilities (note 6.1)	18,047	18,047	860	2,580	6,888	7,719
Total Financial Liabilities	583,200	583,200	566,013	2,580	6,888	7,719
2018						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	549,639	549,639	461,291	0	0	0
Lease Liabilities (note 6.1)	20,670	20,670	860	2,580	6,888	10,342
Total Financial Liabilities	570,309	570,309	462,151	2,580	6,888	10,342

(i) Ageing analysis of financial liabilities excludes the types of statutory financial liabilities (i.e. GST payable)

NOTE 7.1: FINANCIAL INSTRUMENTS (Continued)

From 1 July 2018, the Health Service applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Health Service to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Department recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Categories of financial assets previously under AASB 139

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

Loans and receivables category includes cash and deposits (refer to Note 6.1), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

- term deposits

Financial liabilities at amortised cost

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

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

NOTE 8: OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities
- 8.2 Responsible persons disclosures
- 8.3 Remuneration of Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of auditors
- 8.6 AASBs issued that are not yet effective
- 8.7 Events occurring after the balance sheet date
- 8.8 Jointly Controlled Operations
- 8.9 Economic Dependency

NOTE 8.1: RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	Total 2019	Total 2018
	\$	\$
NET RESULT FOR THE YEAR	(912,867)	(1,078,660)
Non-cash movements		
Depreciation	1,019,622	1,244,715
Provision for Doubtful Debts	2,787	0
Impairment of Intangible Assets	0	27,278
Movements included in investing and financing activities		
Net (Gain)/Loss from Disposal of Plant and Equipment	2,488	0
Movements in assets and liabilities		
Change in operating assets and liabilities		
(Increase)/Decrease in Receivables	(45,580)	10,298
(Increase)/Decrease in Prepayments	(3,863)	34,576
(Increase)/Decrease in Inventories	72,717	42,195
Increase/(Decrease) in Payables	134,964	365,983
Increase/(Decrease) in Provisions	152,356	108,400
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	422,624	754,785

NOTE 8.2: RESPONSIBLE PERSONS DISCLOSURES

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

Responsible Ministers:

	Period
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	01/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29/11/2018 - 30/06/2019
The Honourable Martin Foley, Minister for Mental Health	01/07/2018 - 30/06/2019

Governing Boards

Ms. Lorna Gelbert	01/07/2018 - 30/06/2019
Ms. Carole Staley	01/07/2018 - 30/06/2019
Mr. Geoff Hyland	01/07/2018 - 30/06/2019
Mr. Paul Denham	01/07/2018 - 30/06/2019
Ms. Cheryl Royle	01/07/2018 - 30/06/2019
Ms. Megan Buntine	01/07/2018 - 30/06/2019
Ms. Alison Wastie	01/07/2018 - 30/06/2019

Accountable Officer

Ms. Deborah Rogers	01/07/2018 - 30/06/2019
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Remuneration of Responsible Persons

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

Income Band	Total 2019	Total 2018
	\$	\$
\$0 - \$10,000	7	8
\$170,000 - \$179,999	0	1
\$190,000 - \$199,999	1	0
Total Numbers	8	9
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$216,699	\$179,556

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

NOTE 8.3: REMUNERATION OF EXECUTIVE OFFICERS

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Share-based payments are cash or other assets paid or payable as agreed between the health service and the employee, provided specific vesting conditions, if any, are met.

Remuneration of executive officers	Total	
	2019	2018
	\$	\$
Short-term employee benefits	129,920	125,914
Post-employment benefits	12,140	11,803
Other long-term benefits	3,197	3,108
Total Remuneration (a)	145,257	140,825
Total Number of executives	1.00	1.00
Total annualised employee equivalent (AEE) (b)	1.00	1.00

Notes:

- (a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).
- (b) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

NOTE 8.4: RELATED PARTIES

The health service is a wholly owned and controlled entity of the State of Victoria. Related parties of the hospital include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members;
- Jointly Controlled Operation - A member of the Hume Rural Health Alliance; and
- all hospitals and public sector entities that are controlled and Total into the whole of state Total financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of the Health Service and its controlled entities, directly or indirectly.

The Board of Directors and the Executive Directors of Alexandra District Health and its controlled entities are deemed to be KMPs.

Entity	KMPs	Position Title
Alexandra District Health	Ms. Lorna Gelbert	Chair of the Board
Alexandra District Health	Ms. Carole Staley	Board Member
Alexandra District Health	Mr. Geoff Hyland	Board Member
Alexandra District Health	Mr. Paul Denham	Board Member
Alexandra District Health	Ms. Cheryle Royle	Board Member
Alexandra District Health	Ms. Megan Buntine	Board Member
Alexandra District Health	Ms. Alison Wastie	Board Member
Alexandra District Health	Ms. Deborah Rogers	Chief Executive Officer
Alexandra District Health	Mr. Andrew Lowe	Director of Corporate Services

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

	Total 2019	Total 2018
COMPENSATION	\$	\$
Short term employee benefits	325,902	286,383
Post-employment benefits	28,536	26,852
Other long-term benefits	7,517	7,145
Termination benefits	0	0
Total	361,955	320,380

(i) Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.

(ii) KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

Significant transactions with government-related entities

Alexandra District Health received funding from the Department of Health and Human Services of \$7,363,558 (2018: \$6,575,608).

Expenses incurred by the Health Service in delivering services and outputs are in accordance with Health Purchasing Victoria requirements. Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

The Standing Directions of the Assistant Treasurer require the Health Service to hold cash (in excess of working capital) in accordance with the State's centralised banking arrangements. All borrowings are required to be sourced from Treasury Corporation Victorian unless an exemption has been approved by the Minister for Health and Human Services and the Treasurer.

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

Outside of normal citizen type transactions with the Department of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for Alexandra District Health Board of Directors and Executive Directors in 2019.

NOTE 8.5: REMUNERATION OF AUDITORS

	Total 2019	Total 2018
Victorian Auditor-General's Office	\$	\$
Audit or review of financial statement	20,000	19,000
	<u>20,000</u>	<u>19,000</u>

NOTE 8.6: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2019 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Alexandra District Health has not and does not intend to adopt these standards early.

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1-Jan-19	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. There is an expectation this will impact capital grant funding, however it is not possible to quantify the impact until such time as funding is received and projects are commenced.
AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for Not-for-Profit entities.	1-Jan-19	AASB 2018-4 provides additional guidance for not-for-profit public sector licenses, which include: <ul style="list-style-type: none"> • Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058; • IP licenses to be accounted for under AASB 15; and • Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16. There is no material impact expected.
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1-Jan-19	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: <p>AASB 9</p> <ul style="list-style-type: none"> • Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> • The 'customer' does not need to be the recipient of goods and/or services; • The "contract" could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or 'equivalent means'; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be 'sufficiently specific' to be able to apply AASB 15 to these transactions. The impact on reporting capital funding has potential to result in material change, however this is not able to be quantified prior to receipt of capital grants and commencement of projects.

NOTE 8.8: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1-Jan-19	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged. There is no material impact from implementation of this standard due to the lack of existing operating leases.
AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1-Jan-19	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed. No material impact during the period applicable under the election.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further	1-Jan-19	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 Contributions. The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed. The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement. Impact is not able to be quantified until such time as capital grants are received and projects commenced.

NOTE 8.8: AASBs ISSUED THAT ARE NOT YET EFFECTIVE

Topic	Key Requirements	Effective date	Impact on financial statements
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the <u>definition of material</u> .	1-Jan-20	The standard is not expected to have a significant impact on the public sector. No material impact is expected.
AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059	This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020.	1 January 2020 (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	This standard defers the mandatory effective date of AASB 1059 for periods beginning on or after 1 January 2019 to 1 January 2020. As the State has elected to early adopt AASB 1059, the financial impact will be reported in the financial year ending 30 June 2019, rather than the following

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2018-19 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

NOTE 8.7: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no events occurring after the Balance Sheet Date.

NOTE 8.8: JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of Entity	Principal Activity	Ownership Interest	
		2019 %	2018 %
Hume Rural Health Alliance	Information Systems	2.46	2.40

Alexandra District Health's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective categories:

	2019	2018
Current Assets	\$	\$
Cash and Cash Equivalents	165,615	132,014
Receivables	31,222	94,661
Prepayments	6,027	1,827
Total Current Assets	<u>202,864</u>	<u>228,502</u>
Non Current Assets		
Property Plant and Equipment	8,442	12,380
Leased Assets	18,180	20,736
Intangible Assets	14,206	11,719
Total Non Current Assets	<u>40,828</u>	<u>44,835</u>
Total Assets	<u>243,692</u>	<u>273,337</u>
Current Liabilities		
Payables	87,964	119,775
Borrowings	9,940	10,327
Total Current Liabilities	<u>97,904</u>	<u>130,102</u>
Non Current Liabilities		
Borrowings	8,107	10,343
Total Non Current Liabilities	<u>8,107</u>	<u>10,343</u>
Total Liabilities	<u>106,011</u>	<u>140,445</u>
Net Assets	<u>137,681</u>	<u>132,892</u>

Alexandra District Health's interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

Revenues		
Operating Revenue	215,957	195,445
Non Operating Revenue	2,288	1,088
Capital Purpose Income	0	98,400
Total Revenue	<u>218,245</u>	<u>294,933</u>
Expenses		
Employee Benefits	43,013	30,648
Information Technology and Administrative Expenses	147,830	136,471
Expenditure using Capital Income	2,106	153,182
Depreciation and amortisation	20,507	19,020
Total Expenses	<u>213,456</u>	<u>339,321</u>
Net Result	<u>4,789</u>	<u>(44,388)</u>

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for Hume Rural Health Alliance as at the date of this report.

Investments in joint operations

In respect of any interest in joint operations, Alexandra District Health recognises in the financial statements:

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

NOTE 8.9: ECONOMIC DEPENDENCY

The Health Service is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support the Health Service.