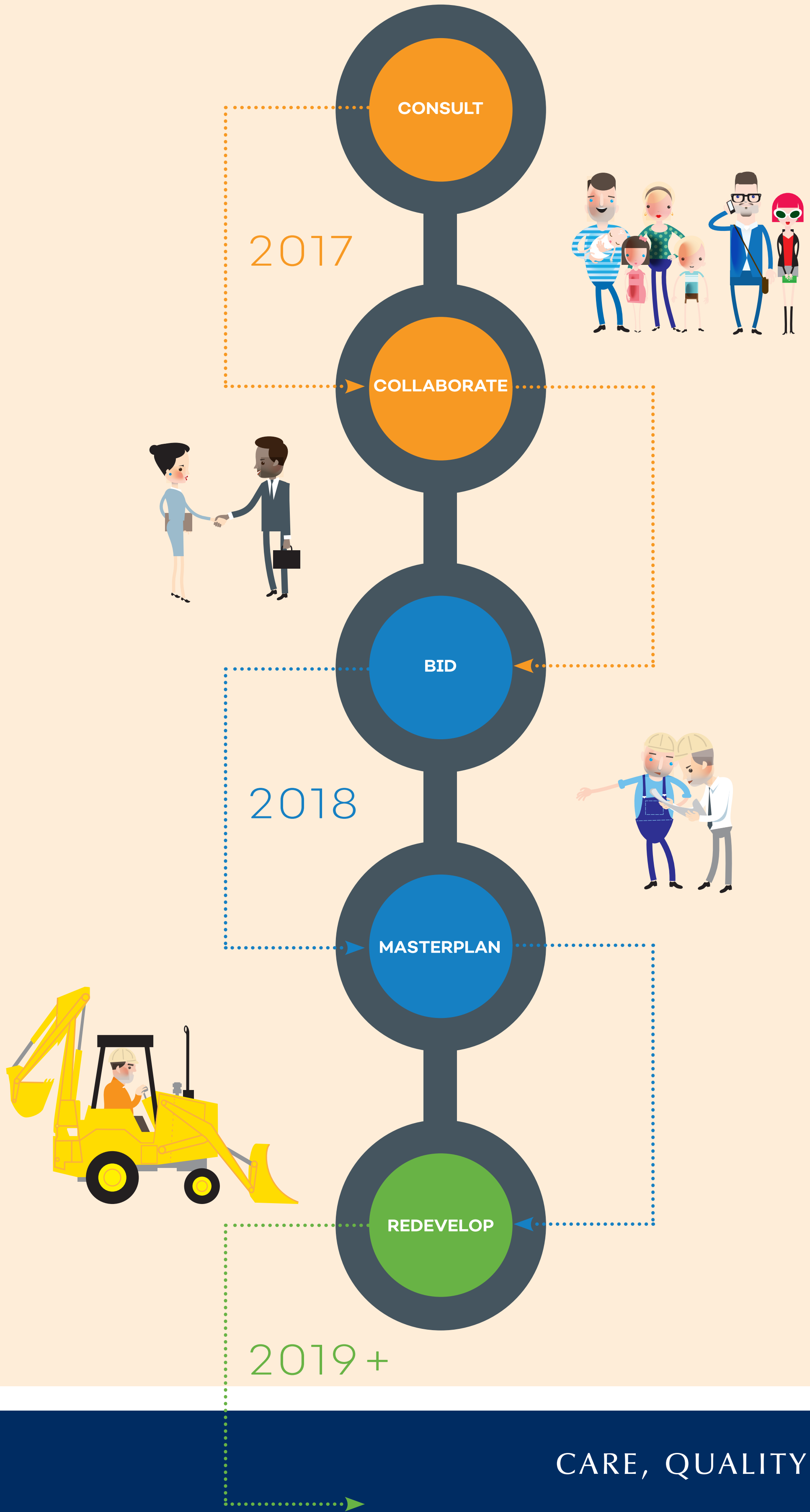
castlemaine HEALTH

FINANCE REPORT 2017|18



CARE, QUALITY AND CHOICE

Contents

Vision

Exceptional care of every person, every time.

Mission

A well run and trusted organisation that engages with the community to provide high quality health services.

Values

Integrity

We engage with others in the highest degree of dignity, equity, honesty and trust.

Care

We treat people with respect, are compassionate, thoughtful and responsive to their needs.

Unity

We work as a team and in partnership with our communities.

Excellence

We are committed to achieve our Vision.

Acknowledgements and Feedback

We wish to thank everyone who contributed to this report – staff, members of the community, volunteers and clients. We value your comments and feedback, so please get in touch:

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Castlemaine Health acknowledges the support of the Victorian Government

Report of Operations - Financial

The information contained on this page does not form part of the audited financial results for the year ended 30 June 2018 but is based on information contained within the audited statements.

Summary of Financial Results

For the Financial Year ended 30 June 2018

	2018 $000	2017 $000	2016 $000	2015 $000	2014 $000
Total Revenue	49,960	49,404	46,394	42,744	46,673
Total Expenses	51,073	49,749	44,815	44,600	45,701
Other Operating Flows included in the net result	(356)	303	0	0	0
Net Result Before Capital & Specific Items*	**(410)**	**1,286**	**238**	**(477)**	**(1,981)**
Net Result for the year (incl Capital & Specific Items)	**(1,469)**	**(42)**	**1,579**	**(1,856)**	**972**
Retained Surplus/Accumulated Deficit	**(15,961)**	**(14,492)**	**(14,450)**	**(16,039)**	**(14,183)**
Total Assets	72,986	72,279	66,573	63,201	60,054
Total Liabilities	34,681	32,505	27,223	25,409	20,210
Net Assets	38,305	39,774	39,350	37,792	39,844
Equity	38,305	39,774	39,350	37,792	39,844

** The Net Result before Capital & Specific Items is the result for which the hospital is monitored in its Statement of Priorities.*

Significant Changes in Financial Position

The Cash and Cash Equivalent/Investments balances held by Castlemaine Health increased during the year by $1.7m. This increase was as the result of an increase in Refundable Accommodation Deposits and is offset by a corresponding increase in Other Current Liabilities (Monies held in Trust).

Castlemaine Health is striving to achieve operating surpluses on an ongoing basis to ensure the organisation can generate the cash needed to meet operating requirements into the future.

Operational and Budgetary Objectives and Factors Affecting Performance

Like all Health Services, Castlemaine Health is required to negotiate a Statement of Priorities with the Department of Health and Human Services each year. This document is a key accountability agreement between Castlemaine Health and the Minister for Health. It recognises that resources are limited and that the allocation of these scarce resources needs to be prioritised. The Statement incorporates both system-wide priorities set by the Government and locally generated agency-specific priorities.

The Board aimed for a $0.250m surplus result before capital items and depreciation in the Statement of Priorities for the 2017/18 financial year. The financial result before capital items and depreciation for the 2017/18 year was a deficit of $0.410m. Castlemaine Health faced some significant challenges over the past year and continues to work with the Department of Health and Human Services to address these.

Both the organisation and the Department of Health & Human Services focus on the result before capital and depreciation, as depreciation is not a funded item. Funding for capital redevelopment and major equipment purchases are sourced from the Government; such funding is allocated according to need and after consideration of a supporting submission.

Effective Financial Management

Statement of Priorities Measure	Target	2017-18 actual
Finance		
Operating result ($m)	**$0.250m**	**$(0.410)m**
Average number of days to paying trade creditors	**<60 days**	**59 days**
Average number of days to receiving patient fee debtors	**<60 days**	**39 days**
Public and Private WIES activity performance to target	**100%**	**99.96%**
Adjusted current asset ratio	**0.70**	**0.83**
Number of days available cash	**14 days**	**3.3 days**

Events Subsequent to Balance Date

There have been no events subsequent to balance date that will have a significant effect on the operations of the of the health service in subsequent years.

Independent Auditor's Report

VAGO

Victorian Auditor-General's Office

To the Board of Castlemaine Health

Opinion	I have audited the financial report of Castlemaine Health (the health service) which comprises the: • balance sheet as at 30 June 2018 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the financial report	The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Other Information	My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

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Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the health service's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
3 September 2018

Ron Mak
as delegate for the Auditor-General of Victoria

Castlemaine Health

Board member's, accountable officer's and chief finance & accounting officer's declaration

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and the financial position of Castlemaine Health at 30 June 2018.

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.

Sharon Fraser Chairperson	Ian Fisher Chief Executive Officer	Kerryn Healy Chief Finance & Accounting Officer
31 August 2018	31 August 2018	31 August 2018

Castlemaine Health

Comprehensive Operating Statement

For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue from operating activities	2.1	48,017	47,746
Revenue from non-operating activities	2.1	446	362
Employee expenses	3.1	(36,883)	(35,422)
Non salary labour costs	3.1	(2,970)	(2,704)
Supplies and consumables	3.1	(4,063)	(3,920)
Administration expenses	3.1	(2,996)	(2,916)
Other expenses	3.1	(1,961)	(1,860)
Net result before capital and specific items		**(410)**	**1,286**
Capital purpose income	2.1	1,463	1,296
Depreciation	4.4	(2,089)	(2,040)
Specific expenses		-	(289)
Assets provided free of charge		34	-
Finance costs		(58)	(28)
Expenditure for capital purpose	3.1	(53)	(570)
Net result after capital and specific items		**(1,113)**	**(345)**
Other gains/(losses) from other economic flows			
Revaluation of long service leave	3.1	(356)	303
NET RESULT FOR THE YEAR		**(1,469)**	**(42)**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1	-	466
Total other comprehensive income		**-**	**466**
Comprehensive result		**(1,469)**	**424**

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

Castlemaine Health
Balance Sheet
As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	6.2	6,542	11,247
Receivables	5.1	1,848	1,361
Investments and other financial assets	4.1	15,271	9,893
Inventories		332	275
Prepayments and Other assets		179	145
Total current assets		**24,172**	**22,921**
Non-current assets			
Receivables	5.1	908	767
Property, plant & equipment	4.3	47,906	48,591
Total non-current assets		**48,814**	**49,358**
TOTAL ASSETS		**72,986**	**72,279**
Current liabilities			
Payables	5.3	2,560	2,587
Borrowings	6.1	500	480
Provisions	3.3	8,142	7,604
Other current liabilities	5.2	21,055	19,389
Total current liabilities		**32,257**	**30,060**
Non-current liabilities			
Borrowings	6.1	972	1,442
Provisions	3.3	1,452	1,003
Total non-current liabilities		**2,424**	**2,445**
TOTAL LIABILITIES		**34,681**	**32,505**
NET ASSETS		**38,305**	**39,774**
EQUITY			
Property, plant & equipment revaluation surplus	8.1a	33,064	33,064
Contributed capital	8.1c	21,202	21,202
Accumulated deficits	8.1d	(15,961)	(14,492)
TOTAL EQUITY		**38,305**	**39,774**

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

Castlemaine Health

Statement of Changes in Equity

For the Year Ended 2018

	Note	Property, Plant & Equipment Revaluation Surplus $'000	Contributed Capital $'000	Accumulated Deficits $'000	Total $'000
Balance at 1 July 2016		**32,598**	**21,202**	**(14,450)**	**39,350**
Net result for the year		-	-	(42)	(42)
Other comprehensive income for the year	8.1(a)	466	-	-	466
Balance at 30 June 2017		**33,064**	**21,202**	**(14,492)**	**39,774**
Net result for the year		-	-	(1,469)	(1,469)
Balance at 30 June 2018		**33,064**	**21,202**	**(15,961)**	**38,305**

This Statement should be read in conjunction with the accompanying notes

Castlemaine Health
Cash Flow Statement
For the Year Ended 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating grants from government		38,199	37,744
Capital grants from government		1,104	566
Patient and resident fees received		5,851	5,798
Donations and bequests received		300	215
GST received from/(paid to) ATO		2	135
Interest received		486	362
Other capital receipts		6	176
Other receipts		2,374	2,283
Total receipts		**48,322**	**47,279**
Employee expenses paid		(36,425)	(35,499)
Non salary labour costs		(2,442)	(2,410)
Payments for supplies & consumables		(3,581)	(3,933)
Other Capital Payments		(36)	(125)
Other payments		(4,896)	(3,399)
Total payments		**(47,380)**	**(45,366)**
NET CASH FLOW FROM OPERATING ACTIVITIES	8.2	**942**	**1,913**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-financial assets		(1,425)	(2,793)
Proceeds from sale of non-financial assets		12	511
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(1,413)**	**(2,282)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(480)	(400)
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(480)**	**(400)**
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		**(951)**	**(769)**
Cash and cash equivalents at beginning of financial year		1,296	2,065
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	**345**	**1,296**

This Statement should be read in conjunction with the accompanying notes

Basis of presentation

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 the preparation of 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 (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 hospital.

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.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. There are no judgements and assumptions made by management in applying the application of AAS's that have significant effects on the financial statements and estimates.

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Castlemaine Health Service for the period ending 30 June 2018. 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 AASBs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements.*

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

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

The annual financial statements were authorised for issue by the Board of Castlemaine Health on
31st August 2018.

(b) Reporting entity

The financial statements include all the controlled activities of Castlemaine Health.

Its principal address is:
142 Cornish St
Castlemaine
Victoria 3450

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

Objectives and funding

Castlemaine Health Service's overall objective is to provide exceptional care of every person, every time by ensuring a well run and trusted organisation that engages with the community to provide high quality health services.

Castlemaine Health Service is predominantly funded by accrual based grant funding for the provision of outputs.

Note 1: Summary of significant accounting policies (continued)

(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 have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

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

The going concern basis was used to prepare these financial statements (Refer to note 8.8: Economic dependency).

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

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

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 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 AASBs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment, (refer to Note 4.3);
- superannuation expense (refer to Note 3.4);
- employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3)

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 liabilites are presented on a gross basis.

(d) Principles of consolidation

Intersegment Transactions

Transactions between segments within Castlemaine Health have been eliminated to reflect the extent of Castlemaine 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, Castlemaine 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.

Castlemaine Health Service is a Member of the Loddon Mallee Rural Health Alliance (the Alliance) and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 4.2 Jointly Controlled Operations and Assets).

Note: 2 Funding delivery of our services

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

To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. The hospital also receives income from the supply of services.

Note 2.1: Analysis of Revenue by Source

	Admitted Patients 2018 $'000	Non-Admitted 2018 $'000	RAC 2018 $'000	Aged Care 2018 $'000	Other 2018 $'000	Total 2018 $'000
Government Grant	18,889	5,060	12,829	1,479	6	38,263
Indirect contributions by Department of Health and Human Services	168	31	37	8	2	246
Patient & Resident Fees	1,235	264	4,153	174	25	5,851
Commercial Activities	-	-	-	-	809	809
Other Revenue from Operating Activities	1,959	417	390	82	-	2,848
Total Revenue from Operating Activities	**22,251**	**5,772**	**17,409**	**1,743**	**842**	**48,017**
Interest	-	-	-	-	446	446
Total Revenue from Non-Operating Activities	**-**	**-**	**-**	**-**	**446**	**446**
Government Grants - Capital	-	-	-	-	1,104	1,104
Interest - Capital	-	-	39	-	-	39
Assets Received free of Charge					34	34
Other Capital Purpose income	-	-	-	-	320	320
Total Capital Purpose Income	**-**	**-**	**39**	**-**	**1,458**	**1,497**
Total Revenue	**22,251**	**5,772**	**17,448**	**1,743**	**2,746**	**49,960**

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	RAC 2017 $'000	Aged Care 2017 $'000	Other 2017 $'000	Total 2017 $'000
Government Grant	19,303	4,346	12,771	1,658	288	38,366
Indirect contributions by Department of Health and Human Services	94	14	37	6	-	151
Patient & Resident Fees	1,246	31	4,265	252	4	5,798
Commercial Activities	-	-	-	-	1,201	1,201
Other Revenue from Operating Activities	1,170	307	313	122	318	2,230
Total Revenue from Operating Activities	**21,813**	**4,698**	**17,386**	**2,038**	**1,811**	**47,746**
Interest	-	-	362	-	-	362
Total Revenue from Non-Operating Activities	**-**	**-**	**362**	**-**	**-**	**362**
Government Grants - Capital	-	-	-	-	566	566
Capital Interest	-	-	77	-	-	77
Other Capital Purpose income	-	-	-	-	653	653
Total Capital Purpose Income	**-**	**-**	**77**	**-**	**1,219**	**1,296**
Total Revenue	**21,813**	**4,698**	**17,825**	**2,038**	**3,030**	**49,404**

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

Note 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 Castlemaine 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.

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

Indirect Contributions from the Department of Health and Human Services

• Insurance is recognised as revenue following advice from the Department of Health and Human Services.
• Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

Patient Fees and Resident Fees

Patient fees and resident fees are recognised as revenue on an accrual basis.

Private Practice Fees

Private practice fees are recognised as revenue on an accrual basis.

Revenue from commercial activities

Revenue from commercial activities such as meals on wheels is recognised as revenue 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 the specific restricted purpose surplus.

Interest Revenue

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

Other income

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

Category groups

Castlemaine Health has used the following category groups for reporting purposes for the current and previous financial years.

• Admitted Patient Services (Admitted Patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

• Non Admitted Services comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

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

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

• Other Services not reported elsewhere - (Other) comprises services not separately classified above, includes: Health and Community Initiatives.

Note 3: The cost of delivering our 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.

Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2018 $'000	Non-Admitted 2018 $'000	RAC 2018 $'000	Aged Care 2018 $'000	Other 2018 $'000	Total 2018 $'000
Employee Expenses	16,144	5,482	13,002	1,858	397	36,883
Non Salary Labour Costs	2,688	23	240	16	3	2,970
Supplies & Consumables	1,273	(79)	2,914	(133)	88	4,063
Administration Expenses	1,510	635	593	195	63	2,996
Other Expenses	1,075	218	456	64	148	1,961
Total Expenditure from Operating Activities	**22,690**	**6,279**	**17,205**	**2,000**	**699**	**48,873**
Expenditure for Capital Purposes	-	-	-	-	53	53
Depreciation (refer note 4.4)	-	-	-	-	2,089	2,089
Other Gain/(losses) from other economic flows	-	-	-	-	356	356
Finance Costs	-	-	28	-	30	58
Total other expenses	**-**	**-**	**28**	**-**	**2,528**	**2,556**
Total Expenses	**22,690**	**6,279**	**17,233**	**2,000**	**3,227**	**51,429**

	Admitted Patients 2017 $'000	Non-Admitted 2017 $'000	RAC 2017 $'000	Aged Care 2017 $'000	Other 2017 $'000	Total 2017 $'000
Employee Expenses	14,267	2,776	15,146	1,780	1,453	35,422
Non Salary Labour Costs	2,473	32	197	2	-	2,704
Supplies & Consumables	1,284	849	1,215	102	470	3,920
Administration Expenses	1,278	230	497	256	655	2,916
Other Expenses	883	64	825	26	62	1,860
Total Expenditure from Operating Activities	**20,185**	**3,951**	**17,880**	**2,166**	**2,640**	**46,822**
Expenditure for Capital Purposes	-	-	-	-	570	570
Specific Expenses	-	-	-	-	289	289
Depreciation (refer note 4.4)	-	-	-	-	2,040	2,040
Other Gain/(losses) from other economic flows	-	-	-	-	(303)	(303)
Finance Costs	-	-	-	-	28	28
Total other expenses	**-**	**-**	**-**	**-**	**2,624**	**2,624**
Total Expenses	**20,185**	**3,951**	**17,880**	**2,166**	**5,264**	**49,446**

Note 3.1: Analysis of Expenses by Source (continued)

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

Employee Expenses
Employee expenses include:

- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses

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

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

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

• Fair value of assets, services and resources provided free of charge or for nominal consideration - Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them.

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

Share of net profits/ (losses) of associates and jointly controlled entities, excluding dividends
Refer to Note 1 (d) Principles of consolidation.

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

- Revaluation gains/ (losses) of non-financial physical assets (Refer to Note 4.3 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.

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.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Note 3.2: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds for Services Supported by Hospital and Community Initiatives

	Expense		Revenue	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Commercial Activities				
Meals on Wheels	94	147	100	117
Laundry	390	708	376	653
Cafeteria	28	311	36	214
Properties/Health Club	176	248	270	335
TOTAL	**688**	**1,414**	**782**	**1,319**

Note 3.3: Employee benefits in the balance sheet

	2018 $'000	2017 $'000
Current Provisions		
Employee Benefits [i]		
Annual leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	2,380	2,288
- Unconditional and expected to be settled wholly after 12 months [iii]	406	383
Long service leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	584	496
- Unconditional and expected to be settled wholly after 12 months [iii]	2,942	2,858
Accrued Days Off		
- Unconditional and expected to be settled within 12 months [ii]	60	70
Accrued Salaries and Wages		
- Unconditional and expected to be settled within 12 months [ii]	969	799
	7,341	**6,894**
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months [ii]	368	328
- Unconditional and expected to be settled after 12 months [iii]	433	382
	801	**710**
Total Current Provisions	**8,142**	**7,604**
Non-Current Provisions		
Long Service Leave	1,284	897
Long Service Leave related to employee Benefit On-Costs	168	106
Total Non-Current Provisions	**1,452**	**1,003**
Total Provisions	**9,594**	**8,607**

Notes:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees. On-costs such as worker's compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

(a) Employee Benefits and Related On-Costs

	2018 $'000	2017 $'000
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	3,987	3,751
Annual Leave Entitlements	3,119	2,976
Accrued Wages and Salaries	969	799
Accrued Days Off	67	78
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements [iii]	1,452	1,003
Total Employee Benefits	**9,594**	**8,607**

(b) Movement in Provisions

	2018 $'000	2017 $'000
Movement in Long Service Leave:		
Balance at start of year	**4,754**	**4,907**
Provision made during the year		
- Revaluations	356	(303)
- Expense recognising Employee Service	960	803
Settlement made during the year	(630)	(653)
Balance at end of year	**5,440**	**4,754**

Note 3.3: Employee benefits in the balance sheet (continued)

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, 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.

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

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

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

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

Long service leave (LSL)

The 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:

- Undiscounted value - if the health service expects to wholly settle within 12 months; and
- 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 followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in 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 3.4: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Defined benefit plans:(i)				
First State Super	60	65	4	4
Defined contribution plans:				
First State Super	1,944	2,001	118	106
Hesta	759	739	45	39
Other	258	130	23	5
Total	**3,021**	**2,935**	**190**	**154**

(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 Services contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

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

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service.

The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Health Service are detailed in the table above.

Note 4: Key Assets to support service delivery

The hospital 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.

Note 4.1: Investments and Other Financial Assets

	Operating Fund		Capital Fund		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
CURRENT						
Loans and receivables						
Term Deposits						
Aust. Dollar Term Deposits > 3 months	13,214	7,859	1,726	1,720	14,940	9,579
Loddon Mallee Rural Health Alliance - Investments	331	314	-	-	331	314
TOTAL INVESTMENTS	**13,545**	**8,173**	**1,726**	**1,720**	**15,271**	**9,893**
Represented by:						
Loddon Mallee Rural Health Alliance Investments	331	314	-	-	331	314
Monies Held in Trust						
- Accommodation Bonds (Refundable Entrance Fees)	13,214	7,859	-	-	13,214	7,859
- Malcolm Archer Bequest	-	-	1,726	1,720	1,726	1,720
TOTAL	**13,545**	**8,173**	**1,726**	**1,720**	**15,271**	**9,893**

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

(a) Ageing analysis of investments and other financial assets

Please refer to note 7.1 (c) for the ageing analysis of investments and other financial assets

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

Please refer to note 7.1 (c) for the nature and extent of credit risk arising from investments and other financial assets

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.

Hospital investments must be in accordance in Standing Direction 3.7.2 – Treasury and Investment Risk Management. 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.

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

Castlemaine Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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
- Castlemaine Health 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
- Castlemaine Health 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 Castlemaine Health 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.

Note 4.1: Investments and Other Financial Assets (continued)

Impairment of financial assets

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

In order to determine an appropriate fair value as at 30 June 2018 for its portfolio of financial assets, the Health Services and its controlled entities used the market value of investments held provided by the portfolio managers.

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

Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. 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 4.2: Jointly controlled operations and assets

Name of Entity	Ownership Interest 2018 %	Ownership Interest 2017 %
Loddon Mallee Rural Health Alliance	8.37%	7.92%

Castlemaine 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.

	2018 $'000	2017 $'000
Current Assets		
Cash and cash equivalents	82	141
Investments	331	314
Receivables	35	25
Inventory	8	3
Other current assets	60	51
Total Current Assets	**516**	**534**
Non Current Assets		
Property, Plant and Equipment	47	12
Total Non Current Assets	**47**	**12**
Total Assets	**563**	**546**
Current Liabilities		
Payables	128	100
Total Current Liabilities	**128**	**100**
Total Liabilities	**128**	**100**
Share of Joint Venture's Net Assets	**435**	**446**

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

Revenues	2018 $'000	2017 $'000
Operating Activities	623	605
Non-Operating Activities	-	1
Total Revenue	**623**	**606**
Expenses		
Information Technology and Administration Expenses	635	546
Depreciation	5	10
Non-Operating Expenses	20	14
Total Expenses	**660**	**570**
Net Result	**(37)**	**36**

Movements in carrying amount of interests in the Joint Venture

	2018 $'000	2017 $'000
Carrying amount at the beginning of the year	446	410
Share of the Joint Operation's net result	(37)	36
Change in Membership	26	-
	435	**446**

Contingent Liabilities and Capital Commitments

There are no contingent liabilities or capital commitments arising from the interest in joint operations.

Note 4.3: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

	2018 $'000	2017 $'000
Land		
Land at Fair Value	3,593	3,593
Total Land	**3,593**	**3,593**
Buildings		
Buildings Under Construction at cost	50	953
Buildings at Fair Value	45,197	43,981
Less Acc'd Depreciation	(5,095)	(3,791)
Total Buildings	**40,152**	**41,143**
Plant and Equipment		
Plant and Equipment at Fair Value	9,728	8,954
Less Acc'd Depreciation	(6,059)	(5,648)
LMRHA Joint Operation Plant and Equipment	47	12
Total Plant and Equipment	**3,716**	**3,318**
Motor Vehicles		
Motor Vehicle at Fair Value	1,045	1,054
Less Acc'd Depreciation	(600)	(517)
Total Motor Vehicles	**445**	**537**
TOTAL	**47,906**	**48,591**

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

	Land $'000	Buildings $'000	Plant & Equipment $'000	Motor Vehicles $'000	Assets Under Construction $'000	Total $'000
Balance at 1 July 2016	**3,127**	**40,632**	**3,286**	**401**	**10**	**47,456**
Additions	-	832	714	310	943	2,799
Disposals	-	(3)	(4)	(78)	-	(85)
Managerial revaluation	466	-	-	-	-	466
LMRHA Joint Operation Plant and Equipment			(5)			(5)
Depreciation (note 4.4)	-	(1,271)	(673)	(96)	-	(2,040)
Balance at 1 July 2017	**3,593**	**40,190**	**3,318**	**537**	**953**	**48,591**
Additions	-	147	601	20	654	1,422
Disposals	-	-	(15)	(9)	-	(24)
Assets Provided free of charge			(34)			(34)
Net Transfer Between Classes	-	1,069	488	-	(1,557)	-
LMRHA Joint Operation Plant and Equipment	-	-	40	-	-	40
Depreciation (note 4.4)	-	(1,304)	(682)	(103)	-	(2,089)
Balance at 30 June 2018	**3,593**	**40,102**	**3,716**	**445**	**50**	**47,906**

Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value all of Castlemaine Health Services's owned 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 2014.

In compliance with FRD 103F, in the year ended 30 June 2018, Castlemaine Health Services's management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2018.

The fair value of the land had been adjusted by a managerial revaluation in 2017. The latest indices did not require a managerial revaluation in 2018.

Note 4.3: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using: Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
Specialised land	3,593	-	-	3,593
Total of land at fair value	**3,593**	**-**	**-**	**3,593**
Buildings at fair value				
Specialised buildings	40,102	-	-	40,102
Total of building at fair value	**40,102**	**-**	**-**	**40,102**
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	445	-	-	445
- Plant and equipment	3,716	-	-	3,716
Total of plant, equipment and vehicles at fair value	**4,161**	**-**	**-**	**4,161**
Assets under construction at fair value				
Work in progress buildings	50	-	-	50
	47,906	**-**	**-**	**47,906**

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using: Level 1 (i)	Level 2 (i)	Level 3 (i)
Land at fair value				
Specialised land	3,593	-	-	3,593
Total of land at fair value	**3,593**	**-**	**-**	**3,593**
Buildings at fair value				
Specialised buildings	40,190	-	-	40,190
Total of building at fair value	**40,190**	**-**	**-**	**40,190**
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles (ii)	537	-	-	537
- Plant and equipment	3,318	-	-	3,318
Total of plant, equipment and vehicles at fair value	**3,855**	**-**	**-**	**3,855**
Assets under construction at fair value				
Work in progress buildings	953	-	-	953
	48,591	**-**	**-**	**48,591**

Note
(i) Classified in accordance with the fair value hierarchy.
(ii) Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value.

Note 4.3: Property, plant & equipment (continued)

(d) Reconciliation of Level 3 fair value

30 June 2018	Land $'000	Buildings $'000	Plant and equipment $'000	Motor Vehicles $'000	Assets under construction $'000	Total $'000
Opening Balance	**3,593**	**40,190**	**3,318**	**537**	**953**	**48,591**
Additions/(Disposals)	-	147	626	11	654	1,438
Transfers between Classes	-	1,069	488	-	(1,557)	-
Assets Provided free of charge	-	-	(34)	-	-	(34)
Gains or losses recognised in net result						
- Depreciation	-	(1,304)	(682)	(103)	-	(2,089)
Closing Balance	**3,593**	**40,102**	**3,716**	**445**	**50**	**47,906**

30 June 2017	Land $'000	Buildings $'000	Plant and equipment $'000	Motor Vehicles $'000	Assets under construction $'000	Total $'000
Opening Balance	**1,286**	**40,045**	**3,286**	**401**	**10**	**45,028**
Additions/(Disposals)	1,841	286	705	232	943	4,007
Transfers in Level 3	-	1,130	-	-	-	1,130
Items recognised in Other Comprehensive Income						
-Revaluation	466	-	-	-	-	466
Gains or losses recognised in net result						
- Depreciation	-	(1,271)	(673)	(96)	-	(2,040)
Closing Balance	**3,593**	**40,190**	**3,318**	**537**	**953**	**48,591**

[i] Classified in accordance with the fair value hierarchy, refer Note 4.2(e).

Note 4.3: Property, plant & equipment (continued)

(e) Property, Plant and Equipment (Fair value determination)

Asset Class	Expected fair value level	Likely Valuation technique	Significant inputs
Specialised land	Level 3	Market approach	Community Service Obligation (CSO) adjustments (a)
Specialised buildings	Level 3	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Plant and equipment at fair value	Level 3	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Vehicles	Level 3	Depreciated replacement cost	Cost per unit Useful life of vehicles

(a) CSO adjustment of 20% was applied to reduce the market approach value for Castlemaine Health's specialised land.

There were no changes in valuation techniques throughout the period to 30 June 2018.

Initial Recognition
Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated 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 are transferred at their carrying amount.

Crown land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset.

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

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

Subsequent Measurement
Consistent with AASB 13 Fair Value Measurement, Castlemaine Health determines the policies and procedures for recurring property, plant and equipment fair value measurements, in accordance with the requirements of AASB 13 and the relevant FRDs.

All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.
All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole (Refer to 4.3 (c)):

• Level 1 – Quoted (unadjusted) market prices in active markets for identical assets.

• Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

For the purpose of fair value disclosures, the Health Services has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis.

Note 4.3: Property, plant & equipment (continued)

(e) Fair value determination

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
Castlemaine Health uses valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

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.

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability or similar assets or liabilities, and the Health Service has determined that the transaction price or quoted price does not represent fair value.

Castlemaine Health develops unobservable inputs using the best information available in the circumstances, which might include the Health Service's own data. In developing unobservable inputs, a Health Service may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the Health Service that is not available to other market participants. A Health Service need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, a Health Service shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

Specialised land and specialised buildings

The market approach is used for specialised land although it 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 Castlemaine Health Service, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

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

In June 2017 a managerial valuation was carried out in accordance with FRD 103F to revalue the land to its fair value. No revaluation was required in 2018.

Note 4.3: Property, plant & equipment (continued)

(e) Fair value determination

Vehicles

Castlemaine 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 Castlemaine 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 (depreciation cost).

Plant and equipment

Plant and equipment is held at carrying amount (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 amount.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

Revaluations of non-current physical assets

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

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

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

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

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

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

Note 4.4: Depreciation

	2018 $'000	2017 $'000
Depreciation		
Buildings	1,304	1,271
Plant & Equipment	677	663
Motor Vehicles	103	96
LMRHA Joint Operation Depreciation	5	10
Total Depreciation	**2,089**	**2,040**

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

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services. Assets with a cost in excess of $1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

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

	2018	2017
Buildings		
- Structure Shell Building Fabric	45 to 80 years	45 to 80 years
- Site Engineering Services and Central Plant	30 to 40 years	30 to 40 years
- Fit Out	20 to 25 years	20 to 25 years
- Trunk Reticulated Building Systems	20 to 25 years	20 to 25 years
Plant & Equipment	4 to 10 years	4 to 10 years
Medical Equipment	6 to 10 years	6 to 10 years
Computers and Communication	3 to 5 years	3 to 5 years
Furniture and Fitting	10 years	10 years
Motor Vehicles	8 years	8 years

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

Note 5: Other Assets and Liabilities

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

Note 5.1: Receivables

	2018 $'000	2017 $'000
CURRENT		
Contractual		
Trade Debtors	467	301
Department of Health and Human Services - Grant	51	-
Patient Fees	595	663
Accrued Investment Income	122	92
Accrued Revenue	503	228
Loddon Mallee Rural Health Alliance - Receivables	35	15
Less Allowance for Doubtful Debts		
- Patient Fees	(73)	(68)
	1,700	**1,231**
Statutory		
GST Receivable	134	120
Loddon Mallee Rural Health Alliance - GST Receivable	14	10
	148	**130**
TOTAL CURRENT RECEIVABLES	**1,848**	**1,361**
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	908	767
TOTAL NON-CURRENT RECEIVABLES	**908**	**767**
TOTAL RECEIVABLES	**2,756**	**2,128**

(a) Movement in the Allowance for doubtful debts

	2018 $'000	2017 $'000
Balance at beginning of year	(68)	(80)
Increase/(decrease) in allowance recognised in net result	(5)	12
Balance at end of year	**(73)**	**(68)**

(b) Ageing analysis of receivables
Please refer to note 7.1(c) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from receivables
Please refer to note 7.1(c) for the nature and extent of credit risk arising from contractual receivables.

Note 5.1: Receivables (continued)

Receivables consist of:

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

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

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* .

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

Note 5.2: Other Liabilities

	2018 $'000	2017 $'000
CURRENT		
Monies Held in Trust		
- Patient Monies Held in Trust	404	458
- Accommodation Bonds (Refundable Entrance Fees)	18,925	17,211
- Malcolm Archer Bequest	1,726	1,720
Total Current	**21,055**	**19,389**
Total Monies Held in Trust		
Represented by the following assets:		
Cash and Cash Equivalents (refer to Note 6.2)	6,115	9,810
Investment and other Financial Assets (refer to Note 4.1)	14,940	9,579
TOTAL	**21,055**	**19,389**

The Malcolm Archer Bequest is to be held in perpetuity as required by the conditions of the Bequest.

Note 5.3: Payables

	2018 $'000	2017 $'000
CURRENT		
Contractual		
Trade Creditors	1,202	1,155
Loddon Mallee Rural Health Alliance - Creditors	111	88
Accrued Expenses	570	741
Loddon Mallee Rural Health Alliance - Accrued Expenses	18	12
	1,901	**1,996**
Statutory		
GST Payable	36	24
FBT Payable	38	19
PAYG Payable	283	232
Department of Health and Human Services	302	316
	659	**591**
TOTAL PAYABLES	**2,560**	**2,587**

(a) Maturity analysis of payables
Please refer to Note 5.3(a) for the ageing analysis of contractual payables.

(b) Nature and extent of risk arising from payables
Please refer to Note 7.1 for the nature and extent of risks arising from contractual payables.

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent 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.

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

Note 5.3(a): Maturity analysis of financial liabilities as at 30 June

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

Maturity analysis of Financial Liabilities as at 30 June 2018

	Carrying Amount	Nominal Amount	Maturity Dates: Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Financial Liabilities						
At amortised cost						
Payables	1,901	1,901	1,337	564	-	-
Other Financial Liabilities (i)						
- Accommodation Bonds	18,925	18,925	18,925	-	-	-
- DHHS Loan	1,472	1,520	-	125	375	1,020
- Other	2,129	2,129	404	-	-	1,725
Total Financial Liabilities	**24,427**	**24,475**	**20,666**	**689**	**375**	**2,745**
2017						
Financial Liabilities						
At amortised cost						
Payables	1,996	1,996	1,360	626	10	-
Other Financial Liabilities (i)						
- Accommodation Bonds	17,211	17,211	17,211	-	-	-
- DHHS Loan	1,922	2,000	-	120	360	1,520
- Other	2,178	2,178	458	-	-	1,720
Total Financial Liabilities	**23,307**	**23,385**	**19,029**	**746**	**370**	**3,240**

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

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.

Note 6.1: Borrowings

	2018 $'000	2017 $'000
CURRENT		
DHHS Loans - Current [i]	500	480
NON CURRENT		
DHHS Loans - Non-Current [i]	972	1,442
Total Borrowings	**1,472**	**1,922**

The DHHS Loans are unsecured loans which bear no interest. [i]

The borrowings are a financial accommodation under section 30 of the Health Service Act 1988, and the borrowings have been approved by the Minister and Treasurer. This approval was received in line with the loan commencing in June 2015.

Finance costs of the Health Service incurred during the year are accounted as follows:
- Amounts of finance costs recognised as expenses; and
- Amounts of investment revenue earned on borrowed funds that has been deducted from the finance costs incurred.

(a) Maturity analysis of borrowings
Please refer to note 5.3 (a) for the ageing analysis of borrowings.

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

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

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

Note 6.2: Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash on hand	4	4
Cash at bank	6,538	9,243
Deposits at call	-	2,000
Total Cash and Cash Equivalents	**6,542**	**11,247**
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	345	1,296
Loddon Mallee Rural Health Alliance	82	141
Cash for Monies Held in Trust		
- Cash at Bank	6,115	9,810
Total Cash and Cash Equivalents	**6,542**	**11,247**

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

Note 6.3: Commitments for expenditure

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments are for the supply of inventories and have been recognised as liabilities in the balance sheet.

There are no material operating or finance leases, capital or non capital commitments as at 30 June 2018 and 2017.

Note 7: Risks, Contingencies and Valuation Uncertainties

Castlemaine 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.

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 Castlemaine 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) Financial instruments: categorisation

2018	Contractual financial assets - loans and receivables $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Contractual Financial Assets			
Cash and cash equivalents	6,542	-	6,542
Receivables	1,700	-	1,700
Other Financial Assets	15,271	-	15,271
Total Financial Assets (i)	**23,513**	**-**	**23,513**
Financial Liabilities			
Payables	-	1,901	1,901
Other Financial Liabilities			
- DHHS Loans	-	1,472	1,472
- Accommodation Bonds	-	18,925	18,925
- Other	-	2,129	2,129
Total Financial Liabilities (ii)	**-**	**24,427**	**24,427**

2017	Contractual financial assets - loans and receivables $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
Contractual Financial Assets			
Cash and cash equivalents	11,247	-	11,247
Receivables	1,231	-	1,231
Other Financial Assets	9,893	-	9,893
Total Financial Assets (i)	**22,371**	**-**	**22,371**
Financial Liabilities			
Payables	-	1,996	1,996
Other Financial Liabilities			
- DHHS Loans	-	1,922	1,922
- Accommodation Bonds	-	17,211	17,211
- Other	-	2,178	2,178
Total Financial Liabilities (ii)	**-**	**23,307**	**23,307**

(i) The total amount of financial assets disclosed here excludes statutory receivables (ie GST input tax receivable)
(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

Note 7.1: Financial Instruments (continued)

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

	Interest Income/(Expense) $'000	Total $'000
2018		
Financial Assets		
Cash and Cash Equivalents (i)	146	146
Financial Assets - Loans and Receivables (i)	339	339
Total Financial Assets	**485**	**485**
Financial Liabilities		
Financial Liabilites at Amortised Cost (ii)	(58)	(58)
Total Financial Liabilities	**(58)**	**(58)**
2017		
Financial Assets		
Cash and Cash Equivalents (i)	182	182
Financial Assets - Loans and Receivables (i)	257	257
Total Financial Assets	**439**	**439**
Financial Liabilities		
Financial Liabilites at Amortised Cost (ii)	(28)	(28)
Total Financial Liabilities	**(28)**	**(28)**

(i) For cash and cash equivalents, and loans and receivables, the net gain or loss is calculated by taking the movement in the fair value of the asset, interest revenue, and minus any impairment recognised in the net result;

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense measured at amortised cost.

Note 7.1: Financial Instruments (continued)

(c) Ageing analysis of Financial Assets as at 30 June

	Carrying Amount	Not Past Due and Not Impaired	Past Due But Not Impaired				Impaired Financial Assets
			Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Financial Assets							
Cash and Cash Equivalents	6,542	6,542	-	-	-	-	-
Loans and Receivables [(i)]							
- Trade Debtors	467	318	72	65	12	-	-
- Other Receivables	1,233	728	170	52	210	-	73
Other Financial Assets							
- Loddon Mallee Rural Health Alliance Investments	331	331	-	-	-	-	-
- Term Deposit	14,940	14,940	-	-	-	-	-
Total Financial Assets	**23,513**	**22,859**	**242**	**117**	**222**	**-**	**73**
2017							
Financial Assets							
Cash and Cash Equivalents	11,247	11,247	-	-	-	-	-
Loans and Receivables [(i)]							
- Trade Debtors	301	288	54	9	4	-	-
- Other Receivables	930	618	86	103	55	-	68
Other Financial Assets							
- Loddon Mallee Rural Health Alliance Investments	314	314	-	-	-	-	-
- Term Deposit	9,579	9,579	-	-	-	-	-
Total Financial Assets	**22,371**	**22,046**	**140**	**112**	**59**	**-**	**68**

(i) Ageing analysis of financial assets excludes the types of statutory financial assets (i.e GST input tax credit)

Note 7.1: Financial Instruments (continued)

Categories of financial instruments

Loans and receivables and cash

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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). The Health Service recognises the following assets in this category:

- Cash and Deposits;
- Term Deposits ; and
- Receivables (excluding Statutory Receivables).

Financial liabilities at amortised cost

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).

Offsetting financial instruments

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Health Service concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Health Service does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Derecognition of financial liabilities

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

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

Market risk

Castlemaine Health's exposure to market risk is primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Exposure to interest rate risk might arise primarily through Castlemaine Health's interest bearing assets. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. In regards to financial liabilities, Castlemaine Health undertakes financial liabilities with relatively even maturity profiles.

Note 7.2: Contingent Assets and Contingent Liabilities

Castlemaine Health has no contingent assets and contingent liabilities as at 30 June 2018 or 30 June 2017.

Note 8: Other Disclosures

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

Note 8.1: Equity

	2018 $'000	2017 $'000
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus [1]		
Balance at the beginning of the reporting period		
- Land	3,182	2,716
- Buildings	29,882	29,882
Revaluation Increment/(Decrements)	-	466
Balance at the end of the reporting period	**33,064**	**33,064**
Represented by:		
- Land	3,182	3,182
- Buildings	29,882	29,882
Total Surpluses	**33,064**	**33,064**

(1) The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.

	2018 $'000	2017 $'000
(b) Contributed Capital		
Balance at the beginning of the reporting period	21,202	21,202
Balance at the end of the reporting period	**21,202**	**21,202**
(c) Accumulated Deficits		
Balance at the beginning of the reporting period	(14,492)	(14,450)
Net Result for the Year	(1,469)	(42)
Balance at the end of the reporting period	**(15,961)**	**(14,492)**
Total Equity at end of financial year	**38,305**	**39,774**

Contributed capital

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

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

Property, plant and equipment revaluation surplus

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

Note 8.2: Reconciliation of Net Result for the Year to Net Cash Inflow from Operating Activities

	2018 $'000	2017 $'000
Net result for the period	(1,469)	(42)
Non-cash movements:		
Depreciation	2,089	2,040
Share of Joint Operation Assets	(41)	(38)
Discount on DHHS Loan	(30)	28
Movements included in investing and financing activities		
Net (gain)/loss from disposal of non financial physical assets	11	(87)
Movements in assets and liabilities:		
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(487)	(411)
(Increase)/decrease in prepayments	(34)	(46)
(Increase)/decrease in inventories	(57)	63
Increase/(decrease) in payables	(27)	190
Increase/(decrease) in provisions	987	216
NET CASH INFLOW FROM OPERATING ACTIVITIES	**942**	**1,913**

Note 8.3: Responsible Persons Disclosures

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

	Period
Responsible Ministers:	
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	1/7/2017 - 30/6/2018
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	1/7/2017 - 30/6/2018
Governing Boards	
Ms Carolyn Wallace	1/7/2017 - 30/6/2018
Mr Garry Fehring	1/7/2017 - 30/6/2018
Ms Sharon Fraser	1/7/2017 - 30/6/2018
Mr David Goldberg	1/7/2017 - 30/6/2018
Dr Simon Judkins	1/7/2017 - 30/6/2018
Ms Margaret Anne Ronnau	1/7/2017 - 30/6/2018
Mr Adam Sevdalis	1/7/2017 - 30/6/2018
Ms Anna Skreiner	1/7/2017 - 30/6/2018
Ms Kerry Anderson	1/7/2017 - 30/6/2018
Ms Vicky Mason	1/7/2017 - 30/6/2018
Ms Katherine Hamond	1/7/2017 - 6/7/2017
Accountable Officers	
Mr Ian Fisher	1/7/2017 - 30/6/2018

Remuneration of Responsible Persons
Remuneration received or receivable by responsible persons was in the range: $270,000 - $280,000 ($260,000 - $270,000 in 2016-17).

Income Band	2018 No.	2017 No.
$0 - $9,999	10	11
$220,000 - $229,999	1	1
Total Numbers	**11**	**12**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity	**$280,030**	**$273,987**

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Parliamentary Services.

Note 8.4: Remuneration of Executives

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 superannuation entitlements.

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

Remuneration of executive officers		**Total Remuneration**	
		2018	**2017**
		$'000	**$'000**
Short-term employee benefits		530	494
Post-employment benefits		45	42
Other long-term benefits		10	10
Total Remuneration (i)	**$**	**585**	**546**
Total Number of executives		**4**	**4**
Total Annualised Employee Equivalent (ii)		**3**	**3**

i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Castlemaine Health under AASB 124 *Related Party Disclosures* and are also reported within Note 8.5 Relates Parties.

ii Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Note 8.5 Related Parties

The hospital 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; and
• all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Key management personnel (KMP) of the hospital include the Portfolio Ministers, all Board Members and Executives of Castlemaine Health, and the Castlemaine Health managers of Information Technology, Engineering, Human Resources and Finance. 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.

During the year, Maldon Hospital, an Organisation of which Ian Fisher, Chief Executive Officer, is also the Chief Executive Officer, continued to require extensive provision of contracted services. The contracted services involve the provision of extensive administration services such as Finance, IT, HR, and Food Services. The value of the contract during 2017-18 was $233,448. Other non-contracted services occur as required. The value of net transactions between Maldon Hospital and Castlemaine Health are $677,890. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

During the year, Peter Sloan, Chief Medical Officer, was also the Chief Medical Officer of Kyneton Health and Seymour Health. The value of net tansactions between Castlemaine Health and Kyneton Health for the 2017-18 financial year was $47,520. There were no transactions between Castlemaine Health and Seymour Health.

Castlemaine Health received funding from the Department of Health and Human Services of $28 million (2017: $28 million)

Remuneration of Key Management Personnel (KMP)	**Total Remuneration**	
	2018 $'000	**2017 $'000**
Short-term employee benefits	1,154	1,096
Post-employment benefits	101	98
Other long-term benefits	17	16
Total Number of KMP	**19**	**19**
Total Remuneration	**$ 1,272**	**1,210**

Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee benefits.*

Note 8.6 Remuneration of auditors

	2018 $'000	**2017 $'000**
Victorian Auditor-General's Office		
Audit or review of financial statements	26	25
	26	25

Note 8.7 Events Occurring after the Balance Sheet Date

There have been no events subsequent to the reporting date which require further disclosure.

Note 8.8: Economic Dependency

Castlemaine Health 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 Castlemaine Health.

Note 8.9: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2018 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 2018, 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. Castlemaine Health has not and does not intend to adopt these standards early.

Standard/Interpretation [1]	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise expected impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. The initial application of AASB 9 is not expected to significantly impact the financial positon however there will be a change to the way financial instruments are classified and new disclosure requirements.
AASB 2014-1 Amendments to Australian Accounting Standards	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
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 Amendments to Australian Accounting Standards – Effective Date of AASB 15 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 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends as follows: • Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: o the entity's right to receive payment of the dividend is established; o it is probable that the economic benefits associated with the dividend will flow to the entity; and o the amount can be measured reliably.	1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

Note 8.9: AASBs issued that are not yet effective (continued)

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
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 2019	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: AASB 9 • Statutory receivables are recognised and measured similarly to financial assets AASB 15 • 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.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	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.

Note 8.9: AASBs issued that are not yet effective (continued)

AASB 1058 Income of Not-for-Profit Entities	AASB 1058 standard 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 their objective.	1 Jan 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets. The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants. The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

Note 8.10: Alternative presentation of comprehensive operating statement
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Grants			
Operating	2.1	38,510	39,718
Capital	2.1	1,104	643
Interest and Dividends	2.1	446	362
Sales of Goods and Services		9,507	8,028
Other income			
Other capital income	2.1	359	653
Revenue from Transactions		**49,926**	**49,404**
Employee Expenses	3.1	(36,883)	(35,422)
Operating Expenses			
Supplies and consumables	3.1	(3,333)	(3,920)
Non salary labour costs	3.1	(2,970)	(2,704)
Other		(5,687)	(4,487)
Non-Operating Expenses			
Specific Expense	3.3	34	(289)
Financial Cost - Other	3.4	(58)	(28)
Expenditure for Capital Purpose	3.1	(53)	(859)
Depreciation and Amortisation	4.4	(2,089)	(2,040)
Expenses from Transactions		**(51,039)**	**(49,749)**
Net Result from Transactions		**(1,113)**	**(345)**
Other economic flows included in net result			
Other gains/(losses) from other economic flows	3.1	(356)	303
Total other economic flows included in net result		**(356)**	303
Net result from continuing operations		**(1,469)**	**(42)**
Net result from discontinued operations		-	-
NET RESULT FOR THE YEAR ^		**(1,469)**	**(42)**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1 (a)	-	466
Total other comprehensive income		-	**466**
Comprehensive result		**(1,469)**	**424**

Artist: Kerri Douglas

Our services are delivered
on the traditional lands of
the Dja Dja Wurrung people.

castlemaine HEALTH

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