

2018 | 2019



CARE, QUALITY AND CHOICE

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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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Print: Mulqueen Creative & Print

Design: Billington Prideaux Partnership

Bank: Bendigo Bank

External Auditor's agents: Richmond Sinnott and Delahunty

Internal auditor: AFS and Associates Pty Ltd



Our services are delivered on the traditional lands of the Dja Dja Wurrung people.
Artist: Kerri Douglas

Report of Operations - Financial

Summary of Financial Results

For the Financial Year ended 30 June 2019

	2019 \$000	2018 \$000	2017 \$000	2016 \$000	2015 \$000
Total Revenue	53,534	49,926	49,404	46,394	42,744
Total Expenses	53,758	51,039	49,749	44,815	44,600
Net Result from Transactions	(224)	(1,113)	(345)	1,579	(1,856)
Other Operating Flows included in the net result	(230)	(356)	303	0	0
Net Result	(454)	(1,469)	(42)	1,579	(1,856)
Total Assets	102,890	72,986	72,279	66,573	63,201
Total Liabilities	37,760	34,681	32,505	27,223	25,409
Net Assets/Total Equity	65,130	38,305	39,774	39,350	37,792

Reconciliation between Net Result from Transactions and the Operating Result

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Net Operating Result*	215	(410)	1,286	238	(477)
Capital and Specific Items					
Capital Purpose Income	1,774	1,463	1,296	3,540	650
Assets Received Free of Charge		34			
Expenditure for Capital Purpose	(32)	(53)	(859)	(193)	(56)
Depreciation and Amortisation	(2,147)	(2,089)	(2,040)	(2,045)	(2,040)
Finance Costs (other)	(34)	(58)	(28)	39	67
Net Result from transactions	(224)	(1,113)	(345)	1,579	(1,856)

* The Net Operating Result 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 \$4.3m. A significant factor was an increase in Refundable Accommodation Deposits of \$3.8m which is offset by a corresponding increase in Other Current Liabilities (Monies held in Trust).

The recording of Restricted Funds (Bequests) was reallocated from Current Liabilities (Monies held in Trust) to Equity (Restricted Specific Purpose Surplus).

A revaluation of Land and Property, scheduled every five years, was undertaken in June 2019. The resulting adjustment to the value of Property held by Castlemaine Health was an increase of \$25,553m which is reflected in Non-Current Assets and Equity in the Balance Sheet.

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 & 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 \$0.300m deficit result before capital items and depreciation in the Statement of Priorities for the 2018/19 financial year. The financial result before capital items and depreciation for the 2018/19 year was a \$0.215m surplus result which included additional support from the Government. Castlemaine Health faces ongoing significant challenges to meet budgetary objectives 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 Net Operating Result (ie 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.

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

Effective Financial Management

Statement of Priorities Measure	Target	2018-19 actual
Finance		
Operating result (\$m)	\$(0.300)	\$0.215
Average number of days to paying trade creditors	<60 days	62 days
Average number of days to receiving patient fee debtors	<60 days	41 days
Public and Private WIES activity performance to target	100%	102.86%
Adjusted current asset ratio	0.70	0.87
Number of days available cash	14 days	(2.6) 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

To the Board of Castlemaine Health

Opinion	<p>I have audited the financial report of Castlemaine Health (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • 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. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>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 <i>Financial Management Act 1994</i>, 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.</p> <p>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.</p>

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
9 September 2019

Travis Derricott
as delegate for the Auditor-General of Victoria

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 Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

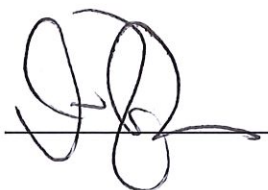
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 4th September 2019.



Margaret (Peggy) Ronnau
Chair

Castlemaine Health
4th September 2019



Ian Fisher
Chief Executive Officer

Castlemaine Health
4th September 2019



Kerryn Healy
Chief Finance & Accounting Officer

Castlemaine Health
4th September 2019

Castlemaine Health
Comprehensive Operating Statement
For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income from Transactions			
Operating Activities	2.1	53,011	49,475
Non-operating Activities	2.1	523	485
Total Income from Transactions		53,534	49,960
Expenses from Transactions			
Employee Expenses	3.1	(42,411)	(39,854)
Supplies and consumables	3.1	(4,082)	(4,310)
Finance costs	3.1	(34)	(58)
Depreciation	4.3	(2,147)	(2,089)
Other Operating Expenses	3.1	(5,084)	(4,769)
		(53,758)	(51,080)
Net Result from Transactions - Net Operating Balance		(224)	(1,120)
Other Economic Flows included in Net Result			
Other Loss from Other Economic Flows	3.2	(213)	(356)
Net Gain on Sale of Non-Financial Assets	3.2	20	-
Net Gain on Financial Instruments at Fair Value	3.2	(37)	7
Total Other Economic Flows included in Net Result		(230)	(349)
NET RESULT FOR THE YEAR		(454)	(1,469)
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in physical asset revaluation surplus	4.2(f)	25,553	-
Transfer of Specific Purpose Funds to Equity		1,726	-
Total other comprehensive income		27,279	-
Comprehensive result for the year		26,825	(1,469)

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

Castlemaine Health
Balance Sheet
As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.2	22,369	6,542
Receivables	5.1	2,353	1,848
Investments and other financial assets	4.1	3,726	15,271
Inventories		285	332
Prepayments and Other assets		227	179
Total current assets		28,960	24,172
Non-current assets			
Receivables	5.1	1,366	908
Property, plant & equipment	4.2	72,564	47,906
Total non-current assets		73,930	48,814
TOTAL ASSETS		102,890	72,986
Current liabilities			
Payables	5.2	4,047	3,529
Borrowings	6.1	500	500
Provisions	3.4	7,470	7,173
Other current liabilities	5.3	23,049	21,055
Total current liabilities		35,066	32,257
Non-current liabilities			
Borrowings	6.1	509	972
Provisions	3.4	2,185	1,452
Total non-current liabilities		2,694	2,424
TOTAL LIABILITIES		37,760	34,681
NET ASSETS		65,130	38,305
EQUITY			
Property, plant & equipment revaluation surplus	4.2 (f)	58,617	33,064
Restricted Specific Purpose Surplus		1,726	-
Contributed capital		21,202	21,202
Accumulated deficits		(16,415)	(15,961)
TOTAL EQUITY		65,130	38,305

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

Castlemaine Health

Statement of Changes in Equity

For the Year Ended 2019

	Property, Plant & Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Contributed Capital	Accumulated Deficits	Total
	\$'000		\$'000	\$'000	\$'000
Balance at 1 July 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
Net result for the year	-	-	-	(454)	(454)
Other comprehensive income for the year	25,553	-	-	-	25,553
Transfer from Liabilities*	-	1,726	-	-	1,726
Balance at 30 June 2019	58,617	1,726	21,202	(16,415)	65,130

* The Malcolm Archer bequest was previously recognised as a Liability. It has been transferred to a Restricted Specific Purpose Fund during year ending 30 June 2019.

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

Castlemaine Health
Cash Flow Statement
For the Year Ended 2019

	Note	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities			
Operating grants from government		40,945	38,199
Capital grants from government		1,622	1,104
Patient and resident fees received		5,935	5,851
Donations and bequests received		152	300
GST received from/(paid to) ATO		4	2
Interest received		587	486
Other receipts		3,353	2,380
Total Receipts		52,598	48,322
Employee expenses paid		(38,202)	(36,425)
Non salary labour costs		(2,781)	(2,442)
Payments for supplies & consumables		(4,035)	(3,581)
Interest Paid		(35)	-
Other payments		(5,376)	(4,932)
Total Payments		(50,429)	(47,380)
Net Cash Flow from Operating Activities	8.1	2,169	942
Cash Flows from Investing Activities			
Purchase of Investments		-	7,911
Payments for non-financial assets		(1,293)	(1,425)
Proceeds from sale of non-financial assets		61	12
Proceeds from disposal of Investments		11,545	-
Net Cash Flow used in Investing Activities		10,313	6,498
Cash Flows from Financial Activities			
Repayment of borrowings		(500)	(480)
Receipt of Accommodation Deposits		11,231	8,802
Repayment of Accommodation Deposits		(7,386)	(10,516)
Net Cash Flow used in Financial Activities		3,345	(2,194)
Net Decrease in Cash and Cash Equivalents Held		15,827	5,246
Cash and cash equivalents at beginning of financial year		6,542	1,296
Cash and Cash Equivalents at End of Financial Year	6.2	22,369	6,542

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.

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Castlemaine Health for the year ended 30 June 2019. The report provides users with information about Castlemaine Health's 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 standards of the Australian Accounting Standards Board (AASB), which includes interpretations issued by the 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 Assistant Treasurer.

Castlemaine Health is a not-for profit entity and therefore applies the additional Australian-specific (AUS) paragraphs applicable to "not-for-profit" Health Services under the AASB standards.

(b) Reporting entity

The financial statements represent the activities of Castlemaine Health as a single entity.

Its principal address is:

142 Cornish St
Castlemaine
Victoria 3450

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

(c) Basis of accounting preparation and measurement

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

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

The financial statements are prepared on a going concern basis (Refer to note 8.8: Economic dependency).

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

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

Castlemaine Health operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Castlemaine Health's Capital and Specific Purpose Funds include the Malcolm Archer bequest.

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.

Note 1: Summary of significant accounting policies (continued)

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

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

Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

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

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

(d) 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 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 8.7 Jointly Controlled Operations and Assets).

(e) Equity

Contributed Capital

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

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

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.

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

Castlemaine Health also receives income from the supply of services.

Note 2.1: Income from Transactions

	Total 2019 \$'000	Total 2018 \$'000
Government Grant - Operating	40,800	38,263
Government Grant - Capital	1,622	1,104
Other Capital Purpose Income (including capital donations)	152	320
Indirect contributions by Department of Health and Human Services	512	246
Patient and Resident Fees	6,136	5,851
Commercial Activities	370	809
Assets received free of charge or for nominal consideration	-	34
Other Revenue from Operating Activities	3,419	2,848
Total Income from Operating Activities	53,011	49,475
Capital Interest	1	39
Other Interest	522	446
Total Income from Non-Operating Activities	523	485
Total Income from Transactions	53,534	49,960

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, 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 Castlemaine Health gains control of the underlying assets irrespective of whether conditions are imposed on Castlemaine Health's use of the contributions.

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

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

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

The Department of Health and Human Services makes the following payments on behalf of Castlemaine Health:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular.

Patient Fees and Resident Fees

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

Note 2.1: Income from Transactions (continued)

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 is recognised as revenue when received, and includes non-property rental, forgiveness of liabilities, and bad debt reversals.

Assets received free of charge or for nominal consideration

The revenue and assets recognised as a result of such transactions shall be measured at the fair value of resources received.

Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions unless received from another Health Service or agency as a consequence of a structuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

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.

Structure

- 3.1 Expenses from Transactions
- 3.2 Other Economic Flows
- 3.3 Analysis of expenses and revenue by internally managed and restricted specific purpose funds
- 3.4 Employee benefits in the Balance Sheet
- 3.5 Superannuation

Note 3.1: Expenses from Transactions

	Total 2019 \$'000	Total 2018 \$'000
Salaries and Wages	30,851	30,153
On-costs	7,912	6,460
Agency Expenses	148	235
Fee for Service Medical Officer Expenses	2,633	2,442
Workcover Premium	867	564
Total Employee Expenses	42,411	39,854
Drug Supplies	446	515
Medical And Surgical Supplied (including Prostheses)	1,385	1,444
Diagnostic and Radiology Supplies	131	116
Other Supplies and Consumables	2,120	2,235
Total Supplies and Consumables	4,082	4,310
Finance Costs	34	58
Total Finance Costs	34	58
Fuel, Light, Power and Water	871	705
Repairs and Maintenance	501	540
Maintenance Contracts	438	353
Medical Indemnity Insurance	310	293
Other Expenses	2,932	2,818
Expenditure for Capital Purposes	32	60
Total Other Operating Expenses	5,084	4,769
Depreciation (refer Note 4.3)	2,147	2,089
Total Other Non-operating Expenses	2,147	2,089
Total Expenses from Transactions	53,758	51,080

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

Employee Expenses

Employee expenses include:

- Salaries and Wages (including fringe benefits tax, leave entitlements, termination payments)
- On-Costs
- Agency expenses
- Fee for service medical officer expenses
- Workcover premium

Note 3.1: Expenses from Transactions (continued)

Supplies and Consumables

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

Finance costs

Finance costs include:

- Interest on short-term and long-term borrowings (interest expense is recognised in the period in which it is incurred);
- Amortisation of discounts or premiums relating to borrowings;
- Finance expense in relation to accommodation bonds refundable.

Other operating expenses

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

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

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

Non-operating expenses

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

Note 3.2: Other economic flows

	2019 \$'000	2018 \$'000
Net gain on disposal of property plant and equipment	20	-
Total net gain/(loss) on non-financial assets	20	-
Allowance for impairment losses of contractual receivables	-	7
Fair value movement of interest-free loan	(37)	-
Total net gain/(loss) on financial instruments at fair value	(37)	7
Net gain/(loss) arising from revaluation of long service liability	(213)	(356)
Total other gains/(losses) from other economic flows	(213)	(356)
Total other gains/(losses) from economic flows	(230)	(349)

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- The revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

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:

- Net gain/(loss) on disposal of non-financial assets
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/(loss) on financial instruments at fair value

Net gain/(loss) on financial instruments at fair value includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- Impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities.

Other gains/(losses) from other economic flows

Other gains/(losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond rate movement, inflation rate movements and the impact of changes in probability factors.

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

	Expense		Revenue	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Commercial Activities				
Meals on Wheels	90	94	74	100
Laundry	-	390	-	376
Cafeteria	-	28	-	36
Properties/Health Club	168	176	296	270
TOTAL	258	688	370	782

The Laundry and Cafeteria ceased forming part of Castlemaine Health's commercial activities during late 2017-18.

Note 3.4: Employee benefits in the balance sheet

	2019 \$'000	2018 \$'000
Current Provisions		
Employee Benefits ⁽ⁱ⁾		
Annual leave		
- Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾	2,207	2,380
- Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾	829	406
Long service leave		
- Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾	555	584
- Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾	2,991	2,942
Accrued Days Off		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱⁱ⁾	77	60
	6,659	6,372
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	345	368
- Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾	466	433
	811	801
Total Current Provisions	7,470	7,173
Non-Current Provisions		
Long Service Leave ⁽ⁱⁱⁱ⁾	1,947	1,284
Long Service Leave related to employee Benefit On-Costs ⁽ⁱⁱⁱ⁾	238	168
Total Non-Current Provisions	2,185	1,452
Total Provisions	9,655	8,625

Notes:

(i) Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

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

(a) Employee Benefits and Related On-Costs

	2019 \$'000	2018 \$'000
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	3,980	3,987
Annual Leave Entitlements	3,403	3,119
Accrued Days Off	87	67
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements ⁽ⁱⁱⁱ⁾	2,185	1,452
Total Employee Benefits	9,655	8,625

Note 3.4: Employee benefits in the balance sheet (continued)

(b) Movement in On-Costs Provision

	2019 \$'000	2018 \$'000
Balance at start of year	969	816
Additional provisions recognised	84	138
Unwinding of discount and effect of changes in the discount rate	23	39
Reduction due to transfer out	(28)	(24)
Balance at end of year	1,049	969

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of annual leave, accrued days off 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 Castlemaine Health 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.

Annual Leave and Accrued Days Off

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

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

- Nominal value - if Castlemaine Health expects to wholly settle within 12 months; or
- Present value - if Castlemaine Health 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 Castlemaine Health does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Nominal value - if Castlemaine Health expects to wholly settle within 12 months; and
- Present value - where Castlemaine Health 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 separately from provisions for employee benefits.

Note 3.5: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Defined benefit plans: ⁽ⁱ⁾				
First State Super	56	60	4	4
Defined contribution plans:				
First State Super	2,043	1,944	149	118
Hesta	859	759	58	45
Other	383	258	30	23
Total	3,341	3,021	241	190

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

Employees of Castlemaine Health are entitled to receive superannuation benefits and it 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 benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by Castlemaine Health to the superannuation plans in respect of the services of current Castlemaine Health 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.

Castlemaine Health 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 Castlemaine Health.

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

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.

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.

Structure

4.1 Investments and other financial assets

4.2 Property, plant & equipment

4.3 Depreciation

Note 4.1: Investments and other financial assets

	Operating Fund		Capital Fund		Total	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT						
Amortised Cost						
Aust. Dollar Term Deposits > 3 months	2,000	13,214	1,726	1,726	3,726	14,940
Loddon Mallee Rural Health Alliance - Investments	-	331	-	-	-	331
TOTAL INVESTMENTS	2,000	13,545	1,726	1,726	3,726	15,271
Represented by:						
Loddon Mallee Rural Health Alliance Investments	-	331	-	-	-	331
Monies Held in Trust						
- Accommodation Bonds (Refundable Entrance Fees)	2,000	13,214	-	-	2,000	13,214
- Malcolm Archer Bequest	-	-	1,726	1,726	1,726	1,726
TOTAL	2,000	13,545	1,726	1,726	3,726	15,271

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.

Investments are classified as financial assets at amortised cost

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

Castlemaine Health's investments must comply with Standing Direction 3.7.2 - Treasury Management, including Central Banking System.

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 Castlemaine Health's continuing involvement in the asset.

Impairment of financial assets

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

In order to determine an appropriate fair value as at 30 June 2019 for its portfolio of financial assets, Castlemaine Health 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.

Note 4.2: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

	2019 \$'000	2018 \$'000
Land		
Land at Fair Value		
- Crown	2,877	3,085
- Freehold	719	508
Total Land	3,596	3,593
Buildings		
Buildings Under Construction at cost	370	50
Buildings at Fair Value	64,383	45,197
Less Acc'd Depreciation	-	(5,095)
Total Buildings	64,753	40,152
Plant and Equipment		
Plant and Equipment at Fair Value	10,484	9,728
Less Acc'd Depreciation	(6,776)	(6,059)
LMRHA Joint Operation Plant and Equipment	47	47
Total Plant and Equipment	3,755	3,716
Motor Vehicles		
Motor Vehicle at Fair Value	1,082	1,045
Less Acc'd Depreciation	(622)	(600)
Total Motor Vehicles	460	445
TOTAL	72,564	47,906

(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 2017	3,593	40,190	3,318	537	953	48,591
Additions	-	147	533	20	654	1,354
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 (Refer Note 4.3)	-	(1,304)	(682)	(103)	-	(2,089)
Balance at 1 July 2018	3,593	40,102	3,716	445	50	47,906
Additions	-	51	756	156	320	1,283
Disposals	-	-	-	(41)	-	(41)
Revaluation Increments	3	25,550	-	-	-	25,553
LMRHA Joint Operation Plant and Equipment	-	-	10	-	-	10
Depreciation (Refer Note 4.3)	-	(1,320)	(727)	(100)	-	(2,147)
Balance at 30 June 2019	3,596	64,383	3,755	460	370	72,564

Land and buildings carried at valuation

The Valuer-General Victoria undertook to re-value all of Castlemaine Health'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 2019.

Note 4.2: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2019 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ \$'000	Level 2 ⁽ⁱ⁾ \$'000	Level 3 ⁽ⁱ⁾ \$'000
Land at fair value				
Specialised land	2,876	-	-	2,876
Non-Specialised land	720	-	720	-
Total of land at fair value	3,596	-	720	2,876
Buildings at fair value				
Specialised buildings	63,753	-	-	63,753
Non-Specialised buildings	630	-	630	-
Total of building at fair value	64,383	-	630	63,753
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Vehicles	460	-	-	460
- Plant and equipment	3,755	-	-	3,755
Total of plant, equipment and vehicles at fair value	4,215	-	-	4,215
	72,194	-	1,350	70,844

	Carrying amount as at 30 June 2018 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ \$'000	Level 2 ⁽ⁱ⁾ \$'000	Level 3 ⁽ⁱ⁾ \$'000
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	445	-	-	445
- Plant and equipment	3,716	-	-	3,716
Total of plant, equipment and vehicles at fair value	4,161	-	-	4,161
	47,856	-	-	47,856

Note

(i) Classified in accordance with the fair value hierarchy (refer to 4.2 (e)).

Note 4.2: Property, plant & equipment (continued)

(d) Reconciliation of Level 3 fair value

30 June 2019	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor Vehicles \$'000	Total \$'000
Opening Balance	3,593	40,102	3,716	445	47,856
Additions/(Disposals)	-	51	766	115	932
Transferred to Level 2	(720)	(630)	-	-	(1,350)
Gains or losses recognised in net result					
- Depreciation	-	(1,320)	(727)	(100)	(2,147)
Items Recognise in Other Comprehensive Income					
- Revaluation	3	25,550	-	-	25,553
Closing Balance	2,876	63,753	3,755	460	70,844

30 June 2018	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor Vehicles \$'000	Total \$'000
Opening Balance	3,593	40,190	3,318	537	47,638
Additions/(Disposals)	-	147	558	11	716
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	47,856

Note

(i) Classified in accordance with the fair value hierarchy (refer to 4.2 (e)).

Based on external valuations performed in 2018-19, two properties owned by Castlemaine Health have been determined to be classified as Level 2 as their value has been determined using a market comparison approach; there was no CSO adjustment

Note 4.2: Property, plant & equipment (continued)

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

Asset Class	Valuation technique	Significant inputs
Specialised land (Crown/Freehold)	Market approach	Community Service Obligation (CSO) adjustments (a)
Non-Specialised Land	Market approach	N/A
Specialised buildings	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
Non-Specialised buildings	Market approach	N/A
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Vehicles	Depreciated replacement cost	Cost per unit Useful life of vehicles

(a) CSO adjustment of 30% was applied to reduce the market approach value for Castlemaine Health's main site specialised land. CSO adjustment of 15% was applied to reduce the market approach value for Castlemaine Health's former hospital site at Halford Street.

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

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.

Revaluations of non-current physical assets

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

Note 4.2: Property, plant & equipment (continued)

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

Fair value measurement

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

For the purpose of fair value disclosures, Castlemaine Health 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 below.

In addition, Castlemaine Health 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.

The Valuer-General Victoria (VGV) is Castlemaine Health's independent valuation agency.

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

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

In accordance with paragraph AASB 13.29, Castlemaine Health has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Non-Specialised Land and Non-Specialised Buildings

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

Specialised land and specialised buildings

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

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

Note 4.2: Property, plant & equipment (continued)

The market approach is also used for specialised land and specialised buildings 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, 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 Castlemaine Health's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

Vehicles

Castlemaine Health 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 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 amount (depreciated cost).

Plant and equipment

Plant and equipment (including medical equipment, computers and communication equipment and furniture and fittings) are 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 2019.

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

Note 4.2 (f): Property, Plant and Equipment Revaluation Surplus

Property, Plant and Equipment Revaluation Surplus

Balance at the beginning of the reporting period

Revaluation Increment

- Land
- Buildings

Balance at the end of the reporting period*

* Represented by:

- Land
- Buildings

	2019 \$'000	2018 \$'000
Balance at the beginning of the reporting period	33,064	33,064
Revaluation Increment	3	-
- Land	25,550	-
- Buildings	58,617	33,064
Balance at the end of the reporting period*		
* Represented by:		
- Land	3,185	3,182
- Buildings	55,432	29,882
	58,617	33,064

Note 4.3: Depreciation

	2019 \$'000	2018 \$'000
Depreciation		
Buildings	1,320	1,304
Plant & Equipment	717	677
Motor Vehicles	100	103
LMRHA Joint Operation Depreciation	10	5
Total Depreciation	2,147	2,089

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. 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:

	2019	2018
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.

Structure

5.1 Receivables

5.2 Payables

5.3 Other liabilities

Note 5.1: Receivables

	2019 \$'000	2018 \$'000
CURRENT		
Contractual		
Trade Debtors	396	467
Department of Health and Human Services - Grant	-	51
Patient Fees	777	595
Accrued Investment Income	58	122
Accrued Revenue	1,003	503
Loddon Mallee Rural Health Alliance - Receivables	42	35
Less Allowance for Impairment losses of contractual receivables		
- Patient Fees	(54)	(73)
	2,222	1,700
Statutory		
GST Receivable	125	134
LMRHA Joint Operation - GST Receivable	6	14
	131	148
TOTAL CURRENT RECEIVABLES	2,353	1,848
NON CURRENT		
Statutory		
Long Service Leave - Department of Health and Human Services	1,366	908
TOTAL NON-CURRENT RECEIVABLES	1,366	908
TOTAL RECEIVABLES	3,719	2,756

(a) Movement in the Allowance for impairment losses of contractual receivables

	2019 \$'000	2018 \$'000
Balance at beginning of year	(73)	(68)
Increase/(decrease) in allowance recognised in net result	19	(5)
Balance at end of year	(54)	(73)

Note 5.1: Receivables (continued)

Receivables recognition

Receivables consist of:

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

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

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

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

Impairment losses of contractual receivables

Refer to Note 7.1 (c) Contractual receivables at amortised costs for Castlemaine Health's contractual impairment losses.

Note 5.2: Payables

	2019 \$'000	2018 \$'000
CURRENT		
Contractual		
Trade Creditors	889	834
Accrued Salaries and Wages	1,526	969
Loddon Mallee Rural Health Alliance - Creditors	12	111
Accrued Expenses	642	570
Inter-hospital creditors	48	368
Loddon Mallee Rural Health Alliance - Accrued Expenses	117	18
Other Payables	376	-
	3,610	2,870
Statutory		
GST Payable	23	36
FBT Payable	18	38
PAYG Payable	-	283
Department of Health and Human Services	396	302
	437	659
TOTAL PAYABLES	4,047	3,529

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to Castlemaine Health 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.

The normal credit terms for accounts payable are usually nett 60 days.

Maturity analysis of payables

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

Note 5.3: Other Liabilities

	2019 \$'000	2018 \$'000
CURRENT		
Monies Held in Trust		
- Patient Monies Held in Trust	279	404
- Accommodation Deposits (Refundable Entrance Fees)	22,770	18,925
- Malcolm Archer Bequest*	-	1,726
Total Current	23,049	21,055
Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	21,049	6,115
Investment and other Financial Assets (refer to Note 4.1)	2,000	14,940
TOTAL	23,049	21,055

* The Malcolm Archer bequest was previously recognised as a Liability. It has been transferred to a Restricted Specific Purpose Fund during year ending 30 June 2019.

Note 6: How we finance our operations

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

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

Structure

6.1 Borrowings

6.2 Cash and cash equivalents

6.3 Commitments for expenditure

Note 6.1: Borrowings

	2019 \$'000	2018 \$'000
CURRENT		
DHHS Loans ⁽ⁱ⁾	500	500
NON CURRENT		
DHHS Loans ⁽ⁱ⁾	509	972
Total Borrowings	1,009	1,472

(i) The DHHS Loans are unsecured loans which bear no interest.

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.

(a) Maturity analysis of borrowings

Please refer to note 7.1 (b) for the maturity 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 Castlemaine Health has categorised its liability as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'.

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

Note 6.2: Cash and Cash Equivalents

	2019 \$'000	2018 \$'000
Cash on Hand (excluding Monies held in trust)	4	4
Cash at Bank (excluding Monies held in trust)	939	341
Cash at Bank (LMRHA Joint Venture)	377	82
Cash at Bank (Monies held in trust)	279	6,115
Deposits at Call (Monies held in trust)	19,044	-
Deposits at Call (Restricted Purpose Funds)	1,726	-
TOTAL CASH AND CASH EQUIVALENTS	22,369	6,542

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

The cash flow statement includes monies held in trust.

Note 6.3: Commitments for expenditure

	2019 \$'000	2018 \$'000
Capital Expenditure Commitments		
Less than 1 year	557	-
Total Capital Expenditure Commitments	557	-

Commitments

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

Note 7: Risks, Contingencies and Valuation Uncertainties

Castlemaine Health 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*.

Note 7.1(a) Financial instruments: categorisation

	Financial assets at amortised cost \$'000	Financial liabilities at amortised cost \$'000	Financial liabilities at fair value through profit or loss \$'000	Total \$'000
2019				
Contractual Financial Assets				
Cash and cash equivalents	22,369	-	-	22,369
Receivables	2,222	-	-	2,222
Other Financial Assets	3,726	-	-	3,726
Total Financial Assets ⁽ⁱ⁾	28,317	-	-	28,317
Financial Liabilities				
Payables	-	3,610	-	3,610
Borrowings				
- DHHS Loans	-	-	1,009	1,009
Other Financial Liabilities				
- Accommodation Bonds	-	22,770	-	22,770
- Other	-	2,005	-	2,005
Total Financial Liabilities ⁽ⁱⁱ⁾	-	28,385	1,009	29,394

	Contractual financial assets - loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2018			
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	-	2,870	2,870
Borrowings			
- DHHS Loans	-	1,472	1,472
Other Financial Liabilities			
- Accommodation Bonds	-	18,925	18,925
- Other	-	2,130	2,130
Total Financial Liabilities (ii)	-	25,397	25,397

(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)

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

Categories of financial assets under AASB 9 include Financial assets at amortised cost. Castlemaine Health has determined that all financial assets held are categorised as such.

Financial assets at amortised cost

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

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

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

Castlemaine Health recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits

Categories of financial assets previously under AASB 139

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

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

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs, unless they are designated a financial liability at Fair Value Through Profit or Loss (FVTPL). Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL. Castlemaine Health recognises the following liabilities in this category:

- payables (excluding statutory payables)
- other financial liabilities

Financial liabilities at fair value through profit or loss (FVTPL)

Castlemaine Health holds some financial liabilities at fair value which are carried subsequently at fair value with gains or losses recognised in profit or loss. Changes in an instrument's fair value that are reported in profit or loss are included within other economic flows. Castlemaine Health recognises the following liabilities in this category:

- borrowings (interest-free loans)

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

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

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

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

Note 7.1 (b): Payables and Borrowings Maturity Analysis

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 2019

		Maturity Dates					
	Note	Carrying Amount \$'000	Nominal Amount \$'000	Less than 1 Month \$'000	1-3 Months \$'000	3 months - 1 Year \$'000	1-5 Years \$'000
2019							
Financial Liabilities							
<i>At amortised cost</i>							
Payables	5.2	3,610	3,610	3,043	567	-	-
Other Financial Liabilities ⁽ⁱ⁾							
- Accommodation Deposits ⁽ⁱⁱ⁾	5.3	22,770	22,770	22,770	-	-	-
- Other	5.3	279	279	279	-	-	-
<i>At fair value through profit or loss</i>							
Borrowings	6.1	1,009	1,009	-	125	375	509
Total Financial Liabilities		27,668	27,668	26,092	692	375	509
2018							
Financial Liabilities							
<i>At amortised cost</i>							
Payables	5.2	2,870	2,870	2,306	564	-	-
Borrowings	6.1	1,472	1,472	-	125	375	972
Other Financial Liabilities ⁽ⁱ⁾							
- Accommodation Deposits ⁽ⁱⁱ⁾	5.3	18,925	18,925	18,925	-	-	-
- Other	5.3	2,130	2,130	2,130	-	-	-
Total Financial Liabilities		25,397	25,397	23,361	689	375	972

(i) Maturity analysis of financial liabilities excludes statutory financial liabilities (i.e GST payable)

(ii) Whilst there is a present entitlement, based on previous history, there is an expectation these funds will be repaid over a period of time, in line with resident movements.

Note 7.1 (c): Contractual receivables at amortised cost

	Current	Less than 1 month	1-3 months	3 months - 5 years	Total
1-Jul-18					
Expected loss rate	0%	0%	0%	25%	
Gross carrying amount of contractual receivables	921	243	241	295	1,700
Loss allowance	0	0	0	73	73
	Current	Less than 1 month	1-3 months	3 months - 5 years	Total
30-Jun-19					
Expected loss rate	4%	0%	0%	4%	
Gross carrying amount of contractual receivables	1,103	94	704	321	2,222
Loss allowance	41	0	0	13	54

Note 7.1 (c): Contractual receivables at amortised cost (continued)

Impairment of financial assets under AASB 9 - applicable from 1 July 2018

From 1 July 2018, Castlemaine Health has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include Castlemaine Health's contractual receivables and statutory receivables.

Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

Castlemaine Health applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. Castlemaine Health has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Department's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, Castlemaine Health determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as disclosed above.

Reconciliation of the movement in the loss allowance for contractual receivables

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	73	68
Opening retained earnings adjustment on adoption of AASB 9	-	-
Opening Loss Allowance	73	68
Modification of contractual cash flows on financial assets	-	-
Increase in provision of receivables written off during the year as uncollectable	-	5
Reversal of unused provision recognised in the net result	(19)	-
Balance at end of the year	54	73

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, 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. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables at amortised cost [AASB2016-8.4]

Castlemaine Health's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Castlemaine Health also has investments in Term Deposits.

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for this financial asset during the period was limited to 12 months expected losses. No loss allowance recognised at 30 June 2018 under AASB 139. No additional loss allowance required upon transition into AASB 9 on 1 July 2018.

Note 8: Other disclosures

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

Structure

- 8.1 Reconciliation of Net Result for the Year to Net Cash Flow from Operating Activities
- 8.2 Responsible Persons
- 8.3 Remuneration of Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of Auditors
- 8.6 Events Occurring after the Balance Sheet Date
- 8.7 Jointly Controlled Operations
- 8.8 Economic Dependency
- 8.9 Changes in Accounting Policy
- 8.10 AASB Standards Issued that are not yet Effective

Note 8.1: Reconciliation of Net Result for the Year to Net Cash Flow from Operating Activities

		2019 \$'000	2018 \$'000
Net result for the period		(454)	(1,469)
Non-cash movements:			
Depreciation		2,147	2,089
Allowance for impairment loss on contractual receivables		-	(7)
Discount on Net gain/(loss) arising from revaluation of long service leave liability		213	-
Fair value movement on DHHS Loans		37	(30)
Movements included in investing and financing activities:			
Net (gain)/loss from disposal of non financial physical assets	3.2	(20)	11
Movement in accommodation bonds		(3,845)	(1,714)
Movements in assets and liabilities:			
Change in operating assets and liabilities			
(Increase)/decrease in receivables		(963)	(432)
(Increase)/decrease in prepayments		(48)	(34)
(Increase)/decrease in inventories		47	(57)
(Increase)/decrease in other assets		70	(41)
Increase/(decrease) in payables		518	(27)
Increase/(decrease) in other liabilities		3,650	1,666
Increase/(decrease) in provisions		817	987
NET CASH INFLOW FROM OPERATING ACTIVITIES		2,169	942

Note 8.2: Responsible Persons

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

Responsible Ministers:

The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services	01/07/2018 - 29/11/2018
The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services	29/11/2018 - 30/06/2019
The Honourable Martin Foley, Minister for Mental Health	01/07/2018 - 30/06/2019
The Honourable Martin Foley, Minister for Housing, Disability and Ageing	01/07/2018 - 29/11/2018
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers	29/11/2018 - 30/06/2019

Governing Boards

Ms Carolyn Wallace	01/07/2018 - 30/06/2019
Mr Garry Fehring	01/07/2018 - 30/06/2019
Ms Sharon Fraser	01/07/2018 - 30/06/2019
Ms Peggy Anne Ronnau	01/07/2018 - 30/06/2019
Mr Venkata Peteti	01/07/2018 - 30/06/2019
Ms Margaret Lewis	01/07/2018 - 30/06/2019
Dr Simon Judkins	01/07/2018 - 16/09/2018
Ms Anna Skreiner	01/07/2018 - 30/06/2019
Ms Kerry Anderson	01/07/2018 - 30/06/2019
Ms Vicky Mason	01/07/2018 - 30/06/2019
Mr Jeffrey Rigby	01/07/2018 - 30/06/2019

Accountable Officers

Mr Ian Fisher	01/07/2018 - 30/06/2019
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Remuneration of Responsible Persons

Remuneration received or receivable by responsible persons are shown in their relevant income bands:

Income Band	2019 No.	2018 No.
\$0 - \$9,999	11	10
\$250,000 - \$259,999	1	1
Total Numbers	12	11
Total remuneration received or due and receivable by Responsible Persons from the reporting entity	\$ 293,000	\$ 280,000

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

Note 8.3: Remuneration of Executive Officers

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

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

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

Post-employment benefits include superannuation entitlements.

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

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year

Remuneration of executive officers

	Total Remuneration	
	2019 \$'000	2018 \$'000
Short-term employee benefits	541	530
Post-employment benefits	46	45
Other long-term benefits	10	10
Total Remuneration (i)	\$ 597	585
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 8.4 *Related Parties*.

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

Note 8.4 Related Parties

Castlemaine Health is a wholly owned and controlled entity of the State of Victoria. Related parties of the hospital include:

- all Key Management Personnel (KMP) and their close family members;
- all cabinet ministers and their close family members;
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements; and
- jointly controlled operation - a member of the Loddon Mallee Rural Health Alliance (LMRHA)

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

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.

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

Remuneration of Key Management Personnel (KMP)

	Total Remuneration	
	2019 \$'000	2018 \$'000
Short-term employee benefits	1,169	1,154
Post-employment benefits	124	101
Other long-term benefits	18	17
Total Number of KMP	20	19
Total Remuneration	\$ 1,311	1,272

Significant Transactions with Government Related Entities

Castlemaine Health received funding from the Department of Health and Human Services of \$31.9 million (2018: \$28.1 million) and indirect contributions of \$0.5 million (2018: \$0.25 million)

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

Professional medical indemnity insurance and other insurance products are obtained from the Victorian Managed Insurance Authority.

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

Transactions with KMPs and Other Related Parties

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

Outside of normal citizen type transactions with Castlemaine Health, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2019.

There were no related party transactions required to be disclosed for Castlemaine Health Board of Directors, Chief Executive Officer and Executive Directors in 2019. The exception to this statement is below.

Note 8.4 Related Parties (continued)

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, Information Technology, Human Resources, and Food Services. The value of the contract during 2018-19 was \$240,451. Other non-contracted services occur as required. The value of net transactions between Maldon Hospital and Castlemaine Health are \$803,825. 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 transactions between Castlemaine Health and Kyneton Health for the 2018-19 financial year was \$24,181. There were no transactions between Castlemaine Health and Seymour Health.

Key management personnel of Castlemaine Health

KMPs	Position Title
Ms Carolyn Wallace	Board Chair
Mr Garry Fehring	Board Member
Ms Sharon Fraser	Board Member
Ms Peggy Anne Ronnau	Board Member
Mr Venkata Peteti	Board Member
Ms Margaret Lewis	Board Member
Dr Simon Judkins	Board Member
Ms Anna Skreiner	Board Member
Ms Kerry Anderson	Board Member
Ms Vicky Mason	Board Member
Mr Jeffrey Rigby	Board Member
Mr Ian Fisher	Chief Executive Officer
Ms Kerry Healy	Executive Director Corporate Services
Ms Kathleen Fair	Executive Director Nursing
Ms Dianne Senior	Executive Director Community Programs
Mr Peter Sloan	Chief Medical Officer
Mr Rod Woodford	Manager Engineering Services
Ms Tracey Archer	Finance Manager
Mr Stephen Piper	Information Technology Manager
Ms Vicky Mellington	Human Resources Manager

Note 8.5 Remuneration of Auditors

Victorian Auditor-General's Office
Audit of financial statements

2019 \$'000	2018 \$'000
27	26
27	26

Note 8.6 Events Occurring after the Balance Sheet Date

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

Note 8.7: Jointly Controlled Operations

Name of Entity	Ownership Interest	
	2019 %	2018 %
Loddon Mallee Rural Health Alliance	8.45%	8.37%

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.

	2019 \$'000	2018 \$'000
Current Assets		
Cash and cash equivalents including CBS	377	82
Investments	-	331
Receivables	42	35
Inventory	-	8
Other current assets	110	60
Total Current Assets	529	516
Non Current Assets		
Property, Plant and Equipment	47	47
Total Non Current Assets	47	47
Total Assets	576	563
Current Liabilities		
Payables	130	128
Total Current Liabilities	130	128
Total Liabilities	130	128
Share of Joint Venture's Net Assets	446	435

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

	2019 \$'000	2018 \$'000
Revenues		
Operating Activities	654	623
Non-Operating Activities	17	-
Total Revenue	671	623
Expenses		
Information Technology and Administration Expenses	648	635
Depreciation	10	5
Non-Operating Expenses	-	20
Total Expenses	658	660
Net Result	13	(37)

Movements in carrying amount of interests in the Joint Venture

	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the year	435	446
Share of the Joint Operation's net result	13	(37)
Change in Membership	(2)	26
	446	435

Contingent Liabilities and Capital Commitments

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

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: Changes in Accounting Policy

Changes in accounting policy

Castlemaine Health has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

- (a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and
- (b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Department's financial statements.

Changes to the impairment of financial assets

Under AASB 9, all loans and receivables, as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

For other loans and receivables, Castlemaine Health applies the AASB 9 simplified approach to measured expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method results in a decrease in the impairment loss allowance of \$19K. Refer to Note 7.1(c) for details about the calculation of the allowance.

Transition Impact

Transition impact of first time adoption of AASB 9 on balance sheet:

Balance Sheet	Amount at 30/6/2018 \$'000	Reclassification \$'000	Restated amount at 1/7/18 \$'000
Loans and receivables	23,513	(23,513)	-
Financial assets at amortised cost	-	23,513	23,513
Total financial assets	23,513	-	23,513
Liabilities			
Financial liabilities at amortised cost	25,397	(1,472)	23,925
Financial liabilities at fair value through profit or loss	-	1,472	1,472
Total liabilities	25,397	-	25,397

Note 8.10: AASB Standards Issued that are not yet Effective

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

As at 30 June 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. 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 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 for Not-for-Profit entities.	1 Jul 2019	<p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied.</p> <p>There is no impact to Castlemaine Health in relation to AASB 15.</p>
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.</p> <p>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.</p>	1 Jul 2019	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> The ‘customer’ does not need to be the recipient of goods and/or services; The “contract” could include an arrangement entered into under the direction of another party; Contracts are enforceable if they are enforceable by legal or ‘equivalent means’; Contracts do not have to have commercial substance, only economic substance; and Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jul 2019	<p>The assessment has indicated that operating leases to the value of \$0.3 million will be recognised in the balance sheet. The relevant assets will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p>

Note 8.10: AASB Standards Issued that are not yet Effective (continued)

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for- Profit entities	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 Jul 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption. The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets. In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.
AASB 1058 Income of Not-for-Profit Entities	AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jul 2019	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 Contributions. The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed. On the 1st July 2019 Castlemaine Health will recognise a liability of \$1.48 million in relation to capital grants previously reported as capital income, for which the performance obligation (completed capital works) is yet to be complete.
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 2020	The standard is not expected to have a significant impact on the public sector.

Note 8.10: AASB Standards Issued that are not yet Effective (continued)

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059	This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020.	1 January 2020 (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	This standard defers the mandatory effective date of AASB 1059 for periods beginning on or after 1 January 2019 to 1 January 2020. As the State has elected to early adopt AASB 1059, the financial impact will be reported in the financial year ending 30 June 2019, rather than the following year.



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