

30 August 2011

File No: 27240/01

Mr R. Gillis  
Chief Executive Officer  
Tallangatta Health Service  
PO Box 77  
Tallangatta VIC 3700

Dear Mr Gillis

**Audited financial report for the year ended 30 June 2011**

I enclose for your information the audited financial report of Tallangatta Health Service and the audit report for the year ended 30 June 2011. These have also been sent to the Chair.

Copies of the audited financial report and the audit report have been forwarded to:

- the Minister for Health
- the Minister for Finance
- the Secretary of the Department of Health
- the Secretary of the Department of Treasury and Finance.

The audit report incorporates a paragraph addressing the electronic presentation of your financial report. Where you present your financial report on your website, the enclosed audit report must be appended to these statements.

No significant issues arose during the audit that need to be brought to your attention.

In closing, I record my appreciation for the courtesy and co-operation extended by your staff during the audit.

Yours sincerely



for D D R Pearson  
*Auditor-General*



# VAGO

Victorian Auditor-General's Office

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Tallangatta Health Service

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2011 of Tallangatta Health Service which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board Member's, Accountable Officer's and Chief Finance and Accounting Officer's declaration has been audited.

#### *The Board Members' Responsibility for the Financial Report*

The Board Members of Tallangatta Health Service are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Independence*

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



# VAGO

Victorian Auditor-General's Office

## Independent Auditor's Report (continued)

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of Tallangatta Health Service as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of Tallangatta Health Service for the year ended 30 June 2011 included both in Tallangatta Health Service's annual report and on the website. The Board Members of Tallangatta Health Service are responsible for the integrity of Tallangatta Health Service's website. I have not been engaged to report on the integrity of Tallangatta Health Service's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
30 August 2011

  
D D R Pearson  
Auditor-General



# TALLANGATTA HEALTH SERVICE


## Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

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

We further state that, in our opinion the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and the financial position of Tallangatta Health Service at 30 June 2011.


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

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

  
\_\_\_\_\_  
*L. Rhook*


Chair

Tallangatta  
30 August 2011

  
\_\_\_\_\_  
*R. Gillis*

Accountable Officer

Tallangatta  
30 August 2011

  
\_\_\_\_\_  
*J. Dean*

Chief Finance & Accounting  
Officer

Tallangatta  
30 August 2011

TALLANGATTA HEALTH SERVICE

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	TOTAL 2011 \$	TOTAL 2010 \$
Revenue from Operating Activities	2	7,797,017	7,472,233
Revenue from Non-Operating Activities	2	373,974	365,225
Employee Expenses	3	(6,160,609)	(5,939,179)
Non Salary Labour Costs	3	(257,691)	(145,157)
Supplies and Consumables	3	(286,948)	(318,711)
Other Expenses from Continuing Operations	3	(1,411,552)	(1,305,718)
<b>Net Result Before Capital &amp; Specific Items</b>		<b>54,191</b>	<b>128,693</b>
Capital Purpose Income	2	316,447	12,914
Depreciation and Amortisation	4	(1,128,681)	(1,119,749)
Expenditure using Capital Purpose Income	3	-	(9,047)
<b>NET RESULT FOR THE YEAR</b>		<b>(758,043)</b>	<b>(987,189)</b>
Other Comprehensive Income			
Net Fair Value revaluation on Non Financial Assets		-	-
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>(758,043)</b>	<b>(987,189)</b>

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

**TALLANGATTA HEALTH SERVICE**  
**BALANCE SHEET AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	640,083	239,687
Receivables	6	499,814	519,884
Investments and other Financial Assets	7	5,037,337	5,209,503
Prepayments		91,064	38,700
<b>Total Current Assets</b>		<b>6,268,298</b>	<b>6,007,774</b>
<b>Non-Current Assets</b>			
Receivables	6	91,475	82,545
Property, Plant & Equipment	8	10,401,740	11,127,581
<b>Total Non-Current Assets</b>		<b>10,493,215</b>	<b>11,210,126</b>
<b>TOTAL ASSETS</b>		<b>16,761,513</b>	<b>17,217,900</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	9	310,910	244,217
Provisions	10	1,340,093	1,235,161
Other Liabilities	11	3,781,395	3,643,253
<b>Total Current Liabilities</b>		<b>5,432,398</b>	<b>5,122,631</b>
<b>Non-Current Liabilities</b>			
Provisions	10	165,467	163,578
<b>Total Non-Current Liabilities</b>		<b>165,467</b>	<b>163,578</b>
<b>TOTAL LIABILITIES</b>		<b>5,597,865</b>	<b>5,286,209</b>
<b>NET ASSETS</b>		<b>11,173,648</b>	<b>11,931,691</b>
<b>EQUITY</b>			
Property, Plant & Equipment Revaluation Surplus	12a	6,424,949	6,424,949
Contributed Capital	12b	7,420,722	7,420,722
Accumulated Deficits	12c	(2,672,023)	(1,913,980)
<b>TOTAL EQUITY</b>		<b>11,173,648</b>	<b>11,931,691</b>
Contingent Assets and Contingent Liabilities	16		
Commitments for Expenditure	15		

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

TALLANGATTA HEALTH SERVICE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Note	Property, Plant & Equipment Revaluation Surplus \$	Contribution by Owners	Accumulated Deficits	Total \$
Balance at 1 July 2009		6,424,949	7,420,722	(928,791)	12,918,880
Net Result for the year		-	-	(987,189)	(987,189)
Balance at 30 June 2010		6,424,949	7,420,722	(1,913,980)	11,931,691
Net Result for the year		-	-	(758,043)	(758,043)
Balance at 30 June 2011		6,424,949	7,420,722	(2,672,023)	11,173,648

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

**TALLANGATTA HEALTH SERVICE  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Grants from Government		5,947,869	5,668,975
Patient and Resident Fees Received		1,090,627	1,135,775
Interest Received		416,743	288,894
Other Receipts		574,555	515,077
GST Received from/(Paid to) ATO		169,291	169,291
Employee Expenses Paid		(6,063,788)	(5,875,727)
Non Salary Labour Costs		(257,691)	(145,157)
Payments for Supplies & Consumables		(286,948)	(318,711)
Other Payments		(1,414,177)	(1,422,671)
<b>Cash Generated from Operations</b>		<b>176,481</b>	<b>15,746</b>
Capital Grants from Government		300,886	-
Capital Donations and Bequests Received		22,662	17,398
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>13</b>	<b>500,029</b>	<b>33,144</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for Non-Financial Assets		(505,305)	(437,733)
Proceeds from Sale of Non-Financial Assets		95,364	50,656
Purchase of Investments		-	(1,578,170)
Proceeds from Sale of Investments		310,308	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(99,633)</b>	<b>(1,965,247)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>400,396</b>	<b>(1,932,103)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>239,687</b>	<b>2,171,790</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5</b>	<b>640,083</b>	<b>239,687</b>

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

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Summary of Significant Accounting Policies

##### (a) Statement of Compliance

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

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

The Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" entities under the AAS's.

The annual financial statements were authorised for issue by the Board of the Health Service on August 30, 2011

##### (b) Basis of preparation

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011, and the comparative information presented in these financial statements for the year ended 30 June 2010.

The going concern basis was used to prepare the financial statements.

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

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

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain non-financial assets and financial instruments, as noted. Particularly, exceptions to the historical cost convention include:

- Non-current physical assets, which subsequent to acquisition, are measured at valuation and are re-assessed with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values;
- Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value through profit and loss; and
- Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.
- The fair value of assets other than land is generally based on their depreciated replacement value.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### (c) Reporting Entity

The financial statements include all the controlled activities of Tallangatta Health Service. Its principal address is:  
Barree Street  
Tallangatta, Victoria, 3700

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

##### (d) Jointly Controlled Assets

Interests in jointly controlled assets are accounted for by recognising in the Health Service's financial statements its proportionate share of assets, liabilities and any income and expenses.

##### (e) Scope and Presentation of Financial Statements

###### Fund Accounting

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Capital and Specific Purpose Funds include unspent capital donations and receipts from fund-raising activities conducted solely in respect of these funds.

###### Services Supported by Health Services Agreement and Services Supported by Hospital and Community Initiatives

The activities classified as Services Supported by Health Services Agreement (HSA) are substantially funded by the Department of Health and includes Residential Aged Care Services (RACS) and are also funded from other sources such as the Commonwealth, patients and residents, while Services Supported by Hospital and Community Initiatives (H&CI) are funded by the Health Service's own activities or local initiatives and/or the Commonwealth.

###### Residential Aged Care Service

The Lakeview Nursing Home operations are an integral part of the Hospital and share its resources. An apportionment of land and buildings has been made based on floor space. The results of the two operations have been segregated based on actual revenue earned and expenditure incurred by each operation.

The Lakeview Nursing Home has the same Committee of Management and is substantially funded from Commonwealth bed-day subsidies.

###### Comprehensive Operating Statement

The Comprehensive Operating Statement includes the subtotal entitled 'Net Result Before Capital & Specific Items' to enhance the understanding of the financial performance of the Health Service. This subtotal reports the result excluding such items as capital grants, assets received or provided free of charge, depreciation, and items of unusual nature and amount such as specific revenues and expenses. The exclusion of these items are made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The 'Net result before Capital & Specific Items' is used by the management of the Health Service, the Department of Health and the Victorian Government to measure the ongoing performance of Health Services in operating hospital services.

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

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works or plant and equipment. It also includes donations of plant and equipment. Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Specific income/expense, comprises the following items, where material:
  - Voluntary departure packages
  - Non-Current asset revaluation increments/decrements
- Impairment of financial and non-financial assets including all impairment losses (and reversal of previous impairment losses) which have been recognised in accordance with Note 1 (h) and (i)
- Depreciation and amortisation, as described in note 1 (g)
- Assets provided or received free of charge (refer to Note 1 (f) and (g))
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### (e) Scope and Presentation of Financial Statements (Continued)

###### Balance sheet

Assets and liabilities are categorised either as current or non-current.

###### Statement of changes in equity

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

###### Cash flow statement

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

###### Comparative Information

Comparative information has been reclassified due to an error in disclosure in respect of the Health Service's investment in the Hume Rural Health Alliance. Reason for the reclassification and the items effected have been disclosed in Notes 18 and 21.

##### (f) Income recognition

Revenue is recognised in accordance with AASB 118 Revenue and is recognised as to the extent it is probable that the economic benefits will flow to the Health Service and the income can be reliably measured. Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

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

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

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

###### Indirect Contributions

Insurance is recognised as revenue following advice from the Department of Health.

Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 14/2009.

###### Patient and Resident Fees

Patient fees are recognised as revenue at the time invoices are raised.

###### Donations and Bequests

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

###### Interest Revenue

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

###### Sale of Investments

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

###### Resources Provided and Received Free of Charge or for Nominal Consideration

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

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

(g) **Expense Recognition**

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

**Employee expenses**

Employee expenses include:

- Wages and salaries;
- Annual leave;
- Sick leave;
- Long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

**Defined contribution plans**

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

**Defined benefit plans**

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

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

The Health Service made contributions to the following major superannuation plans during the year:

Defined benefit plans:                      State Superannuation Fund - revised and new

Defined contribution plans:              VicSuper

**Depreciation**

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

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land and investment properties. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

	2011	2010
<b>Buildings</b>		
- Structure Shell Building Fabric	Up to 60 years	Up to 60 years
- Site Engineering Services and Central Plant	Up to 30 years	Up to 30 years
<b>Central Plant</b>		
- Fit Out	Up to 30 years	Up to 30 years
- Trunk Reticulated Building Systems	Up to 40 years	Up to 40 years
<b>Plant &amp; Equipment</b>	Up to 15 years	Up to 15 years
Medical Equipment	Up to 15 years	Up to 15 years
Computers & Communications	Up to 15 years	Up to 15 years
Furniture & Fittings	Up to 15 years	Up to 15 years
Motor Vehicles	Up to 7 years	Up to 7 years
Leasehold Improvements	Up to 10 years	Up to 10 years

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

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### (h) Financial Assets

###### Cash and Cash Equivalents

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

###### Receivables

Receivables consist of:

- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- Contractual receivables, which includes of mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

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

###### Investment and Other Financial Assets

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

Investments are classified in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available-for-sale financial assets.

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

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

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

###### Loans and receivables

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

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

###### Held-to-maturity investments

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

###### Available-for-sale financial assets

Other financial assets held by the Health Service are classified as being available-for-sale and are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Fair value is determined in the manner described in Note 14.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### Impairment of Financial Assets

At the end of each reporting period the Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings. All financial instruments assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off and allowance for doubtful receivables are recognised as expenses in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

##### Net Gain/(Loss) on Financial Instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

#### (i) Non-Financial Assets

##### Inventories

The value of supplies held at balance date is not considered to be material. The cost of supplies is charged to operating expenses when incurred.

##### Non-financial Physical Assets Classified as Held for Sale

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

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

##### Property, Plant and Equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

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

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

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

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### Revaluations of Non-Current Physical Assets

Non-current physical assets measured at fair value are revalued in accordance with FRD103D Non-current physical assets. This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

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

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

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes. Revaluation surplus are normally not transferred to accumulated funds on derecognition of the relevant asset.

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

##### Other non-financial assets

###### Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

##### Disposal of Non-Financial Assets

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

##### Impairment of Non-Financial Assets

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

- financial assets;
- investment property that is measured at fair value; and
- non-current physical assets held for sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

#### (j) Liabilities

##### Payables

These amounts consist predominantly of liabilities for goods and services.

Payables are initially recognised at fair value, then subsequently carried at amortised cost and represent liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of these goods and services.

The normal credit terms are usually Net 30 days.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

##### Employee Benefits

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

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

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

###### *Long Service Leave*

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

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

The components of this current LSL liability are measured at:

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

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

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

###### *Termination Benefits*

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

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations that will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

##### On-Costs

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

##### Superannuation Liabilities

The Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation plans because the Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial statements.

#### (k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

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

##### Operating Leases

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

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

##### Leasehold Improvements

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

#### (l) Equity

##### Contributed Capital

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

##### Property, Plant & Equipment Revaluation Surplus

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

##### Specific Restricted Purpose Reserve

A specific restricted purpose reserve is established where the Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

#### (m) Commitments for Expenditure

Commitments for expenditure are not recognised on the Balance Sheet. Commitments for expenditure 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 individual projects are stated.

#### (n) Contingent Assets and Contingent Liabilities

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

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

**(o) Goods and Services Tax**

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

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

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

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

**(p) Rounding Off**

All amounts shown in the Financial Statements are expressed to the nearest dollar.

**(q) Category Groups**

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

**Admitted Patient Services (Admitted Patients)** comprises all recurrent health revenue/expenditure on admitted patient services, where services are delivered in public hospitals.

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

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

**Residential Aged Care (RAC)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from DH under the mental health program.

**Other Services excluded from Australian Health Care Agreement (AHCA) (Other)** comprises revenue/expenditure for services not separately classified above. Health and Community Initiatives also falls in this category group.

**(r) New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. As at 30 June 2011, the following standards and interpretations had been issued but were not mandatory for financial years ending 30 June 2011. The Health Service has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 9 <i>Financial Instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 <i>Related Party Disclosures (Dec 2009)</i>	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the Health Service is still assessing the detailed impact and whether to early adopt.

## TALLANGATTA HEALTH SERVICE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### Note 1: Statement of Significant Accounting Policies (Continued)

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-12 <i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]</i>	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. Detail of impact is still being assessed.
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]</i>	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 &amp; AASB 134 and Interpretation 13]</i>	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 <i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042]</i>	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</i>	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Detail of impact is still being assessed.

TALLANGATTA HEALTH SERVICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 1: Statement of Significant Accounting Policies (Continued)

Standard / Interpretation	Summary	Date Applicable	Impact on Entities Annual Statements
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters [AASB 1]	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2 Revenue

	HSA 2011 \$	HSA 2010 \$	H&CI 2011 \$	H&CI 2010 \$	Total 2011 \$	Total 2010 \$
<b>Revenue from Operating Activities</b>						
Government Grants						
- Department of Health	4,468,617	4,329,626	-	-	4,468,617	4,329,626
- State Government - Other	23,400	-	-	-	23,400	-
- Commonwealth Government						
- Residential Aged Care Subsidy	1,463,884	1,380,951	-	-	1,463,884	1,380,951
- Other	-	-	56,932	56,932	56,932	56,932
<b>Total Government Grants</b>	<b>5,955,901</b>	<b>5,710,577</b>	<b>56,932</b>	<b>56,932</b>	<b>6,012,833</b>	<b>5,767,509</b>
Indirect Contributions by Department of Health						
- Insurance	160,983	122,583	-	-	160,983	122,583
- Long Service Leave	8,929	(54,010)	-	-	8,929	(54,010)
<b>Total Indirect Contributions by Department of Health</b>	<b>169,912</b>	<b>68,573</b>	<b>-</b>	<b>-</b>	<b>169,912</b>	<b>68,573</b>
Patient and Resident Fees						
- Patient and Resident Fees (refer note 2b)	243,860	264,711	-	-	243,860	264,711
- Residential Aged Care (refer note 2b)	772,958	848,444	-	-	772,958	848,444
	1,016,818	1,113,155	-	-	1,016,818	1,113,155
Other Revenue from Operating Activities						
- Medical Centre	-	-	290,796	230,609	290,796	230,609
- Other	290,458	265,580	16,200	26,807	306,658	292,387
<b>Sub-Total Revenue from Operating Activities</b>	<b>7,433,089</b>	<b>7,157,885</b>	<b>363,928</b>	<b>314,348</b>	<b>7,797,017</b>	<b>7,472,233</b>
Revenue from Non-Operating Activities						
Interest	373,974	365,225	-	-	373,974	365,225
<b>Sub-Total Revenue from Non-Operating Activities</b>	<b>373,974</b>	<b>365,225</b>	<b>-</b>	<b>-</b>	<b>373,974</b>	<b>365,225</b>
Revenue from Capital Purpose Income						
State Government Capital Grants						
- Targeted Capital Works and Equipment	300,886	-	-	-	300,886	-
Net Loss on Disposal of Non-Financial Assets (refer note 2c)	(7,101)	(4,348)	-	-	(7,101)	(4,348)
Donations & Bequests	22,682	17,398	-	-	22,662	17,398
Hume Rural Health Alliance Capital Income	-	(136)	-	-	-	(136)
<b>Sub-Total Revenue from Capital Purpose Income</b>	<b>316,447</b>	<b>12,914</b>	<b>-</b>	<b>-</b>	<b>316,447</b>	<b>12,914</b>
<b>Total Revenue (refer note 2a)</b>	<b>8,123,510</b>	<b>7,536,024</b>	<b>363,928</b>	<b>314,348</b>	<b>8,487,436</b>	<b>7,850,372</b>

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

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

Note 2a: Analysis of Revenue by Source

	Admitted Patients 2011 \$	RAC 2011 \$	Aged Care 2011 \$	Primary Health 2011 \$	Other 2011 \$	Total 2011 \$
<b>Revenue from services supported by Health Services Agreement</b>						
Government Grants	3,303,097	1,965,169	522,698	198,259	26,010	6,012,833
Indirect Contributions by Department of Health	66,266	74,761	22,089	6,786	-	169,912
Patient and Resident Fees (refer note 2b)	243,860	772,958	-	-	-	1,016,818
Other Revenue from Operating Activities	87,164	15,448	170,117	17,729	16,200	306,658
Interest	35,830	323,336	11,324	3,484	-	373,974
Capital Purpose Income (refer note 2)	308,455	2,373	4,986	153	480	316,447
<b>Sub-Total Revenue from Services Supported by Health Service Agreement</b>	<b>4,044,672</b>	<b>3,154,045</b>	<b>731,214</b>	<b>224,421</b>	<b>42,290</b>	<b>8,196,642</b>
Revenue from Services Supported by Hospital and Community Initiatives						
Medical Centre Income	-	-	-	-	290,796	290,796
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290,796</b>	<b>290,796</b>
<b>Total Revenue</b>	<b>4,044,672</b>	<b>3,154,045</b>	<b>731,214</b>	<b>224,421</b>	<b>333,086</b>	<b>8,487,436</b>

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2a: Analysis of Revenue by Source (continued)

	Admitted Patients 2010 \$	RAC 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	Total 2010 \$
<b>Revenue from services supported by Health Services Agreement</b>						
Government Grants	3,124,060	1,841,823	504,816	239,778	56,932	5,767,509
Indirect Contributions by Department of Health	101,518	(23,764)	(7,021)	(2,160)	-	68,573
Patient and Resident Fees (refer note 2b)	264,711	848,444	-	-	-	1,113,155
Other Revenue from Operating Activities	58,323	14,380	176,188	18,689	26,807	292,387
Interest	24,448	330,683	7,719	2,375	-	365,225
Capital Purpose Income (refer note 2)	12,698	-	-	218	-	12,914
<b>Sub-Total Revenue from Services Supported by Health Service Agreement</b>	<b>3,583,756</b>	<b>3,011,566</b>	<b>681,802</b>	<b>258,900</b>	<b>83,739</b>	<b>7,619,763</b>
<b>Revenue from Services Supported by Hospital and Community Initiatives</b>						
Medical Centre Income	-	-	-	-	230,609	230,609
<b>Sub-Total Revenue from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230,609</b>	<b>230,609</b>
<b>Total Revenue</b>	<b>3,583,756</b>	<b>3,011,566</b>	<b>681,802</b>	<b>258,900</b>	<b>314,348</b>	<b>7,850,372</b>

Note 2b Patient and Resident Fees

	2011 \$	2010 \$
<b>Recurrent</b>		
<b>Acute</b>		
- Inpatients	243,860	264,711
Residential Aged Care		
- Generic	696,942	772,428
- Residential Accommodation Payments	76,016	76,016
<b>Total Recurrent</b>	<b>1,016,818</b>	<b>1,113,155</b>

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

	2011 \$	2010 \$
<b>Proceeds from Disposal of Non Current Assets</b>		
Motor Vehicles	95,000	50,656
Plant and Equipment	364	-
<b>Total Proceeds from Disposal of Non Current Assets</b>	<b>95,364</b>	<b>50,656</b>
<b>Less: Written Down Value of Non Current Assets Sold</b>		
Motor Vehicles	102,465	55,004
Plant and Equipment	-	-
<b>Total Written Down Value of Non Current Assets Sold</b>	<b>102,465</b>	<b>55,004</b>
<b>Net gains/(losses) on disposal of Non Current Assets</b>	<b>(7,101)</b>	<b>(4,348)</b>

Note 3: Expenses

	HSA 2011 \$	HSA 2010 \$	H&CI 2011 \$	H&CI 2010 \$	Total 2011 \$	Total 2010 \$
<b>Employee Expenses</b>						
Salaries and Wages	5,076,985	4,805,440	378,114	381,415	5,454,999	5,286,855
WorkCover Premium	77,023	80,929	6,069	5,483	83,092	86,412
Long Service Leave	189,488	94,684	(3,163)	25,032	185,335	118,726
Superannuation	432,677	432,012	24,506	14,174	457,183	446,186
<b>Total Employee Benefits</b>	<b>5,755,073</b>	<b>5,513,075</b>	<b>405,536</b>	<b>426,104</b>	<b>6,160,609</b>	<b>5,939,178</b>
<b>Non Salary Labour Costs</b>						
Fees for Visiting Medical Officers	-	-	135,303	38,426	135,303	38,426
Agency Costs - Nursing	3,078	10,014	-	-	3,078	10,014
Fee for Service Contractors	119,310	90,717	-	-	119,310	90,717
<b>Total Non Salary Labour Costs</b>	<b>122,388</b>	<b>100,731</b>	<b>135,303</b>	<b>38,426</b>	<b>257,691</b>	<b>145,157</b>
<b>Supplies &amp; Consumables</b>						
Drug Supplies	33,354	39,712	-	-	33,354	39,712
Medical, Surgical Supplies and Prosthesis	87,389	78,184	1,503	(189)	68,892	77,995
Food Supplies	184,577	200,716	125	288	184,702	201,004
<b>Total Supplies &amp; Consumables</b>	<b>285,320</b>	<b>318,612</b>	<b>1,628</b>	<b>99</b>	<b>286,348</b>	<b>318,711</b>
<b>Other Expenses from Continuing Operations</b>						
Domestic Services & Supplies	125,667	150,679	175	142	125,842	150,821
Fuel, Light, Power and Water	250,451	218,738	354	-	250,805	218,738
Insurance costs funded by the Department of Health	160,983	122,683	-	-	160,983	122,583
Motor Vehicle Expenses	51,985	58,334	-	-	51,985	58,334
Repairs & Maintenance	84,304	79,594	954	338	85,258	79,930
Maintenance Contracts	36,461	20,394	-	-	36,461	20,394
Patient Transport	12,223	12,872	-	-	12,223	12,872
Bad & Doubtful Debts	17,838	417	-	-	17,838	417
Other Administrative Expenses	565,420	543,848	82,077	78,464	647,497	622,312
Audit Fees - VAGO - Audit of financial statements	12,660	19,317	-	-	12,660	19,317
<b>Total Other Expenses from Continuing Operations</b>	<b>1,327,992</b>	<b>1,226,776</b>	<b>83,560</b>	<b>78,842</b>	<b>1,411,552</b>	<b>1,305,716</b>
<b>Expenditure using Capital Purpose Income</b>						
Other Expenses - Humo Rural Health Alliance	-	9,047	-	-	-	9,047
<b>Depreciation and Amortisation (refer note 4)</b>	<b>1,038,468</b>	<b>1,041,410</b>	<b>80,213</b>	<b>78,339</b>	<b>1,128,681</b>	<b>1,119,749</b>
<b>Total Expenses</b>	<b>8,529,241</b>	<b>8,215,851</b>	<b>716,240</b>	<b>621,910</b>	<b>9,245,481</b>	<b>8,837,561</b>

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 3a: Analysis of Expenses by Source

	Admitted Patients 2011 \$	RAC 2011 \$	Aged Care 2011 \$	Primary Health 2011 \$	Other 2011 \$	Total 2011 \$
<b>Services Supported by Health Service Agreement</b>						
Employee Expenses	2,746,319	1,945,385	761,174	302,195	-	5,755,073
Non Salary Labour Costs	30,072	27,965	12,249	52,102	-	122,388
Supplies & Consumables	123,072	157,340	569	3,739	-	285,320
Other Expenses from Continuing Operations	571,547	540,189	170,388	45,868	-	1,327,992
Depreciation and Amortisation (refer note 4)	398,364	448,401	135,320	56,383	-	1,038,468
<b>Sub-Total from Services Supported by Health Service Agreement</b>	<b>3,869,974</b>	<b>3,119,280</b>	<b>1,079,700</b>	<b>460,287</b>	<b>-</b>	<b>8,629,241</b>
<b>Services Supported by Hospital and Community Initiatives</b>						
Employee Expenses	-	-	-	-	405,536	405,536
Non Salary Labour Costs	-	-	-	-	135,303	135,303
Supplies & Consumables	-	-	-	-	1,628	1,628
Other Expenses from Continuing Operations	-	-	-	-	83,560	83,560
Depreciation and Amortisation (refer note 4)	-	-	-	-	90,213	90,213
<b>Sub-Total Expenses from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>716,240</b>	<b>716,240</b>
<b>TOTAL EXPENSES</b>	<b>3,869,974</b>	<b>3,119,280</b>	<b>1,079,700</b>	<b>460,287</b>	<b>716,240</b>	<b>9,245,481</b>
	Admitted Patients 2010 \$	RAC 2010 \$	Aged Care 2010 \$	Primary Health 2010 \$	Other 2010 \$	Total 2010 \$
<b>Services Supported by Health Service Agreement</b>						
Employee Expenses	2,460,102	1,953,308	730,138	361,527	-	5,513,075
Non Salary Labour Costs	28,747	10,227	5,630	64,127	-	108,731
Supplies & Consumables	134,828	166,762	12,715	4,307	-	318,612
Other Expenses from Continuing Operations	588,012	492,418	113,532	32,814	-	1,226,778
Depreciation and Amortisation (refer note 4)	470,855	380,603	123,104	67,148	-	1,041,410
Expenditure using Capital Purpose Income	9,047	-	-	-	-	9,047
<b>Sub-Total from Services Supported by Health Service Agreement</b>	<b>3,689,391</b>	<b>3,003,218</b>	<b>993,119</b>	<b>529,923</b>	<b>-</b>	<b>8,215,651</b>
<b>Services Supported by Hospital and Community Initiatives</b>						
Employee Expenses	-	-	-	-	426,104	426,104
Non Salary Labour Costs	-	-	-	-	38,426	38,426
Supplies & Consumables	-	-	-	-	99	99
Other Expenses from Continuing Operations	-	-	-	-	78,942	78,942
Depreciation and Amortisation (refer note 4)	-	-	-	-	78,339	78,339
<b>Sub-Total Expenses from Services Supported by Hospital and Community Initiatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>621,910</b>	<b>621,910</b>
<b>TOTAL EXPENSES</b>	<b>3,689,391</b>	<b>3,003,218</b>	<b>993,119</b>	<b>529,923</b>	<b>621,910</b>	<b>8,837,561</b>

Note 4: Depreciation and Amortisation

	2011 \$	2010 \$
Depreciation		
Buildings	885,437	884,066
Plant & Equipment	207,284	199,332
Medical Equipment	19,618	20,101
Land Improvements	16,342	16,250
	<b>1,128,681</b>	<b>1,119,749</b>

Note 5: Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts

	2011 \$	2010 \$
Cash on Hand	500	500
Cash at Bank	295,692	172,998
Short Term Money Market	343,891	66,189
<b>Total</b>	<b>640,083</b>	<b>239,687</b>
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	640,083	239,687
Cash for Monies Held In Trust	-	-
- Cash at Bank	-	-
	<b>640,083</b>	<b>239,687</b>

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 6: Receivables	2011 \$	2010 \$
<b>CURRENT</b>		
Contractual		
Trade Debtors	104,769	77,787
Patient Fees	80,329	154,138
Accrued Investment Income	75,688	110,355
<b>LESS Allowance for Doubtful Debts</b>		
Patient Fees	-	-
	<u>260,684</u>	<u>350,280</u>
Statutory		
GST Receivable	30,552	17,060
Accrued Revenue - Department of Health	208,570	152,544
	<u>239,130</u>	<u>169,604</u>
<b>TOTAL CURRENT RECEIVABLES</b>	<u>499,814</u>	<u>519,884</u>
<b>NON CURRENT</b>		
Statutory		
Long Service Leave - Department of Health	91,475	82,545
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<u>91,475</u>	<u>82,545</u>
<b>TOTAL RECEIVABLES</b>	<u>591,289</u>	<u>602,429</u>
<b>(a) Movement in the Allowance for Doubtful Contractual Receivables</b>		
Balance at beginning of year	-	-
Amounts written off during the year	-	-
Increase/(decrease) in Allowance recognised in net result	-	-
Balance at end of year	-	-
<b>(b) Ageing of Receivables</b>		
Please refer to note 14 (b) for the ageing analysis of contractual receivables		
<b>(c) Nature and extent of risk arising from Receivables</b>		
Please refer to note 14 (b) for the nature and extent of credit risk arising from contractual receivables		
<b>Note 7: Investments and Other Financial Assets</b>		
<b>Current</b>		
Australian Dollar Term Deposits	5,037,337	5,209,503
<b>TOTAL</b>	<u>5,037,337</u>	<u>5,209,503</u>
<b>Represented by:</b>		
Health Service Investments	1,255,942	1,566,250
Accommodation Bonds	3,780,360	3,640,485
HRHA Joint Venture monies held in Trust	1,035	2,768
<b>TOTAL</b>	<u>5,037,337</u>	<u>5,209,503</u>
<b>(a) Ageing of Other Financial Assets</b>		
Please refer to note 14 (c) for the ageing analysis of Investments and Other Financial Assets		
<b>(b) Nature and extent of risk arising from other financial assets</b>		
Please refer to note 14 (c) for the nature and extent of credit risk arising from Investments and Other Financial Assets		
<b>Note 8: Property, Plant &amp; Equipment</b>		
<b>Land</b>		
Land at Fair Value	303,000	303,000
Land Improvements at Fair Value	310,282	311,500
Less Accumulated Depreciation	32,592	16,250
	<u>283,690</u>	<u>295,250</u>
<b>Total Land</b>	<u>586,690</u>	<u>598,250</u>
<b>Buildings</b>		
Buildings at Fair Value	10,470,757	10,420,568
Less Accumulated Depreciation	1,769,503	884,068
	<u>8,701,254</u>	<u>9,536,502</u>
<b>Total Buildings</b>	<u>8,701,254</u>	<u>9,536,502</u>
<b>Plant and Equipment</b>		
Plant and Equipment at Fair Value	2,063,267	1,855,112
Less Accumulated Depreciation	1,110,738	882,896
<b>Total Plant &amp; Equipment</b>	<u>972,531</u>	<u>872,116</u>
<b>Medical Equipment</b>		
Medical Equipment at Fair Value	358,767	318,597
Less Accumulated Depreciation	217,502	197,884
<b>Total Medical Equipment</b>	<u>141,265</u>	<u>120,713</u>
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<u>10,401,740</u>	<u>11,127,581</u>

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 8: Property, Plant & Equipment (continued)

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

	Land	Land Improvements	Buildings	Plant & Equipment	Medical Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	303,000	311,500	10,410,200	738,984	102,917	11,864,601
Additions	-	-	10,368	389,468	37,897	437,733
Disposals	-	-	-	(55,004)	-	(55,004)
Depreciation Expense (note 4)	-	(16,250)	(884,066)	(199,332)	(20,101)	(1,119,749)
Balance at 1 July 2010	303,000	295,250	9,536,502	872,116	120,713	11,127,581
Additions	-	4,762	50,189	410,164	40,170	605,305
Disposals	-	-	-	(102,465)	-	(102,465)
Depreciation Expense (note 4)	-	(16,342)	(885,437)	(207,284)	(19,618)	(1,128,681)
Balance at 30 June 2011	303,000	283,690	8,701,254	972,531	141,265	10,401,740

Land and buildings carried at valuation

An independent valuation of the Health Service's property, plant and equipment was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The effective date of the valuation is 30 June 2009.

Note 9: Payables

	2011	2010
	\$	\$
Current		
Contractual		
Trade Creditors	278,648	222,407
Accrued Expenses	32,262	21,810
<b>TOTAL PAYABLES</b>	<b>310,910</b>	<b>244,217</b>

(a) Maturity analysis of payables

Please refer to note 14c for the ageing analysis of contractual payables

(b) Nature and extent of risk arising from payables

Please refer to note 14c for the nature and extent of risks arising from contractual payables

Note 10: Provisions

	2011	2010
	\$	\$
Employee Benefits and Related On-Costs		
Current		
Unconditional Long Service Leave Entitlement	561,792	519,853
Accrued Salaries and Wages	180,530	161,416
Annual Leave Entitlements	529,982	489,282
Accrued Days Off	6,295	7,841
On Costs	61,513	56,789
<b>TOTAL</b>	<b>1,340,093</b>	<b>1,235,161</b>
*Current Employee Benefits that:		
Expected to be utilised within 12 months (nominal value)	1,240,188	1,148,498
Expected to be utilised after 12 months (present value)	89,905	86,663
	<b>1,340,093</b>	<b>1,235,161</b>
Non Current		
Conditional Long Service Leave Entitlements (present value)	155,467	163,578
<b>TOTAL</b>	<b>155,467</b>	<b>163,578</b>
Movement in Long Service Leave		
Carrying amount at start of year	683,431	653,097
Provision made during the year		
- Revaluations	(3,213)	3,134
- Expense recognising employee service	151,947	115,464
Settlement made during the year	(114,906)	(88,264)
Carrying amount at end of year	<b>717,259</b>	<b>683,431</b>

Note 11: Other Liabilities

	2011	2010
	\$	\$
Current		
Monies Held In Trust - Accommodation Bonds (Refundable Entrance Fees)	3,780,360	3,640,485
Monies Held In Trust - HRHA	1,035	2,768
<b>Total</b>	<b>3,781,395</b>	<b>3,643,253</b>
Represented by:		
Cash Assets (refer to Note 5)	-	-
Investment and Other Financial Assets (refer to Note 7)	3,781,395	3,643,253
	<b>3,781,395</b>	<b>3,643,253</b>

Monies held in trust have been presented as a current liability as the Health Service does not have an unconditional right to defer settlement for at least 12 months.

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Note 12: Equity

	2011	2010
	\$	\$
<b>(a) Property, Plant &amp; Equipment Revaluation Surplus</b>		
Balance at the beginning of the Reporting Period	6,424,949	6,424,949
Revaluation Increment/(Decrement)		
Land	-	-
Buildings	-	-
Balance at the end of the Reporting Period	<u>6,424,949</u>	<u>6,424,949</u>
Represented by:		
Land	598,771	598,771
Buildings	5,826,178	5,826,178
	<u>6,424,949</u>	<u>6,424,949</u>
<b>(b) Contributed Capital</b>		
Balance at the beginning of the Reporting Period	7,420,722	7,420,722
Capital Contribution received from the Victorian Government	-	-
Balance at the end of the Reporting Period	<u>7,420,722</u>	<u>7,420,722</u>
<b>(c) Accumulated Surpluses/(Deficits)</b>		
Balance at the beginning of the Reporting Period	(1,913,980)	(928,791)
Net Result for the Year	(758,043)	(987,189)
Balance at the end of the Reporting Period	<u>(2,672,023)</u>	<u>(1,913,980)</u>
<b>(d) Total Equity at end of financial year</b>	<u>11,173,648</u>	<u>11,931,691</u>

Note 13: Reconciliation Of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

	2011	2010
	\$	\$
Net Result for the Year	(758,043)	(987,189)
Depreciation	1,128,681	1,119,749
Net Loss on Sale of Plant & Equipment	7,101	4,348
Change In Operating Assets & Liabilities		
Increase/(Decrease) In Payables	66,093	16,176
Increase/(Decrease) In Employee Benefits	96,821	63,452
(Increase)/Decrease In Prepayments	(62,364)	(18,718)
(Increase)/Decrease In Receivables	11,140	(164,674)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<u>500,029</u>	<u>33,144</u>

Note 14: Financial Instruments

- (a) Financial Risk Management Objectives and Policies**  
The Health Service's principal financial instruments comprise of:
- Cash Assets
  - Term Deposits
  - Receivables (excluding statutory receivables)
  - Payables (excluding statutory payables)
  - Accommodation Bonds

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

The main purpose in holding financial instruments is to prudentially manage the Health Service financial risks within the government policy parameters.

Categorisation of Financial Instruments

	Carrying Amount	
	2011	2010
	\$	\$
<b>Financial Assets</b>		
Cash and Cash Equivalents	640,083	239,607
Loans and Receivables	5,298,021	5,559,783
<b>Financial Liabilities</b>		
At Amortised Cost	4,092,305	3,687,470

No net holding gain or loss was made in respect of any of the above categories of financial instruments with the exception of interest revenue which is disclosed in note 2.

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 14: Financial Instruments (continued)

(b) Credit Risk

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

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Health Service's policy to deal where possible with entities with high credit ratings. Trade and Other receivables that are not either past due nor impaired are considered to be of high credit quality.

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

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

The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The health service does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

Ageing analysis of financial assets as at 30 June 2011

	Carrying Amount \$	Not Past Due And Not Impaired \$	Less than 1 Month \$	Past Due But Not Impaired			Impaired Financial Assets \$
				1-3 Months \$	3 Months - 1 Year \$	1-5 Years \$	
<b>2011</b>							
Financial Assets							
Cash and Cash Equivalents	640,083	640,083	-	-	-	-	-
Receivables							
- Trade Debtors	104,769	104,769	-	-	-	-	-
- Other Receivables	165,915	145,083	-	9,082	1,750	-	-
Other Financial Assets - Term Deposit	5,037,337	5,037,337	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,838,104</b>	<b>5,827,272</b>	<b>-</b>	<b>9,082</b>	<b>1,760</b>	<b>-</b>	<b>-</b>
<b>2010</b>							
Financial Assets							
Cash and Cash Equivalents	239,687	239,687	-	-	-	-	-
Receivables							
- Trade Debtors	77,787	77,767	-	-	-	-	-
- Other Receivables	272,493	219,416	502	4,328	35,764	12,483	-
Other Financial Assets - Term Deposit	5,209,503	5,209,503	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,799,470</b>	<b>5,746,383</b>	<b>502</b>	<b>4,328</b>	<b>35,764</b>	<b>12,483</b>	<b>-</b>

There are no material financial assets which are individually determined to be impaired. The Health Service does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due.

The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk by monitoring forecast cash flows and ensuring that liquid assets are available.

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

	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Month \$	Maturity Dates			
				1-3 Months \$	3 Months - 1 Year \$	1-5 Years \$	Over 5 Years \$
<b>2011</b>							
Payables	310,910	310,910	302,910	8,000	-	-	-
Other Financial Liabilities							
- Accommodation Bonds	3,780,360	3,780,360	-	3,780,360	-	-	-
- Other	1,035	1,035	1,035	-	-	-	-
<b>Total Financial Liabilities</b>	<b>4,092,305</b>	<b>4,092,305</b>	<b>303,945</b>	<b>3,788,360</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2010</b>							
Payables	244,217	244,217	244,217	-	-	-	-
Other Financial Liabilities							
- Accommodation Bonds	3,640,485	3,640,485	-	3,640,485	-	-	-
- Other	2,768	2,768	2,768	-	-	-	-
<b>Total Financial Liabilities</b>	<b>3,887,470</b>	<b>3,887,470</b>	<b>246,985</b>	<b>3,640,485</b>	<b>-</b>	<b>-</b>	<b>-</b>

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 14: Financial Instruments (continued)

(d) Market Risk

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

Currency Risk

The Health Service has no exposure to foreign currency risk.

Interest Rate Risk

Exposure to interest rate risk might arise primarily through the Health Service's interest bearing assets and liabilities. The Health Service currently has no interest bearing liabilities and is unlikely to have any into the future as interest bearing liabilities can only be entered into with the approval of the Department of Treasury and Finance.

Other Price Risk

The Health Service is exposed to insignificant other price risk.

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June

	Weighted Average Interest Rates %	Interest Rate Exposure			
		Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	3.00	640,083	-	639,583	500
Receivables					
- Trade Debtors	0.00	104,769	-	-	104,769
- Other Receivables	0.00	155,915	-	-	155,915
Other Financial Assets - Term Deposit	6.04	5,037,337	5,037,337	-	-
		<u>5,839,104</u>	<u>5,037,337</u>	<u>639,583</u>	<u>261,184</u>
<b>Financial Liabilities</b>					
Payables	0.00	310,910	-	-	310,910
Other Financial Liabilities					
- Accommodation Bonds	0.00	3,780,360	-	-	3,780,360
- Other	0.00	1,035	-	-	1,035
		<u>4,092,305</u>	<u>-</u>	<u>-</u>	<u>4,092,305</u>
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	2.50	239,687	-	239,187	500
Receivables					
- Trade Debtors	0.00	77,787	-	-	77,787
- Other Receivables	0.00	272,493	-	-	272,493
Other Financial Assets - Term Deposit	5.50	5,209,503	5,209,503	-	-
		<u>5,790,470</u>	<u>5,209,503</u>	<u>239,187</u>	<u>350,780</u>
<b>Financial Liabilities</b>					
Payables	0.00	244,217	-	-	244,217
Other Financial Liabilities					
- Accommodation Bonds	0.00	3,640,485	-	-	3,640,485
- Other	0.00	2,768	-	-	2,768
		<u>3,887,470</u>	<u>-</u>	<u>-</u>	<u>3,887,470</u>

Sensitivity Disclosure Analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 6%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2% (the impact of this has not been modelled).

The following table discloses the impact on net operating result and equity for each category of variable rate financial instruments held by the Health Service at year end as presented to key management personnel, if changes in the relevant interest rate risk occur

	Carrying Amount \$	Interest Rate Risk			
		-1% Profit \$	Equity \$	+1% Profit \$	Equity \$
<b>2011</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	640,083	(6,396)	(6,396)	6,396	6,396
Receivables					
- Trade Debtors	104,769	-	-	-	-
- Other Receivables	155,915	-	-	-	-
Other Financial Assets - Term Deposit	5,037,337	(50,373)	(50,373)	50,373	50,373
<b>Financial Liabilities</b>					
Payables	310,910	-	-	-	-
Other Financial Liabilities					
- Accommodation Bonds	3,780,360	-	-	-	-
- Other	1,035	-	-	-	-
<b>2010</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	239,687	(2,392)	(2,392)	2,392	2,392
Receivables					
- Trade Debtors	77,787	-	-	-	-
- Other Receivables	272,493	-	-	-	-
Other Financial Assets - Term Deposit	5,209,503	(52,095)	(52,095)	52,095	52,095
<b>Financial Liabilities</b>					
Payables	244,217	-	-	-	-
Other Financial Liabilities					
- Accommodation Bonds	3,640,485	-	-	-	-
- Other	2,768	-	-	-	-

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 14: Financial Instruments (continued)

(e) Fair Value

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

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Health service considers that the carrying amount of financial assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Note 15: Commitments for Expenditure

The Tallangatta Health Services has no operating or capital commitments at 30th June 2011 (2010: \$nil)

Note 16: Contingent Assets & Liabilities

The Tallangatta Health Services has no contingent Assets or Liabilities at 30th June 2011 (2010 \$nil).

Note 17: Operating Segments

	RACS		Acute Health		Others		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
<b>REVENUE</b>								
External Segment Revenue	2,830,709	2,680,883	4,008,842	3,559,308	1,273,913	1,244,956	8,113,464	7,485,147
<b>EXPENSES</b>								
External Segment Expenses	3,119,280	3,003,218	3,869,974	3,689,391	2,256,227	2,144,852	9,245,481	8,837,561
Net Result from Ordinary Activities	(288,571)	(322,335)	138,868	(130,083)	(982,314)	(899,896)	(1,132,017)	(1,352,414)
Interest Income	323,338	330,683	35,830	24,448	14,808	10,094	373,074	365,225
Net Result for the Year	34,765	8,348	174,698	(105,635)	(967,506)	(889,802)	(758,943)	(987,189)
<b>OTHER INFORMATION</b>								
Segment Assets	9,951,318	9,689,048	8,881,962	8,584,499	(2,071,767)	(1,055,647)	16,761,513	17,217,900
Total Assets	9,951,318	9,689,048	8,881,962	8,584,499	(2,071,767)	(1,055,647)	16,761,513	17,217,900
Segment Liabilities	4,391,306	4,163,801	905,127	782,362	291,432	340,046	5,587,865	5,286,209
Total Liabilities	4,391,306	4,163,801	905,127	782,362	291,432	340,046	5,587,865	5,286,209
Acquisition of Prop, Plant & Equip	16,550	164,688	488,755	273,045	-	-	505,305	437,733
Depreciation Expense	448,401	360,503	680,280	739,246	-	-	1,128,681	1,119,749

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

Business Segments	Services
Residential Aged Care Services (RACS)	Provider of Residential Aged Care Beds
Acute Health	Hospital Care
Others	Primary Care including Community Health, HACC Services and a medical practice

GEOGRAPHICAL SEGMENT

The Tallangatta Health Service operates predominantly in Tallangatta, Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations in Tallangatta, Victoria.

TALLANGATTA HEALTH SERVICE  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 18: Jointly Controlled Operations and Assets

Name of Entity	Principal Activity	Ownership Interest	
		2011 %	2010 %
Hume Rural Health Alliance (HRHA)	Information Technology	3.00%	2.07%

The Health Service 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 asset categories:

	2011 \$	2010 \$
<b>Current Assets</b>		
Cash and Cash Equivalents	22,742	46,504
Receivables	65,164	33,190
Prepayments	1,674	1,655
<b>Total Current Assets</b>	<b>89,580</b>	<b>81,350</b>
<b>Non-Current Assets</b>		
Property, Plant & Equipment	2,689	3,238
<b>Total Assets</b>	<b>92,269</b>	<b>84,588</b>

The Health Service interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

<b>Revenues</b>		
Revenue from Operating Activities	75,601	44,465
Revenue from Non-Operating Activities	1,860	1,292
Capital Purpose Income	-	(139)
<b>Total Revenue</b>	<b>77,461</b>	<b>45,621</b>
<b>Expenses</b>		
Employee Benefits	47,108	25,376
Other Administration Expenses	115,710	72,591
Depreciation	1,015	624
Expenditure using capital Funds	-	9,047
<b>Total Expenses</b>	<b>163,833</b>	<b>107,638</b>
<b>Net Result</b>	<b>(86,372)</b>	<b>(62,017)</b>
<b>Capital Commitments</b>	-	-

As per Note 21, comparative data for the year ended 30 June 2010 has been amended so as to disclose each of the above in their respective asset and liability classes so as to comply with the requirements of AASB 131.

Note 19a Responsible Persons Disclosures

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

Responsible Minister	Period
The Honourable Daniel Andrews, MLA	Minister for Health 1/7/2010 - 02/12/2010
The Honourable David Davis, MP	Minister for Health and Ageing 2/12/2010 - 30/06/2011
The Honourable Mary Woodrledge, MLA	Minister for Mental Health 2/12/2010 - 30/06/2011

Governing Boards	Period
L. Rhoad	1/7/2010 - 30/06/2011
F. Cornish	1/7/2010 - 30/06/2011
M. Ludbrook	1/7/2010 - 30/06/2011
M. McCormack	1/7/2010 - 15/03/2011
J. Cochrane	1/7/2010 - 15/03/2011
K. Lambeth	1/7/2010 - 15/03/2011
M. Marlin	26/10/2010 - 30/6/2011
L. McJames	26/10/2010 - 30/6/2011

Accountable Officer	Period
W. Carter (Chief Executive Officer)	1/7/2010 - 1/09/2010
F.N. Ley (Chief Executive Officer)	2/09/2010 - 30/06/2011

Remuneration of Responsible Persons	2011 \$	2010 \$
The number of Responsible persons are shown in their relevant income bands;		
\$0 - \$9,999	8	8
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	-	1
<b>Total</b>	<b>10</b>	<b>9</b>
<b>Total Remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>214,130</b>	<b>165,000</b>

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

Other transactions of Responsible Persons and their Related Entities  
There are no transactions with Responsible Persons or their related entities.

TALLANGATTA HEALTH SERVICE  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Note 19b Executive Officer Disclosures**

**Executive Officers' Remuneration**

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

	Total Remuneration		Base Remuneration	
	2011 No.	2010 No.	2011 No.	2010 No.
\$110,000 - \$119,999	1	-	1	-
Total Remuneration	114,926	-	114,926	-

**Note 20: Events Occurring after the Balance Sheet Date**

There are no events occurring since the balance date to the date of this report that would have a material effect on the operations of the Health Service

**Note 21: Correction of error**

The Health Service has an interest in the Hume Rural Alliance joint venture which is a jointly controlled operation. AASB 131 requires such investments to be brought to account by disclosing the Health Service's share of assets and liabilities in their respective asset and liability classes.

In the 2009/10 financial year the venture was incorrectly treated in the financial statements as a jointly controlled entity using the equity method of accounting which resulted in the investment being recorded as a separate asset rather than the separation of assets and liabilities as required under AASB 131.

The result of the error is a restatement of assets and liabilities in respect of the joint venture with no impact on the net result for the 2010 financial year.

The error has been corrected by restating each of the affected financial statement line items for the prior year with the effect on each line item disclosed in Note 18. As the correction of the error does not have a material effect on the opening comparative balance sheet a third balance sheet has not been prepared.

