



2020-  
2021

# Annual Financial Report

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## ***Incorporating:***

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# Financial Statements

## Financial Year ended 30 June 2021

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of Maryborough District Health Service at 30 June 2021.

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

We authorise the attached financial statements for issue on 16 September 2021.

#### **Board member**



Kelly Mason  
Chair

Maryborough  
16 September 2021

#### **Accountable Officer**



Nickola Allan  
Chief Executive Officer

Maryborough  
16 September 2021

#### **Chief Finance & Accounting Officer**



David Edwards  
Chief Finance and Accounting Officer

Maryborough  
16 September 2021

# Independent Auditor's Report

## To the Board of Maryborough District Health Service

<b>Opinion</b>	<p>I have audited the financial report of Maryborough District Health Service (the health service) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2021</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• board member's, accountable officer's and chief finance &amp; accounting officer's declaration.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's  
responsibilities  
for the audit  
of the financial  
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the health service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Dominika Ryan

*as delegate for the Auditor-General of Victoria*

MELBOURNE  
23 September 2021

**Maryborough District Health Service**  
**Comprehensive Operating Statement**  
**For the Financial Year Ended 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>			
<b>Revenue and income from transactions</b>			
Operating activities	2.1	49,277	44,071
Non-operating activities	2.1	160	249
<b>Total revenue and income from transactions</b>		<b>49,437</b>	<b>44,320</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1	(37,866)	(34,976)
Supplies and consumables	3.1	(4,612)	(4,315)
Finance costs	3.1	(3)	(28)
Depreciation and amortisation	3.1	(3,875)	(3,767)
Other administrative expenses	3.1	(3,843)	(3,055)
Other operating expenses	3.1	(1,996)	(1,915)
<b>Total Expenses from transactions</b>		<b>(52,195)</b>	<b>(48,056)</b>
<b>Net result from transactions - net operating balance</b>		<b>(2,758)</b>	<b>(3,736)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on sale of non-financial assets	3.4	71	(26)
Other gain/(loss) from other economic flows	3.4	70	(139)
<b>Total other economic flows included in net result</b>		<b>141</b>	<b>(165)</b>
<b>Net result for the year</b>		<b>(2,617)</b>	<b>(3,901)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in property, plant and equipment revaluation surplus	4.1(b)	-	-
<b>Items that may be reclassified subsequently to net result</b>			
Changes to financial assets revaluation surplus		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Comprehensive result for the year</b>		<b>(2,617)</b>	<b>(3,901)</b>

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

**Maryborough District Health Service**  
**Balance Sheet**  
**As at 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Current assets</b>	<b>Note</b>		
Cash and cash equivalents	6.2	11,096	8,694
Receivables and contract assets	5.1	1,121	793
Inventories	4.4	38	116
Prepaid expenses		685	174
<b>Total current assets</b>		<b>12,940</b>	<b>9,777</b>
<b>Non-current assets</b>			
Receivables and contract assets	5.1	990	1,274
Property, plant and equipment	4.1(a)	52,003	55,289
Investment Properties	4.3(a)	942	793
<b>Total non-current assets</b>		<b>53,935</b>	<b>57,356</b>
<b>Total assets</b>		<b>66,875</b>	<b>67,133</b>
<b>Current liabilities</b>			
Payables and contract liabilities	5.2	5,178	3,549
Borrowings	6.1	13	375
Employee benefits	3.2	7,868	7,643
Other liabilities	5.3	5,472	4,557
<b>Total current liabilities</b>		<b>18,531</b>	<b>16,124</b>
<b>Non-current liabilities</b>			
Borrowings	6.1	46	59
Employee benefits	3.2	368	403
<b>Total non-current liabilities</b>		<b>414</b>	<b>462</b>
<b>Total liabilities</b>		<b>18,945</b>	<b>16,586</b>
<b>Net assets</b>		<b>47,930</b>	<b>50,547</b>
<b>Equity</b>			
Property, plant and equipment revaluation surplus	4.1(f)	43,111	43,111
Restricted specific purpose reserve	SCE	486	486
Contributed capital	SCE	13,776	13,776
Accumulated surplus/(deficit)	SCE	(9,443)	(6,826)
<b>Total equity</b>		<b>47,930</b>	<b>50,547</b>

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

**Maryborough District Health Service**  
**Statement of Changes in Equity**  
**For the Financial Year Ended 30 June 2021**

		Property, Plant and Equipment Revaluation Surplus	Restricted Specific Purpose Reserve	Contributed Capital	Accumulated Surplus/(Deficits)	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>						
<b>Balance at 30 June 2019</b>		<b>43,111</b>	<b>486</b>	<b>13,776</b>	<b>(2,925)</b>	<b>54,448</b>
Effect of adoption of AASB 15, 16 and 1058		-	-	-	-	-
<b>Restated Balance at 1 July 2019</b>		<b>43,111</b>	<b>486</b>	<b>13,776</b>	<b>(2,925)</b>	<b>54,448</b>
Net result for the year		-	-	-	(3,901)	(3,901)
Transfer from/(to) accumulated deficits		-	-	-	-	-
<b>Balance at 30 June 2020</b>		<b>43,111</b>	<b>486</b>	<b>13,776</b>	<b>(6,826)</b>	<b>50,547</b>
Net result for the year		-	-	-	(2,617)	(2,617)
Other comprehensive income for the year		-	-	-	-	-
Transfer from/(to) accumulated deficits		-	-	-	-	-
<b>Balance at 30 June 2021</b>		<b>43,111</b>	<b>486</b>	<b>13,776</b>	<b>(9,443)</b>	<b>47,930</b>

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



**Maryborough District Health Service**  
**Cash Flow Statement**  
**For the Financial Year Ended 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>			
<b>Cash Flows from operating activities</b>			
	Operating grants from State government	31,651	28,399
	Operating grants from Commonwealth government	8,628	8,469
	Capital grants from government - State	318	305
	Patient fees received	2,825	2,885
	Private practice fees received	2,156	1,774
	GST received from ATO	-	46
	Interest and investment income received	56	126
	Commercial Income Received	166	335
	Other receipts	2,842	2,660
	<b>Total receipts</b>	<b>48,642</b>	<b>44,999</b>
	Employee expenses paid	(37,042)	(34,973)
	Payments for supplies and consumables	(3,685)	(3,911)
	Payments for medical indemnity insurance	(463)	(363)
	Payments for repairs and maintenance	(988)	(1,004)
	Finance Costs	(3)	(28)
	GST paid to ATO	(53)	-
	Cash outflow for leases	(25)	(12)
	Other payments	(4,669)	(3,652)
	<b>Total payments</b>	<b>(46,928)</b>	<b>(43,943)</b>
	<b>Net cash flows from/(used in) operating activities</b>	<b>1,714</b>	<b>1,056</b>
8.1			
<b>Cash Flows from investing activities</b>			
	Purchase of property, plant and equipment	(665)	(1,534)
	Capital donations and bequests received	475	77
	Proceeds from disposal of property, plant and equipment	-	52
	Proceeds from disposal of investments	-	250
	<b>Net cash flows from/(used in) investing activities</b>	<b>(190)</b>	<b>(1,155)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	-	356
	Repayment of borrowings	(33)	-
	Receipt of accommodation deposits	911	-
	Repayment of accommodation deposits	-	(658)
	<b>Net cash flows from /(used in) financing activities</b>	<b>878</b>	<b>(302)</b>
	<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>2,402</b>	<b>(401)</b>
	Cash and cash equivalents at beginning of year	8,694	9,095
	<b>Cash and cash equivalents at end of year</b>	<b>11,096</b>	<b>8,694</b>
6.2			

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

# Notes to the Financial Statements

**Maryborough District Health Service**  
**Notes to the Financial Statements**  
**For the Financial Year Ended 30 June 2021**

## Note 1: Basis of preparation

### Structure

- 1.1 Basis of preparation of the financial statements*
- 1.2 Impact of COVID-19 pandemic*
- 1.3 Abbreviations and terminology used in the financial statements*
- 1.4 Joint arrangements*
- 1.5 Key accounting estimates and judgements*
- 1.6 Accounting standards issued but not yet effective*
- 1.7 Goods and Services Tax (GST)*
- 1.8 Reporting entity*

# Maryborough District Health Service

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

## Note 1: Basis of preparation

These financial statements represent the audited general purpose financial statements for Maryborough District Health Service for the year ended 30 June 2021. The report provides users with information about Maryborough District Health Service's stewardship of the resources entrusted to it.

This section explains the basis of preparing the financial statements and identifies the key accounting estimates and judgements.

### **Note 1.1: Basis of preparation of the financial statements**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements*.

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

Maryborough District Health Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

Maryborough District Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Maryborough District Health Service's Capital and Specific Purpose Funds include:

- Donation and Fundraising Funds
- Commercial activities.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis (refer to Note 8.9 Economic Dependency).

The financial statements are in Australian dollars.

# Maryborough District Health Service

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. Minor discrepancies in tables between totals and sum of components are due to rounding.

The annual financial statements were authorised for issue by the Board of Maryborough District Health Service on 16 September 2021.

#### ***Note 1.2 Impact of COVID-19 pandemic***

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, Maryborough District Health Service was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which Maryborough District Health Service operates.

Maryborough District Health Service introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- deferring elective surgery and reducing activity
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements where appropriate.

As restrictions have eased towards the end of the financial year Maryborough District Health Service has revised some measures where appropriate including returning to work onsite, recommencement of surgical activities and opening access for visitors during periods where we are able.

The financial impacts of the pandemic are disclosed at:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering services.
- Note 4: Key assets to support service delivery
- Note 5: Other assets and liabilities

# Maryborough District Health Service

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

#### **Note 1.3 Abbreviations and terminology used in the financial statements**

The following table sets out the common abbreviations used throughout the financial statements:

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include Interpretations
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
SD	Standing Direction
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation

#### **Note 1.4 Joint arrangements**

Interests in joint arrangements are accounted for by recognising in Maryborough District Health Service's financial statements, its share of assets and liabilities and any revenue and expenses of such joint arrangements.

Maryborough District Health Service has the following joint arrangements:

- Loddon Mallee Rural Health Alliance - Joint Operation

Details of the joint arrangements are set out in Note 8.7.

#### **Note 1.5 Key accounting estimates and judgements**

Management make estimates and judgements when preparing the financial statements.

These estimates and judgements are based on historical knowledge and best available current information and assume any reasonable expectation of future events. Actual results may differ.

Revisions to key estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of each section where applicable and are disclosed in further detail throughout the accounting policies.

# Maryborough District Health Service

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

#### **Note 1.6 Accounting standards issued but not yet effective**

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to Maryborough District Health Service and their potential impact when adopted in future periods is outlined below:

Standard	Adoption Date	Impact
AASB 17: <i>Insurance Contracts</i>	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-8: <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>	Reporting periods on or after 1 January 2021.	Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to Maryborough District Health Service in future periods.

#### **Note 1.7 Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are included in the Cash Flow Statement on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, which are disclosed as operating cash flows.

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

# **Maryborough District Health Service**

## **Notes to the Financial Statements**

### **For the Financial Year Ended 30 June 2021**

#### ***Note 1.8 Reporting Entity***

The financial statements include all the controlled activities of Maryborough District Health Service.

Its principal address is:

75-87 Clarendon Street  
Maryborough, Victoria 3465

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

## Note 2: Funding delivery of our services

Maryborough District Health Service's overall objective is to provide quality health service that support and enhance the wellbeing of all Victorians. Maryborough District Health Service is predominantly funded by grant funding for the provision of outputs. Maryborough District Health Service also receives income from the supply of services.

### Structure

#### 2.1 Revenue and income from transactions

#### 2.2 Fair value of assets and services received free of charge or for nominal consideration

#### 2.3 Other income

### Telling the COVID-19 story

Revenue recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

Funding provided included:

- COVID-19 grants to fund testing/vaccination clinics
- State repurposed grants for the Health Independence Program, used to cover Covid-19 expenditure
- Sustainability funding for strategic initiatives
- Additional elective surgery funding to increase theatre activity post lockdown

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	<p>Maryborough District Health Service applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations.</p> <p>If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring Maryborough District Health Service to recognise revenue as or when the health service transfers promised goods or services to customers.</p> <p>If this criteria is not met, funding is recognised immediately in the net result from operations.</p>
Determining timing of revenue recognition	<p>Maryborough District Health Service applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.</p>
Determining time of capital grant income recognition	<p>Maryborough District Health Service applies significant judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the health service's progress as this is deemed to be the most accurate reflection of the stage of completion.</p>



## Note 2.1 Revenue and income from transactions

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Operating activities</b>		
<b>Revenue from contracts with customers</b>		
Government grants (State) - Operating	15,425	14,806
Government grants (Commonwealth) - Operating	8,653	8,451
Patient and resident fees	2,821	2,710
Private practice fees	2,156	1,774
Commercial activities <sup>1</sup>	166	212
<b>Total revenue from contracts with customers</b>	<b>29,221</b>	<b>27,953</b>
<b>Other sources of income</b>		
Government grants (State) - Operating	15,209	13,014
Government grants (Commonwealth) - Operating	701	-
Government grants (State) - Capital	318	305
Capital donations	475	-
Assets received free of charge or for nominal consideration	304	120
Other revenue from operating activities (including non-capital donations)	3,049	2,679
<b>Total other sources of income</b>	<b>20,056</b>	<b>16,118</b>
<b>Total revenue and income from operating activities</b>	<b>49,277</b>	<b>44,071</b>
<b>Non-operating activities</b>		
<b>Income from other sources</b>		
Other interest	56	126
Dividends	-	-
Other revenue from non-operating activities	104	123
<b>Total other sources of income</b>	<b>160</b>	<b>249</b>
<b>Total income from non-operating activities</b>	<b>160</b>	<b>249</b>
<b>Total revenue and income from transactions</b>	<b>49,437</b>	<b>44,320</b>

1. Commercial activities represent business activities which Maryborough District Health Service enter into to support their operations.

## Note 2.1 Revenue and income from transactions

### How we recognise revenue and income from transactions

#### Government operating grants

To recognise revenue, Maryborough District Health Service assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15: Revenue from Contracts with Customers.

When both these conditions are satisfied, the health service:

- Identifies each performance obligation relating to the revenue
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfied its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the health service:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example, AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities from a contract with a customer), and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

The types of government grants recognised under AASB 15: *Revenue from Contracts with Customers* includes:

Government grant	Performance obligation	
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	<p>The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities.</p> <p>Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed.</p> <p>WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.</p>	
Commonwealth Residential Aged Care Grants	<p>Funding is provided for the provision of care for aged care residents within facilities at Maryborough District Health Service.</p> <p>The performance obligations include provision of residential accommodations and care from nursing staff and personal care workers.</p> <p>Revenue is recognised at the point in time when the service is provided within the residential aged care facility.</p>	

## Note 2.1 Revenue and income from transactions (continued)

### Capital grants

Where Maryborough District Health Service receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities arising from a contract with a customer) recognised under other Australian Accounting Standards.

Income is recognised progressively as the asset is constructed which aligns with Maryborough District Health Service's obligation to construct the asset. The progressive percentage of costs incurred is used to recognise income, as this most accurately reflects the stage of completion.

### Patient and resident fees

Patient and resident fees are charges that can be levied on patients for some services they receive. Patient and resident fees are recognised at a point in time when the performance obligation, the provision of services, is satisfied, except where the patient and resident fees relate to accommodation charges. Accommodation charges are calculated daily and are recognised over time, to reflect the period accommodation is provided.

### Commercial activities

Revenue from commercial activities includes items such as meal sales and provision of accommodation. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

### Non-cash contributions from the Department of Health

The Department of Health makes some payments on behalf of Maryborough District Health Service as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for Maryborough District Health Service which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
Department of Health	Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health Hospital Circular.

## Note 2.2 Fair value of assets and services received free of charge or for nominal consideration

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Cash donations and gifts	-	77
Plant and equipment	2	-
Personal protective equipment	302	43
<b>Total fair value of assets and services received free of charge or for nominal consideration</b>	<b>304</b>	<b>120</b>

### How we recognise the fair value of assets and services received free of charge or for nominal consideration

#### Donations and bequests

Donations and bequests are generally recognised as income upon receipt (which is when Maryborough District Health Service usually obtained control of the asset) as they do not contain sufficiently specific and enforceable performance obligations. Where sufficiently specific and enforceable performance obligations exist, revenue is recorded as and when the performance obligation is satisfied.

#### Personal protective equipment

In order to meet the State of Victoria's health system supply needs during the COVID-19 pandemic, arrangements were put in place to centralise the purchasing of essential personal protective equipment (PPE) and other essential plant and equipment.

The general principles of the State Supply Arrangement were that Health Share Victoria sourced, secured and agreed terms for the purchase of the PPE products, funded by the Department of Health, while Monash Health took delivery, and distributed an allocation of the products to Maryborough District Health Service as resources provided free of charge. Health Share Victoria and Monash Health were acting as an agent of the Department of Health under this arrangement.

#### Contributions

Maryborough District Health Service may receive assets for nil or nominal consideration to further its objectives. The assets are recognised at their fair value when Maryborough District Health Service obtains control over the asset, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

On initial recognition of the asset, Maryborough District Health Service recognises related amounts being contributions by owners, lease liabilities, financial instruments, provisions and revenue or contract liabilities arising from a contract with a customer.

Maryborough District Health Service recognises income immediately in the profit or loss as the difference between the initial fair value of the asset and the related amounts.

The exception to this policy is when an asset is received from another government agency or department as a consequence of a restructuring of administrative arrangements, in which case the asset will be recognised at its carrying value in the financial statements of Maryborough District Health Service as a capital contribution transfer.

## **Note 2.2 Fair value of assets and services received free of charge or for nominal consideration**

### **Voluntary Services**

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated. Maryborough District Health Service has considered the services provided by volunteers and has determined the value of volunteer services cannot be readily determined and therefore it has not recorded any income related to volunteer services.

## Note 2.3 Other income

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Rental income – investment properties	104	123
Interest	56	126
<b>Total other income</b>	<b>160</b>	<b>249</b>

### How we recognise other income

#### Rental income – investment properties

Rental income from investment properties is recognised on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the pattern of use of the underlying asset.

#### Interest Income

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

## Note 3: The cost of delivering our services

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

### Structure

#### *3.1 Expenses from transactions*

#### *3.2 Employee benefits in the balance sheet*

#### *3.3 Superannuation*

#### *3.4 Other economic flows*

### Telling the COVID-19 story

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

Additional costs were incurred to deliver the following additional services:

- implement COVID safe practices throughout Maryborough District Health Service including increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge.
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs, additional equipment purchased.

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring and classifying employee benefit liabilities	<p>Maryborough District Health Service applies significant judgment when measuring and classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if Maryborough District Health Service does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.</p> <p>Employee benefit liabilities are classified as a non-current liability if Maryborough District Health Service has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.</p> <p>The health service also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value.</p>

### Note 3.1 Expenses from transactions

Note	Total 2021 \$'000	Total 2020 \$'000
Salaries and wages	31,858	29,649
On-costs	2,835	2,648
Agency expenses	6	8
Fee for service medical officer expenses	2,826	2,161
Workcover premium	341	510
<b>Total employee expenses</b>	<b>37,866</b>	<b>34,976</b>
Drug supplies	249	281
Medical and surgical supplies (including Prostheses)	2,127	2,128
Diagnostic and radiology supplies	1,020	741
Other supplies and consumables	1,216	1,165
<b>Total supplies and consumables</b>	<b>4,612</b>	<b>4,315</b>
Finance costs	3	28
<b>Total finance costs</b>	<b>3</b>	<b>28</b>
Other administrative expenses	3,843	3,055
<b>Total other administrative expenses</b>	<b>3,843</b>	<b>3,055</b>
Fuel, light, power and water	470	557
Repairs and maintenance	663	721
Maintenance contracts	451	283
Medical indemnity insurance	463	363
Expenses related to leases of low value assets	25	12
Expenditure for capital purposes	(76)	(21)
<b>Total other operating expenses</b>	<b>1,996</b>	<b>1,915</b>
<b>Total operating expense</b>	<b>48,320</b>	<b>44,289</b>
Depreciation and amortisation	3,875	3,767
<b>Total depreciation and amortisation</b>	<b>3,875</b>	<b>3,767</b>
<b>Total non-operating expense</b>	<b>3,875</b>	<b>3,767</b>
<b>Total expenses from transactions</b>	<b>52,195</b>	<b>48,056</b>



## Note 3.1 Expenses from transactions

### How we recognise expenses from transactions

#### Expense recognition

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

#### Employee expenses

Employee expenses include:

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

#### Supplies and consumables

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

#### Finance costs

Finance costs include:

- amortisation of discounts or premiums relating to borrowings
- finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

#### Other operating expenses

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

- Fuel, light and power
- Repairs and maintenance
- Other administrative expenses
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of \$1,000).

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

#### Non-operating expenses

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

### Note 3.2 Employee benefits in the balance sheet

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Current provisions</b>		
<i>Accrued days off</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	107	129
	<b>107</b>	<b>129</b>
<i>Annual leave</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	2,452	2,158
Unconditional and expected to be settled wholly after 12 months <sup>ii</sup>	351	351
	<b>2,803</b>	<b>2,509</b>
<i>Long service leave</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	587	530
Unconditional and expected to be settled wholly after 12 months <sup>ii</sup>	3,598	3,661
	<b>4,185</b>	<b>4,191</b>
<i>Provisions related to employee benefit on-costs</i>		
Unconditional and expected to be settled within 12 months <sup>i</sup>	372	372
Unconditional and expected to be settled after 12 months <sup>ii</sup>	401	442
	<b>773</b>	<b>814</b>
<b>Total current employee benefits</b>	<b>7,868</b>	<b>7,643</b>
<b>Non-current provisions</b>		
Conditional long service leave	331	359
Provisions related to employee benefit on-costs	37	44
<b>Total non-current employee benefits</b>	<b>368</b>	<b>403</b>
<b>Total employee benefits</b>	<b>8,236</b>	<b>8,046</b>

<sup>i</sup> The amounts disclosed are nominal amounts.

<sup>ii</sup> The amounts disclosed are discounted to present values.

## **Note 3.2 Employee benefits in the balance sheet**

### **How we recognise employee benefits**

#### **Employee benefit recognition**

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

#### **Provisions**

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

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

#### **Annual leave and accrued days off**

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

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

- Nominal value – if Maryborough District Health Service expects to wholly settle within 12 months or
- Present value – if Maryborough District Health Service does not expect to wholly settle within 12 months.

#### **Long service leave**

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

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

The components of this current LSL liability are measured at:

- Nominal value – if Maryborough District Health Service expects to wholly settle within 12 months or
- Present value – if Maryborough District Health Service does not expect to wholly settle within 12 months.

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

#### **On-costs related to employee benefits**

Provision for on-costs such as workers compensation and superannuation are recognised separately from provisions for employee benefits.

### Note 3.2 (a) Employee benefits and related on-costs

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Unconditional accrued days off	107	129
Unconditional annual leave entitlements	3,104	2,810
Unconditional long service leave entitlements	4,657	4,704
<b>Total current employee benefits and related on-costs</b>	<b>7,868</b>	<b>7,643</b>
Conditional long service leave entitlements	368	403
<b>Total non-current employee benefits and related on-costs</b>	<b>368</b>	<b>403</b>
<b>Total employee benefits and related on-costs</b>	<b>8,236</b>	<b>8,046</b>
<b>Carrying amount at start of year</b>	8,046	7,608
Additional provisions recognised	898	1,623
Unwinding of discount and effect of changes in the discount rate	70	(139)
Amounts incurred during the year	(778)	(1,046)
<b>Carrying amount at end of year</b>	<b>8,236</b>	<b>8,046</b>

### Note 3.3 Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	Total 2021 \$'000	Total 2020 \$'000	Total 2021 \$'000	Total 2020 \$'000
<b>Defined benefit plans:<sup>i</sup></b>				
Aware Super	48	41	-	-
<b>Defined contribution plans:</b>				
Aware Super	2,110	1,979	72	63
Hesta	677	628	-	-
<b>Total</b>	<b>2,835</b>	<b>2,648</b>	<b>72</b>	<b>63</b>

<sup>i</sup> The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

#### How we recognise superannuation

Employees of Maryborough District Health Service are entitled to receive superannuation benefits and it contributes to both defined benefit and defined contribution plans.

#### Defined benefit superannuation plans

The defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Maryborough District Health Service to the superannuation plans in respect of the services of current Maryborough District Health Service's staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

Maryborough District Health Service does not recognise any unfunded defined benefit liability in respect of the 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 DTF discloses the State's defined benefits liabilities in its disclosure for administered items. However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of Maryborough District Health Service.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Maryborough District Health Service are disclosed above.

#### Defined contribution superannuation plans

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

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Maryborough District Health Service are disclosed above.

### Note 3.4 Other economic flows included in net result

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Net gain/(loss) on revaluation of investment property	149	(30)
Net gain/(loss) on disposal of property plant and equipment	(78)	4
<b>Total net gain/(loss) on non-financial assets</b>	<b>71</b>	<b>(26)</b>
Net gain/(loss) arising from revaluation of long service liability	70	(139)
<b>Total other gains/(losses) from other economic flows</b>	<b>70</b>	<b>(139)</b>
<b>Total gains/(losses) from other economic flows</b>	<b>141</b>	<b>(165)</b>

#### How we recognise other economic flows

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

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

#### Net gain/(loss) on non-financial assets

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

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

#### Net gain/(loss) on financial instruments

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

- realised and unrealised gains and losses from revaluations of financial instruments at fair value
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 7.1 Investments and other financial assets and

## Note 4: Key assets to support service delivery

Maryborough District Health Service controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Maryborough District Health Service to be utilised for delivery of those outputs.

### Structure

#### 4.1 Property, plant & equipment

#### 4.2 Depreciation and amortisation

#### 4.3 Inventories

### Telling the COVID-19 story

Assets used to support the delivery of our services during the financial year were not materially impacted by the COVID-19 Coronavirus pandemic.

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment and investment properties	<p>Maryborough District Health Service obtains independent valuations for its non-current assets at least once every five years.</p> <p>If an independent valuation has not been undertaken at balance date, the health service estimates possible changes in fair value since the date of the last independent valuation with reference to Valuer-General of Victoria indices.</p> <p>Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken.</p>
Estimating useful life and residual value of property, plant and equipment	<p>Maryborough District Health Service assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.</p> <p>The health service reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.</p>
Estimating useful life of right-of-use assets	<p>The useful life of each right-of-use asset is typically the respective lease term, except where the health service is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset.</p> <p>Maryborough District Health Service applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.</p>

## Key judgements and estimates (continued)

Key judgements and estimates	Description
Estimating restoration costs at the end of a lease	Where a lease agreement requires Maryborough District Health Service to restore a right-of-use asset to its original condition at the end of a lease, the health service estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.
Estimating the useful life of intangible assets	Maryborough District Health Service assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.
Identifying indicators of impairment	<p>At the end of each year, Maryborough District Health Service assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> <li>▪ If an asset's value has declined more than expected based on normal use</li> <li>▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset</li> <li>▪ If an asset is obsolete or damaged</li> <li>▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life</li> <li>▪ If the performance of the asset is or will be worse than initially expected.</li> </ul> <p>Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.</p>



#### Note 4.1 (a) Gross carrying amount and accumulated depreciation

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Land at fair value - Crown	889	889
Land at fair value - Freehold	702	702
<b>Total land at fair value</b>	<b>1,591</b>	<b>1,591</b>
Buildings at fair value	49,454	49,434
Less accumulated depreciation	(5,525)	(2,757)
<b>Total buildings at fair value</b>	<b>43,929</b>	<b>46,677</b>
Works in progress at fair value	241	128
<b>Total land and buildings</b>	<b>45,761</b>	<b>48,396</b>
Plant and equipment at fair value	2,698	2,697
Less accumulated depreciation	(955)	(848)
<b>Total plant and equipment at fair value</b>	<b>1,743</b>	<b>1,849</b>
Motor vehicles at fair value	376	376
Less accumulated depreciation	(301)	(271)
<b>Total motor vehicles at fair value</b>	<b>75</b>	<b>105</b>
Medical equipment at fair value	6,042	6,178
Less accumulated depreciation	(2,954)	(2,780)
<b>Total medical equipment at fair value</b>	<b>3,088</b>	<b>3,398</b>
Computer equipment at fair value	1,148	1,347
Less accumulated depreciation	(598)	(754)
<b>Total computer equipment at fair value</b>	<b>550</b>	<b>593</b>
Furniture and fittings at fair value	1,343	1,544
Less accumulated depreciation	(615)	(668)
<b>Total furniture and fittings at fair value</b>	<b>728</b>	<b>876</b>
Right of use plant, equipment, furniture, fittings and vehicles at fair value	78	78
Less accumulated depreciation	(20)	(6)
<b>Total right of use plant, equipment, furniture, fittings and vehicles at fair value</b>	<b>58</b>	<b>72</b>
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>	<b>6,242</b>	<b>6,893</b>
<b>Total property, plant and equipment</b>	<b>52,003</b>	<b>55,289</b>

**Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

	Note	Land \$'000	Buildings \$'000	Building works in progress \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Medical Equipment \$'000	Computer Equipment \$'000
<b>Balance at 1 July 2019</b>		<b>1,591</b>	<b>49,306</b>	<b>67</b>	<b>1,407</b>	<b>216</b>	<b>3,484</b>	<b>481</b>
Additions		-	128	61	652	-	387	229
Disposals		-	-	-	-	(48)	-	-
Net transfers between classes		-	-	-	-	-	-	-
Depreciation	4.2	-	(2,757)	-	(210)	(63)	(473)	(117)
<b>Balance at 30 June 2020</b>	<b>4.1 (a)</b>	<b>1,591</b>	<b>46,677</b>	<b>128</b>	<b>1,849</b>	<b>105</b>	<b>3,398</b>	<b>593</b>
Additions		-	46	113	103	-	211	161
Disposals		-	-	-	(8)	-	(13)	(19)
Revaluation increments/(decrements)		-	-	-	-	-	-	-
Net Transfers between classes		-	(26)	-	26	-	-	-
Depreciation	4.2	-	(2,768)	-	(227)	(30)	(508)	(185)
<b>Balance at 30 June 2021</b>	<b>4.1 (a)</b>	<b>1,591</b>	<b>43,929</b>	<b>241</b>	<b>1,743</b>	<b>75</b>	<b>3,088</b>	<b>550</b>

	Note	Furniture & Fittings \$'000	Right of use - PE, FF&V \$'000	Total \$'000
<b>Balance at 1 July 2019</b>		<b>940</b>	<b>-</b>	<b>57,492</b>
Additions		77	78	1,612
Disposals		-	-	(48)
Revaluation increments/(decrements)		-	-	-
Depreciation	4.2	(141)	(6)	(3,767)
<b>Balance at 30 June 2020</b>	<b>4.1 (a)</b>	<b>876</b>	<b>72</b>	<b>55,289</b>
Additions		34	-	668
Disposals		(38)	-	(78)
Revaluation increments/(decrements)		-	-	-
Net Transfers between classes		-	-	-
Depreciation	4.2	(144)	(14)	(3,876)
<b>Balance at 30 June 2021</b>	<b>4.1 (a)</b>	<b>728</b>	<b>58</b>	<b>52,003</b>

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Land and Buildings and Leased Assets Carried at Valuation**

The Valuer-General Victoria undertook to re-value all of Maryborough District Health Services owned and leased land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30 June 2019.

### **How we recognise property, plant and equipment**

Property, plant and equipment are tangible items that are used by Maryborough District Health Service in the supply of goods or services, for rental to others, or for administration purposes, and are expected to be used during more than one financial year.

### **Initial recognition**

Items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. Where an asset is acquired for no or nominal cost, being far below the fair value of the asset, the deemed cost is its fair value at the date of acquisition. Assets transferred as part of an amalgamation/machinery of government change are transferred at their carrying amounts.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

### **Subsequent measurement**

Items of property, plant and equipment (excluding right-of-use assets) are subsequently measured at fair value less accumulated depreciation and impairment losses where applicable.

Fair value is determined with reference to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Further information regarding fair value measurement is disclosed below.

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Revaluation**

Fair value is based on periodic valuations by independent valuers, which normally occur once every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate a material change in fair value has occurred.

Where an independent valuation has not been undertaken at balance date, Maryborough District Health Service perform a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to Valuer-General of Victoria (VGV) indices.

An adjustment is recognised if the assessment concludes that the fair value of land and buildings has changed by 10% or more since the last revaluation (whether that be the most recent independent valuation or managerial valuation). Any estimated change in fair value of less than 10% is deemed immaterial to the financial statements and no adjustment is recorded. Where the assessment indicates there has been an exceptionally material movement in the fair value of land and buildings since the last independent valuation, being equal to or in excess of 40%, Maryborough District Health Service would obtain an interim independent valuation prior to the next scheduled independent valuation.

An independent valuation of Maryborough District Health Service's property, plant and equipment was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall:

- increase/decrease in fair value of land of 0% (\$'000)
- Buildings were deemed an immaterial movement by the Valuer General Victoria for health agencies in 2021.

As the cumulative movement was less than 10% for land and buildings since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2021.

Revaluation increases (increments) arise when an asset's fair value exceeds its carrying amount. In comparison, revaluation decreases (decrements) arise when an asset's fair value is less than its carrying amount. Revaluation increments and revaluation decrements 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 increments are recognised in 'Other Comprehensive Income' and are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, in which case the increment is recognised as income in the net result.

Revaluation decrements are recognised in 'Other Comprehensive Income' to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of property, plant and equipment. Otherwise, the decrement is recognised as an expense in the net result.

The revaluation reserve included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised.

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Impairment**

At the end of each financial year, Maryborough District Health Service assesses if there is any indication that an item of property, plant and equipment may be impaired by considering internal and external sources of information. If an indication exists, Maryborough District Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. An impairment loss of a revalued asset is treated as a revaluation decrease as noted above.

Maryborough District Health Service has concluded that the recoverable amount of property, plant and equipment which are regularly revalued is expected to be materially consistent with the current fair value. As such, there were no indications of property, plant and equipment being impaired at balance date.

### **How we recognise right-of-use assets**

Where Maryborough District Health Service enters a contract, which provides the health service with the right to control the use of an identified asset for a period of time in exchange for payment, this contract is considered a lease.

Unless the lease is considered a short-term lease or a lease of a low-value asset (refer to Note 6.1 for further information), the contract gives rise to a right-of-use asset and corresponding lease liability. Maryborough District Health Service presents its right-of-use assets as part of property, plant and equipment as if the asset was owned by the health service.

Right-of-use assets and their respective lease terms include:

<b>Class of right-of-use asset</b>	<b>Lease term</b>
Leased plant, equipment, furniture, fittings and vehicles	2 to 5 years

### **Presentation of right-of-use assets**

Maryborough District Health Service presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet.

### **Initial recognition**

When a contract is entered into, Maryborough District Health Service assesses if the contract contains or is a lease. If a lease is present, a right-of-use asset and corresponding lease liability is recognised. The definition and recognition criteria of a lease is disclosed at Note 6.1.

The right-of-use asset is initially measured at cost and comprises the initial measurement of the corresponding lease liability, adjusted for:

- any lease payments made at or before the commencement date
- any initial direct costs incurred and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Subsequent measurement**

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses where applicable. Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

### **Impairment**

At the end of each financial year, Maryborough District Health Service assesses if there is any indication that a right-of-use asset may be impaired by considering internal and external sources of information. If an indication exists, Maryborough District Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised.

Maryborough District Health Service performed an impairment assessment and noted there were no indications of its right-of-use assets being impaired at balance date.

#### Note 4.1 (c) Fair value measurement hierarchy for assets

	Note	Total carrying amount 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Specialised land		1,591	-	-	1,591
<b>Total land at fair value</b>	4.1 (a)	<b>1,591</b>	-	-	<b>1,591</b>
Specialised buildings		43,929	-	-	43,929
<b>Total buildings at fair value</b>	4.1 (a)	<b>43,929</b>	-	-	<b>43,929</b>
Plant and equipment at fair value	4.1 (a)	1,743	-	-	1,743
Motor vehicles at fair value	4.1 (a)	75	-	-	75
Medical equipment at Fair Value	4.1 (a)	3,088	-	-	3,088
Computer equipment at fair value	4.1 (a)	550	-	-	550
Furniture and fittings at fair value	4.1 (a)	728	-	-	728
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>		<b>6,184</b>	-	-	<b>6,184</b>
<b>Total property, plant and equipment at fair value</b>		<b>51,704</b>	-	-	<b>51,704</b>
		Total carrying amount 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Specialised land		1,591	-	-	1,591
<b>Total land at fair value</b>	4.1 (a)	<b>1,591</b>	-	-	<b>1,591</b>
Specialised buildings		46,677	-	-	46,677
<b>Total buildings at fair value</b>	4.1 (a)	<b>46,677</b>	-	-	<b>46,677</b>
Plant and equipment at fair value	4.1 (a)	1,849	-	-	1,849
Motor vehicles at fair value	4.1 (a)	105	-	-	105
Medical equipment at Fair Value	4.1 (a)	3,398	-	-	3,398
Computer equipment at fair value	4.1 (a)	593	-	-	593
Furniture and fittings at fair value	4.1 (a)	876	-	-	876
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>		<b>6,821</b>	-	-	<b>6,821</b>
<b>Total Property, Plant and Equipment</b>		<b>55,089</b>	-	-	<b>55,089</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy.

#### 4.1 (d): Reconciliation of level 3 fair value measurement

	Note	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Medical equipment \$'000	Computer equipment \$'000	Furniture & fittings \$'000
<b>Total</b>								
<b>Balance at 1 July 2019</b>	4.1 (b)	<b>1,591</b>	<b>49,306</b>	<b>1,407</b>	<b>216</b>	<b>3,484</b>	<b>481</b>	<b>940</b>
Additions/(Disposals)	4.1 (b)	-	128	652	(48)	387	229	77
Assets provided free of charge		-	-	-	-	-	-	-
Net Transfers between classes	4.1 (b)	-	-	-	-	-	-	-
Gains/(Losses) recognised in net result		-	-	-	-	-	-	-
- Depreciation and amortisation	4.2	-	(2,757)	(210)	(63)	(473)	(117)	(141)
- Impairment loss		-	-	-	-	-	-	-
Items recognised in other comprehensive income		-	-	-	-	-	-	-
- Revaluation		-	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	4.1 (c)	<b>1,591</b>	<b>46,677</b>	<b>1,849</b>	<b>105</b>	<b>3,398</b>	<b>593</b>	<b>876</b>
Additions/(Disposals)	4.1 (b)	-	46	95	-	198	142	(4)
Assets provided free of charge		-	-	-	-	-	-	-
Net Transfers between classes	4.1 (b)	-	(26)	26	-	-	-	-
Gains/(Losses) recognised in net result		-	-	-	-	-	-	-
- Depreciation and Amortisation	4.2	-	(2,768)	(227)	(30)	(508)	(185)	(144)
- Impairment loss		-	-	-	-	-	-	-
Items recognised in other comprehensive income		-	-	-	-	-	-	-
- Revaluation		-	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	4.1 (c)	<b>1,591</b>	<b>43,929</b>	<b>1,743</b>	<b>75</b>	<b>3,088</b>	<b>550</b>	<b>728</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy, refer Note 4.1(c).



**Note 4.1 (e) Property, plant and equipment (fair value determination)**

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/freehold)	Market approach	Community Service Obligations Adjustments <sup>(i)</sup>
Specialised buildings	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Market approach	N/A
	Depreciated replacement cost approach	- Cost per unit - Useful life
Plant and equipment	Depreciated replacement cost approach	- Cost per unit - Useful life

(i) A community service obligation (CSO) of between 25 -30% was applied to Maryborough District Health Service's specialised land.

**How we measure fair value**

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

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

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

The Valuer-General Victoria (VGV) is Maryborough District Health Service’s independent valuation agency.

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

## **Note 4.1 (e) Property, plant and equipment (fair value determination)**

### **Valuation hierarchy**

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

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

### **Identifying unobservable inputs (level 3) fair value measurements**

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

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

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

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

In accordance with AASB 13 Fair Value Measurement paragraph 29, Maryborough District Health Service has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

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

## **Note 4.1 (e) Property, plant and equipment (fair value determination)**

### **Specialised land and specialised buildings**

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

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

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

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

An independent valuation of Maryborough District Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The effective date of the valuation is 30 June 2019.

### **Vehicles**

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

### **Furniture, fittings, plant and equipment**

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

There were no changes in valuation techniques throughout the period to 30 June 2021.

**Note 4.1 (f) Property, plant and equipment revaluation reserve**

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Balance at the beginning of the reporting period	43,111	43,111
<b>Balance at the end of the Reporting Period*</b>	<b>43,111</b>	<b>43,111</b>
<b>* Represented by:</b>		
- Land	11,198	11,198
- Buildings	31,913	31,913
	<b>43,111</b>	<b>43,111</b>

## Note 4.2 Depreciation and amortisation

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Depreciation</b>		
Buildings	2,768	2,757
Plant and equipment	227	210
Motor vehicles	30	63
Medical equipment	508	473
Computer equipment	185	117
Furniture and fittings	144	141
Right of use - plant, equipment, furniture, fittings and motor vehicles	13	6
<b>Total depreciation</b>	<b>3,875</b>	<b>3,767</b>

### How we recognise depreciation

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

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the health service anticipates to exercise a purchase option, the specific right-of-use asset is depreciated over the useful life of the underlying asset.

### How we recognise amortisation

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

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

	<b>2021</b>	<b>2020</b>
Buildings		
- Structure shell building fabric	20 to 50 years	20 to 50 years
- Site engineering services and central plant	10 to 40 years	10 to 40 years
Central Plant		
- Fit Out	10 to 40 years	10 to 40 years
- Trunk reticulated building system	10 to 40 years	10 to 40 years
Plant and equipment	3 to 10 years	3 to 10 years
Medical equipment	3 to 10 years	3 to 10 years
Computers and communication	5 to 15 years	5 to 15 years
Furniture and fitting	3 to 10 years	3 to 10 years
Motor Vehicles	3 to 10 years	3 to 10 years

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

**Note 4.3 (a) Reconciliations of the carrying amounts of each class of investment property**

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Balance at Beginning of Period</b>	793	823
Net gain/(loss) from fair value adjustments	149	(30)
<b>Balance at End of Period</b>	<b>942</b>	<b>793</b>

#### Note 4.3 (b) Fair value measurement hierarchy for investment properties

	Note	Total carrying amount 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Investment properties		942	-	942	-
<b>Total investment properties</b>	<b>4.3(a)</b>	<b>942</b>	<b>-</b>	<b>942</b>	<b>-</b>

  

	Note	Total carrying amount 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Investment properties		793	-	793	-
<b>Total investment properties</b>	<b>4.3(a)</b>	<b>793</b>	<b>-</b>	<b>793</b>	<b>-</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy.

#### How we recognise investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the health services.

#### Initial recognition

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

#### Subsequent measurement

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by independent valuers. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. Investment properties are neither depreciated nor tested for impairment.

For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

The fair value of the health service's investment properties at 30 June 2021 have been arrived on the basis of an independent valuation carried out by Countrywide Valuers (S. Waters) who are certified practising valuers. The valuation was determined with reference to market evidence of properties including location, condition and lease terms.

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

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2021.

## Note 4.4 Inventories

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Pharmacy supplies at cost	37	38
General stores at cost	1	78
<b>Total inventories</b>	<b>38</b>	<b>116</b>

### How we recognise inventories

Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It excludes depreciable assets. Inventories are measured at the lower of cost and net realisable value.



## Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from Maryborough District Health Service's operations.

### Structure

#### *5.1 Receivables and contract assets*

#### *5.2 Payables and contract liabilities*

#### *5.3 Other liabilities*

### Telling the COVID-19 story

The measurement of other assets and liabilities were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	Maryborough District Health Service uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Measuring deferred capital grant income	<p>Where Maryborough District Health Service has received funding to construct an identifiable non-financial asset, such funding is recognised as deferred capital grant income until the underlying asset is constructed.</p> <p>Maryborough District Health Service applies significant judgement when measuring the deferred capital grant income balance, which references the estimated the stage of completion at the end of each financial year.</p>
Measuring contract liabilities	Maryborough District Health Service applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

## Note 5.1 Receivables and contract assets

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Notes</b>		
<b>Current receivables and contract assets</b>		
<b>Contractual</b>		
Inter hospital debtors	264	172
Trade debtors	554	485
Patient fees	132	136
Provision for impairment	(97)	(96)
Accrued revenue	154	-
Amounts receivable from governments and agencies	-	35
<b>Total contractual receivables</b>	<b>1,007</b>	<b>732</b>
<b>Statutory</b>		
GST receivable	114	61
<b>Total statutory receivables</b>	<b>114</b>	<b>61</b>
<b>Total current receivables and contract assets</b>	<b>1,121</b>	<b>793</b>
<b>Non-current receivables and contract assets</b>		
<b>Contractual</b>		
Long service leave - Department of Health	990	1,274
<b>Total contractual receivables</b>	<b>990</b>	<b>1,274</b>
<b>Total non-current receivables and contract assets</b>	<b>990</b>	<b>1,274</b>
<b>Total receivables and contract assets</b>	<b>2,111</b>	<b>2,067</b>
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>		
Total receivables and contract assets	2,111	2,067
Provision for impairment	97	96
GST receivable	(114)	(61)
<b>Total financial assets</b>	<b>2,094</b>	<b>2,102</b>
7.1(a)		

## Note 5.1 Receivables and contract assets (continued)

### Note 5.1 (a) Movement in the allowance for impairment losses of contractual receivables

	Total 2021 \$'000	Total 2020 \$'000
Balance at the beginning of the year	96	102
Increase/(decrease) in allowance	1	(6)
Amounts written off during the year	-	-
Reversal of allowance written off during the year as uncollectable	-	-
Balance at the end of the year	97	96

#### How we recognise receivables

Receivables consist of:

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

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

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

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

#### Impairment losses of contractual receivables

Refer to Note 7.1 (a) for Maryborough District Health Service's contractual impairment losses.

**Note 5.2 Payables and contract liabilities**

		Total 2021 \$'000	Total 2020 \$'000
	Note		
<b>Current payables and contract liabilities</b>			
<b>Contractual</b>			
Trade creditors		728	970
Accrued salaries and wages		786	222
Accrued expenses		1,016	734
Deferred grant income	5.2(a)	1,446	28
Contract liabilities	5.2(a)	453	1,557
Inter hospital creditors		185	38
Amounts payable to governments and agencies		564	-
<b>Total contractual payables</b>		<b>5,178</b>	<b>3,549</b>
<b>Total current payables and contract liabilities</b>		<b>5,178</b>	<b>3,549</b>
<b>Total payables and contract liabilities</b>		<b>5,178</b>	<b>3,549</b>
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))</i>			
Total payables and contract liabilities		5,178	3,549
Deferred grant income		(1,446)	(28)
Contract liabilities		(453)	(1,557)
<b>Total financial liabilities</b>	7.1(a)	<b>3,279</b>	<b>1,964</b>

**How we recognise payables and contract liabilities**

Payables consist of:

- **Contractual payables**, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to Maryborough District Health Service prior to the end of the financial year that are unpaid.
- **Statutory payables**, which most includes amount payable to the Victorian Government and Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

## Note 5.2 (a) Deferred grant income

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Opening balance of deferred grant income</b>	28	-
Grant consideration for capital works received during the year	1,446	28
Deferred grant revenue recognised as revenue due to completion of capital works	(28)	-
<b>Closing balance of deferred grant income</b>	<b>1,446</b>	<b>28</b>

### How we recognise deferred capital grant revenue

Grant consideration was received from the Department of Health to support the construction of major infrastructure, including student accommodation facilities. Capital grant revenue is recognised progressively as the asset is constructed, since this is the time when Maryborough District Health Service satisfies its obligations. The progressive percentage of costs incurred is used to recognise income because this most closely reflects the percentage of completion of the building works. As a result, Maryborough District Health Service has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

## Note 5.2 (b) Contract liabilities

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Opening balance of contract liabilities</b>	1,557	-
Adjustment for initial adoption of AASB 15	-	1,117
Payments received for performance obligations not yet fulfilled	22,974	28,260
Revenue recognised for the completion of a performance obligation	(24,078)	(27,820)
<b>Total contract liabilities</b>	<b>453</b>	<b>1,557</b>
<b>* Represented by:</b>		
- Current contract liabilities	453	1,557
	<b>453</b>	<b>1,557</b>

### How we recognise contract liabilities

Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 2.1.

### Maturity analysis of payables

Please refer to Note 7.2(b) for the ageing analysis of payables.

## Note 5.3 Other liabilities

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Notes</b>			
<b>Current monies held in trust</b>			
Patient monies		117	113
Refundable accommodation deposits		5,355	4,444
<b>Total current monies held in trust</b>		<b>5,472</b>	<b>4,557</b>
<b>Total other liabilities</b>		<b>5,472</b>	<b>4,557</b>
<b>* Represented by:</b>			
- Cash assets	6.2	5,472	4,557
		<b>5,472</b>	<b>4,557</b>

### How we recognise other liabilities

#### Refundable Accommodation Deposit (RAD)/Accommodation Bond liabilities

RADs/accommodation bonds are non-interest-bearing deposits made by some aged care residents to Maryborough District Health Service upon admission. These deposits are liabilities which fall due and payable when the resident leaves the home. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

## Note 6: How we finance our operations

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

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

### Structure

#### ***6.1 Borrowings***

#### ***6.2 Cash and cash equivalents***

#### ***6.3 Commitments for expenditure***

#### ***6.4 Non-cash financing and investing activities***

### Telling the COVID-19 story

Our finance and borrowing arrangements were not materially impacted by the COVID-19 Coronavirus pandemic because the health service's response was funded by Government.



## Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	<p>Maryborough District Health Service applies significant judgement to determine if a contract is or contains a lease by considering if the health service:</p> <ul style="list-style-type: none"> <li>• has the right-to-use an identified asset</li> <li>• has the right to obtain substantially all economic benefits from the use of the leased asset and</li> <li>• can decide how and for what purpose the asset is used throughout the lease.</li> </ul>
Determining if a lease meets the short-term or low value asset lease exemption	<p>Maryborough District Health Service applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria.</p> <p>The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption.</p> <p>The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	<p>Maryborough District Health Service discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, Maryborough District Health Service uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.</p>
Assessing the lease term	<p>The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if Maryborough District Health Service is reasonably certain to exercise such options.</p> <p>Maryborough District Health Service determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> <li>• If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>• If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>• The health service considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul>

## Note 6.1 Borrowings

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>			
<b>Current borrowings</b>			
Lease liability <sup>(i)</sup>	6.1 (a)	13	13
Advances from government (ii)		-	362
<b>Total current borrowings</b>		<b>13</b>	<b>375</b>
<b>Non-current borrowings</b>			
Lease liability <sup>(i)</sup>	6.1 (a)	46	59
<b>Total non-current borrowings</b>		<b>46</b>	<b>59</b>
<b>Total borrowings</b>		<b>59</b>	<b>434</b>

<sup>i</sup> Secured by the assets leased.

<sup>ii</sup> These are unsecured loans which bear no interest.

### How we recognise borrowings

Borrowings refer to interest bearing liabilities mainly raised from advances from the Treasury Corporation of Victoria (TCV) and other funds raised through lease liabilities, service concession arrangements and other interest-bearing arrangements.

### Initial recognition

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether Maryborough District Health Service has categorised its liability as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'.

### Subsequent measurement

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

### Maturity analysis

Please refer to Note 7.2(b) for the maturity analysis of borrowings.

### Defaults and breaches

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

## Note 6.1 (a) Lease liabilities

Maryborough District Health Service's lease liabilities are summarised below:

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Total undiscounted lease liabilities	62	76
Less unexpired finance expenses	(3)	(5)
<b>Net lease liabilities</b>	<b>59</b>	<b>71</b>

The following table sets out the maturity analysis of lease liabilities, showing the undiscounted lease payments to be made after the reporting date.

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Not longer than one year	14	15
Longer than one year but not longer than five years	48	61
Longer than five years	-	-
<b>Minimum future lease liability</b>	<b>62</b>	<b>76</b>
Less unexpired finance expenses	(3)	(5)
<b>Present value of lease liability</b>	<b>59</b>	<b>71</b>
<b>* Represented by:</b>		
- Current liabilities	13	13
- Non-current liabilities	46	59
	<b>59</b>	<b>72</b>

### How we recognise lease liabilities

A lease is defined as a contract, or part of a contract, that conveys the right for Maryborough District Health Service to use an asset for a period of time in exchange for payment.

To apply this definition, Maryborough District Health Service ensures the contract meets the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Maryborough District Health Service and for which the supplier does not have substantive substitution rights
- Maryborough District Health Service has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and Maryborough District Health Service has the right to direct the use of the identified asset throughout the period of use and
- Maryborough District Health Service has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Maryborough District Health Service's lease arrangements consist of the following:

<b>Type of asset leased</b>	<b>Lease term</b>
Leased plant, equipment, furniture, fittings and vehicles	2 to 3 years

## **Note 6.1 (a) Lease liabilities**

### **Separation of lease and non-lease components**

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

### **Initial measurement**

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Maryborough District Health Services incremental borrowing rate. Our lease liability has been discounted by rates of between 3% to 5%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee and
- payments arising from purchase and termination options reasonably certain to be exercised.

These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the health service and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term and lease liability if the lease is reasonably certain to be extended (or not terminated).

### **Subsequent measurement**

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

## Note 6.2 Cash and Cash Equivalents

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>		
Cash on hand (excluding monies held in trust)	2	2
Cash at bank (excluding monies held in trust)	1,021	1,249
Cash at bank - CBS (excluding monies held in trust)	4,489	2,691
Term deposits < 3 months (excluding monies held in trust)	112	195
<b>Total cash held for operations</b>	<b>5,624</b>	<b>4,137</b>
Cash at bank (monies held in trust)	5,472	4,557
<b>Total cash held as monies in trust</b>	<b>5,472</b>	<b>4,557</b>
<b>Total cash and cash equivalents</b>	<b>11,096</b>	<b>8,694</b>
7.1 (a)		

### How we recognise cash and cash equivalents

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet. The cash flow statement includes monies held in trust.

## Note 6.3 Commitments for expenditure

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Capital expenditure commitments</b>		
Less than one year	736	2,798
Longer than one year but not longer than five years	-	1,100
Five years or more	-	-
<b>Total capital expenditure commitments</b>	<b>736</b>	<b>3,898</b>
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>736</b>	<b>3,898</b>
Less GST recoverable from Australian Tax Office	(67)	(354)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>669</b>	<b>3,544</b>

Future lease payments are recognised on the balance sheet, refer to Note 6.1 Borrowings.

The Health Service has confirmed capital grants of \$104,879,179 from the Department of Health for the development of the new hospital, student accommodation and residential aged care renovations. The budgeted capital expenditure (net of capital commitments disclosed above under existing contract arrangements) to complete these works is estimated at \$105,113,637. At the date of this report the Health Service is yet to enter into formal contracts for the construction of the new hospital, student accommodation and residential aged care renovations.

### How we disclose our commitments

Our commitments relate to expenditure and short term and low value leases.

#### Expenditure commitments

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

#### Short term and low value leases

Maryborough District Health Service discloses short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities. Refer to Note 6.1(a) for further information.

Refer to Note 6.1(a) for further information.

## Note 6.4 Non-cash financing and investing activities

Acquisition of plant and equipment by means of Leases

**Total non-cash financing and investing activities**

<b>Total</b>	<b>Total</b>
<b>2021</b>	<b>2020</b>
<b>\$'000</b>	<b>\$'000</b>
-	78
<b>-</b>	<b>78</b>

## **Note 7: Risks, contingencies and valuation uncertainties**

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

### **Structure**

#### ***7.1 Financial instruments***

#### ***7.2 Financial risk management objectives and policies***

#### ***7.3 Contingent assets and contingent liabilities***



**Note 7.1: Financial instruments**

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

**Note 7.1 (a) Categorisation of financial instruments**

		Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
	Note			
<b>Total</b>				
<b>30 June 2021</b>				
<b>Contractual Financial Assets</b>				
Cash and Cash Equivalents	6.2	11,096	-	11,096
Receivables and contract assets	5.1	2,094	-	2,094
<b>Total Financial Assets<sup>i</sup></b>		<b>13,190</b>	<b>-</b>	<b>13,190</b>
<b>Financial Liabilities</b>				
Payables	5.2	-	3,279	3,279
Borrowings	6.1	-	59	59
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	5,355	5,355
Other Financial Liabilities - Patient monies held in trust	5.3	-	117	117
<b>Total Financial Liabilities<sup>i</sup></b>		<b>-</b>	<b>8,810</b>	<b>8,810</b>

## Note 7.1 (a) Categorisation of financial instruments

		Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
Total	Note			
<b>30 June 2020</b>				
<b>Contractual Financial Assets</b>				
Cash and cash equivalents	6.2	8,694	-	8,694
Receivables and contract assets	5.1	2,102	-	2,102
<b>Total Financial Assets<sup>i</sup></b>		<b>10,796</b>	<b>-</b>	<b>10,796</b>
<b>Financial Liabilities</b>				
Payables	5.2	-	1,964	1,964
Borrowings	6.1	-	434	434
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	4,444	4,444
Other Financial Liabilities - Patient monies held in trust	5.3	-	113	113
<b>Total Financial Liabilities<sup>i</sup></b>		<b>-</b>	<b>6,955</b>	<b>6,955</b>

<sup>i</sup> The carrying amount excludes statutory receivables (i.e. GST receivable and DH receivable) and statutory payables (i.e. Revenue in Advance and DH payable).

### How we categorise financial instruments

#### Categories of financial assets

Financial assets are recognised when Maryborough District Health Service becomes party to the contractual provisions to the instrument. For financial assets, this is at the date Maryborough District Health Service commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through net result, in which case transaction costs are expensed to profit or loss immediately.

Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15 para 63.

## **Note 7.1 (a) Categorisation of financial instruments**

### Financial assets at amortised cost

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

- the assets are held by Maryborough District Health Service solely to collect the contractual cash flows and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

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

Maryborough District Health Service recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

## **Note 7.1 (a) Categorisation of financial instruments**

### **Categories of financial liabilities**

Financial liabilities are recognised when Maryborough District Health Service becomes a party to the contractual provisions to the instrument. Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

#### Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in net result over the relevant period. The effective interest is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Maryborough District Health Service recognises the following liabilities in this category:

- payables (excluding statutory payables and contract liabilities)
- borrowings and
- other liabilities (including monies held in trust).

### **Offsetting financial instruments**

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

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

## **Note 7.1 (a) Categorisation of financial instruments**

### **Derecognition of financial assets**

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

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

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

### **Derecognition of financial liabilities**

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

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

### **Reclassification of financial instruments**

A financial asset is required to be reclassified between fair value between amortised cost, fair value through net result and fair value through other comprehensive income when, and only when, Maryborough District Health Service's business model for managing its financial assets has changed such that its previous model would no longer apply.

A financial liability reclassification is not permitted.

**Note 7.2: Financial risk management objectives and policies**

As a whole, Maryborough District Health Service's financial risk management program seeks to manage the risks and the associated volatility of its financial performance.

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

Maryborough District Health Service's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. Maryborough District Health Service manages these financial risks in accordance with its financial risk management policy.

Maryborough District Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

**Note 7.2 (a) Credit risk**

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Maryborough District 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 Maryborough District Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with Maryborough District Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, the health service is exposed to credit risk associated with patient and other debtors.

In addition, Maryborough District 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 and deposits, which are mainly cash at bank. As with the policy for debtors, Maryborough District Health Service's policy is to only deal with banks with high credit ratings.

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

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Maryborough District Health Service's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to Maryborough District Health Service's credit risk profile in 2020-21.

**Note 7.2 (a) Credit risk**

**Impairment of financial assets under AASB 9**

Maryborough District Health Service records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9, impairment assessment includes the health service's contractual receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9.

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

**Contractual receivables at amortised cost**

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

On this basis, Maryborough District Health Service determines the closing loss allowance at the end of the financial year as follows:

**Note 7.2 (a) Contractual receivables at amortised cost**

	Note	Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
<b>30 June 2021</b>							
<b>Expected loss rate</b>		0.0%	0.0%	0.0%	45.5%	0.0%	
Gross carrying amount of contractual receivables	5.1	734	133	24	213	0	<b>1,104</b>
<b>Loss allowance</b>		-	-	-	<b>(97)</b>	-	<b>(97)</b>
	Note	Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
<b>30 June 2020</b>							
<b>Expected loss rate</b>		0.0%	0.0%	0.0%	57.2%	0.0%	
Gross carrying amount of contractual receivables	5.1	566	75	19	168	0	<b>828</b>
<b>Loss allowance</b>		-	-	-	<b>(96)</b>	-	<b>(96)</b>

## **Note 7.2 (a) Contractual receivables at amortised cost**

### **Statutory receivables and debt investments at amortised cost**

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

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, no loss allowance has been recognised.

## ***Note 7.2 (b) Liquidity risk***

Liquidity risk arises from being unable to meet financial obligations as they fall due.

Maryborough District Health Service is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The health service manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding contractual financial assets that are readily tradeable in the financial markets and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

Maryborough District Health Service's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from other financial assets.

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



## Note 7.2 (b) Payables and borrowings maturity analysis

		Maturity Dates					
		Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	Over 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>							
<b>30 June 2021</b>	<b>Note</b>						
Payables	5.2	3,279	3,279	3,279	-	-	-
Borrowings	6.1	59	59	1	4	10	44
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	5,355	5,355	-	-	5,355	-
Other Financial Liabilities - Patient monies held in trust	5.3	117	117	117	-	-	-
<b>Total Financial Liabilities</b>		<b>8,810</b>	<b>8,810</b>	<b>3,397</b>	<b>4</b>	<b>5,365</b>	<b>44</b>

  

		Maturity Dates					
		Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	Over 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>							
<b>30 June 2020</b>	<b>Note</b>						
<b>Financial Liabilities at amortised cost</b>							
Payables	5.2	1,964	1,373	1,308	-	65	-
Borrowings	6.1	434	434	1	4	10	419
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	4,444	4,444	-	-	4,444	-
Other Financial Liabilities - Patient monies held in trust	5.3	113	113	113	-	-	-
<b>Total Financial Liabilities</b>		<b>6,955</b>	<b>6,364</b>	<b>1,422</b>	<b>4</b>	<b>4,519</b>	<b>419</b>

<sup>i</sup> Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e. GST payable).

### **Note 7.3: Contingent assets and contingent liabilities**

At balance date, the Board are not aware of any contingent assets or liabilities.

#### **How we measure and disclose contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### **Contingent assets**

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the health service.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

#### **Contingent liabilities**

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the health service or
- present obligations that arise from past events but are not recognised because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

## Note 8: Other disclosures

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

### Structure

***8.1 Reconciliation of net result for the year to net cash flow from operating activities***

***8.2 Responsible persons disclosure***

***8.3 Remuneration of executives***

***8.4 Related parties***

***8.5 Remuneration of auditors***

***8.6 Events occurring after the balance sheet date***

***8.7 Jointly controlled operations***

***8.8 Equity***

***8.9 Economic dependency***

### Telling the COVID-19 story

Our other disclosures were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

**Note 8.1 Reconciliation of net result for the year to net cash flows from operating activities**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
	<b>Note</b>		
<b>Net result for the year</b>		(2,617)	(3,901)
<b>Non-cash movements:</b>			
(Gain)/Loss on sale or disposal of non-financial assets	3.4	78	(4)
(Gain)/Loss on revaluation of investment property	3.4	(149)	30
Depreciation and amortisation of non-current assets	4.2	3,875	3,767
Assets and services received free of charge	2.2	(2)	-
Bad and doubtful debt expense	5.1(a)	1	(6)
Other non-cash movements		(475)	(77)
<b>Movements in Assets and Liabilities:</b>			
(Increase)/Decrease in receivables and contract assets		(45)	343
(Increase)/Decrease in inventories		78	(80)
(Increase)/Decrease in prepaid expenses		(511)	25
Increase/(Decrease) in payables and contract liabilities		1,287	533
Increase/(Decrease) in employee benefits		190	438
Increase/(Decrease) in other liabilities		4	(12)
<b>Net cash inflow from operating activities</b>		<b>1,714</b>	<b>1,056</b>

## Note 8.2 Responsible persons

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

	Period
The Honourable Martin Foley:	
Minister for Mental Health	1 Jul 2020 - 29 Sep 2020
Minister for Health	26 Sep 2020 - 30 Jun 2021
Minister for Ambulance Services	26 Sep 2020 - 30 Jun 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 Sep 2020 - 30 Jun 2021
The Honourable Jenny Mikakos:	
Minister for Health	1 Jul 2020 - 26 Sep 2020
Minister for Ambulance Services	1 Jul 2020 - 26 Sep 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 Jul 2020 - 26 Sep 2020
The Honourable Luke Donnellan:	
Minister for Child Protection	1 Jul 2020 - 30 Jun 2021
Minister for Disability, Ageing and Carers	1 Jul 2020 - 30 Jun 2021
The Honourable James Merlino:	
Minister for Mental Health	29 Sep 2020 - 30 Jun 2021
<b>Governing Boards</b>	
Mr P. McAllister	1 Jul 2020 - 30 Jun 2021
Mrs K. Mason	1 Jul 2020 - 30 Jun 2021
Mr R. Camm	1 Jul 2020 - 30 Jun 2021
Dr T. Naren	1 Jul 2020 - 30 Jun 2021
Ms Shea Stewart	1 Jul 2020 - 30 Jun 2021
Dr T. Snell	1 Jul 2020 - 30 Jun 2021
Ms D. Thiele	1 Jul 2020 - 30 Jun 2021
Mr W. Main	1 Jul 2020 - 30 Jun 2021
Mr R. Eason	1 Jul 2020 - 30 Jun 2021
Ms R. Smith	1 Jul 2020 - 30 Jun 2021
<b>Accountable Officers</b>	
Ms Nickola Allan	1 Oct 2020 - 30 Jun 2021
Mr Terry Welch	1 Jul 2020 - 30 Sep 2020

## Note 8.2 Responsible persons (continued)

### Remuneration of Responsible Persons

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

#### Income Band

\$10,000 - \$19,999

\$90,000 - \$99,999

\$140,000 - \$149,999

\$320,000 - \$329,999

#### Total Numbers

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

Total 2021 No	Total 2020 No
9	10
1	-
1	-
-	1
<b>11</b>	<b>11</b>
Total 2021 \$'000	Total 2020 \$'000
<b>\$264</b>	<b>\$364</b>

## Note 8.3 Remuneration of executives

### Remuneration of executive officers

(including Key Management Personnel disclosed in Note 8.4)

Short-term benefits

Post-employment benefits

Other long-term benefits

Termination benefits

**Total remuneration<sup>i</sup>**

Total number of executives

Total annualised employee equivalent<sup>ii</sup>

Total Remuneration	
2021	2020
\$'000	\$'000
359	397
35	37
12	11
53	-
<b>459</b>	<b>445</b>
5	3
3.0	2.6

<sup>i</sup> The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Maryborough District Health Services under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

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

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

#### Short-term employee benefits

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

#### Post-employment benefits

Pensions and other retirement benefits (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

#### Other long-term benefits

Long service leave, other long-service benefit or deferred compensation.

#### Termination benefits

Termination of employment payments, such as severance packages.

## Note 8.4: Related Parties

Maryborough District Health Service is a wholly owned and controlled entity of the State of Victoria. Related parties of the health service include:

- all key management personnel (KMP) and their close family members and personal business interests
- cabinet ministers (where applicable) and their close family members
- jointly controlled operations – A member of the Loddon Mallee Rural Health Alliance and
- all health services and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

## Key management personnel

The Board of Directors, Chief Executive Officer and the Executive Directors of Maryborough District Health Services are deemed to be KMPs.

Entity	KMPs	Position Title
Maryborough District Health Service	Mr P. McAllister	Board Chair to 25 August 2021
Maryborough District Health Service	Mrs K. Mason	Board Chair from 25 August 2021
Maryborough District Health Service	Mr R. Camm	Board Member
Maryborough District Health Service	Dr T. Naren	Board Member
Maryborough District Health Service	Ms Shea Stewart	Board Member
Maryborough District Health Service	Dr T. Snell	Board Member
Maryborough District Health Service	Ms D. Thiele	Board Member
Maryborough District Health Service	Mr W. Main	Board Member
Maryborough District Health Service	Mr R. Eason	Board Member
Maryborough District Health Service	Ms R. Smith	Board Member
Maryborough District Health Service	Ms N. Allan	Chief Executive Officer
Maryborough District Health Service	Mrs W. Giddings	Director of Clinical Services
Maryborough District Health Service	Mrs Laura Martin	Director of Finance & Corporate Services
Maryborough District Health Service	Mr Cameron Olsen	Director of Finance & Corporate Services (Acting)
Maryborough District Health Service	Mr David Edwards	Director of Finance & Corporate Services (Acting)
Maryborough District Health Service	Mr Kris Payne	Director People, Culture and Wellbeing
Maryborough District Health Service	Ms Michelle Forrester	Director People, Culture and Wellbeing (Acting)

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

### Compensation - KMPs

Short-term Employee Benefits <sup>i</sup>

Post-employment Benefits

Other Long-term Benefits

Termination Benefits

**Total** <sup>ii</sup>

Total 2021 \$'000	Total 2020 \$'000
593	733
58	58
19	19
53	-
<b>723</b>	<b>810</b>

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

<sup>ii</sup> KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.



## **Note 8.4: Related Parties**

### **Significant transactions with government related entities**

Maryborough District Health Service received funding from the Department of Health of \$30.21 m (2020: \$27.92 m) and indirect contributions of \$0.91 m (2020: \$0.113 m). Balances recallable as at 30 June 2021 are \$1.59 m (2020 \$1.009 m)

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

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

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

### **Transactions with KMPs and other related parties**

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

Outside of normal citizen type transactions with Maryborough District Health Service, there were no related party transactions that involved key management personnel, their close family members or their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2021 (2020: none).

There were no related party transactions required to be disclosed for Maryborough District Health Service Board of Directors, Chief Executive Officer and Executive Directors in 2021 (2020: none).

## Note 8.5: Remuneration of Auditors

### Victorian Auditor-General's Office

Audit of the financial statements

**Total remuneration of auditors**

<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
17	20
<b>17</b>	<b>20</b>

## Note 8.6: Events occurring after the balance sheet date

There are no events occurring after the Balance Sheet date.

**Note 8.7 Joint arrangements**

Entity	Principal Activity	Ownership Interest	
		2021	2020
		%	%
Loddon Mallee Rural Health Alliance (LMRHA)	Information Technology Services	6.7	7.04

Maryborough District Health Services interest in the above joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Cash and cash equivalents	432	437
Receivables	73	31
Inventories	-	78
Prepaid expenses	100	91
<b>Total current assets</b>	<b>605</b>	<b>637</b>
<b>Non-current assets</b>		
Property, plant and equipment	65	61
<b>Total non-current assets</b>	<b>65</b>	<b>61</b>
<b>Total assets</b>	<b>670</b>	<b>698</b>
<b>Current liabilities</b>		
Payables	178	306
Other Liabilities	19	28
<b>Total current liabilities</b>	<b>197</b>	<b>334</b>
<b>Total liabilities</b>	<b>197</b>	<b>334</b>
<b>Net assets</b>	<b>473</b>	<b>364</b>
<b>Equity</b>		
Accumulated surplus	473	364
<b>Total equity</b>	<b>473</b>	<b>364</b>

**Note 8.7 Joint arrangements**

Maryborough District Health Services interest in revenues and expenses resulting from joint arrangements are detailed below:

	2021	2020
	\$'000	\$'000
<b>Revenue</b>		
Operating Activities	1,394	718
Proceeds from Sale of Assets	-	1
Capital Purpose Income	83	41
<b>Total revenue</b>	<b>1,477</b>	<b>760</b>
<b>Expenses</b>		
Other Expenses from Continuing Operations	1,365	768
Depreciation	13	7
<b>Total expenses</b>	<b>1,378</b>	<b>775</b>
<b>Net result</b>	<b>99</b>	<b>(15)</b>

**Contingent liabilities and capital commitments**

There are no known contingent liabilities or capital commitments held by the joint arrangements at balance date.

***Note 8.8: Equity***

**Contributed capital**

Contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Maryborough District Health Service.

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

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

**Financial assets at fair value through comprehensive income revaluation reserve**

The financial assets at fair value through other comprehensive income revaluation reserve arises on the revaluation of financial assets (such as equity instruments) measured at fair value through other comprehensive income. Where such a financial asset is sold, that portion of the reserve which relates to that financial asset may be transferred to accumulated surplus/deficit.

**Specific restricted purpose reserves**

The specific restricted purpose reserve is established where Maryborough District 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.

***Note 8.9: Economic dependency***

Maryborough District Health Service is dependent on the Department of Health for the majority of its revenue used to operate the health service. At the date of this report, the Board of Directors has no reason to believe the Department of Health will not continue to support Maryborough District Health Service.



**MDHS**  
Inspiring Health

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