



MTHCS

Mallee Track Health
and Community Service



MALLEE TRACK HEALTH
AND COMMUNITY SERVICE

REPORT OF OPERATIONS

2019 - 2020 FINANCIAL REPORTS

FINANCIAL REPORTS

Independent Auditor's Report

To the Board of Mallee Track Health and Community Service

Opinion	<p>I have audited the financial report of Mallee Track Health and Community Service (the health service) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2020• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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



MELBOURNE
22 October 2020

Travis Derricott
as delegate for the Auditor-General of Victoria

Mallee Track Health and Community Service
Financial Statements
Financial Year ended 30 June 2020

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

The attached financial statements for Mallee Track Health and Community 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 2020 and the financial position of Mallee Track Health and Community Service at 30 June 2020.

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 15th October, 2020.

Member of Responsible Body



Mark Wilson

Chair

Ouyen

15/10/2020

Accountable Officer



Lois O'Callaghan

Chief Executive Officer

Ouyen

15/10/2020

Chief Finance and Accountable Officer



Andrew Arundell

Chief Finance and Accounting Officer
(Contract)

Ouyen

15/10/2020

Mallee Track Health and Community Service
Comprehensive Operating Statement
For the year ended 30 June 2020

		Total	Total
		2020	2019
	Note	\$	\$
Income from Transactions			
Operating activities	2.1	17,373,418	16,402,728
Non-operating activities	2.1	71,608	124,469
Total Income from Transactions		17,445,026	16,527,197
Expenses from Transactions			
Employee expenses	3.1	(13,404,375)	(13,714,756)
Supplies and consumables	3.1	(544,472)	(588,911)
Finance costs	3.1	(15,040)	(19,138)
Depreciation	4.2	(2,569,108)	(1,744,211)
Other administrative expenses	3.1	(1,946,679)	(1,922,362)
Other operating expenses	3.1	(930,816)	(927,161)
Other non-operating expenses	3.1	(1,396)	(10,930)
Total Expenses from Transactions		(19,411,886)	(18,927,469)
Net Result from Transactions - Net Operating Balance		(1,966,860)	(2,400,272)
Other Economic Flows included in Net Result			
Net Gain on sale of non-financial assets	3.2	3,615	72,862
Net Gain on financial instruments at fair value	3.2	1,776	-
Other Gain/(Loss) from other economic flows	3.2	(20,544)	67,138
Total Other Economic Flows included in Net Result		(15,153)	140,000
Net Result for the year		(1,982,013)	(2,260,272)
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in property, plant and equipment revaluation surplus	4.1(b)	-	7,865,614
Total Other Comprehensive Income		-	7,865,614
Comprehensive Result for the Year		(1,982,013)	5,605,342

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

Mallee Track Health and Community Service
Balance Sheet as at 30 June 2020

	Note	Total 2020 \$	Total 2019 \$
Current Assets			
Cash and cash equivalents	6.2	7,453,512	7,524,750
Receivables	5.1	280,148	172,984
Inventories	4.3	102,790	39,423
Other assets		149,490	137,320
Total Current Assets		7,985,940	7,874,477
Non-Current Assets			
Receivables	5.1	641,837	662,662
Property, plant and equipment	4.1 (a)	35,827,524	37,801,506
Total Non-Current Assets		36,469,361	38,464,168
TOTAL ASSETS		44,455,301	46,338,645
Current Liabilities			
Payables	5.2	1,204,183	806,709
Borrowings	6.1	15,101	-
Provisions	3.4	3,125,090	3,167,751
Other liabilities	5.3	5,000,736	5,481,655
Total Current Liabilities		9,345,110	9,456,115
Non-Current Liabilities			
Borrowings	6.1	237,787	-
Provisions	3.4	340,137	368,250
Total Non-Current Liabilities		577,924	368,250
TOTAL LIABILITIES		9,923,034	9,824,365
NET ASSETS		34,532,267	36,514,280
EQUITY			
Property, plant and equipment revaluation surplus	4.1(f)	34,047,727	34,047,727
Contributed capital	SCE	9,793,054	9,793,054
Accumulated deficits	SCE	(9,308,514)	(7,326,501)
TOTAL EQUITY		34,532,267	36,514,280

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

Mallee Track Health and Community Service
Statement of Changes in Equity
For the Financial Year Ended 30 June 2020

		Property, Plant and Equipment Revaluation Surplus	Contributed Capital	Accumulated Deficits	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2018	4.1 (f)	26,182,113	9,793,054	(5,066,229)	30,908,938
Net result for the year		-	-	(2,260,272)	(2,260,272)
Other comprehensive income for the year		7,865,614	-	-	7,865,614
Balance at 30 June 2019		34,047,727	9,793,054	(7,326,501)	36,514,280
Net result for the year		-	-	(1,982,013)	(1,982,013)
Balance at 30 June 2020		34,047,727	9,793,054	(9,308,514)	34,532,267

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

Mallee Track Health and Community Service
Cash Flow Statement
For the Financial Year Ended 30 June 2020

	Note	Total 2020 \$	Total 2019 \$
Cash Flows from Operating Activities			
Operating grants from government		13,690,308	12,625,654
Capital grants from government - State		53,097	187,874
Patient fees received		2,192,664	1,856,747
Donations and bequests received		67,119	41,837
GST received from ATO		(796)	58,696
Interest and investment income received		71,608	124,469
Commercial income received		53,064	131,589
Other Receipts		1,327,273	1,159,553
Total Receipts		17,454,337	16,186,419
Employee expenses paid		(13,432,007)	(13,128,858)
Payments for supplies and consumables		(293,082)	(543,674)
Payments for medical indemnity insurance		(29,527)	(12,329)
Payments for repairs and maintenance		(373,583)	(470,109)
Finance costs		(15,040)	(19,138)
Other payments		(2,549,923)	(1,994,024)
Total Payments		(16,693,162)	(16,168,132)
Net Cash Flows from Operating Activities	8.1	761,175	18,287
Cash Flows from Investing Activities			
Purchase of non-financial assets		(507,147)	(943,578)
Proceeds from disposal of non-financial assets		3,615	345,043
Proceeds from disposal of investments		-	5,627,297
Net Cash Flows from/(used in) Investing Activities		(503,532)	5,028,762
Cash Flows from Financing Activities			
Proceeds from borrowings		166,685	-
Net Receipt / (Repayment) of Monies Held in Trust		(495,567)	211,722
Net Cash Flows from /(used in) Financing Activities		(328,882)	211,722
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(71,239)	5,258,771
Cash and cash equivalents at beginning of year		7,524,751	2,265,980
Cash and Cash Equivalents at End of Year	6.2	7,453,512	7,524,751

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

Mallee Track Health and Community Service

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Basis of preparation

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

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

Note 1 – Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Mallee Track Health and Community Service (ABN 43 518 931 864) for the year ended 30 June 2020. The report provides users with information about Mallee Track Health and Community Service's stewardship of resources entrusted to it.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Financial Management Act 1994 and applicable AAS's, 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, and relevant Standing Directions authorised by the Assistant Treasurer.

Mallee Track Health and Community Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Service under the AAS's.

(b) Reporting Entity

The financial statements include all the controlled activities of Mallee Track Health and Community Service.

Its principal address is:

28 Britt Street

Ouyen VIC 3490

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

(c) Basis of Accounting Preparation and Measurement

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

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2020, and the comparative information presented in these financial statements for the year ended 30 June 2019.

The financial statements are prepared on a going concern basis (refer to Note 8.8 Economic Dependency).

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

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

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

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

Mallee Track Health and Community Service

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Basis of preparation

(c) Basis of Accounting Preparation and Measurement (Continued)

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.1 Property, Plant and Equipment), and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet).

Covid-19

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus pandemic, known as COVID-19. A state of disaster was subsequently declared on 2 August 2020.

To contain the spread of the virus and to prioritise the health and safety of our communities various restrictions have been announced and implemented by the state government, which in turn has impacted the manner in which businesses operate, including Mallee Track Health and Community Service.

In response, Mallee Track Health and Community Service placed restrictions on non-essential visitors, implemented reduced visitor hours and reduced activity, performed COVID-19 testing and implemented work from home arrangements where appropriate.

For further details refer to Note 2.1 Funding delivery of our services and Note 4.1 Property, Plant and Equipment.

Regional areas have generally been less impacted by the pandemic, however the changed conditions continue to provide uncertainty and a reluctance from the community to engage as regularly with the Health Sector. The State Government have recognised the importance of a strong public health system and are providing ongoing support to ensure we remain financially viable and we can continue to support our staff who are at the front line of defence should the pandemic impact our community even more directly going forward.

From a financial perspective, the Health Service expects there will be a negative impact in the following areas:

- Private Patient Revenue.
- Recoveries from clinicians for use of hospital facilities as they have not been able to provide them.
- Recoveries from clients for services normally provided directly, but are no longer able to be provided.
- Activity based funding areas where there is no dispensation or reduced dispensation made available by the provider.
- Specific costs incurred in the prevention and/or treatment of Covid-19.

The following account balances have been considered by Management but we remain satisfied that Covid-19 has not required a change to the judgement and/or assumptions in the disclosure of any balances.

- Fair value of receivable balances,
- Fair value of non-financial assets,
- Impairment of non-financial assets,
- Going concern.

Mallee Track Health and Community Service

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Basis of preparation

Goods and Services Tax (GST)

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

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

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

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

(d) Jointly Controlled Operation

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

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

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

Mallee Track Health and Community Service is a member of the Loddon Mallee Rural Health Alliance Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.7 Jointly Controlled Operations)

(e) Equity

Contributed Capital

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

Note: 2 Funding delivery of our services

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

Structure

2.1 Income from Transactions

Note 2.1: Income from Transactions

	Total 2020 \$	Total 2019 \$
Government grants (State) - Operating ¹	8,055,020	8,019,345
Government grants (Commonwealth) - Operating ²	5,523,950	4,660,686
Government grants (State) - Capital	53,097	187,874
Other capital purpose income	357,198	-
Patient and resident fees	2,179,299	2,205,990
Commercial activities ³	53,064	142,660
Assets received free of charge or for nominal consideration	29,993	18,211
Other revenue from operating activities (including non-capital donations)	1,121,797	1,167,962
Total Income from Operating Activities	17,373,418	16,402,728
Other interest	71,608	124,469
Total Income from Non-Operating Activities	71,608	124,469
Total Income from Transactions	17,445,026	16,527,197

¹. Government Grants (State) - Operating includes funding of \$212,297 which was spent due to the impacts of COVID-19.

². Government Grants (Commonwealth) - Operating includes \$172,176 of additional funding provided to assist with the impacts of COVID-19.

³. Commercial activities represent business activities which Mallee Track Health and Community Service enter into to support their operations.

Impact of COVID-19 on revenue and income

As indicated at Note 1, Mallee Track Health and Community Service's response to the pandemic included the deferral of programs/projects and reduced activity. This resulted in Mallee Track Health and Community Service incurring lost revenue as well as direct and indirect COVID-19 costs. The Department of Health and Human Services provided funding which was spent due to COVID-19 impacts on Mallee Track Health and Community Service. Mallee Track Health and Community Service also received essential personal protective equipment free of charge under the state supply arrangement.

Government Grants

Income from grants to construct major infrastructure is recognised when (or as) Mallee Track Health and Community Service satisfies its obligations under the transfer. This aligns with Mallee Track Health and Community Service's obligation to construct the asset. The progressive percentage costs incurred is used to recognise income because this most closely reflects the construction's progress as costs are incurred as the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Mallee Track Health and Community Service has an unconditional right to receive the cash which usually coincides with receipt of cash. On initial recognition of the asset, Mallee Track Health and Community Service recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004;
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16;
- a financial instrument, in accordance with AASB 9; or
- a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Note 2.1: Income from Transactions

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, a portion of the grant revenue has been deferred. If the grant income is accounted for in accordance with AASB 15, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the construction of capital assets which the health service controls has been recognised in accordance with AASB 1058 and recognised as deferred grant revenue (refer note 5.2).

Performance obligations

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

- Activity Based Funding (ABF) with identifiable targets.
- Other one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.

For ABF, revenue is recognised as target levels are met. The performance obligations for ABF are the number and mix of patients admitted to hospital (DVA/TAC) in accordance with levels of activity agreed to with the Department of Health and Human Services (DHHS). Revenue is recognised when a patient is discharged and in accordance with the activity for each separation. The performance obligations have been selected as they align with funding conditions set out in the policy and funding guidelines issues by the DHHS.

For other grants with performance obligations Mallee Track Health and Community Service exercises judgement over whether the performance obligations have been met, on a grant by grant basis.

Previous accounting policy for 30 June 2019

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to Mallee Track Health and Community Service without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). Mallee Track Health and Community Service recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, Mallee Track Health and Community Service recognises revenue when the grant is received.

Grants can be received as general purpose grants, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

The following are transactions that Mallee Track Health and Community Service has determined to be classified as revenue from contracts with customers in accordance with AASB 15. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Patient and Resident Fees

The performance obligations related to patient fees are based on the delivery of services. These performance obligations have been selected as they align with the terms and conditions of providing the services. Revenue is recognised as these performance obligations are met.

Resident fees are recognised as revenue over time as Mallee Track Health and Community Service provides accommodation. This is calculated on a daily basis and invoiced monthly.

Private Practice Fees

The performance obligations related to private practice fees are based on the delivery of services. These performance obligations have been selected as they align with the terms and conditions agreed with the private provider. Revenue is recognised as these performance obligations are met. Private practice fees include recoupments from the private practice for the use of hospital facilities.

Performance obligations related to commercial activities are based on the delivery of services. These performance obligations have been selected as they align with the terms and conditions per the contract with the provider of the commercial activities.

Commercial activities

Revenue from commercial activities includes items such as provision of meals, property rental and fundraising activities and is recognised on an accruals basis

2.1 (a) Fair value of assets and services received free of charge or for nominal consideration

	2020 \$	2019 \$
Cash donations and gifts	22,161	18,211
Assets received free of charge under State supply arrangements	7,832	-
Total fair value of assets and services received free of charge or for nominal consideration	29,993	18,211

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

In order to meet the State of Victoria's health network supply needs during the COVID-19 pandemic, arrangements were put in place to centralise the purchasing of essential personal protective equipment and essential capital items such as ventilators.

The general principles of the State Supply Arrangement were that Health Purchasing Victoria sourced, secured and agreed terms for the purchase of the products, funded by the department, while Monash Health and the department took delivery and distributed the products to health services as resources provided free of charge.

The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

Voluntary Services: Contributions in the form of services are only recognised when a fair value can be reliably determined, and the services would have been purchased if not donated. Mallee Track Health and Community Service operates with substantial volunteer services and does not consider a reliable fair value can be determined.

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

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular
- Fair value of assets and services received free of charge or for nominal consideration

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

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. Mallee Track Health and Community Service recognises revenue when it transfers control of a good or service to the customer i.e. revenue is recognised when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
- Income from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

2.1 (b) Other income

	2020 \$	2019 \$
Other interest	71,608	124,469
Total other income	71,608	124,469

Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account 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 hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Expenses from Transactions

3.2 Other Economic Flows

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

3.4 Employee benefits in the Balance Sheet

3.5 Superannuation

Note 3.1: Expenses from Transactions

	Total 2020 \$	Total 2019 \$
Salaries and wages	10,431,561	10,052,712
On-costs	1,013,121	923,876
Agency expenses	363,842	724,646
Fee for service medical officer expenses	1,470,505	1,847,305
Workcover premium	125,346	166,217
Total Employee Expenses	13,404,375	13,714,756
Drug supplies	22,328	23,236
Medical and surgical supplies (including Prostheses)	124,863	151,313
Other supplies and consumables	397,281	414,362
Total Supplies and Consumables	544,472	588,911
Finance costs	15,040	19,138
Total Finance Costs	15,040	19,138
Other administrative expenses	1,946,679	1,922,362
Total Other Administrative Expenses	1,946,679	1,922,362
Fuel, light, power and water	363,918	373,090
Repairs and maintenance	272,976	340,948
Maintenance contracts	100,607	129,161
Medical indemnity insurance	29,527	33,962
Expenditure for capital purposes	163,788	50,000
Total Other Operating Expenses	930,816	927,161
Total Operating Expense	16,841,382	17,172,328
Depreciation (refer Note 4.2)	2,569,108	1,744,211
Total Depreciation	2,569,108	1,744,211
Bad and doubtful debt expense	1,396	10,930
Total Other Non-Operating Expenses	1,396	10,930
Total Non-Operating Expense	2,570,504	1,755,141
Total Expenses from Transactions	19,411,886	18,927,469

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

Note 3.1: Expenses from Transactions

Employee Expenses

Employee expenses include:

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

Supplies and consumables

Supplies and 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:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- 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 and Human Services also makes certain payments on behalf of Mallee Track Health and Community 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.

Operating lease payments

Operating lease payments up until 30 June 2019 (including contingent rentals) were recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occur.

Note 3.2: Other economic flows included in net result

Net gain/(loss) on non financial assets

Net gain on disposal of property plant and equipment

Total Net Gain/(Loss) on Non Financial Assets

Net gain/(loss) on financial instruments

Other Gains/(Losses) from Other Economic Flows

Total Net Gain/(Loss) on Financial Instruments

Other gains/(losses) from other economic flows

Net gain/(loss) arising from revaluation of long service liability

Total other Gains/(Losses) from Other Economic Flows

Total Gains/(Losses) From Other Economic Flows

Total 2020 \$	Total 2019 \$
3,615	72,862
3,615	72,862
1,776	-
1,776	-
(20,544)	67,138
(20,544)	67,138
(15,153)	140,000

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

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

Net gain/ (loss) on non-financial assets

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

- Revaluation gains/ (losses) of non-financial physical assets (Refer to Note 4.1 Property plant and equipment.)
- Net gain/ (loss) on disposal of non-financial assets

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

Net gain/ (loss) on financial instruments

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

- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 7.1 Financial Instruments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities.

Other gains/ (losses) from other economic flows

Other gains/ (losses) include:

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

Note 3.3: Analysis of Expenses and Revenue by Internally Managed and Restricted Specific Purpose Funds

Commercial Activities

Property

Total Commercial Activities

TOTAL

Expense		Revenue	
Total 2020 \$	Total 2019 \$	Total 2020 \$	Total 2019 \$
89,020	165,462	172,882	131,589
89,020	165,462	174,894	132,816
89,020	165,462	174,894	132,816

Note 3.4: Employee Benefits in the Balance Sheet

	Total 2020 \$	Total 2019 \$
CURRENT PROVISIONS		
Employee Benefits ⁱ		
<i>Accrued days off</i>		
- unconditional and expected to be settled wholly within 12 months ⁱⁱ	37,165	38,085
<i>Annual leave</i>		
- unconditional and expected to be settled wholly within 12 months ⁱⁱ	934,704	1,008,121
- unconditional and expected to be settled wholly after 12 months ⁱⁱⁱ	-	-
<i>Long service leave</i>		
- unconditional and expected to be settled wholly within 12 months ⁱⁱ	156,120	267,521
- unconditional and expected to be settled wholly after 12 months ⁱⁱⁱ	1,661,089	1,473,069
	2,789,078	2,786,796
Provisions related to Employee Benefit On-Costs		
Unconditional and expected to be settled within 12 months ⁱⁱ	103,861	179,586
Unconditional and expected to be settled after 12 months ⁱⁱⁱ	232,151	201,369
	336,012	380,955
TOTAL CURRENT PROVISIONS	3,125,090	3,167,751
NON-CURRENT PROVISIONS		
Conditional long service leave ⁱⁱⁱ	306,037	323,964
Provisions related to employee benefit on-costs ⁱⁱⁱ	34,100	44,286
TOTAL NON-CURRENT PROVISIONS	340,137	368,250
TOTAL PROVISIONS	3,465,227	3,536,001

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

ⁱⁱ The amounts disclosed are nominal amounts.

ⁱⁱⁱ The amounts disclosed are discounted to present values.

Note 3.4: Employee Benefits in the Balance Sheet (Continued)

(a) Employee Benefits and Related On-Costs

Current Employee Benefits and Related On-Costs

Unconditional long service leave entitlements

Annual leave entitlements

Accrued days off

Total Current Employee Benefits and Related On-Costs

Non-Current Employee Benefits and Related On-Costs

Conditional long service leave entitlements

Total Non-Current Employee Benefits and Related On-Costs

TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS

Total 2020	Total 2019
\$	\$
2,019,692	1,978,529
1,068,233	1,151,137
37,165	38,085
3,125,090	3,167,751
340,137	368,250
340,137	368,250
3,465,227	3,536,001

(b) Movement in On-Costs Provision

Balance at start of year

Additional provisions recognised

Unwinding of discount and effect of changes in the discount rate

Reduction due to transfer out

Balance at end of year

Total 2020	Total 2019
\$	\$
425,241	316,223
94,590	51,096
(20,544)	67,139
(129,175)	(9,217)
370,112	425,241

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 Mallee Track Health and Community 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 Mallee Track Health and Community 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 Mallee Track Health and Community Service expects to wholly settle within 12 months; or
- Present value – if Mallee Track Health and Community Service does not expect to wholly settle within 12 months.

Note 3.4: Employee Benefits in the Balance Sheet (Continued)

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 Mallee Track Health and Community 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 Mallee Track Health and Community Service expects to wholly settle within 12 months; or
- Present value – if Mallee Track Health and Community Service does not expect to wholly settle within 12 months.

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

Termination Benefits

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

On-Costs Related to Employee Benefits

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

Note 3.5: Superannuation

Defined Benefit Plans:ⁱ

First State Super

Defined Contribution Plans:

First State Super

Hesta / Other

Total

Paid Contribution for the Year		Contribution Outstanding at Year End	
Total 2020 \$	Total 2019 \$	Total 2020 \$	Total 2019 \$
54,690	51,004	-	-
644,712	604,428	-	-
307,853	268,444	-	-
1,007,255	923,876	-	-

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

Employees of Mallee Track Health and Community Service are entitled to receive superannuation benefits and it contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

Note 3.5: Superannuation (Continued)

Defined Benefit Superannuation Plans

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Mallee Track Health and Community Service to the superannuation plans in respect of the services of current Mallee Track Health and Community 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.

Mallee Track Health and Community 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 Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of Mallee Track Health and Community Service.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Mallee Track Health and Community 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.

Note 4: Key Assets to support service delivery

Mallee Track Health and Community 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 Mallee Track Health and Community Service to be utilised for delivery of those outputs.

Structure

4.1 Property, plant & equipment

4.2 Depreciation

4.3 Inventories

Note 4.1: Property, plant and equipment

Initial Recognition

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

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

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

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

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

Right-of-use asset acquired by lessees (Under AASB 16 – Leases from 1 July 2019) – Initial measurement

Mallee Track Health and Community Service recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- 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.

Subsequent measurement: Property, plant and equipment (PPE) as well as right-of-use assets under leases and service concession assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard 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) and is summarised on the following page by asset category.

Right-of-use asset – Subsequent measurement

Mallee Track Health and Community Service depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment, other than where the lease term is lower than the otherwise assigned useful life. The right-of-use assets are also subject to revaluation as required by FRD 103H however as at 30 June 2020 right-of-use assets have not been revalued.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Note 4.1: Property, plant and equipment (Continued)

Revaluations of Non-Current Physical Assets

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

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

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

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

Revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with FRD 103H Non-financial physical assets, Mallee Track Health and Community Service's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair value measurement

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

For the purpose of fair value disclosures, Mallee Track Health and Community 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, Mallee Track Health and Community 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 Mallee Track Health and Community Service's independent valuation agency.

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

Valuation hierarchy

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets 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.

Note 4.1: Property, plant and equipment (Continued)

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, Mallee Track Health and Community 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.

Non-Specialised Land, Non-Specialised Buildings

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

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

Specialised Land and Specialised Buildings

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

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

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

Motor Vehicles

Mallee Track Health and Community 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).

Plant and Equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

Note 4.1: Property, Plant and Equipment (Continued)

(a) Gross carrying amount and accumulated depreciation

	Total 2020 \$'000	Total 2019 \$'000
Land - Freehold	452,000	452,000
TOTAL LAND AT FAIR VALUE	452,000	452,000
Buildings at fair value	36,059,439	36,023,000
Less accumulated depreciation	(2,190,942)	-
Sub-totals Buildings at Fair Value	33,868,497	36,023,000
TOTAL BUILDINGS	33,868,497	36,023,000
Plant and equipment at fair value	1,811,417	1,683,936
Less accumulated depreciation	(1,385,884)	(1,313,424)
TOTAL PLANT AND EQUIPMENT	425,533	370,512
Motor vehicles at fair value	1,360,646	1,410,150
Less accumulated depreciation	(1,130,214)	(1,061,545)
TOTAL MOTOR VEHICLES	230,432	348,605
Medical equipment at fair value	1,087,664	1,126,369
Less Accumulated Depreciation	(915,000)	(904,015)
TOTAL MEDICAL EQUIPMENT	172,664	222,355
Computers and communication equipment at fair value	664,362	637,920
Less accumulated depreciation	(364,840)	(452,806)
TOTAL COMPUTERS AND COMMUNICATION EQUIPMENT	299,522	185,114
Furniture and fittings at fair value	692,848	653,755
Less accumulated depreciation	(501,525)	(460,710)
TOTAL FURNITURE AND FITTINGS	191,323	193,045
Right of use vehicles	91,025	-
Less accumulated depreciation	(3,187)	-
TOTAL RIGHT OF USE VEHICLES	87,839	-
BUILDINGS UNDER CONSTRUCTION AT COST	99,715	6,875
TOTAL PROPERTY, PLANT AND EQUIPMENT	35,827,524	37,801,506

Note 4.1: Property, Plant and Equipment (Continued)

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

Total	Note	Land \$	Buildings \$	Plant & equipment \$	Computers & Communications \$	Motor vehicles \$	Medical Equipment \$	Furniture & Fittings \$	Right of use - Motor Vehicle	Total \$
Balance at 1 July 2018		636,500	29,174,269	411,033	141,006	231,877	249,041	164,979	-	31,008,705
Additions		16,000	485,375	58,050	73,172	216,469	31,699	62,813	-	943,578
Disposals		(50,000)	(222,181)	-	-	-	-	-	-	(272,181)
Revaluation increments/(decrements)		(150,500)	8,016,114	-	-	-	-	-	-	7,865,614
Depreciation	4.2	-	(1,423,702)	(73,652)	(53,982)	(99,741)	(58,387)	(34,747)	-	(1,744,211)
Balance at 30 June 2019	4.1 (a)	452,000	36,029,875	395,431	160,196	348,605	222,354	193,045	-	37,801,506
Additions		-	129,278	109,559	219,314	-	5,606	40,343	91,026	595,126
Depreciation	4.2	-	(2,190,942)	(79,457)	(79,988)	(118,173)	(55,296)	(42,065)	(3,187)	(2,569,108)
Balance at 30 June 2020	4.1 (a)	452,000	33,968,211	425,533	299,522	230,432	172,664	191,323	87,839	35,827,524

Land and Buildings and Leased Assets Carried at Valuation

The Valuer-General Victoria undertook to re-value all of Mallee Track Health and Community Services 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.

In compliance with FRD 103H, in the year ended 30 June 2020, Mallee Track Health and Community Service's management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2020.

The fair value of the land and buildings had been adjusted by an independent assessment in 2019. The latest indices did not identify that a further managerial revaluation was required in 2020. The indexed value was then compared to individual assets written down book value as at 30 June 2019 to determine the change in their fair values. The latest indices did not identify that a further revaluation was required in 2020.

In undertaking this assessment, management considered whether the impact of Covid on the fair value of property may not have been reflected in the indices for the financial year and concluded the effect cannot yet be fully understood. In the absence of evidence to undermine the reliability of the indices, management have not altered their estimates of fair value as determined using the indices.

Note 4.1: Property, Plant and Equipment (Continued)

(c) Fair value measurement hierarchy for assets

Balance at 30 June 2020

- Specialised land

Total Land at Fair Value

- Specialised buildings

Total Building at Fair Value

Plant and equipment at fair value

Motor vehicles at fair value

Medical equipment at Fair Value

Computers and communication equipment at fair value

Furniture and fittings at fair value

Right of use vehicles

Total Other Plant and Equipment at Fair Value

Total Property, Plant and Equipment

Note

Fair value measurement at end of reporting period using:				
Total Carrying Amount	Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ	
\$	\$	\$	\$	
452,000	-	-	452,000	
452,000	-	-	452,000	4.1 (a)
33,868,497	-	-	33,868,497	
33,868,497	-	-	33,868,497	4.1 (a)
425,533	-	-	425,533	4.1 (a)
230,432	-	230,432	-	4.1 (a)
172,664	-	-	172,664	4.1 (a)
299,522	-	-	299,522	4.1 (a)
191,323	-	-	191,323	4.1 (a)
87,839	-	87,839	-	4.1 (a)
1,407,313	-	318,270	1,089,042	
35,727,809	-	318,270	35,409,539	

ⁱ Classified in accordance with the fair value hierarchy.

Note 4.1: Property, Plant and Equipment (Continued)

Balance at 30 June 2019

- Specialised land

Total Land at Fair Value

- Specialised buildings

Total Building at Fair Value

Plant and equipment at fair value

Motor vehicles at fair value

Medical equipment at Fair Value

Computers and communication equipment at fair value

Furniture and fittings at fair value

Total other plant and equipment at fair value

Total Property, Plant and Equipment

4.1 (a)

4.1 (a)

4.1 (a)

4.1 (a)

4.1 (a)

4.1 (a)

4.1 (a)

Fair value measurement at end of reporting period using:			
Total Carrying Amount	Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
\$	\$	\$	\$
452,000	-	-	452,000
452,000	-	-	452,000
36,023,000	-	-	36,023,000
36,023,000	-	-	36,023,000
370,512	-	-	370,512
348,605	-	348,605	-
222,355	-	-	222,355
185,114	-	-	185,114
193,045	-	-	193,045
1,319,631	-	348,605	971,026
37,794,631	-	348,605	37,446,026

ⁱ Classified in accordance with the fair value hierarchy.

ii There have been no transfers between levels during the period. In the prior year, there is a transfer between non-specialised land and specialised land to reflect the correct fair value as per the managerial revaluation in 2019.

Note 4.1: Property, Plant and Equipment (Continued)

(d) Reconciliation of Level 3 Fair Value ⁱ

Total

Balance at 1 July 2018

Additions/(Disposals)

Assets provided free of charge

Net Transfers between classes

Gains/(Losses) recognised in net result

- Depreciation and amortisation

- Impairment loss

Items recognised in other comprehensive income

- Revaluation

Balance at 30 June 2019

Additions/(Disposals)

Assets provided free of charge

Net Transfers between classes

Gains/(Losses) recognised in net result

- Depreciation and Amortisation

- Impairment loss

Items recognised in other comprehensive income

- Revaluation

Balance at 30 June 2020

Land	Buildings	Plant & Equipment	Medical Equipment	Furniture & Fittings
\$	\$	\$	\$	\$
636,500	29,174,269	411,033	249,041	164,979
(34,000)	256,319	58,049	31,701	62,813
-	-	-	-	-
-	-	-	-	-
-	(1,423,702)	(73,652)	(58,387)	(34,747)
-	-	-	-	-
(150,500)	8,016,114	-	-	-
452,000	36,023,000	395,430	222,356	193,045
-	36,437	109,560	5,604	40,343
-	-	-	-	-
-	-	-	-	-
-	(2,190,942)	(79,457)	(55,296)	(42,065)
-	-	-	-	-
-	-	-	-	-
452,000	33,868,495	425,533	172,664	191,323

Note 4.1: Property, Plant and Equipment (Continued)

Note 4.1 (e): Property, Plant and Equipment (Fair value determination)

Asset class		Likely valuation approach	Significant inputs (Level 3 only) ^(c)
Specialised land (Crown / Freehold)		Market approach	Community Service Obligations Adjustments ^(a)
Specialised buildings		Depreciated replacement cost approach	- Cost per square metre - Useful life
Dwellings		Market approach	n.a.
		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

a A community Service Obligation (CSO) of 20% was applied to Mallee Track Health and Community Service's services specialised land classified in accordance with the fair value hierarchy.

Note 4.1: Property, Plant and Equipment (Continued)

Note 4.1 (f): Property, Plant and Equipment Revaluation Surplus

Property, Plant and Equipment Revaluation Surplus

Balance at the beginning of the reporting period

Revaluation Increment

- Land
- Buildings

Balance at the end of the Reporting Period*

* Represented by:

- Land
- Buildings

Total Property, Plant and Equipment Revaluation Surplus

Note	Total 2020 \$	Total 2019 \$
	34,047,727	26,182,113
4.1 (b)	-	(150,500)
4.1 (b)	-	8,016,114
	34,047,727	34,047,727
	281,000	281,000
	33,766,727	33,766,727
	34,047,727	34,047,727

Note 4.2: Depreciation

Depreciation

Buildings
Plant and equipment
Motor vehicles
Medical equipment
Computers and communication equipment
Furniture and fittings
- Right of use vehicles

Total Depreciation

Total	Total
2020	2019
\$	\$
2,190,942	1,423,702
79,457	73,652
118,173	99,741
55,296	58,387
79,988	53,982
42,065	34,747
3,187	-
2,569,108	1,744,211

Depreciation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, 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 shorter of the asset's useful life and the lease term. Where Mallee Track Health and Community Service obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

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

	2020	2019
Buildings		
- Structure shell building fabric	25 to 60 years	25 to 60 years
- Site engineering services and central plant	20 to 30 years	20 to 30 years
Central Plant		
- Fit out	7 to 13 years	7 to 13 years
- Trunk reticulated building system	7 to 15 years	7 to 15 years
Plant and equipment	3 to 7 years	3 to 7 years
Medical equipment	7 to 10 years	7 to 10 years
Furniture and fitting	13 years	13 years
Motor vehicles	2 to 10 years	2 to 10 years

Note 4.3: Inventories

Medical and surgical consumables at cost
General stores at cost
Total Inventories

Total 2020 \$	Total 2019 \$
49,484	-
53,306	39,423
102,790	39,423

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.

Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from Mallee Track Health and Community Service's operations

Structure

5.1 Receivables and contract assets

5.2 Payables

5.3 Other liabilities

Note 5.1: Receivables

	Notes	Total 2020 \$	Total 2019 \$
CURRENT			
Contractual			
Trade Debtors		126,095	47,325
Patient / Resident Fees		(4,400)	10,361
Amounts receivable from governments and agencies		58,664	16,023
<i>Allowance for Impairment (Note 5.1(a))</i>			
Patient Fees	7.1 (c)	-	-
Sub-Total Contractual Receivables		180,359	73,709
Statutory			
Accrued Revenue - Department of Health and Human Services		998	1,280
GST Receivable		98,791	97,995
Sub-Total Statutory Receivables		99,788	99,275
TOTAL CURRENT RECEIVABLES		280,148	172,984
Statutory			
Long service leave - Department of Health and Human Services		641,837	662,662
Sub-Total Statutory Receivables		641,837	662,662
TOTAL NON-CURRENT RECEIVABLES		641,837	662,662
TOTAL RECEIVABLES		921,985	835,646

Note 5.1: Receivables (Continued)

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

	Total 2020 \$	Total 2019 \$
Balance at beginning of year	-	23,998
Amounts written off during the year	1,396	10,930
Increase / (Decrease) in allowance recognised in the net result	(1,396)	(34,928)
Balance at end of year	-	-

Increase / (Decrease) in allowance recognised in the net result	-	(23,998)
---	---	----------

Contractual 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. Mallee Track Health and Community Service holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables 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. Mallee Track Health and Community 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*.

Mallee Track Health and Community 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.

Note 5.2: Payables

		Total 2020 \$	Total 2019 \$
CURRENT	Notes		
Contractual			
Trade creditors		246,906	319,819
Accrued salaries and wages		496,513	432,827
Accrued expenses		367,534	51,063
Deferred grant revenue	5.2(a)	43,083	-
Contract Liabilities - income received in advance	5.2(b)	50,147	3,000
		1,204,183	806,709
Statutory			
Department of Health and Human Services		-	-
		-	-
TOTAL CURRENT PAYABLES		1,204,183	806,709
TOTAL PAYABLES		1,204,183	806,709

Payables consist of:

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

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

As part of the stimulus measures relating COVID-19 the Victorian Government and agencies pay all supplier invoices within 5 business days.

Note 5.2 (a) Deferred grant revenue

	2020 \$
Grant consideration for capital works recognised that was included in the deferred grant liability balance (adjusted for AASB 1058) at the beginning of the year	-
Grant consideration for capital works received during the year	69,500
Grant revenue for capital works recognised consistent with the capital works undertaken during the year	(26,417)
Closing balance of deferred grant consideration received for capital works	43,083

Grant consideration was received for major infrastructure works. Grant revenue is recognised progressively as the asset is constructed, since this is the time when Mallee Track Health and Community Service satisfies its obligations under the transfer by controlling the asset as and when it is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done. (see note 2.1) As a result, Mallee Track Health and Community 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

	2020 \$
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	3,000
Add: Payments received for performance obligations yet to be completed during the period	18,587
Add: Grant consideration for sufficiently specific performance obligations received during the year	28,560
Less: Revenue recognised in the reporting period for the completion of a performance obligation	-
Less: Grant revenue for sufficiently specific performance obligations works recognised consistent with the performance obligations met during the year	-
Total contract liabilities	50,147
Represented by	
Current contract liabilities	50,147

Contract liabilities include consideration received in advance from customers in respect of specified targets and outcomes. Invoices are raised once the goods and services are delivered/provided.

Maturity analysis of payables

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

Note 5.3: Other liabilities

CURRENT

Monies held in trust*: Patient monies held in trust

Monies held in trust*: Refundable accommodation deposits

Total Current

Total Other Liabilities

Total 2020 \$	Total 2019 \$
26,563	11,916
4,974,173	5,469,739
5,000,736	5,481,655
5,000,736	5,481,655

* Total Monies Held in Trust Represented by the Following Assets:

Cash assets

TOTAL

5,000,736	5,481,655
5,000,736	5,481,655

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

RADs / accommodation bonds are non-interest-bearing deposits made by some aged care residents to the 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 Mallee Track Health and Community Service during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Mallee Track Health and Community 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

Note 6.1: Borrowings

CURRENT

Lease liability ⁽ⁱ⁾

Total Current Borrowings

NON CURRENT

Lease liability ⁽ⁱ⁾

Borrowings DHHS

Total Non Current Borrowings

Total Borrowings

Total 2020 \$	Total 2019 \$
15,101	-
15,101	-
72,878	-
164,909	-
237,787	-
252,888	-

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

(ii) These are unsecured loans which bear no interest.

(a) Maturity Analysis of Borrowings

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

(b) Defaults and Breaches

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

(c) Lease Liabilities

Repayments in relation to leases are payable as follows:

	Minimum future lease payments		Present value of minimum future lease payments	
	2020 \$	2019 \$	2020 \$	2019 \$
Not later than one year	17,736	-	14,836	-
Later than 1 year and not later than 5 years	76,324	-	73,142	-
Later than 5 years	-	-	-	-
Minimum lease payments	94,060	-	87,978	-
Less future finance charges	(6,082)	-	-	-
TOTAL	87,978	-	87,978	-
Included in the financial statements as:				
Current borrowings - lease liability	15,101		14,836	-
Non-current borrowings - lease liability	72,878		73,142	-
TOTAL	87,979	-	87,978	-

The weighted average interest rate implicit in the finance lease is 3.25% (2019: N/A).

Note 6.1: Borrowings (Continued)

Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months.

Mallee Track Health and Community Service's leasing activities

Mallee Track Health and Community Service has entered into lease related to motor vehicles.

For any new contracts entered into on or after 1 July 2019, Mallee Track Health and Community Service considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Mallee Track Health and Community Service assesses whether the contract meets three key evaluations which are whether:

- 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 Mallee Track Health and Community Service and for which the supplier does not have substantive substitution rights;
- Mallee Track Health and Community 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 Mallee Track Health and Community Service has the right to direct the use of the identified asset throughout the period of use; and
- Mallee Track Health and Community Service has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

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.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease Liability – 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 Mallee Track Health and Community Services incremental borrowing rate.

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.

Lease Liability – 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.

Short-term leases and leases of low value assets

Mallee Track Health and Community Service has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Below market/Peppercorn lease

Mallee Track Health and Community Service has no material below market/peppercorn leases.

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable Mallee Track Health and Community Service to further its objectives, are initially and subsequently measured at cost.

These right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Presentation of right-of-use assets and lease liabilities

Mallee Track Health and Community 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. Lease liabilities are presented as 'borrowings' in the balance sheet.

Note 6.1: Borrowings (Continued)

Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Mallee Track Health and Community Service determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where Mallee Track Health and Community Service as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in Mallee Track Health and Community Services balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

The impact of initialising applying AASB15 Revenue from Contracts with Customers and AASB 1058 Income of not-for-profit entities to Mallee Track Health and Community Service's grant revenue is described in Note 8.9. Under application of the modified retrospective transition method chosen in applying AASB 15 and AASB 1058 for the first time, comparative information has not been restated to reflect the new requirements. The adoption of AASB and AASB 1058 (did/did not) have an impact on Other Comprehensive Income and the Statement of Cash flows for the financial year.

Operating lease payments up until 30 June 2019 (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occur.

Other leasing arrangements in 2019: The other leases relate to equipment with lease terms of varying years. Mallee Track Health and Community Service has options to purchase the equipment at the conclusion of the lease agreements. Some leases provide for additional rent payments based on changes in a local price index.

Entity as lessee

Leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease plus five years. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the Comprehensive Operating Statement. Contingent rentals associated with leases are recognised as an expense in the period in which they are incurred.

Borrowings

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

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

Note 6.2: Cash and Cash Equivalents

	Total 2020 \$	Total 2019 \$
Cash on hand (excluding monies held in trust)	820	701
Cash at Bank (excluding monies held in trust)	1,451,991	627,101
Cash at Bank (monies held in trust)	5,000,736	5,481,655
Cash at Bank - CBS (excluding monies held in trust)	999,965	1,415,295
TOTAL CASH AND CASH EQUIVALENTS	7,453,512	7,524,750

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

Capital Expenditure Commitments

Less than 1 year

Total Capital Expenditure Commitments

Non-cancellable Short Term and low value lease commitments

Less than 1 year

Longer than 1 year but not longer than 5 years

Total Non-cancellable Lease Commitments

Total Commitments for Expenditure (inclusive of GST)

Less GST recoverable from the Australian Tax Office

TOTAL COMMITMENTS FOR EXPENDITURE (exclusive of GST)

	2020 \$	2019 \$
	61,989	-
	61,989	-
	56,865	56,865
	113,729	170,594
	170,594	227,459
	232,583	227,459
	(15,509)	(20,678)
	217,074	206,781

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

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.

Note 7: Risks, contingencies and valuation uncertainties

Mallee Track Health and Community 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 Contingent Assets and Contingent Liabilities

Note 7.1 (a): 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 Mallee Track Health and Community Service's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation

(a) Categorisation of financial instruments

Total 2020	Note	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Contractual Financial Assets				
Cash and Cash Equivalents	6.2	7,453,512	-	7,453,512
Receivables - Trade Debtors	5.1	121,695	-	121,695
Other Receivables	5.1	58,664	-	58,664
Total Financial Assetsⁱ		7,633,871	-	7,633,871
Financial Liabilities				
Payables	5.2	-	1,204,183	1,204,183
Borrowings	6.1	-	252,888	252,888
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	4,974,173	4,974,173
Other Financial Liabilities - Patient monies held in trust	5.3	-	26,563	26,563
Total Financial Liabilitiesⁱ		-	6,457,807	6,457,807

Note 7.1 (a): Financial Instruments (Continued)

(a) Categorisation of financial instruments

Total 2019	Note	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Contractual Financial Assets				
Cash and Cash Equivalents	6.2	7,524,750	-	7,524,750
Receivables - Trade Debtors	5.1	47,325	-	47,325
Other Receivables	5.1	26,384	-	26,384
Total Financial Assetsⁱ		7,598,459	-	7,598,459
Financial Liabilities				
Payables	5.2	-	806,709	806,709
Borrowings	6.1	-	-	-
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	5,469,739	5,469,739
Other Financial Liabilities - Patient monies held in trust	5.3	-	11,916	11,916
Total Financial Liabilitiesⁱ		-	6,288,364	6,288,364

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

Financial assets at amortised cost

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

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

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

Mallee Track Health and Community Service recognises the following assets in this category:

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

Note 7.1 (a): Financial Instruments (Continued)

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows unless the changes in fair value relate to changes in the Mallee Track Health and Community Service's own credit risk. In this case, the portion of the change attributable to changes in Mallee Track Health and Community Service's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised. Mallee Track Health and Community Service recognises some debt securities that are held for trading in this category and designated certain debt securities as fair value through net result in this category.

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

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

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

- the rights to receive cash flows from the asset have expired; or
- Mallee Track Health and Community 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
- Mallee Track Health and Community 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 Mallee Track Health and Community Service has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Mallee Track Health and Community 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: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when Mallee Track Health and Community Service's business model for managing its financial assets has changes such that its previous model would no longer apply.

Note 7.1 (b): Payables and Borrowings Maturity Analysis

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

Maturity analysis of Financial Liabilities as at 30 June

	Note	Carrying Amount	Nominal Amount	Maturity Dates				
				Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	Over 5 years
		\$	\$	\$	\$	\$	\$	\$
2020								
Financial Liabilities at amortised cost								
Payables	5.2	1,204,183	1,204,183	1,204,183	-	-	-	-
Borrowings	6.1	252,888	252,888	-	-	15,101	237,787	-
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	4,974,173	4,974,173	-	-	1,496,509	3,477,664	-
Other Financial Liabilities - Patient monies held in trust	5.3	26,563	26,563	-	-	26,563	-	-
Total Financial Liabilities		6,457,807	6,457,807	1,204,183	-	1,538,173	3,715,451	-
2019								
Financial Liabilities at amortised cost								
Payables	5.2	806,709	806,709	806,709	-	-	-	-
Borrowings	6.1	-	-	-	-	-	-	-
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	5,469,739	5,469,739	-	-	1,669,717	3,800,022	-
Other Financial Liabilities - Patient monies held in trust	5.3	11,916	11,916	-	-	11,916	-	-
Total Financial Liabilities		6,288,364	6,288,364	806,709	-	1,681,633	3,800,022	-

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

Note 7.1 (c)

Contractual receivables at amortised cost

	1-Jul-19	Note		Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
Expected loss rate				0.0%	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$s)	5.1	73,709		66,429	3,802	3,478	-	-	73,709
Loss allowance				-	-	-	-	-	-

	30-Jun-20			Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
Expected loss rate				0.0%	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables	5.1	180,359		170,021	6,284	2,137	1,917	-	180,359
Loss allowance				-	-	-	-	-	-

Impairment of financial assets under AASB 9 *Financial Instruments*

Mallee Track Health and Community Service records the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9 *Financial Instruments* 'Expected Credit Loss' approach. Subject to AASB 9 *Financial Instruments*, impairment assessment includes the Mallee Track Health and Community Service's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9 *Financial Instruments*. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9 *Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, any identified impairment loss would be immaterial.

Contractual receivables at amortised cost

The Mallee Track Health and Community Service applies AASB 9 *Financial Instruments* 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. The Mallee Track Health and Community Service has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on Mallee Track Health and Community Service's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, the Mallee Track Health and Community Service determines the opening loss allowance and the closing loss allowance at end of the financial year as disclosed above.

Note 7.1 (c)

Contractual receivables at amortised cost (Continued)

Reconciliation of the movement in the loss allowance for contractual receivables

	Note	2020	2019
Balance at beginning of the year (\$)		-	23,998
Opening retained earnings adjustment on adoption of AASB 9		-	-
Opening Loss Allowance	5.1	-	23,998
Increase in provision recognised in the net result		(1,396)	(34,928)
Reversal of provision of receivables written off during the year as uncollectible		1,396	10,930
Balance at end of the year	5.1	-	-

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

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Note 7.2: Contingent assets and contingent liabilities

Mallee Track Health and Community Service had no contingent assets or liabilities as at 30 June 2020. (2019 \$Nil)

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 Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of Auditors
- 8.6 Events Occurring after the Balance Sheet Date
- 8.7 Jointly Controlled Operations
- 8.8 Economic Dependency
- 8.9 Changes in accounting policy, revision and corrections of prior period errors
- 8.10 AASBs Issued that are not yet Effective

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

	Note	Total 2020 \$	Total 2019 \$
Net Result for the Year	OS	(1,982,013)	(2,260,272)
Non-Cash Movements:			
Depreciation	4.2	2,569,108	1,744,211
Provision for Doubtful Debts	5.1 (a)	-	(23,998)
Discount (interest) / expense on loan		(1,776)	-
Revaluation of Long Service Leave		(20,544)	67,138
Movements included in Investing and Financing Activities:			
Net (Gain)/Loss from Disposal of Non-Financial Physical Assets		(3,615)	(72,862)
Less cash inflow/outflow from investing and financing activities		-	-
Movements in Assets and Liabilities:			
<i>Change in Operating Assets and Liabilities</i>			
(Increase)/Decrease in Receivables	5.1	(86,340)	59,038
(Increase)/Decrease in Prepayments		(12,170)	(28,419)
Increase/(Decrease) in Payables	5.2	397,474	85,996
Increase/(Decrease) in Other Liabilities		14,648	(14,489)
(Increase)/Decrease in Inventories		(63,367)	11,854
(Increase)/Decrease in Employee Benefits		(50,230)	450,090
NET CASH INFLOW FROM OPERATING ACTIVITIES		761,175	18,287

Note 8.2: Responsible Persons

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

Responsible Ministers:

The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers

Period
01/07/2019 - 30/06/2020
01/07/2019 - 30/06/2020

Governing Boards

Mark Wilson
Joy Lynch
Terry Elliott
Meredith Rowney
Lara Wakefield
Jenna Yetman
Darren Law
Mary Rydberg

01/07/2019 - 30/06/2020
01/07/2019 - 30/06/2020
01/07/2019 - 30/06/2020
01/07/2019 - 30/06/2020
01/07/2019 - 12/12/2019
01/07/2019 - 07/05/2020
26/11/2019 - 30/06/2020
26/11/2019 - 30/06/2020

Accountable Officers

Lois O'Callaghan (Chief Executive Officer)

01/07/2019 - 30/06/2020

Remuneration of Responsible Persons

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

Income Band

\$0 - \$9,999
\$160,000 - \$169,000
\$170,000 - \$179,000

Total Numbers

Total 2020 No.	Total 2019 No.
8	9
-	1
1	-
9	10

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

2020 \$	2019 \$
\$199,255	\$183,920

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in Mallee Track Health and Community Service's financial statements.

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

Note 8.3: Remuneration of Executives

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

Remuneration of Executive Officers (including Key Management Personnel Disclosed in Note 8.4)

Short-term Benefits
Post-employment Benefits
Other Long-term Benefits
Total Remunerationⁱ

Total Number of Executives

Total Annualised Employee Equivalentⁱⁱ

Total Remuneration	
2020 \$	2019 \$
379,567	240,846
34,918	22,438
9,307	5,808
423,792	269,092
3	2
3.0	2.0

ⁱ The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Mallee Track Health and Community Service under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

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

Total remuneration payable to executives during the year included additional executive officers and a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

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 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

Mallee Track Health and Community Service is a wholly owned and controlled entity of the State of Victoria. Related parties of Mallee Track Health and Community Service include:

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members;
- Jointly Controlled Operation - A member of Loddon Mallee Rural Health Alliance (LMRHA) regional Information Technology Joint Venture;
- All hospitals 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 Mallee Track Health and Community Service, directly or indirectly.

The Board of Directors and Chief Executive Officer of Mallee Track Health and Community Service are deemed to be KMPs.

Entity	KMPs	Position Title
Mallee Track Health and Community Service	Mark Wilson	Board Member
Mallee Track Health and Community Service	Lara Wakefield	Board Member
Mallee Track Health and Community Service	Joy Lynch	Board Member
Mallee Track Health and Community Service	Terry Elliott	Board Member
Mallee Track Health and Community Service	Meredith Rowney	Board Member
Mallee Track Health and Community Service	Jenna Yetman	Board Member
Mallee Track Health and Community Service	Darren Law	Board Member
Mallee Track Health and Community Service	Mary Rydberg	Board Member
Mallee Track Health and Community Service	Lois O'Callaghan	Chief Executive Officer

Note 8.4: Related Parties (Continued)

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

	Total 2020 \$	Total 2019 \$
Compensation - KMPs		
Short-term Employee Benefits ⁱ	180,560	166,280
Post-employment Benefits	14,771	14,028
Other Long-term Benefits	3,924	3,612
Termination Benefits	-	-
Total ⁱⁱ	199,255	183,920

ⁱ KMPs are also reported in Note 8.2 Responsible Persons.

Significant Transactions with Government Related Entities

Mallee Track Health and Community Service received funding from the Department of Health and Human Services of \$6,696,154 (2019: \$6,653,101) and indirect contributions of (\$2,774) (2019: \$111,535). Other State Government grants includes \$684,750 (2019: \$692,933) from Dental Health Services Victoria and \$729,986 (2019: \$643,131) from the Department of Education and Training.

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

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

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

Mallee Track Health and Community Service at balance date held borrowings from the Department of Health and Human Services to the amount of \$164,909 (refer note 6.1) for the purpose of a solar array. There is no interest payable on the borrowings with the repayment terms being five annual instalments beginning in June 2022.

Transactions with KMPs and Other Related Parties

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

Outside of normal citizen type transactions with Mallee Track Health and Community Service, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2020.

Mr Mark Wilson, a member of the Board of Management has an ownership interest in Greggs Laser Electrical Ouyen - Electrical Contractors. The Health Service purchased goods and services to the value of \$61,247 (2019: \$64,792) on normal commercial terms and conditions.

Mrs Janine Wilson, the wife of Mr Mark Wilson who is a member of the Board of Management provided consultancy services to the value of \$6,446 on normal commercial terms and conditions in 2019.

Note 8.5: Remuneration of Auditors

	Total 2020 \$	Total 2019 \$
Victorian Auditor-General's Office		
Audit of the Financial Statements	18,000	17,500
TOTAL REMUNERATION OF AUDITORS	18,000	17,500

Note 8.6: Events Occurring after the Balance Sheet Date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Mallee Track Health and Community Service and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the Mallee Track Health and Community Service at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Mallee Track Health and Community Service, its operations, its future results and financial position. The state of emergency in Victoria was extended on 11 October 2020 until 8 November 2020 and the state of disaster still in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Mallee Track Health and Community Service, the results of the operations or the state of affairs of the Mallee Track Health and Community Service in the future financial years.

Note 8.7: Jointly Controlled Operations

Name of Entity	Principal Activity	Ownership Interest	
		2020 %	2019 %
Loddon Mallee Rural Health Alliance	Information Technology Services	4.46	4.46

Mallee Track Health and Community Service interest in the above jointly controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2020 \$	2019 \$
CURRENT ASSETS		
Cash and Cash Equivalents	290,191	217,084
Receivables	19,768	25,307
Inventory	49,484	-
Prepayments	57,648	55,149
TOTAL CURRENT ASSETS	417,091	297,540
NON-CURRENT ASSETS		
Property, Plant and Equipment	39,186	24,917
TOTAL NON-CURRENT ASSETS	39,186	24,917
TOTAL ASSETS	456,277	322,457
CURRENT LIABILITIES		
Payables	169,466	6,441
Accrued Expenses	24,621	62,066
Income in Advance	17,907	-
TOTAL CURRENT LIABILITIES	211,994	68,507
TOTAL LIABILITIES	211,994	68,507
NET ASSETS	244,283	253,950
EQUITY		
Accumulated Surpluses	244,283	253,950
TOTAL EQUITY	244,283	253,950

Note 8.7: Jointly Controlled Operations (Continued)

Mallee Track Health and Community Service interest in revenues and expenses resulting from jointly controlled operations are detailed below:

	2020 \$	2019 \$
REVENUE		
Revenue from Operating Activities	454,637	344,975
Non Operating Activities	26,325	9,073
TOTAL REVENUE	480,962	354,048
EXPENSES		
Operating Expenses	486,132	341,807
Depreciation	4,497	5,094
Expenditure Using Capital Purpose Income	-	99
TOTAL EXPENSES	490,629	347,000
NET RESULT	(9,667)	7,048

* Figures obtained from the unaudited Loddon Mallee Rural Health Alliance Joint Venture annual report.

Contingent Liabilities and Capital Commitments

There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date.

Note 8.8: Economic Dependency

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

Note 8.9: Changes in accounting policy, revision of estimates and corrections of prior period errors

Changes in accounting policy

Leases

This note explains the impact of the adoption of AASB 16 Leases on Mallee Track Health and Community Service's financial statements.

Mallee Track Health and Community Service has applied AASB 16 with a date of initial application of 1 July 2019. Mallee Track Health and Community Service has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, Mallee Track Health and Community Service determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 – 'Determining whether an arrangement contains a Lease'. Under AASB 16, Mallee Track Health and Community Service assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.1.

On transition to AASB 16, Mallee Track Health and Community Service has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, Mallee Track Health and Community Service previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Mallee Track Health and Community Service. Under AASB 16, Mallee Track Health and Community Service recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

On adoption of AASB 16, Mallee Track Health and Community Service recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Mallee Track Health and Community Service's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Note 8.9: Changes in accounting policy, revision of estimates and corrections of prior period errors (Continued)

Leases classified as operating leases under AASB 117 (Continued)

Mallee Track Health and Community Service has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Leases as a Lessor

Mallee Track Health and Community Service is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. Mallee Track Health and Community Service accounted for its leases in accordance with AASB 16 from the date of initial application.

Revenue from Contracts with Customers

In accordance with FRD 121 requirements, the Mallee Track Health and Community Service has applied the transitional provision of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Mallee Track Health and Community Service applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. Mallee Track Health and Community Service has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

Comparative information has not been restated.

Note 2.1.1 – Sales of goods and services includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions.

Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, Mallee Track Health and Community Service has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Mallee Track Health and Community Service applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

Note 2.1.2 – Grants includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

Impacts on financial statements

There was no impact from changes in accounting policy relating to leases and recognition of revenue for Mallee Track Health and Community Service.

Note 8.10: AASBs Issued that are not yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2020 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Mallee Track Health and Community Service of their applicability and early adoption where applicable.

As at 30 June 2020, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Mallee Track Health and Community Service has not and does not intend to adopt these standards early.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the public sector.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the public sector.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*.
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.



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