

Riverland Mallee Coorong  
Local Health Network Incorporated

Financial report  
for the year ended  
30 June 2020



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## To the Board Chair Riverland Mallee Coorong Local Health Network Incorporated

### Opinion

I have audited the financial report of Riverland Mallee Coorong Local Health Network Incorporated and the consolidated entity comprising the Riverland Mallee Coorong Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Riverland Mallee Coorong Local Health Network Incorporated and its controlled entities as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Board Chair, the Chief Executive Officer and the Chief Finance Officer.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Riverland Mallee Coorong Local Health Network Incorporated and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

### **Responsibilities of the Chief Executive Officer and the Board for the financial report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Board is responsible for overseeing the entity's financial reporting process.

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Riverland Mallee Coorong Local Health Network Incorporated and its controlled entities for the financial year ended 30 June 2020.

My objectives 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 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.

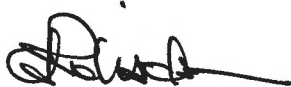
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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 Riverland Mallee Coorong Local Health Network Incorporated's and its controlled entities' internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer

- 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer about, 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 the audit.



Andrew Richardson

**Auditor-General**

23 September 2020

## Certification of the financial statements

We certify that the:

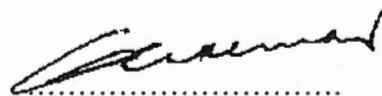
- financial statements of the Riverland Mallee Coorong Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer’s instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Riverland Mallee Coorong Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....  
Dr. Peter Joyner  
Board Chair



.....  
Wayne Champion  
Chief Executive Officer



.....  
Craig Lukeman  
Chief Finance Officer

Date .....14.9.2020.....

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000
<b>Income</b>			
Revenues from SA Government	11	122,690	122,690
Fees and charges	6	15,474	15,474
Grants and contributions	7	36,231	37,528
Interest		409	321
Resources received free of charge	8	1,961	1,697
Other revenues/income	10	463	250
<b>Total income</b>		<b>177,228</b>	<b>177,960</b>
<b>Expenses</b>			
Staff benefits expenses	2	102,241	102,241
Supplies and services	3	62,196	62,193
Depreciation and amortisation	16,17	7,822	1,479
Borrowing costs	4	41	41
Net loss from disposal of non-current and other assets	9	678	-
Impairment loss on receivables	13	61	61
Other expenses	5	376	6,683
<b>Total expenses</b>		<b>173,415</b>	<b>172,698</b>
<b>Net result</b>		<b>3,813</b>	<b>5,262</b>
<b>Other Comprehensive Income</b>			
<b>Items that will be reclassified subsequently to net result when specific conditions are met</b>			
Gains or losses recognised directly in equity		15	-
<b>Total other comprehensive income</b>		<b>15</b>	<b>-</b>
<b>Total comprehensive result</b>		<b>3,828</b>	<b>5,262</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 30 June 2020**

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	12	8,281	5,629
Receivables	13	3,854	4,033
Other financial assets	14	20,736	18,569
Inventories	15	861	861
<b>Total current assets</b>		<b>33,732</b>	<b>29,092</b>
<b>Non-current assets</b>			
Receivables	13	560	560
Other financial assets	14	142	-
Property, plant and equipment	16,17	160,454	18,700
<b>Total non-current assets</b>		<b>161,156</b>	<b>19,260</b>
<b>Total assets</b>		<b>194,888</b>	<b>48,352</b>
<b>Current liabilities</b>			
Payables	19	5,580	5,580
Financial liabilities	20	604	604
Staff benefits	21	13,695	13,695
Provisions	22	985	985
Contract liabilities and other liabilities	23	25,918	25,918
<b>Total current liabilities</b>		<b>46,782</b>	<b>46,782</b>
<b>Non-current liabilities</b>			
Payables	19	661	661
Financial liabilities	20	1,201	1,201
Staff benefits	21	17,184	17,184
Provisions	22	1,312	1,312
<b>Total non-current liabilities</b>		<b>20,358</b>	<b>20,358</b>
<b>Total liabilities</b>		<b>67,140</b>	<b>67,140</b>
<b>Net assets</b>		<b>127,748</b>	<b>(18,788)</b>
<b>Equity</b>			
Retained earnings		84,374	(18,788)
Asset revaluation surplus		43,359	-
Other reserves		15	-
<b>Total equity</b>		<b>127,748</b>	<b>(18,788)</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2020**

**CONSOLIDATED**

	Note	Asset revaluation surplus \$ '000	Other reserves \$'000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2019</b>		-	-	-	-
Net assets received from an administrative restructure	1.6	-	-	(24,050)	(24,050)
Net assets received on first time consolidation		44,127	-	103,843	147,970
<b>Adjusted balance at 1 July 2019</b>		<b>44,127</b>	<b>-</b>	<b>79,793</b>	<b>123,920</b>
<b>Net result for 2019-20</b>		-	-	<b>3,813</b>	<b>3,813</b>
Gain/(loss) on revaluation of other financial assets		-	15	-	15
<b>Total comprehensive result for 2019-20</b>		-	<b>15</b>	<b>3,813</b>	<b>3,828</b>
Transfer between equity components		(768)	-	768	-
<b>Balance at 30 June 2020</b>		<b>43,359</b>	<b>15</b>	<b>84,374</b>	<b>127,748</b>

**PARENT**

	Note	Asset revaluation surplus \$ '000	Other reserves \$'000	Retained earnings \$ '000	Total equity \$ '000
<b>Balance at 30 June 2019</b>		-	-	-	-
Net assets received from an administrative restructure	1.6	-	-	(24,050)	(24,050)
<b>Adjusted balance at 1 July 2019</b>		-	-	<b>(24,050)</b>	<b>(24,050)</b>
<b>Net result for 2019-20</b>		-	-	<b>5,262</b>	<b>5,262</b>
<b>Total comprehensive result for 2019-20</b>		-	-	<b>5,262</b>	<b>5,262</b>
<b>Balance at 30 June 2020</b>		-	-	<b>(18,788)</b>	<b>(18,788)</b>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.



**RIVERLAND AND MALLEE COORONG LOCAL HEALTH NETWORK**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2020**

	Consolidated	Parent
	Note	2020
		2020
		\$'000
<b>Cash flows from operating activities</b>		
<b>Cash inflows</b>		
Fees and charges		14,198
Grants and contributions		37,328
Interest received		437
Residential aged care bonds received		7,412
GST recovered from ATO		3,217
Other receipts		477
Receipts from SA Government		110,609
<b>Cash generated from operations</b>		<u>173,678</u>
<b>Cash outflows</b>		
Staff benefits payments		(99,535)
Payments for supplies and services		(62,355)
Interest paid		(41)
Residential aged care bonds refunded		(4,893)
Other payments		(407)
<b>Cash used in operations</b>		<u>(167,231)</u>
<b>Net cash provided by operating activities</b>		<u>6,447</u>
<b>Cash flows from investing activities</b>		
<b>Cash inflows</b>		
Proceeds from sale of property, plant and equipment		118
Proceeds from maturities of investments		183
<b>Cash generated from investing activities</b>		<u>301</u>
<b>Cash outflows</b>		
Purchase of property, plant and equipment		(2,371)
Purchase of investments		(1,623)
<b>Cash used in investing activities</b>		<u>(3,994)</u>
<b>Net cash used in investing activities</b>		<u>(3,693)</u>
<b>Cash flows from financing activities</b>		
<b>Cash inflows</b>		
Cash received from restructuring activities		6,254
<b>Cash generated from financing activities</b>		<u>6,254</u>
<b>Cash outflows</b>		
Repayment of borrowings		(96)
Repayment of lease liability		(631)
<b>Cash used in financing activities</b>		<u>(727)</u>
<b>Net cash provided by financing activities</b>		<u>5,527</u>
<b>Net increase in cash and cash equivalents</b>		<u>8,281</u>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	12	<u>8,281</u>
Non-cash transactions	24	

The accompanying notes form part of these financial statements.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

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## **1. About Riverland Mallee Coorong Local Health Network**

Riverland Mallee Coorong Local Health Network Incorporated (the Hospital) is a not-for-profit incorporated hospital established under the *Health Care (Local Health Networks) Proclamation 2019* which was an amendment to the *Health Care Act 2008* (the Act). The Hospital commenced service delivery on 1 July 2019 following the dissolution of Country Health SA Local Health Network (CHSALHN). Relevant assets, rights and liabilities were transferred from CHSALHN to the Hospital.

### *Parent Entity*

The Parent entity consists of the following:

- Barmera Hospital
- Barmera Hawdon House Aged Care
- Barmera Bonney Lodge Aged Care
- Karoonda and Districts Soldier's Memorial Hospital
- Lameroo District Health Service
- Loxton Hospital
- Loxton Nursing Home
- Loxton Hostel
- Mannum District Hospital
- Mannum Aged Care
- Meningie and Districts Memorial Hospital and Health Services
- Murray Bridge Soldiers' Memorial Hospital
- Murray Mallee Community Health Service
  - Coonalpyn
  - Murray Bridge
  - Karoonda
  - Lameroo
  - Mannum
  - Meningie
  - Pinnaroo
  - Tailem Bend
  - Tintinara
- Pinnaroo Soldiers' Memorial Hospital
- Renmark Paringa District Hospital
- Renmark Paringa Nursing Home
- Renmark Paringa Hostel
- Riverland General Hospital located in Berri
- Riverland Community Health Service
  - Berri
  - Barmera
  - Loxton
  - Renmark
- Tailem Bend District Hospital
- Waikerie Health Service

### *Consolidated Entity*

The Consolidated entity includes the Parent entity, the Incorporated Health Advisory Councils (HACs) and the Incorporated HAC Gift Fund Trusts as listed in note 32.

The HACs were established under the Act to provide a more coordinated, strategic and integrated health care system to meet the health needs of South Australians. HACs are consultative bodies that advise and make recommendations to the Chief Executive of the Department for Health and Wellbeing (Department) and the Chief Executive Officer of the Hospital on issues related to specific groups or regions. HACs hold assets, manage bequests and provide advice on local health service needs and priorities.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

The consolidated financial statements have been prepared in accordance with AASB 10 *Consolidated Financial Statements*. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Information on the consolidated entity's interests in other entities is at note 32.

*Administered items*

The Hospital has administered activities and resources. Transactions and balances relating to administered resources are presented separately and disclosed in note 33. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting principles as for the Hospital's transactions.

**1.1 Objectives and activities**

The Hospital is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention, early intervention and achieving equitable health outcomes for the Riverland Mallee Coorong region.

The Hospital is part of the SA Health portfolio providing health services for the Riverland Mallee Coorong region. The Hospital is structured to contribute to the outcomes for which the portfolio is responsible by providing health and related services across the Riverland Mallee Coorong region.

The Hospital is governed by a Board which is responsible for providing strategic oversight and monitoring the Hospital's financial and operational performance. The Board must comply with any direction of the Minister for Health and Wellbeing (Minister) or Chief Executive of the Department.

The Chief Executive Officer is responsible for managing the operations and affairs of the Hospital and is accountable to, and subject to the direction of, the Board in undertaking that function.

**1.2 Basis of preparation**

These financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

The financial statements have been prepared based on a 12 month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000). Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out below or throughout the notes.

**1.3 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

**1.4 Continuity of operations**

As at 30 June 2020, the Hospital had working capital deficiency of \$13.050 million. The SA Government is committed to continuing the delivery of hospital services to country and regional SA and accordingly it has demonstrated a commitment to the ongoing funding of these hospitals.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

**1.5 Equity**

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

**1.6 Changes to reporting entity**

CHSALHN was dissolved on 1 July 2019. Six new entities were established to provide hospital, health and aged care services to country and regional SA. As per the *Health Care (Local Health Networks) Proclamation 2019* contained in the South Australian Government Gazette No 30, dated 27<sup>th</sup> June 2019, assets, rights and liabilities were transferred from CHSALHN to the relevant entity, effective 1 July 2019. This resulted in the transfer of 1,757 employees, and net assets of \$123.920 million to the Hospital as detailed below.

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets:</b>		
Cash	6,254	2,948
Receivables	2,899	2,869
Property, plant and equipment	151,460	9,139
Other assets	20,218	17,905
<b>Total assets</b>	<b>180,831</b>	<b>32,861</b>
<b>Liabilities:</b>		
Payables	4,189	4,189
Staff benefits	28,927	28,927
Provisions	1,910	1,910
Other liabilities	21,885	21,885
<b>Total liabilities</b>	<b>56,911</b>	<b>56,911</b>
<b>Total net assets transferred in</b>	<b>123,920</b>	<b>(24,050)</b>

**1.7 Impact of COVID-19 pandemic on SA Health**

COVID-19 has been classified as a global pandemic by the World Health Organisation. SA Health is the Control Agency in SA for human disease pursuant to the *State Emergency Management Plan*.

As at 30 June 2020, SA has had a total of 444 confirmed COVID cases. Noteworthy, since April 22, SA has only had five new cases. Accordingly SA has minimised transmission of the virus and maintained containment of COVID-19 infection.

As the lead agency, SA Health has:

- activated COVID-19 clinics in metro and regional SA
- increased hospital capacity through commissioning of temporary hospital capacity and diversion of activity to the private hospital system
- secured medical supplies and personal protective equipment to deliver COVID- 19 services in a very high demand environment
- maximised community engagement
- managed workforce surge planning and up-skill training.

The material impacts on the Hospital's financial performance and financial position are outlined below:

- Additional financial assistance from the Commonwealth and State Governments to assist the COVID-19 response by the Hospital, including at Residential Aged Care and Multi-Purpose sites. This funding was for additional costs incurred by the Hospital and all residential aged care providers in responding to the COVID-19 outbreak, including the diagnosis and treatment of patients with or suspected of having COVID-19, and efforts to minimize the spread in the Australian community.
- Hospital staff accessing special leave with pay for up to 15 days for absences related to COVID-19 situations \$0.082 million.
- Additional costs associated with public health activities (e.g. preparation of hospitals to respond and establishing testing clinics), purchases of personal protective equipment for staff, and non-clinical costs (e.g. additional hospital cleaning costs) were \$0.473 million.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

Business continuity information is at note 1.4, impairment information is at note 13.1, estimates and judgements are at note 13.1, 19, 21.2 and 22.

**1.8 Changes in presentation of financial statements**

*Treasurer's Instructions (Accounting Policy Statements)* issued 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The Statement of Comprehensive Income and Statement of Cash Flows now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

**2. Staff benefits expenses**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	81,953	81,953
Targeted voluntary separation packages (refer note 2.5)	122	122
Long service leave	1,950	1,950
Annual leave	7,287	7,287
Skills and experience retention leave	375	375
Staff on-costs - superannuation*	8,737	8,737
Workers compensation	1,603	1,603
Board and committee fees	179	179
Other staff related expenses	35	35
<b>Total staff benefits expenses</b>	<b>102,241</b>	<b>102,241</b>

\* The superannuation employment on-cost charge represents the Hospital's contribution to superannuation plans in respect of current services of staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements.

**2.1 Key Management Personnel**

Key management personnel (KMP) of the consolidated and parent entity includes the Minister, the six members of the governing board, the Chief Executive of the Department, the Chief Executive Officer of the Hospital and the ten members of the Executive Management Group who have responsibility for the strategic direction and management of the Hospital.

The compensation detailed below excludes salaries and other benefits received by:

- The Minister. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 of the *Parliamentary Remuneration Act 1990*; and
- The Chief Executive of the Department. The Chief Executive is compensated by the Department and there is no requirement for the Hospital to reimburse those expenses.

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Compensation		
Salaries and other short term employee benefits	1,702	1,702
Post-employment benefits	232	232
<b>Total</b>	<b>1,934</b>	<b>1,934</b>

The Hospital did not enter into any transactions with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

**2.2 Remuneration of Boards and Committees**

The number of board or committee members whose remuneration received or receivable falls within the following bands is:

	<b>2020</b>
	<b>No. of Members</b>
\$20,001 - \$40,000	5
\$40,001 - \$60,000	1
<b>Total</b>	<b>6</b>

The total remuneration received or receivable by members was \$0.193 million. Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances. Refer to note 34 for members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS 124.B.

**2.3 Remuneration of staff**

	<b>Consolidated 2020</b>	<b>Parent 2020</b>
	<b>Number</b>	<b>Number</b>
The number of staff whose remuneration received or receivable falls within the following bands:		
\$155,000 - \$174,999	9	9
\$175,000 - \$194,999	1	1
\$215,000 - \$234,999	1	1
\$415,000 - \$434,999	1	1
\$515,000 - \$534,999	1	1
\$595,000 - \$614,999	1	1
<b>Total number of staff</b>	<b>14</b>	<b>14</b>

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, termination payments, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

**2.4 Remuneration of staff by classification**

The total remuneration received by staff included in note 2.3:

	<b>Consolidated 2020</b>		<b>Parent 2020</b>	
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Medical (excluding Nursing)	5	1,881	5	1,881
Executive	1	230	1	230
Nursing	8	1,325	8	1,325
<b>Total</b>	<b>14</b>	<b>3,436</b>	<b>14</b>	<b>3,436</b>

**2.5 Targeted voluntary separation packages**

	<b>Consolidated 2020</b>	<b>Parent 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount paid/payable to separated staff:		
Targeted voluntary separation packages	122	122
Leave paid/payable to separated staff	114	114
<b>Net cost to the Hospital</b>	<b>236</b>	<b>236</b>

<b>The number of staff who received a TVSP during the reporting period</b>	<b>4</b>	<b>4</b>
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**RIVERLAND MALLEE COORONG LOCAL HEALTH NETWORK**  
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**3. Supplies and services**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration	170	170
Advertising	18	18
Communication	499	499
Computing	1,903	1,903
Consultants	476	476
Contract of services	624	624
Contractors	11	11
Contractors - agency staff	5,022	5,022
Drug supplies	1,356	1,356
Electricity, gas and fuel	2,344	2,344
Fee for service*	14,561	14,561
Food supplies	2,349	2,349
Housekeeping	1,370	1,370
Insurance	823	823
Internal SA Health SLA payments	6,308	6,308
Legal	9	9
Medical, surgical and laboratory supplies	9,962	9,962
Minor equipment	1,237	1,237
Motor vehicle expenses	556	556
Occupancy rent and rates	726	726
Patient transport	3,155	3,155
Postage	208	208
Printing and stationery	557	557
Repairs and maintenance	4,418	4,418
Security	143	143
Services from Shared Services SA	1,405	1,405
Short term lease expense	43	43
Training and development	273	273
Travel expenses	248	248
Other supplies and services	1,422	1,419
<b>Total supplies and services</b>	<b>62,196</b>	<b>62,193</b>

\* Fee for Service primarily relates to medical services provided by doctors not employed by the Hospital.

The Hospital recognises lease payments associated with short term leases (12 months or less) as an expense on a straight line basis over the lease term. Lease commitments for short term leases is similar to short term lease expenses disclosed.

**Consultants**

The number of consultancies and dollar amount paid/payable (included in supplies and service expense) to consultants that fell within the following bands

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2020</b>		<b>2020</b>	
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Below \$10,000	3	10	3	10
Above \$10,000	4	466	4	466
<b>Total</b>	<b>7</b>	<b>476</b>	<b>7</b>	<b>476</b>

**4. Borrowing costs**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease costs	38	38
Interest paid/payable	3	3
<b>Total borrowing cost</b>	<b>41</b>	<b>41</b>

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the profit and loss was \$0.041 million.

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**5. Other expenses**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Debts written off	97	97
Bank fees and charges	3	3
Donated assets expense	-	6,307
Other*	276	276
<b>Total other expenses</b>	<b>376</b>	<b>6,683</b>

Donated assets expense includes transfer of buildings and improvements and is recorded as expenditure at their fair value.

\* Includes Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act* of \$0.148 million. No other services were provided by the Auditor-General's Department. Payments to Galpins Accountants Auditors and Business Consultants were \$0.057 million for HAC and aged care audits.

**6. Fees and charges**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Insurance recoveries	37	37
Patient and client fees	4,025	4,025
Private practice fees	19	19
Recoveries	1,690	1,690
Residential and other aged care charges	8,128	8,128
Sale of goods - medical supplies	45	45
Other user charges and fees	1,530	1,530
<b>Total fees and charges</b>	<b>15,474</b>	<b>15,474</b>

The Hospital measures revenue based on the consideration specified in a major contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Hospital satisfies performance obligations by transferring the promised goods or services to its customers.

The Hospital recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities (refer to note 23).

The Hospital recognises revenue (contract from customers) at a point in time primarily from external customers including from the following major sources:

*Patient and Client Fees*

Public health care is free for medicare eligible customers. Non-medicare eligible customers pay in arrears to stay overnight in a public hospital and to receive medical assessment, advice, treatment and care from a health professional. These charges may include doctors, surgeons, anaesthetists, pathology, radiology services etc. Revenue from these services is recognised on a time-and-material basis as services are provided. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

*Residential and other aged care charges*

Long stay nursing home fees include daily care fees and daily accommodation fees. Residents pay fortnightly in arrears for services rendered and accommodation supplied. Customers are invoiced fortnightly as services and accommodation are provided. Any amounts remaining unpaid or unbilled at the end of the reporting period are treated as an accounts receivable.

*Recoveries*

Where the Hospital has incurred an expense on behalf of another entity, payment is recovered from the other entity by way of a recharge of the cost incurred. Recoveries can relate to the recharge of salaries and wages or various goods and services. Revenue from these services are recognized on a time-and-material basis as services are provided.



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**7. Grants and contributions**

	Consolidated 2020 \$'000	Parent 2020 \$'000
Commonwealth grants	21,430	21,430
Commonwealth aged care subsidies	13,805	13,805
SA Government capital contributions	-	1,095
Other SA Government grants and contributions	878	1,080
Private sector grants and contributions	118	118
<b>Total grants and contributions</b>	<b>36,231</b>	<b>37,528</b>

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

The \$36.231 million received in during the reporting period was provided for specific purposes such as aged care, community health services and other related health services.

**8. Resources received free of charge**

	Consolidated 2020 \$'000	Parent 2020 \$'000
Land and buildings	264	-
Plant and equipment	296	296
Services	1,401	1,401
<b>Total resources received free of charge</b>	<b>1,961</b>	<b>1,697</b>

Resources received free of charge include property, plant and equipment and are recorded at their fair value.

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. The Hospital receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge, following Cabinet's approval to cease intra-government charging.

Although not recognised, the Hospital receives volunteer services from around 360 registered volunteers who provide patient and staff support services to individuals using the Hospital's services. The services include but are not limited to: daily supper rounds, way finding services, stores replenishment, support in theatre/recovery/emergency departments, administration/medical records, on the wards, home delivered meals, transport and the Community Visitors Scheme (social support).

**9. Net loss from disposal of non-current and other assets**

	Consolidated 2020 \$'000	Parent 2020 \$'000
<b>Land and buildings:</b>		
Proceeds from disposal	135	-
Less carrying amount of assets disposed	(796)	-
Less other costs of disposal	(17)	-
<b>Net gain/(loss) from disposal of land and buildings</b>	<b>(678)</b>	<b>-</b>

Gains or losses on disposal are recognised at the date control of the asset is passed from the Hospital and are determined after deducting the carrying amount of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

**10. Other revenues/income**

	Consolidated 2020 \$'000	Parent 2020 \$'000
Dividend revenue	4	-
Donations	414	212
Other	45	38
<b>Total other revenues/income</b>	<b>463</b>	<b>250</b>

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**11. Revenues from SA Government**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital funding	13,654	13,654
Recurrent funding	109,036	109,036
<b>Total revenues from SA Government</b>	<b>122,690</b>	<b>122,690</b>

The Department provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services. Contributions from the Department are recognised as revenue when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

**12. Cash and cash equivalents**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank or on hand	5,589	2,937
Deposits with Treasurer: general operating	2,322	2,322
Deposits with Treasurer: special purpose funds	370	370
<b>Total cash and cash equivalents</b>	<b>8,281</b>	<b>5,629</b>

Cash is measured at nominal amounts. The Hospital operates through the Department's general operating account held with the Treasurer and does not earn interest on this account. Interest is earned on HAC and GFT bank accounts and accounts holding aged care funds, including refundable deposits. Of the \$8.281 million held, \$2.321 million relates to aged care refundable deposits.

**13. Receivables**

		<b>Consolidated</b>	<b>Parent</b>
<b>Current</b>	<b>Note</b>	<b>2020</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>
Patient/client fees: compensable		118	118
Patient/client fees: aged care		1,934	1,934
Patient/client fees: other		311	311
Debtors		440	442
Less: allowance for impairment loss on receivables	13.1	(216)	(216)
Prepayments		244	244
Interest		30	19
Workers compensation provision recoverable		326	326
Sundry receivables and accrued revenue		509	697
GST input tax recoverable		158	158
<b>Total current receivables</b>		<b>3,854</b>	<b>4,033</b>
<b>Non-current</b>			
Debtors		16	16
Workers compensation provision recoverable		544	544
<b>Total non-current receivables</b>		<b>560</b>	<b>560</b>
<b>Total receivables</b>		<b>4,414</b>	<b>4,593</b>

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment of receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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**13.1 Impairment of receivables**

The Hospital has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using a provision matrix as a practical expedient to measure the impairment provision.

Movement in the allowance for impairment of receivables:

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transfer in through administrative restructure</b>	<b>155</b>	<b>155</b>
Increase in allowance recognised in profit or loss	61	61
<b>Carrying amount at the end of the period</b>	<b>216</b>	<b>216</b>

Impairment losses relate to receivables arising from contracts with customers that are external to the SA Government. Refer to note 30 for details regarding credit risk and the methodology for determining impairment.

**14. Other financial assets**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Term deposits	20,736	18,569
<b>Total current investments</b>	<b>20,736</b>	<b>18,569</b>
<b>Non-current</b>		
Other investments FVOCI	142	-
<b>Total non-current investments</b>	<b>142</b>	<b>-</b>
<b>Total investments</b>	<b>20,878</b>	<b>18,569</b>

The Hospital holds term deposits to the value of \$20.736m of which \$13.875m relates to aged care refundable deposits, with the remaining funds primarily related to aged care. These deposits are measured at amortised cost. Listed equities and other investments are measured at fair value represented by market value.

There is no impairment on other financial assets. Refer to note 30 for further information on risk management.

**15. Inventories**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Drug supplies	241	241
Medical, surgical and laboratory supplies	415	415
Food and hotel supplies	151	151
Other	54	54
<b>Total current inventories - held for distribution</b>	<b>861</b>	<b>861</b>

All inventories are held for distribution at no or nominal consideration and are measured at the lower of average weighted cost and replacement cost. The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

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## **16. Property, plant and equipment, investment property and intangible assets**

### **16.1 Acquisition and recognition**

Property, plant and equipment owned by the Hospital are initially recorded on a cost basis and subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises owned property, plant and equipment with a value equal to or in excess of \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

### **16.2 Depreciation and amortization**

The residual values, useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate. Depreciation/amortisation is calculated on a straight line basis.

Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	10 - 80
Right of use buildings	Lease Term
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 25
• Computing equipment	3 - 5
• Vehicles	2 - 25
• Other plant and equipment	3 - 50
Right of use plant and equipment	Lease Term

### **16.3 Revaluation**

All non-current tangible assets owned by the Hospital are subsequently measured at fair value after allowing for accumulated depreciation (written down current cost).

Revaluation of non-current assets or a group of assets is only performed when the asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years. If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair-value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Upon disposal or derecognition, any asset revaluation surplus relating to that asset is transferred to retained earnings.

### **16.4 Impairment**

The Hospital holds its property, plant and equipment for their service potential (value in use). Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. Fair value is assessed each year. There were no indications of impairment of property or plant and equipment as at 30 June 2020.

### **16.5 Land and buildings**

Fair value of unrestricted land was determined using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use. For land classified as restricted in use, fair value was determined using and adjustment to factors to reflect the restriction.

Fair value of specific land and buildings was determined using depreciated replacement cost, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; their size, condition and location. The valuation was based on a combination of internal records, specialised knowledge and acquisitions/transfer costs.

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**16.6 Plant and equipment**

The value of all plant and equipment are deemed to approximate fair value.

**16.7 Right-of-use assets**

Right-of-use assets are recorded at cost and there were no indications for impairment. Additions to right of use assets during 2019-20 were \$0.372 million.

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**17. Reconciliation of property, plant and equipment**

The following table shows the movement:  
Consolidated

2019-20	Land and buildings:			Plant and equipment:					Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
Acquisitions through administrative restructuring	8,055	139,957	1,107	1,346	1,283	819	863	-	153,430
Additions	-	113	-	13,654	530	106	372	327	15,102
Assets received free of charge	-	264	-	-	145	151	-	-	560
Disposals	(40)	(756)	-	-	-	-	(20)	-	(816)
Transfers between asset classes	-	6,194	-	(6,194)	-	-	-	-	-
<b>Subtotal:</b>	<b>8,015</b>	<b>145,772</b>	<b>1,107</b>	<b>8,806</b>	<b>1,958</b>	<b>1,076</b>	<b>1,215</b>	<b>327</b>	<b>168,276</b>
<b>Gains/(losses) for the period recognised in net result:</b>									
Depreciation and amortisation	-	(6,572)	(115)	-	(436)	(167)	(532)	-	(7,822)
<b>Subtotal:</b>	<b>-</b>	<b>(6,572)</b>	<b>(115)</b>	<b>-</b>	<b>(436)</b>	<b>(167)</b>	<b>(532)</b>	<b>-</b>	<b>(7,822)</b>
<b>Carrying amount at the end of the period</b>	<b>8,015</b>	<b>139,200</b>	<b>992</b>	<b>8,806</b>	<b>1,522</b>	<b>909</b>	<b>683</b>	<b>327</b>	<b>160,454</b>
<b>Gross carrying amount</b>									
Gross carrying amount	8,015	152,509	1,107	8,806	2,353	1,076	1,148	327	175,341
Accumulated depreciation / amortisation	-	(13,309)	(115)	-	(831)	(167)	(465)	-	(14,887)
<b>Carrying amount at the end of the period</b>	<b>8,015</b>	<b>139,200</b>	<b>992</b>	<b>8,806</b>	<b>1,522</b>	<b>909</b>	<b>683</b>	<b>327</b>	<b>160,454</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 20 for details about the lease liability for right-of-use assets.

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Parent

2019-20

	Land and buildings:			Plant and equipment:					Total \$'000
	Land \$'000	Buildings \$'000	Right-of- use buildings \$'000	Capital works in progress land and buildings \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Right-of-use plant and equipment \$'000	Capital works in progress plant and equipment \$'000	
<b>Acquisitions through administrative restructuring</b>	<b>714</b>	<b>4,976</b>	<b>1,107</b>	<b>1,346</b>	<b>1,283</b>	<b>819</b>	<b>863</b>	-	<b>11,108</b>
Additions	-	113	-	13,654	530	106	372	327	15,102
Assets received free of charge	-	-	-	-	145	151	-	-	296
Disposals	-	-	-	-	-	-	(20)	-	(20)
Donated assets disposal	-	(113)	-	(6,194)	-	-	-	-	(6,307)
Transfers between asset classes	-	-	-	-	-	-	-	-	-
<b>Subtotal:</b>	<b>714</b>	<b>4,976</b>	<b>1,107</b>	<b>8,806</b>	<b>1,958</b>	<b>1,076</b>	<b>1,215</b>	<b>327</b>	<b>20,179</b>
<b>Gains/(losses) for the period recognised in net result:</b>									
Depreciation and amortisation	-	(229)	(115)	-	(436)	(167)	(532)	-	(1,479)
<b>Subtotal:</b>	<b>-</b>	<b>(229)</b>	<b>(115)</b>	<b>-</b>	<b>(436)</b>	<b>(167)</b>	<b>(532)</b>	<b>-</b>	<b>(1,479)</b>
<b>Carrying amount at the end of the period</b>	<b>714</b>	<b>4,747</b>	<b>992</b>	<b>8,806</b>	<b>1,522</b>	<b>909</b>	<b>683</b>	<b>327</b>	<b>18,700</b>
<b>Gross carrying amount</b>									
Gross carrying amount	714	4,976	1,107	8,806	2,353	1,076	1,148	327	20,507
Accumulated depreciation / amortisation	-	(229)	(115)	-	(831)	(167)	(465)	-	(1,807)
<b>Carrying amount at the end of the period</b>	<b>714</b>	<b>4,747</b>	<b>992</b>	<b>8,806</b>	<b>1,522</b>	<b>909</b>	<b>683</b>	<b>327</b>	<b>18,700</b>

All property, plant and equipment are classified in the level 3 fair value hierarchy except for capital works in progress (not classified). Refer to note 20 for details about the lease liability for right-of-use assets.



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**18. Fair value measurement**

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use. The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million, or an estimated useful life that was less than three years, are deemed to approximate fair value.

Refer to notes 16 and 18.2 and for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

**18.1 Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value at level 3 which are all recurring. There are no non-recurring fair value measurements.

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2020, the Hospital had no valuations categorised into Level 1 or 2.

**18.2 Valuation techniques and inputs**

Due to the predominantly specialised nature of health service assets, the majority of land and buildings valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

**19. Payables**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Creditors and accrued expenses	4,213	4,213
Paid Parental Leave Scheme	23	23
Staff on-costs*	1,255	1,255
Other payables	89	89
<b>Total current payables</b>	<b>5,580</b>	<b>5,580</b>
<b>Non-current</b>		
Staff on-costs*	661	661
<b>Total non-current payables</b>	<b>661</b>	<b>661</b>
<b>Total payables</b>	<b>6,241</b>	<b>6,241</b>



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Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed and unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Staff on-costs are settled when the respective staff benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to their short term nature.

\*Staff on-costs include Return to Work SA levies and superannuation contributions. The Hospital makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave is 38%, and the average factor for the calculation of employer superannuation cost on-costs is 9.8%. These rates are used in the staff on-cost calculation.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

Refer to note 30 for information on risk management.

## 20. Financial liabilities

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Borrowings from SA Government	97	97
Lease liabilities	507	507
<b>Total current financial liabilities</b>	<b>604</b>	<b>604</b>
<b>Non-current</b>	<b>\$'000</b>	<b>\$'000</b>
Borrowings from SA Government	18	18
Lease liabilities	1,183	1,183
<b>Total non-current financial liabilities</b>	<b>1,201</b>	<b>1,201</b>
<b>Total financial liabilities</b>	<b>1,805</b>	<b>1,805</b>

The Hospital measures financial liabilities including borrowings at amortised cost. Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. There were no defaults or breaches on any of the above liabilities throughout the year.

Refer to note 30 for information on risk management.

### 20.1 Leasing activities

The Hospital has a number of lease agreements. Lease terms vary in length from 2 to 17 years.

Major lease activities include the use of:

- Properties – include health clinics leased from local government and office accommodation and staff residential accommodation leased from Housing SA or the private sector. Generally property leases are non-cancellable with many having the right of renewal. Rent is payable in arrears with increases generally linked to CPI increases. Prior to renewal, most lease arrangements undergo a formal rent review linked to market appraisals or independent valuers.
- Motor vehicles – leased from the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia. The leases are non-cancellable and the vehicles are leased for a specified time period (usually 3 years) or a specified number of kilometres, whichever occurs first.

The Hospital has not committed to any lease arrangements that have not commenced and has not entered into any sub-lease arrangements outside of SA Health.

Refer note 17 for details about the right of use assets (including depreciation) and note 4 for financing costs associated with these leasing activities.

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**20.2 Concessional lease arrangements**

The Hospital has no concessional lease arrangements.

**20.3 Maturity analysis**

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Lease Liabilities</b>		
1 to 3 years	965	965
3 to 5 years	162	162
5 to 10 years	346	346
More than 10 years	394	394
<b>Total lease liabilities (undiscounted)</b>	<b>1,867</b>	<b>1,867</b>

**21. Staff benefits**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Accrued salaries and wages	3,099	3,099
Annual leave	8,386	8,386
Long service leave	1,555	1,555
Skills and experience retention leave	655	655
<b>Total current staff benefits</b>	<b>13,695</b>	<b>13,695</b>
<b>Non-current</b>		
Long service leave	17,184	17,184
<b>Total non-current staff benefits</b>	<b>17,184</b>	<b>17,184</b>
<b>Total staff benefits</b>	<b>30,879</b>	<b>30,879</b>

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

Refer to note 1.6 for details of staff transferred to the Hospital during the year.

**21.1 Salaries and wages, annual leave, skills and experience retention leave and sick leave**

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave, as all sick leave is non-vesting, and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

**21.2 Long service leave**

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities and the health sector across government.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds is 0.75%, which is used as the rate to discount future long service leave cash flows. The actuarial assessment performed by DTF determined the salary inflation rate to be 2.5% for long service leave liability and 2.0% for annual leave and skills, experience and retention leave liability.

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**22. Provisions**

Provisions represent workers compensation.

*Reconciliation of workers compensation (statutory and non-statutory)*

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Transfer in through administrative restructure	1,910	1,910
Increase in provisions recognised	905	905
Reductions arising from payments/other sacrifices of future economic benefits	(518)	(518)
<b>Carrying amount at the end of the period</b>	<b>2,297</b>	<b>2,297</b>

***Workers compensation statutory provision***

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. There is a high level of uncertainty as to the valuation of the liability (including future claim costs). The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

***Workers compensation non-statutory provision***

Additional insurance/compensation for certain work related injuries has been introduced for most public sector employees through various enterprise bargaining agreements and industrial awards. This insurance/compensation is intended to provide continuing benefits to non-seriously injured workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme.

The workers compensation non-statutory provision is an actuarial assessment of the outstanding claims liability, provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. There is a high level of uncertainty as to the valuation of the liability (including future claim costs), this is largely due to the enterprise bargaining agreements and industrial awards being in place for a short period of time and the emerging experience is unstable. The average claim size has been estimated based on applications to date and this may change as more applications are made. As at 30 June 2020 the Hospital recognised a workers compensation non-statutory provision of \$0.106 million.

**23. Contract liabilities and other liabilities**

	<b>Consolidated</b>	<b>Parent</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Contract Liabilities	2,544	2,544
Residential aged care bonds	23,348	23,348
Other	26	26
<b>Total contract liabilities and other liabilities</b>	<b>25,918</b>	<b>25,918</b>

Residential aged care bonds are accommodation bonds, refundable accommodation contributions and refundable accommodation deposits. These are non-interest bearing deposits made by aged care facility residents to the Hospital upon their admission to residential accommodation. The liability for accommodation is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less applicable deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Residential aged care bonds are classified as current liabilities as the Hospital does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The obligation to settle could occur at any time. Once a refunding event occurs the other liability becomes interest bearing. The interest rate applied is the prevailing interest rate at the time as prescribed by the Commonwealth Department of Health.

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**24. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at the end of the reporting period	Consolidated 2020 \$'000	Parent 2020 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	8,281	5,629
<b>Cash as per Statement of Financial Position</b>	<b>8,281</b>	<b>5,629</b>
<b>Balance as per Statement of Cash Flows</b>	<b>8,281</b>	<b>5,629</b>
<b>Reconciliation of net cash provided by operating activities to net result:</b>		
Net cash provided by operating activities	6,447	7,279
<b>Add/less non-cash items</b>		
Asset donated free of charge	-	(6,307)
Capital revenues	12,073	12,073
Depreciation and amortisation expense of non-current assets	(7,822)	(1,479)
Loss on sale or disposal of non-current assets	(678)	-
Interest credited directly to investments	54	17
Resources received free of charge	560	296
Dividends received via reinvestment plan	4	-
<b>Movement in assets/liabilities</b>		
Increase in inventories	8	8
Increase in receivables	1,512	1,720
Increase in other liabilities	(4,243)	(4,243)
Increase in payables and provisions	(2,150)	(2,150)
Increase in staff benefits	(1,952)	(1,952)
<b>Net result</b>	<b>3,813</b>	<b>5,262</b>

Total cash outflows for leases is \$0.669m.

**25. Unrecognised contractual commitments**

Expenditure commitments	Consolidated 2020 \$'000	Parent 2020 \$'000
Within one year	624	624
Later than one year but not longer than five years	105	105
<b>Total other expenditure commitments</b>	<b>729</b>	<b>729</b>

The Hospital's expenditure commitments are for agreements for goods and services contracted but not received and are disclosed at nominal amounts.

The Hospital also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2020 has not been quantified.

**26. Trust funds**

The Hospital holds money in trust on behalf of consumers that reside in its facilities whilst the consumer is receiving residential aged care services. As the Hospital only performs a custodial role in respect of trust monies, they are excluded from the financial statements as the Hospital cannot use these funds to achieve its objectives.

	2020 \$'000
<b>Transfer in through administrative restructure</b>	<b>51</b>
Client trust receipts	69
Client trust payments	(71)
<b>Carrying amount at the end of the period</b>	<b>49</b>

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**27. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value.

The Hospital is not aware of any contingent assets or liabilities. In addition it has no guarantees.

**28. Events after balance date**

Prior to 30 June, members of the Australian Nurses and Midwifery Federation supported a new public sector Nursing and Midwifery (SA Public Sector) Enterprise Agreement (EA), and accordingly an application for a new EA was submitted to the South Australian Employment Tribunal (SAET) (also prior to 30 June). The SAET approved the application on 16 July 2020. Amongst other matters, the new EA provides for a 2% increase in salary and wages (and certain allowances) from 1 January 2020. The financial statements have been adjusted for this event as the condition that triggered the liability existed at or before 30 June.

**29. Impact of Standards not yet implemented**

The Hospital has assessed the impact of the new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

Amending Standards AASB 2018-6 and AASB 2018-7 will apply from 1 July 2020 and AASB 2014-10, AASB 2015-10, AASB 2017-5 will apply from 1 July 2022. Although applicable to the Hospital, these amending standards are not expected to have an impact on the Hospital's financial statements. SA Health will update its policies, procedures and work instructions, where required, to reflect changes to the definition of a business, definition of materiality, and the additional clarification of requirements for a sale or contribution of assets between an investor and its associate or joint venture.

**30. Financial instruments/financial risk management**

**30.1 Financial risk management**

The Hospital's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity Risk

The Hospital is funded principally from appropriation by the SA Government. The Hospital works with DTF to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. Refer to notes 1.4, 19 and 20 for further information.

Credit risk

The Hospital has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Hospital has minimal concentration of credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital. Refer to notes 13 and 14 for further information.

Market risk

The Hospital does not engage in high risk hedging for its financial assets. Exposure to interest rate risk may arise through interest bearing liabilities, including borrowings. Residential Aged Care bonds become interest bearing when a refunding event occurs as per note 23. There is no exposure to foreign currency or other price risks.

**30.2 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 2 or the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: financial assets measured at amortised cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through other comprehensive income; and financial liabilities measured at amortised cost are detailed below. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.



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Category of financial asset and financial liability	Notes	Consolidated	Parent
		2020 Carrying amount/ Fair value \$'000	2020 Carrying amount/ Fair value \$'000
<b>Financial assets</b>			
Cash and equivalent			
Cash and cash equivalents	12,24	8,281	5,629
Amortised Cost			
Receivables <sup>(ix)</sup>	13	3,124	3,303
Other financial assets*	14	20,878	18,569
Fair Value through other comprehensive income			
Other financial assets*	14	142	
<b>Total financial assets</b>		<b>32,425</b>	<b>27,501</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
Payables <sup>(i)</sup>	19	4,146	4,146
Lease liabilities	20	1,805	1,805
Other financial liabilities	23	26	26
<b>Total financial liabilities</b>		<b>5,977</b>	<b>5,977</b>

<sup>(i)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

<sup>(ii)</sup> Receivable amount disclosed excludes prepayments as they are not financial assets.

### 30.3 Credit risk exposure and impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9.

A provision matrix is used to measure the ECL of receivables from non-government debtors. The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties. Impairment losses are presented as net impairment losses within net result.

The carrying amount of receivables approximates net fair value due to being receivable on demand. Receivables are written off when there is no reasonable expectation of recovery and not subject to enforcement activity. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Department.

To measure the ECL, receivables are grouped based on days past due and debtor types that have similar risk characteristics and loss patterns (i.e. by patient and sundry, compensable and aged care), including any changes in the forward-looking estimates are analysed. The Hospital considers reasonable and supportable information that is relevant and available without undue cost or effort; about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Hospital's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor. The following table provides information about the credit risk exposure and ECL for non-government debtors:

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	30 June 2020		
	Expected credit loss rate(s) %	Gross carrying amount \$'000	Expected credit losses \$'000
<b>Days past due</b>			
Current	0.1 - 14.9 %	1,158	13
<30 days	0.4 - 20.5 %	199	14
31-60 days	0.8 - 31.3%	100	3
61-90 days	1.1 - 39.1%	85	5
91-120 days	1.3 - 43.1%	74	8
121-180 days	1.8 - 55.4%	166	21
181-360 days	3.5 - 72.1%	538	67
361-540 days	4.6 - 87.4%	181	25
>540 days	5.3 - 98.9%	331	60
<b>Total</b>		<b>2,832</b>	<b>216</b>

### 31. Significant transactions with government related entities

The Hospital is controlled by the SA Government.

Related parties of the Hospital include all key management personnel, and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with the SA Government are identifiable throughout this financial report.

The Hospital received funding from the SA Government via the Department (note 11), and incurred significant expenditure via the Department for medical, surgical and laboratory supplies, computing and insurance (note 3). The Department transferred capital works in progress of \$12.073 million to the Hospital. The Hospital incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for property repairs and maintenance of \$3.543 million (note 3). As at 30 June the outstanding balance payable to DPTI was \$0.734 million (note 19).

### 32. Interests in other entities

The Hospital has interests in a number of other entities as detailed below.

#### Controlled Entities

The Hospital has effective control over, and a 100% interest in, the net assets of the HACs. The HACs were established as a consequence of the Act being enacted and certain assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in them with the remainder being vested in the Hospital.

By proclamation dated 26 June 2008, the following assets, rights and liabilities were vested in the Incorporated HACs:

- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land
- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land dedicated under any legislation dealing with Crown land; and
- all funds and personal property held on trust and bank accounts and investments that are solely constituted by the proceeds of fundraising except for all gift funds, and other funds or personal property constituting gifts or deductible contributions under the Income Tax Assessment Act 1997 (Commonwealth).

The HAC have no powers to direct or make decisions with respect to the management and administration of Riverland Mallee Coorong Local Health Network.

The Hospital also has effective control over, and a 100% interest in, the net assets of the associated GFTs. The GFTs were established by virtue of a deed executed between the Department for Health and Wellbeing and the individual HACs.

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<b>Health Advisory Councils</b>		
<b>Incorporated HACs and GFTs</b>		
Berri Barmera District Health Advisory Council Inc	Coorong Health Service Health Advisory Council Inc	Loxton and Districts Health Advisory Council Inc
Mallee Health Service Health Advisory Council Inc	Mannum District Hospital Health Advisory Council Inc	Renmark Paringa District Health Advisory Council Inc
The Murray Bridge Soldiers' Memorial Hospital Health Advisory Council Inc	Waikerie and Districts Health Advisory Council Inc	Berri Barmera District Health Advisory Council Inc Gift Fund Trust
Coorong Health Service Health Advisory Council Inc Gift Fund Trust	Loxton and Districts Health Advisory Council Inc Gift Fund Trust	Mallee Health Service Health Advisory Council Inc Gift Fund Trust
Mannum District Hospital Health Advisory Council Inc Gift Fund Trust	Renmark Paringa District Health Advisory Council Inc Gift Fund Trust	The Murray Bridge Soldiers' Memorial Hospital Health Advisory Council Inc Gift Fund Trust
Waikerie and Districts Health Advisory Council Inc Gift Fund Trust		

**33. Administered items**

The Hospital administers fees and charges collected on behalf of doctors that work in Medical Centres owned by the Hospital. The Hospital cannot use these administered funds for the achievement of its objectives.

	<b>2020</b>
	<b>\$'000</b>
Revenue from fees and charges	164
Other expenses	(164)
<b>Net result</b>	<b>-</b>
<b>Cash at the beginning of the period</b>	<b>-</b>
Medical centre inflows	164
Medical centre outflows	(164)
<b>Cash at the end of the period</b>	<b>-</b>



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**34. Board and committee members**

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with APS124.B were:

<b>Board/Committee name:</b>	<b>Government employee members</b>	<b>Other members</b>
Riverland Mallee Coorong Local Health Network Governing Board	-	Joyner P (Chair), Ashworth E, Goldsmith C, Mohor S, Ottaway M, Toogood F.
Riverland Mallee Coorong Local Health Network Risk and Audit Committee	-	Brass P (Chair) (appointed 2/12/19)

Refer to note 2.2 for remuneration of board and committee members