

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Gippsland Lakes Community Health Service Inc.

The Financial Report

The accompanying financial report, being a special purpose financial report, for the year ended 30 June 2008 of Gippsland Lakes Community Health Service Inc. which comprises an operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statement by members of the board, has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Gippsland Lakes Community Health Service Inc. are responsible for the preparation and the fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet their financial reporting requirements and are appropriate to meet their needs. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

The financial report has been prepared for distribution to members for the purpose of fulfilling the Board's financial reporting obligations. I disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Board Members, or for any purpose other than that for which it was prepared.

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial statements published in both the annual report and on the website of Gippsland Lakes Community Health Service Inc. for the year ended 30 June 2008. The Board Members of Gippsland Lakes Community Health Service Inc. are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Gippsland Lakes Community Health Service Inc. web site.

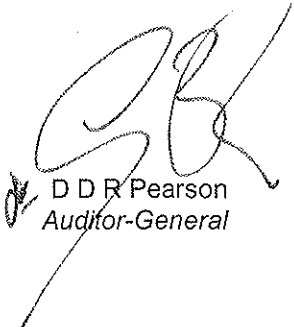
Independence

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

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Gippsland Lake Community Health Service Inc. as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

MELBOURNE
22 October 2008



D D R Pearson
Auditor-General

STATEMENT BY MEMBERS OF THE BOARD


The Board has determined that the association is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the Board the financial report

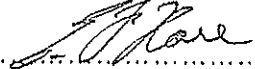
1. Presents a true and fair view of the financial position of Gippsland Lakes Community Health Inc. as at 30 June 2008 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that Gippsland Lakes Community Health Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

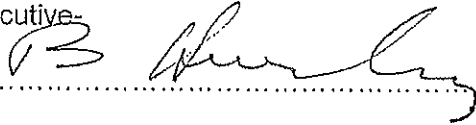
President -


.....
J Wilson

Treasurer -


.....
T Hare

Chief Executive -


.....
B Hurley

Dated this 20 day of October 2008

GIPPSLAND LAKES COMMUNITY HEALTH INC.

ABN: 39 041 514 660

OPERATING STATEMENT
For the Year Ended 30 June 2008

	Note	2008 \$	2007 \$
REVENUE			
Government Contributions			
- Dep't of Human Services Grants		6,757,194	6,101,867
- Other Government Grants		2,921,371	1,884,629
Fee for Service - Agencies		3,284,988	2,604,848
Fees - Clients		437,850	383,494
Indirect Contributions by Human Services		25,495	33,028
Interest		184,096	112,215
Other Income		471,379	366,722
Reimbursements		129,927	134,109
		<u>14,212,300</u>	<u>11,620,912</u>
EXPENSES			
Employee Benefits	2	10,413,284	8,536,892
Finance Costs		22,827	17,291
Supplies & Consumables	2	3,340,384	2,322,290
Ventures Accounted for using the Equity Method	12	23,305	-
		<u>13,799,800</u>	<u>10,876,473</u>
Net Result Before Capital & Specific Items		<u>412,500</u>	<u>744,439</u>
Capital Works - Government Grants		-	1,573,215
Net Loss on Disposal of Non-Current Assets	3	(397,264)	(9,584)
Depreciation	3	(330,487)	(275,251)
NET RESULT FOR THE YEAR		<u>(315,252)</u>	<u>2,032,819</u>

The accompanying notes form part of this financial report

GIPPSLAND LAKES COMMUNITY HEALTH INC.

BALANCE SHEET
As at 30 June 2008

	Note	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash Assets	6	2,938,030	3,203,899
Receivables	7	<u>540,252</u>	<u>939,177</u>
Total Current Assets		<u>3,478,282</u>	<u>4,143,076</u>
Non-Current Assets			
Property, Plant & Equipment	3	<u>6,374,110</u>	<u>6,053,750</u>
Total Non-Current Assets		<u>6,374,110</u>	<u>6,053,750</u>
TOTAL ASSETS		<u>9,852,392</u>	<u>10,196,826</u>
LIABILITIES			
Current Liabilities			
Employee Benefits	4	1,039,837	940,780
Grants in Advance	5b	276,723	304,582
Payables	8	509,013	857,457
Unexpended Grants	5a	<u>1,091,371</u>	<u>1,076,295</u>
Total Current Liabilities		<u>2,916,944</u>	<u>3,179,114</u>
Non-Current Liabilities			
Employee Benefits	4	446,547	236,863
Other Financial Liabilities	12	<u>23,305</u>	<u>-</u>
Total Non-Current Liabilities		<u>469,852</u>	<u>236,863</u>
TOTAL LIABILITIES		<u>3,386,796</u>	<u>3,415,977</u>
NET ASSETS		<u>6,465,596</u>	<u>6,780,848</u>
EQUITY			
Accumulated Surplus	11	5,367,570	5,682,822
Asset Revaluation Reserve	10	<u>1,098,026</u>	<u>1,098,026</u>
TOTAL EQUITY		<u>6,465,596</u>	<u>6,780,848</u>

The accompanying notes form part of this financial report

GIPPSLAND LAKES COMMUNITY HEALTH INC.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2008

	2008	2007
	\$	\$
Total Equity at beginning of financial year	6,780,848	4,748,030
Net result for the year	(315,252)	2,032,818
Total Equity at the end of the year	<u>6,465,596</u>	<u>6,780,848</u>

The accompanying notes form part of this financial report

GIPPSLAND LAKES COMMUNITY HEALTH INC.

CASH FLOW STATEMENT
For the Year Ended 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Grants Received		9,665,782	9,080,632
Fees Received		3,713,549	2,382,777
Other Income		601,306	500,831
Interest Received		184,096	112,215
GST Net Received/(Paid)		(199,226)	157,481
Payments to suppliers and employees		<u>(13,591,478)</u>	<u>(10,301,145)</u>
Cash generated from operating activities		374,029	1,932,791
Capital Grants - DHS		408,214	1,165,001
Net cash generated by operating activities	6(b)	<u>782,243</u>	<u>3,097,792</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(1,241,659)	(2,393,320)
Proceeds on sale of fixed assets		193,547	150,241
Net cash used in investing activities		<u>(1,048,112)</u>	<u>(2,243,079)</u>
Net (decrease)/increase in cash held		(265,869)	854,713
Cash at the beginning of the financial year		3,203,899	2,349,186
Cash at the end of the financial year	6(a)	<u>2,938,030</u>	<u>3,203,899</u>

The accompanying notes form part of this financial report

GIPPSLAND LAKES COMMUNITY HEALTH INC.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Note 1: Statement of Accounting Policies

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Act 1981. The Board has determined that the association is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 101 Presentation of Financial Statements
AASB 107 Cash Flow Statements
AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110 Events Occurring after Reporting Date
AASB 116 Property, Plant and Equipment
AASB 117 Leases
AASB 118 Revenue
AASB 1031 Materiality

No other applicable Accounting Standards, Australian Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets.

The following accounting policies, which are consistent with the previous year unless otherwise stated, have been adopted in the preparation of this financial report.

(a) Revenue

Income is recognised in accordance with AASB 118 Revenue, to the extent that it is earned.

It is the policy of the Centre to treat grant monies as unexpended grants in the balance sheet where the Centre is contractually obliged to provide the services in a subsequent financial period, or in the case of specific project grants, where the project has not been completed.

(b) Property, Plant and Equipment

Property, plant and equipment are included at cost less, where applicable, any accumulated depreciation. All assets, excluding freehold land are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

At each balance date the Association assesses whether there is any indication that the non-current assets have been impaired. The write-down is recognised as an expense in the operating statement in the reporting period in which it occurs.

GIPPSLAND LAKES COMMUNITY HEALTH INC.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Note 1: Statement of Accounting Policies (contd)

(b) Property, Plant and Equipment (contd)

The depreciation rates used for each class of depreciable assets are:

	2008	2007
Buildings	2.5% Prime Cost	2.5% Prime Cost
Furniture and Fittings	10% Prime Cost	10% Prime Cost
Motor Vehicles	15% Diminishing Value	15% Diminishing Value
Plant & Equipment	10%-33.33% Prime Cost	10%-33.33% Prime Cost

(c) Revaluation of Non-Current Assets

Subsequent to the initial recognition as assets, non-current physical assets, other than plant and equipment and motor vehicles, are measured at fair value. Plant and equipment are measured at cost. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluations are assessed annually and supplemented by independent assessments, at least every three years. The next revaluation will take place as at 1st July 2008.

At 1 July 2005 land and buildings were revalued to "fair value" by C.J.A.Lee & Associates. Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately in the net result.

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

(d) Employee Benefits

Provision is made for the association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated cash outflows to be made for those benefits.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less.

(f) Comparative Figures

When require by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

GIPPSLAND LAKES COMMUNITY HEALTH INC.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Note 1: Statement of Accounting Policies (contd)

(g) Gippsland Health Alliance Joint Venture

The Service is one of twenty four health care institutions with an interest in the Gippsland Health Alliance. The share of revenues, expenses, assets and liabilities was calculated on the basis of the gross operating revenue (GOR) of each of the participants. The Service's investment in the Gippsland Health Alliance is listed as a non-current liability under Investments accounted for using the equity method, refer Note 12.

(h) Critical Accounting Estimates and Adjustments

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The Board members evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the association.

GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 2: Analysis of Expenses		
<i>Employee Benefits consist of the following items:</i>		
Salaries	9,508,131	7,744,332
Superannuation	792,936	667,126
Workcover	112,217	125,434
	<u>10,413,284</u>	<u>8,536,892</u>
<i>Supplies and Consumables consist of the following items:</i>		
Bad Debts	4,446	4,331
Building Improvements - Bruthen and Healing Service (no capital ownership)	411,264	84,909
Client costs	615,136	481,831
Contract Services	557,553	412,220
Equipment purchases	85,654	43,460
Health Promotion, Education and Resources	198,280	63,390
Information technology	228,368	165,168
Medical supplies	98,533	87,768
Motor vehicle costs	259,642	211,846
Occupancy costs	143,252	131,033
Office costs	361,313	353,773
Repairs and maintenance costs	153,550	101,658
Staff related expenses	223,392	180,905
	<u>3,340,384</u>	<u>2,322,290</u>
Note 3: Property, Plant & Equipment		
Land		
Land at Cost	462,750	595,965
Land at valuation	800,000	800,000
Total Land	<u>1,262,750</u>	<u>1,395,965</u>
Buildings		
Buildings at cost	2,601,428	2,324,813
Buildings at valuation	1,450,000	1,450,000
Less Accumulated depreciation	201,787	106,648
	<u>3,849,641</u>	<u>3,668,165</u>
Plant and Equipment		
Plant and Equipment at cost	709,439	649,828
Less Accumulated depreciation	483,126	442,122
Total Plant and Equipment	<u>226,313</u>	<u>207,706</u>
Motor Vehicles		
Motor Vehicles at cost	1,395,765	1,120,494
Less Accumulated depreciation	360,359	338,580
Total Motor Vehicles	<u>1,035,406</u>	<u>781,914</u>
Total	<u>6,374,110</u>	<u>6,053,750</u>

GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

Note 3: Property, Plant & Equipment (contd)

Land and buildings were revalued as at 1 July 2005 by C.J.A. Lee & Associates, C.J. Jordan FAPI. The basis of valuation is "fair value".

A reconciliation of the carrying amounts of each class of land, buildings, plant and equipment at the beginning and end of the current and previous years is set out below.

2008	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2007	1,395,965	3,668,165	207,706	781,914	6,053,750
Additions	275,000	276,616	109,712	580,332	1,241,659
Disposals	(408,215)	-	(1,884)	(180,712)	(590,811)
Depreciation	-	(95,139)	(89,220)	(146,128)	(330,487)
Balance at 30 June 2008	<u>1,262,750</u>	<u>3,849,641</u>	<u>226,313</u>	<u>1,035,406</u>	<u>6,374,110</u>

2007	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	987,750	2,299,439	169,518	638,801	4,095,508
Additions	408,215	1,424,755	129,938	430,412	2,393,320
Disposals	-	-	(2,264)	(157,561)	(159,825)
Depreciation	-	(56,029)	(89,485)	(129,737)	(275,251)
Balance at 30 June 2007	<u>1,395,965</u>	<u>3,668,165</u>	<u>207,706</u>	<u>781,914</u>	<u>6,053,750</u>

	2008 \$	2007 \$
Net Gain/(Loss) on Disposal of Non-Current Assets		
Proceeds from Disposal of Non-Current Assets		
- Motor Vehicles	193,547	150,241
Total Proceeds from Disposal of non-Current Assets	<u>193,547</u>	<u>150,241</u>
Less Written Down Value of Non-Current Assets Sold:		
- Motor Vehicles	(180,712)	(157,561)
- Plant & Equipment	(1,884)	(2,264)
- Land transferred at no charge to DHS	(408,215)	-
Total Written Down Value of Non-Current Assets Sold	<u>(590,811)</u>	<u>(159,825)</u>
Net Loss on Disposal of Non-Current Assets	<u>(397,264)</u>	<u>(9,584)</u>

Note 4: Employee Benefits

Current:

Annual Leave	615,662	484,022
Accrued Salaries	219,812	184,669
Accrued Day's Off	27,372	15,979
Salary Clearing Accounts	14,653	12,299
Long Service Leave	162,337	243,812
	<u>1,039,837</u>	<u>940,780</u>

Non-Current:

Long Service Leave	446,547	236,863
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GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 5a: Unexpended Grants		
These program funds are all committed for expensing in 2008/2009		
Funds are represented by:		
DHS Funds:		
Aboriginal Health Promotion and Chronic Care	25,301	53,702
Alcohol and Drug Service	105,753	-
Counselling and Family Violence	76,000	96,922
Clinical Services-Diabetes Project	-	9,100
Early Years Project	-	28,425
Family Services	-	66,322
Flexible Care Packages	125,794	178,898
Health Promotion	30,000	-
Home Care	79,071	-
Indigenous Programs	246,389	219,188
Juvenile Justice	27,249	14,047
Supported Accommodation	69,000	29,627
Pharmacotherapy	-	16,140
School Focussed Yth Service	25,000	41,837
	<u>809,557</u>	<u>754,208</u>
Other Grants:		
Communities for Children	-	15,270
Community Nursing	10,000	-
Early Years HFL	20,000	-
Go for Your Life Project	20,310	25,361
Healthy for Life	-	116,786
Home Based Nursing	13,509	-
Local Justice	7,021	-
Maternal and Child Health	10,000	-
NAIDOC	4,172	7,308
Physically Active Koori Kids	6,632	65,755
Volunteer Coordination Proj	3,170	-
	<u>94,814</u>	<u>230,480</u>
Other Programs:		
Allied Health	36,000	30,790
Drug Treatment Services	28,094	-
Early Years	16,000	-
Flexible Care/Disability	10,000	-
Home Care	45,027	-
Home Based Nursing-Living with Cancer Project	-	3,000
Indigenous Programs	50,188	30,239
LE Elders Group	1,691	-
Planned Activity	-	27,577
	<u>187,000</u>	<u>91,606</u>
Total Unexpended Grants	<u><u>1,091,371</u></u>	<u><u>1,076,295</u></u>

GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 5b: Grants in Advance		
Funds are represented by:		
DHS Grants:		
Alcohol and Drug Program	39,000	190,305
Counselling	23,184	-
Family Violence Program	-	13,000
	62,184	203,305
Other Grants:		
Department of Education	56,384	-
EG Shire	-	1,818
Kilmany - Early Years Literacy	-	15,000
Physically Active Koori Kids	55,100	-
Reconnect	15,000	-
Volunteer Coordination Proj	16,800	-
Wellington Primary Care Partnership	-	46,852
	143,284	63,670
Other:		
Health Insurance Commission	71,255	37,607
Total Grants in Advance	276,723	304,582
Note 6: Cash Flows Information		
(a) Reconciliation of Cash		
Cash at Bank and on hand	2,938,030	3,203,899
(b) Reconciliation of net result for the year to net cash inflow from Operating Activities		
Net result for the year	(315,252)	2,032,818
<i>Non-cash flows from operations:</i>		
Depreciation	330,487	275,251
Loss on disposal of non-current assets	397,264	9,584
Take on of Gippsland Health Alliance share of joint venture	23,305	-
<i>Changes in assets and liabilities:</i>		
(Decrease)/Increase in employee benefits	308,740	306,900
Decrease/(Increase) in receivables	398,925	(605,565)
Increase/(Decrease) in payables	(348,444)	425,908
Increase (Decrease) in unexpended grants	15,076	562,688
Increase/(Decrease) in grants in advance	(27,859)	90,206
Net cash generated from operating activities	782,243	3,097,792
Note 7: Receivables		
Trade Debtors	480,252	943,974
Other Debtors	65,000	203
Provision for Doubtful Debts	(5,000)	(5,000)
	540,252	939,177

GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

	2008	2007
	\$	\$
Note 8: Payables		
Accrued Expenses	18,732	6,731
GST Payable	149,194	348,420
Trade Creditors	341,087	502,306
	<u>509,013</u>	<u>857,457</u>

Note 9: Commitments

Leasing Commitments

Operating leases relate to lease of office premises with lease terms as follows:

Not longer than 1 year	-	30,000
Longer than 1 year	-	-
	<u>-</u>	<u>30,000</u>

Capital Commitments

Building Improvements - Jemmeson Street	-	895,000
Less construction to date	-	-
Balance	<u>-</u>	<u>895,000</u>

Note 10: Asset Revaluation Reserve

Balance at 1 July	1,098,026	1,098,026
Revaluation Increment/(Decrements)	-	-
Balance at 30 June	<u>1,098,026</u>	<u>1,098,026</u>

Represented by:

Land	515,000	515,000
Buildings	583,026	583,026
Total	<u>1,098,026</u>	<u>1,098,026</u>

Note 11: Accumulated Surplus

Balance 1 July	5,682,822	3,650,004
Result for the year	(315,252)	2,032,818
Balance 30 June	<u>5,367,570</u>	<u>5,682,822</u>

Note 12: Other Financial Liabilities

Interest in Jointly Controlled Entity	<u>23,305</u>	<u>-</u>
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Name of Entity	Principal Activity	Incorporated	Ownership Interest
Gippsland Health Alliance	Information Technology	Australia	(0.5%)

Note 13: Events Occurring after the Balance Sheet Date

The Board is not aware of any after balance sheet date events requiring disclosure.

GIPPSLAND LAKES COMMUNITY HEALTH INC.

Notes to the Financial Report for the Year Ended 30 June 2008

Note 14: Contingent Assets and Contingent Liabilities

The Board is not aware of any quantifiable or non-quantifiable contingent assets or contingent liabilities as at year end.

Note 15: Related Parties

Any health services provided to Member's of the Board were conducted on a commercial basis.

