

BALLARAT BASE HOSPITAL

FINANCIAL STATEMENTS
1988-1989

BOARD COMMENTARY TO THE FINANCIAL STATEMENTS

The attached Audited Statements detail the Hospital's financial operations for the year 1988-89.

This is a landmark year for the Financial Reporting of the Public Hospital system in Victoria. The Base must now comply with the requirements of the Annual Reporting Act 1983 and associated regulations. This has resulted in a significant increase in the information reported and the style of report. We no longer report by Fund but as a total hospital entity, which will give a different view to that adopted in previous years.

The 1988-89 Operating budget deficit was \$1,013,254. This resulted from the increase in patient throughput, as can be seen in the Expenditure section of the Statement which indicates significant increases in the Hospital Services and Diagnostic and Ancillary Medical expenses. These increases in expenditure were offset by increases in revenue, both from the Government recurrent grants and Patient related services.

The Retained Deficit at 30th June, 1989 stands at \$7,475,622. This amount is made up of Employee Benefits Liability of \$4,379,040 less Net Operating Assets of \$1,438,318 and accumulated cash deficits of \$3,363,445. Capital Expenditure including provision for depreciation adds to the accumulated deficit. The cash deficit includes \$1,371,288 from the current year and \$743,600 outstanding from government grants. A reconciliation statement is appended which details these movements.

The Balance of Funds and Reserves rose by \$1,560,057 to \$16,948,329. A significant movement in the balance sheet included increased borrowing of \$1,468,442. This will be reduced by \$743,600 as a result of a payment by the government of grants owed for 1988-89 not paid at 30th June, 1989.

To assist in the interpretation of the Finance Statements more extensive notes have been provided and these should be read in conjunction with the Statements.

Despite the increase in deficit, the hospital continues to operate very efficiently as the Performance Indicators (reported elsewhere) show. The 1988-89 year was obviously difficult financially, and 1989-90 will, no doubt, be just as difficult.

An outcome of the requirement to provide more comprehensive information is the need to develop more sophisticated computerized accounting systems to more closely monitor financial activity. It is believed these measures will enable the hospital to continue to serve the Community effectively and efficiently, and at the same time manage within the financial constraints now being imposed by government.

**REVENUE AND EXPENSE STATEMENT
FOR THE YEAR ENDED 30 JUNE 1988**

	Notes	Total Hospital 1988-89 \$	Total Hospital 1987-88 \$
REVENUE			
Government Grants	2	26,018,806	23,583,675
Indirect Contributions by H.D.V.	3	329,763	263,731
Patient Fees	4	4,648,722	4,156,243
Recoupment for Private Practice — Use of Hospital Facilities	5	2,713,019	2,157,584
Other Revenue	9	747,565	751,194
Abnormal Items	6	698,100	33,580
TOTAL REVENUE		35,155,975	30,946,007
OPERATING EXPENSES			
Hospital Services	10	16,296,859	14,921,590
Diagnostic and Ancillary Medical	10	8,245,641	5,999,605
Administration and Support Services	10	10,403,242	9,276,053
Teaching Services	10	574,253	648,437
Linen Services	10	681,215	661,090
		0	0
TOTAL OPERATING EXPENSES		36,201,210	31,506,775
Operating Deficit before Abnormal Items		(1,045,235)	(560,768)
Abnormal Items	6	(250,062)	0
Operating Surplus/(Deficit) for the year		(1,295,297)	(560,768)
Retained Deficit at beginning of year		(5,344,508)	(3,952,171)
Available for Appropriation		(6,639,805)	(4,512,939)
Transfer to Reserves	7	(835,817)	(831,569)
Retained Deficit at end of year		(7,475,622)	(5,344,508)

The accompanying notes form part of these financial statements.

BALANCE SHEET

	Notes	Total Hospital 1988-89 \$	Total Hospital 1987-88 \$
EQUITY			
Capital			
Contributed Capital		23,173,034	19,061,242
Funds held for Restricted Purpose		1,203,270	1,623,891
Funds held in Perpetuity		47,647	47,647
Accumulated Deficit		(7,475,622)	(5,344,508)
TOTAL EQUITY		16,948,329	15,388,272
CURRENT LIABILITIES			
Bank Overdraft		2,863,744	2,095,302
Borrowings		700,000	0
Creditors		1,439,689	1,228,292
Accrued Expenses — Salaries and Wages		553,335	405,545
Provision for Employee Entitlements	8	2,488,232	2,178,659
Income in Advance			950,000
TOTAL CURRENT LIABILITIES		8,045,000	6,857,798
NON-CURRENT LIABILITIES			
Provision for Employee Entitlements	8	1,337,473	1,145,589
TOTAL LIABILITIES		9,382,473	8,003,387
TOTAL EQUITY AND LIABILITIES		26,330,802	23,391,659
CURRENT ASSETS			
Cash at Bank and on hand		222,386	1,062,197
Patient Fees Receivable	11	814,627	882,359
Stores	12	446,341	411,168
Prepayments	13	30,188	200,000
Debtors and Accrued Revenue	14	1,561,911	644,111
Short Term Investments	15	849,899	331,841
TOTAL CURRENT ASSETS		3,925,352	3,531,676
NON-CURRENT ASSETS			
Investments	15	254,487	1,279,027
Land and Buildings	18	13,548,953	13,483,386
Goodwill	18	134,000	0
Assets Under Construction	18	1,718,999	73,937
Plant and Equipment	18	6,304,729	4,774,348
Office Furniture and Equipment	18	268,885	249,285
Motor Vehicles	18	175,397	0
TOTAL NON-CURRENT ASSETS		22,405,450	19,859,983
TOTAL ASSETS		26,330,802	23,391,659

The accompanying notes form part of these financial statements.

**STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1990**

	Notes	Consolidated 1988-89 \$	Consolidated 1987-88 \$
Sources of Funds			
Funds from Operations			
Inflow of Funds from Operations		35,155,975	30,946,007
Less Outflow Funds from Operations		34,874,401	30,433,588
Net Funds from Operations	16	<u>281,574</u>	<u>512,419</u>
Contributed Equity			
Capital Contributions		2,855,354	2,229,470
INCREASE IN LIABILITIES			
Current Liabilities			
Bank Overdraft		768,442	2,074,544
Borrowings		700,000	
Creditors		211,397	30,242
Accrued Expenses		147,790	
Income in Advance			950,000
		<u>1,827,629</u>	<u>3,054,786</u>
REDUCTION IN ASSETS			
Current Assets			
Cash at Bank and on hand		839,811	
Patient Fees Receivable		67,732	
Prepayments		169,812	
Non-Current Assets		<u>1,077,355</u>	
Investments		1,024,540	
Total Sources of Funds		<u>7,066,452</u>	<u>5,796,675</u>
Applications of Funds			
DECREASE IN LIABILITIES			
Current Liabilities			
Borrowings			1,000,000
Accrued Expenses			312,424
Provision for Employee Entitlements		358,176	314,619
Income in Advance		950,000	
		<u>1,308,176</u>	<u>1,627,043</u>
INCREASE IN ASSETS			
Current Assets			
Cash at Bank and on hand			785,083
Patient Fees Receivable			250,810
Stores		35,173	73,567
Prepayments			179,173
Debtors and Accrued Revenue		917,800	42,784
Short Term Investments		518,058	
Non-Current Assets		<u>1,471,031</u>	<u>1,331,417</u>
Investments			367,695
Land and Buildings		65,567	1,525,419
Goodwill		134,000	
Assets Under Construction		1,645,062	
Plant and Equipment		2,373,718	945,101
Office Furniture and Equipment		29,336	
Motor Vehicles		39,562	
		<u>4,287,245</u>	<u>2,838,215</u>
Total Applications of Funds		<u>7,066,452</u>	<u>5,796,675</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 1989**

	Notes	Contributed Capital	Funds held for restricted Purposes	Funds held in Perpetuity	Retained Surplus/ Accum. Def	Consolidated Total 1988-89	Consolidated Total 1987-88
Balance at Beginning of the year .		19,061,242	1,623,891	47,647	(5,344,508)	15,388,272	13,719,570
Surplus/(Deficit) for the year					(1,295,297)	(1,295,297)	(560,768)
Capital Contributions	2	2,855,354				2,855,354	2,229,470
Transfers to Reserves							
Equipment funded from Operations	7	36,118			(36,118)		
Surplus from Restricted Funds	7, 19		639,719		(639,719)		
Interest from Endowment	7			6,459	(6,459)		
Equipment funded prior years to Capital	7	153,521			(153,521)		
Inter Fund Transfers							
Endowment Interest to Restricted Funds			6,459	(6,459)			
Equipment funded from Funds held for restricted purposes		1,066,799	(1,066,799)				
Balance at end of the year		23,173,034	1,203,270	47,647	(7,475,622)	16,948,329	15,388,272

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF THE HOSPITAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1989

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial statements of the hospital have been prepared in accordance with the requirements of the Health Department of Victoria, Australian Accounting Standards, the *Annual Reporting Act 1983* and the *Annual Reporting (Contributed Income Sector) Regulations 1988*.

(a) *Accrual Basis*

In accordance with the Regulations, the accrual basis of accounting has been used with revenue and expenses recognised as they are incurred and brought to account in the period to which they relate.

(b) *Historical Cost*

The financial statements have been prepared on an historical cost basis whereby assets are recorded at cost and do not take into account changing money values or the current cost of non-current assets (unless specifically stated).

(c) *Investments*

Investments held by the Hospital are shown in the Balance Sheet at cost. All investments are comprised of interest bearing securities and it has been the practice of the Hospital to hold all investments to maturity.

(d) *Depreciation*

Fixed Assets with value in excess of \$1,000 are brought to account and depreciation has been provided over their estimated useful lives using the straight-line method.

As at balance date no valuation has been made on Land and Buildings. As the value of buildings is not available, no depreciation has been charged against this asset. This represents a departure from Australian Accounting Standard AAS-4 — Depreciation of Non-Current Assets, which states that fixed assets are to be depreciated over their estimated useful life. The effect of this departure on the accounts has not been calculated.

The Fixed Assets Register of the Hospital is being reviewed and adjustments to the Balance will be made in future accounting periods. Depreciation expense for past periods was brought to account in this financial year (\$403,583) as an abnormal item and Fixed Assets financed from previous years (\$153,521) were also brought to account in this financial year as an abnormal item.

(e) *Stores*

Stores on hand have been valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and does not include any overhead expense.

(f) *Employee entitlements*

Long Service Leave

Provision for long service leave is made on a pro-rata basis for all employees who have completed ten or more years service. The entitlement becomes payable upon completion of ten years service. The proportion of long service estimated to be payable within the next financial year is included in the Balance Sheet under Current Liabilities.

Annual Leave and Accrued Days Off

A provision for annual leave including 17.5% leave loading and accrued days off is made for all employees based on the hospital's accrued liability for the same at 30 June 1989. This provision is included under current liabilities.

Superannuation

The hospital contributes to the *Hospitals Superannuation Board (H.S.B.)* superannuation scheme. A basic benefit of 3% of employee salary is financed for each employee. This commenced in July 1988 as a 3% productivity pay increase. Employees can contribute 3% or 6% of their salary to the scheme. The hospital further finances the scheme for contributors in accordance with H.S.B. guidelines calculated on the amount of the contribution by each employee.

Details of contributions to the fund for the period:

Hospital Contributions		
Contributing members	\$556,949	49.03%
Non-Contributing Basic 3%	265,895	23.41%
Hospital expense	822,844	72.44%
Employee Contributions	313,142	27.56%
Total Contributions to H.S.B.	1,135,986	100.00%

(g) *Changes in reporting requirements*

During the 1988-89 year, the hospital was declared a public body under the *Annual Reporting Act 1983*. This necessitated alterations to the presentation of financial statements pursuant to the *Annual Reporting (Contributed Income Sector) Regulations 1988* under the Act. Comparative figures have been amended accordingly.

In accordance with the above interest accrued on investments has been brought to account for last year's figures which alters the opening balance of funds.

Previous Opening Balance of Restricted Funds	\$1,582,774
Add Interest Accrued	41,117
Opening Balance of Restricted Funds	\$1,623,891

ORGANISATION CHART

**BALLARAT B
ORGANISA**

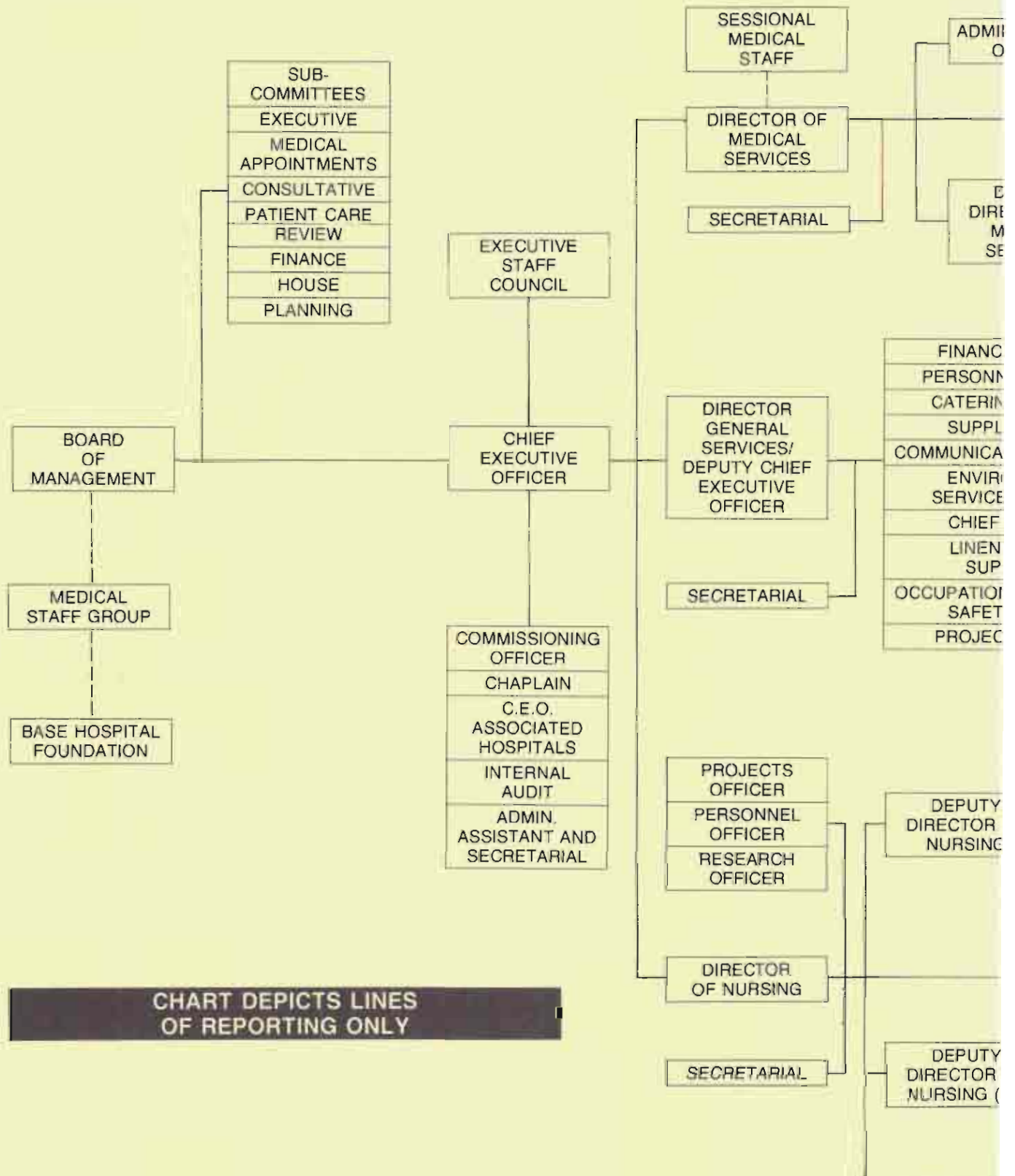
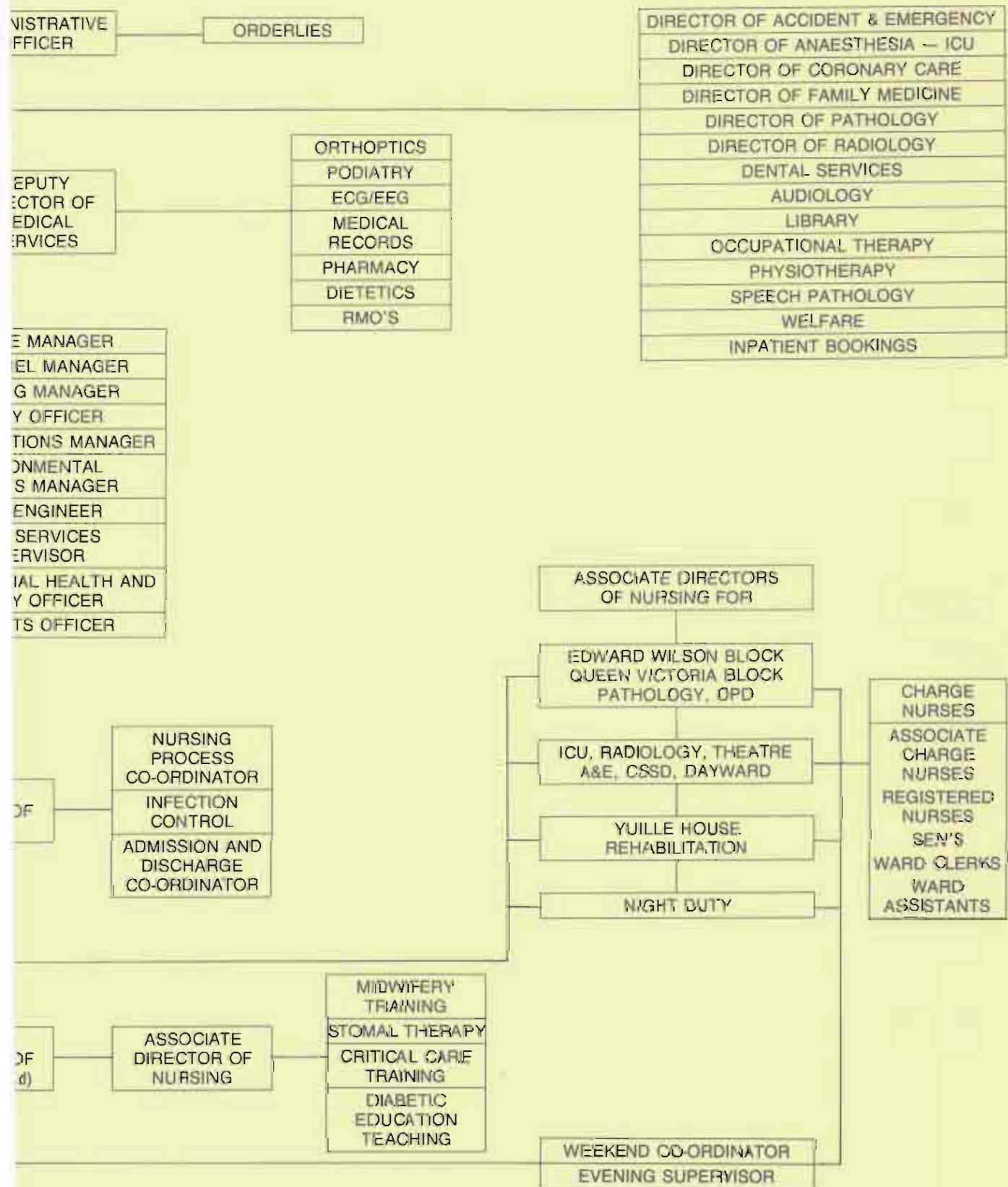


CHART DEPICTS LINES OF REPORTING ONLY

BASE HOSPITAL ATION CHART



BALLARAT BASE HOSPITAL ORGANISATION CHART

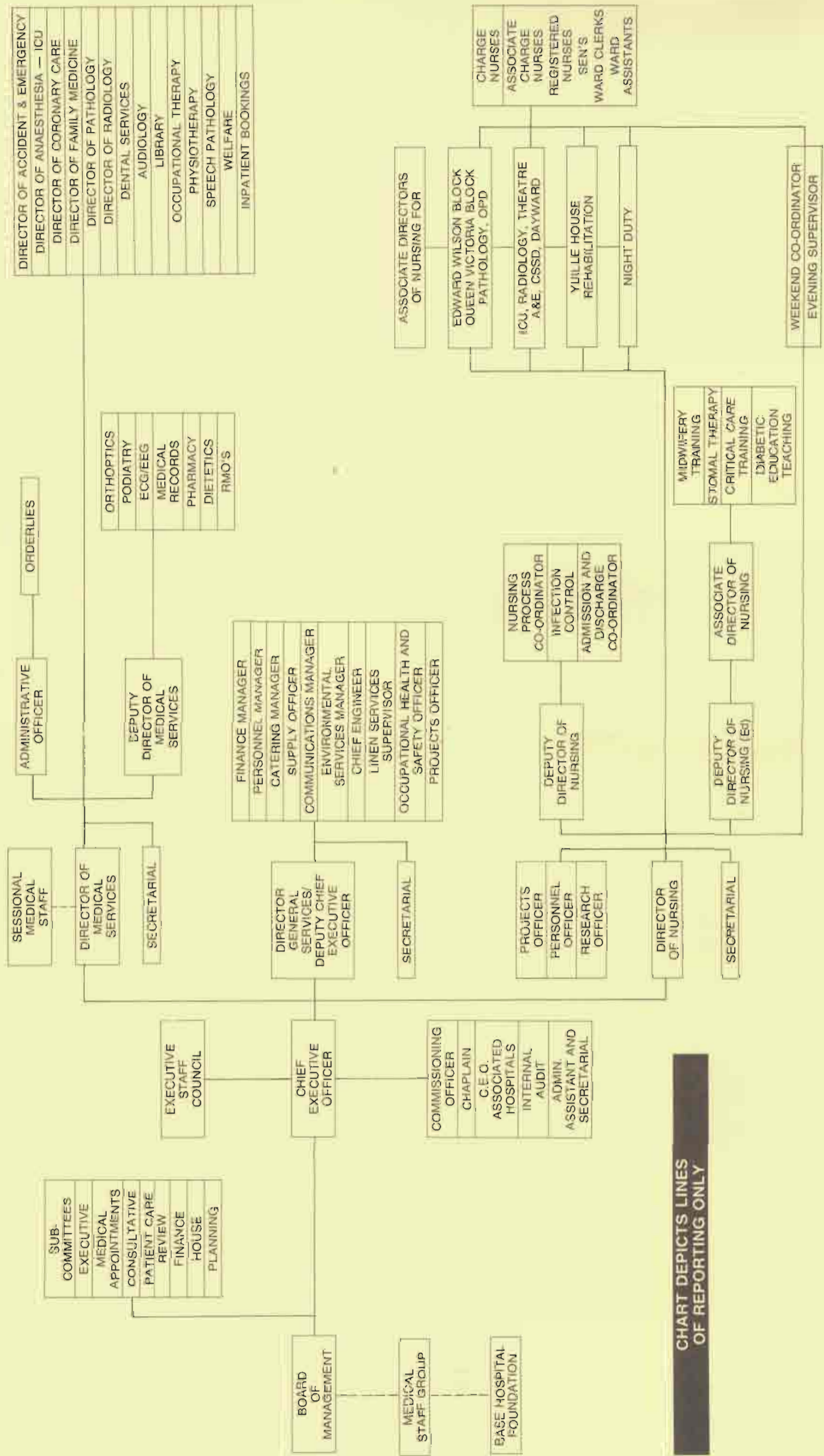


CHART DEPICTS LINES OF REPORTING ONLY

NOTE 2: GOVERNMENT GRANTS

	1988-89		1987-88
	\$	\$	\$
Operating Grants			
Hospital	25,901,500		23,463,100
Special Grants			
AIDS Testing Pathology	58,910		55,643
Regional Education	57,921		63,165
Other	475		1,767
		26,018,806	23,583,675
Capital Contributed			
Capital Works	2,444,254		2,046,038
Minor Works	200,300		183,432
Medical Equipment	76,800		
Diagnostic Services	134,000		
(Ballarat C.T. Business)			
		2,855,354	2,229,470
		<u>28,874,160</u>	<u>25,813,145</u>

NOTE 3: INDIRECT CONTRIBUTION BY HEALTH DEPARTMENT VICTORIA

The Health Department Victoria makes certain direct payments on behalf of the Hospital which, in accordance with their requirements, have been brought to account in determining the operating result for the period. They are brought to account as non-cash revenue and off-set by the expenditure items as follows.

	1988-89	1987-88
	\$	\$
Insurance — Special Risk	30,462	22,107
— Public Risk	180,686	173,754
— WorkCare	59,103	36,641
Industrial Relations	8,352	8,137
Health Computing Services	23,460	23,092
Audit Fees	27,700	0
	<u>329,763</u>	<u>263,731</u>

This is the first year in which the audit has been controlled by the Auditor General Victoria. The cost of the audit in 1987-88, which was met by the Ballarat Base Hospital, amounted to \$17,100.

NOTE 4: PATIENT FEES

	1988-89	1987-88
	\$	\$
Inpatient Fees	4,484,562	3,999,662
Outpatient Fees	164,160	156,581
	<u>4,648,722</u>	<u>4,156,243</u>

NOTE 5: RECOUPMENT FOR PRIVATE PRACTICE USE OF HOSPITAL FACILITIES

	1988-89	1987-88
	\$	\$
Pathology Services	1,459,896	1,324,148
Radiology Services	998,978	833,436
Computer Tomography	254,145	0
	<u>2,713,019</u>	<u>2,157,584</u>

Private Practice income includes revenue from Medical Special Purpose funds as shown in Note 19.

	1988-89	1987-88
	\$	\$
Private Practice income from Funds held for Restricted Purposes . . .	1,112,633	932,976

NOTE 6: ABNORMAL ITEMS

In the current year the Health Department Victoria funded the hospital an amount of \$698,100 for grants in arrears. The amount was not included in last years accounts as the exact details were not known.

As in Note 1: Depreciation expense from prior years was brought to account in this year. Amount \$403,583.

As in Note 1: Assets funded in prior years were brought to account in this financial year. Motor Vehicles at cost \$153,521.

NOTE 7: TRANSFERS TO RESERVES

	1988-89	1987-88
	\$	\$
Equipment funded from operations	36,118	106,099
Surplus from Endowments	6,459	6,459
Surplus from Restricted Funds	639,719	719,011
Equipment funded prior years	153,521	0
	<u>835,817</u>	<u>831,569</u>

NOTE 8: PROVISION FOR EMPLOYEE ENTITLEMENTS

	Current	Non-Current	Total	Total
	\$	\$	1988-89	1987-88
	\$	\$	\$	\$
Long Service Leave	380,000	1,337,473	1,717,473	1,495,589
Annual Leave	2,011,514		2,011,514	1,717,776
Accrued Day Off	96,718		96,718	110,893
	<u>2,488,232</u>	<u>1,337,473</u>	<u>3,825,705</u>	<u>3,324,248</u>

NOTE 9:

	1988-89	1987-88
	\$	\$
OTHER REVENUE		
Meals and Accommodation	188,574	184,184
Recoveries	20,019	4,217
Sale of Obsolete Items	8,593	3,468
Other Medical Services		
Medical Reports	17,011	14,749
Audiology	13,393	1,493
E.E.G. Services	26,300	27,787
Staff Clinic	2,940	1,362
Ambulatory ECG's	19,480	0
Ante-Natal Classes	2,590	2,452
Pulmonary Lung Function	875	1,595
Clinical Services	7,394	4,020
Community Services Grant — Child Care	8,977	3,673
Fees received — Child Care	8,930	2,232
Sundry fund Raising	639	0
Gold Phone	6,724	6,775
Lecturing Fees	10,000	7,400
Commissions	14,733	12,348
Rent	187,701	183,322
Donations and Bequests	75,864	117,913
Interest	126,828	172,204
	<u>747,565</u>	<u>751,194</u>

Other Revenue includes income from Funds held for restricted purposes as per Note 19.

	1988-89	1987-88
	\$	\$
Revenue from Restricted Funds	506,029	522,162

NOTE 10: OPERATING EXPENSES

1987-88		1988-89	1988-89
\$		\$	\$
1,059,004	General Administration	1,137,784	
380,316	Finance Note (a)	553,098	
2,135,163	Personnel-Employee Benefits	2,835,287	
142,472	Supply	158,201	
694,171	Nursing Administration	672,766	
372,546	Medical Administration	339,194	
400,247	Power	441,867	
1,009,012	Engineering	1,027,727	
1,848,480	Food and Dietary	1,876,241	
1,234,642	Domestic	1,361,077	
9,276,053	TOTAL ADMINISTRATION AND SUPPORT SERVICES		10,403,242
661,090	Linen, Laundry	681,215	
661,090	TOTAL LINEN SERVICES		681,215
1,042,746	Pharmacy	1,244,561	
147,425	C.S.S.D.	198,396	
469,657	Medical Records	531,999	
2,175,916	Pathology	2,651,661	
1,219,181	Radiology	1,908,240	
32,878	Technical Support	48,866	
911,802	Allied Health	1,661,918	
5,999,605	TOTAL DIAGNOSTIC AND ANCILLARY SERVICES		8,245,641
791,000	Wards Special Care	688,150	
7,211,185	Medical and Surgical	6,547,876	
1,353,984	Midwifery	1,560,908	
617,046	Purchased Services	603,991	
1,218,844	Theatre	1,374,328	
615,799	Accident/Emergency	899,384	
192,548	Outpatients	1,074,529	
2,921,184	Clinical Units	3,547,693	
14,921,590	TOTAL HOSPITAL SERVICES		16,296,859
62,457	Education and Training	70,934	
341,542	Nursing Education	343,818	
181,273	Regional Nurses	89,050	
63,165	Post Basic Nursing Education	70,451	
648,437	TOTAL TEACHING SERVICES		574,253
31,506,775	TOTAL OPERATING EXPENSES Note (b)		36,201,210
	Note (a)		
62,167	Finance includes interest expense	204,491	
17,100	Finance includes audit fees	27,700	
	Note (b)		
268,101	Total operating expense includes depreciation	467,176	
	Operating expenses includes expenses from Restricted		
736,127	Funds as per Note 19	978,943	

NOTE 11: PATIENT FEES RECEIVABLE

	1988-89	1987-88
	\$	\$
Inpatient Fees	763,134	830,518
Outpatient Fees	70,093	70,441
	833,227	900,959
Less Provision for Bad Debts	18,600	18,600
Patient Fees Receivable	814,627	882,359

NOTE 12: STORES

	1988-89	1987-88
	\$	\$
Pharmacy	122,702	118,089
Medical and Surgical	202,571	185,872
Printing and Stationary	37,103	34,195
Domestic Supplies	66,188	54,658
Food	17,777	18,354
	446,341	411,168

NOTE 13: PREPAYMENTS

	1988-89	1987-88
	\$	\$
WorkCare Premium	29,828	
Capital Works	360	200,000
	<u>30,188</u>	<u>200,000</u>

NOTE 14: DEBTORS AND ACCRUED REVENUE

	1988-89	1987-88
	\$	\$
Government Grants Outstanding	743,600	0
Workcare Debtors	8,433	13,118
Sundry Debtors	139,952	68,839
Computer Tomography Debtors	65,366	0
Radiology Debtors	246,625	235,353
Pathology Debtors	321,351	285,684
Accrued Interest (Investments)	36,584	41,117
	<u>1,561,911</u>	<u>644,111</u>

NOTE 15: INVESTMENTS

	Current	Non-Current	Total	Total
	\$	\$	1988-89	1987-88
	\$	\$	\$	\$
Interest Bearing Deposits	849,899	254,487	1,104,386	1,610,868
Represented by:				
Funds held for Restricted Purposes	849,899	206,840	1,056,739	1,563,221
Funds held for Perpetuity		47,647	47,647	47,647
	<u>849,899</u>	<u>254,487</u>	<u>1,104,386</u>	<u>1,610,868</u>

NOTE 16: RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH FUNDS FROM OPERATIONS IS AS FOLLOWS:

	1988-89	1987-88
	\$	\$
Net Surplus/(Deficit) for year	(1,295,297)	(560,768)
Add non cash items		
Depreciation Current Year	467,176	268,101
Depreciation bought to account from prior years	403,583	
Assets bought to account from prior years	(153,521)	
Long Service Leave expense	580,060	556,328
Annual Leave Liability	293,748	201,312
A.D.O. Leave Liability	(14,175)	47,446
Net Funds from Operations	<u>281,574</u>	<u>512,419</u>

NOTE 17: CAPITAL COMMITMENTS

Outstanding contracts for works and services entered into by the hospital as at 30 June 1989 include the following:

\$23,528 for demolition associated with Redevelopment.

NOTE 18: NON-CURRENT ASSETS

	At Cost	At Cost	Deprec.	Accum.	Net Assets	Net Assets
	30.6.89	30.6.88	1989	Deprec. at	at 30.6.89	at 30.6.88
	\$	\$	\$	30.6.89	\$	\$
Land and Building	13,548,953	13,483,386	0	0	13,548,953	13,483,386
Goodwill	134,000	0	0	0	134,000	0
Assets Under Construct	1,718,999	73,937	0	0	1,718,999	73,937
Plant and Equipment	7,414,167	5,040,449	449,703	1,109,438	6,304,729	4,774,348
Office Furniture and Equipment	280,621	251,285	4,120	11,736	268,885	249,285
Motor Vehicles	193,083	0	13,353	17,686	175,397	0
TOTAL NON-CURRENT ASSETS	23,289,823	18,849,057	467,176	1,138,860	22,150,963	18,580,956

**NOTE 19: MEDICAL SPECIAL PURPOSE FUNDS AND FUNDS HELD FOR RESTRICTED PURPOSES
REVENUE AND EXPENSE STATEMENT FOR THE YEAR ENDED 30 JUNE 1989**

	1988-89	1987-88
	\$	\$
REVENUE:		
Recoupment for Private Practice		
— Use of Hospital Facilities	1,112,633	932,976
Other Revenue	506,029	522,162
TOTAL REVENUE	<u>1,618,662</u>	<u>1,455,138</u>
EXPENSES:		
Hospital Services		
Diagnostic and Ancillary Medical	866,718	599,857
Administration and Support Service	97,412	122,361
Teaching Services	14,813	13,909
TOTAL EXPENSES	<u>978,943</u>	<u>736,127</u>
NET SURPLUS: (DEFICIT)	<u>639,719</u>	<u>719,011</u>

The above revenue is included in the Statement of Revenue and Expense.

**BALLARAT BASE HOSPITAL
CERTIFICATION**

We hereby certify that the financial statements of the Ballarat Base Hospital have been prepared in accordance with the provisions of the *Annual Reporting Act 1983* and the *Annual Reporting (Contributed Income Sector) Regulations 1988*.

In our opinion the financial statements present fairly the financial transactions during the 1988-89 financial year and the financial position of the Ballarat Base Hospital as at 30 June 1989.

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

E.D. MACAULAY, Chief Executive Officer

M. DUGGAN, President

W. COCHRAN, Honorary Treasurer

B.M. BOLGER B.Comm., A.A.S.A. C.P.A. (Management Accountant), Principal Accounting Officer

Dated the 5th day of October 1989.

AUDITOR-GENERAL'S REPORT

The accompanying financial statements comprising revenue and expense statement, balance sheet, statement of sources and applications of funds, consolidated statement of changes in equity and notes to the financial statements of the Ballarat Base Hospital have been audited as required by the *Annual Reporting Act 1983* and in accordance with Australian Auditing Standards.

The hospital has included in the balance sheet land and buildings at an aggregated cost of \$13.5 million. The individual costs of these non-current assets were not available. Under the *Annual Reporting (Contributed Income Sector) Regulations 1988*, the hospital is not required to provide depreciation on non-current assets held prior to 1 January, 1989. Consequently, the hospital has not provided for depreciation on buildings. This is a departure from Australian Accounting Standard AAS4 *Depreciation of Non-Current Assets*. In my opinion, depreciation, which allocates the cost of an asset over its useful life, should have been provided on buildings and included as an operating expense in the revenue and expense statement.

In my opinion, the financial statements comply, in all material respects, with the requirements of the *Annual Reporting Act 1983*, and except for the effect on the financial statements of the matter referred to above, present fairly the state of the affairs of the Ballarat Base Hospital as at 30 June, 1989 and the results of its operations for the year ended on that date in accordance with Australian Accounting Standards.

MELBOURNE,
27/10/1989.

C. A. BARAGWANATH,
Auditor-General.

RECONCILIATION OF OPERATING DEFICIENCY IN ANNUAL ACCOUNT WITH CASH DEFICIENCY REPORTED TO HEALTH DEPARTMENT VICTORIA

	1988-89 \$	1988-89 \$
Cash Deficit Reported to Health Department		
Budget Items	(1,756,854)	
Less Accrued Grant due from Health Department	743,600	(1,013,254)
Non-Budget Items (includes interest)		(358,034)
		<u>(1,371,288)</u>
Add Depreciation for year	(467,176)	
Increase in Provision for Annual Leave	(501,457)	
Long Service Leave, Accrued Days Off		
Increase in Creditors	(43,672)	
Increase in Accrued Salaries	(147,790)	
Specific Grants to Capital Fund	(411,100)	
Reduction in Patient Fees Receivable	(67,732)	
		<u>(1,638,927)</u>
Less Increase in Stores	35,173	
Prepayment	29,828	
Increase in Other Debtors	117,649	
Prior Year Grant Received 1988/89	698,100	
Equipment transfers to Capital Fund	447,218	
		<u>1,327,968</u>
Operating Account Deficit 1989		(1,682,247)
Add Capital funded maintenance		(9,166)
Extraordinary Items Capital		(250,062)
Less Special Purpose Funds Surplus		646,178
Deficit as per Revenue and Expense Statement		<u>(1,295,297)</u>
Reconciliation of Accumulated Deficit		
Cash Deficit from Prior Years	(1,946,657)	
Prior year Grant received 1988-89	698,100	
Cash Deficit 1988-89	(1,371,288)	
Current Year Grant outstanding	(743,600)	
Accumulated Cash Deficit as at 30.6.89		(3,363,445)
Accumulated Staff Entitlements Prior Years	(3,729,793)	
Increase in Staff Entitlements 1988-89	(649,247)	
Accumulated Staff Entitlements as at 30.6.89		(4,379,040)
Accrued Expenses Prior Years	(1,026,190)	
Accrued Stock and Debtors Prior Years	1,649,662	
Increase in Accrued Expenses 1988-89	(43,672)	
Increase in Stock and Debtors 1988-89	858,518	
Net Operating Assets as at 30.6.89		<u>2,508,180</u>
Provision for Depreciation		(1,138,860)
Capital Funded Maintenance		(32,595)
Accumulated Deficit as at 30.6.89		<u>(7,475,622)</u>