
Charles Sturt University

AUDIT OPINION

The audit of the financial reports of the University and its controlled entities for the year ended 31 December 2006 resulted in unqualified Independent Audit Reports.

PERFORMANCE ISSUES

(Comparative performance data on all universities appears in the 'Universities Overview' section earlier in this Volume. The information shown below is based on consolidated financial statements.)

The University's current ratio (a measure of its financial liquidity) was 1.2 at 31 December 2006, down from the previous year's 1.5. At this level it is below the State's average and the minimum level identified by the Australian Government's Department of Education, Science and Training (DEST) 'good practice' parameters. The calculation of the current ratio excludes non-current investments of \$99.8 million redeemable at short notice.

Australian Government grants as a percentage of operating revenue decreased, from 42.7 per cent in 2005 to 40.6 per cent in 2006. This is above the State's average of 38.7 per cent but continues to be within the DEST 'good practice' parameter.

Employee benefits and on-costs as a percentage of operating revenue decreased from 59.3 per cent in 2005 to 58.9 per cent in 2006. This is higher than the State's average of 54.4 per cent but within the DEST 'good practice' parameter.

COMPLIANCE ISSUES

We tested whether the University complied with the Australian Government's National Governance Protocols for Public Higher Education Institutions. The results of our testing were satisfactory.

CONTROL ISSUES

We identified certain opportunities for the University to improve existing procedures. We will further discuss them with University staff and where appropriate report them to management. The more significant areas related to the measurement of employee benefits, inventory records and accounts payable.

OTHER ISSUES

The University of Sydney's Orange Campus was formally transferred to Charles Sturt University on 1 July 2006. The transfer arrangements included payment of \$1.0 million to University of Sydney. The net assets transferred (\$35.2 million) comprised land, buildings, plant, equipment, library collection, livestock (valued at \$36.8 million) and acceptance of liabilities to employees totalling \$1.6 million.

The transfer of Orange Campus also resulted in control of Rural Australia Foundation Limited passing from the University of Sydney to Charles Sturt University (effective 31 December 2006).

FINANCIAL INFORMATION

The consolidated financial information includes the financial reports of the University and the following controlled entities:

- Mitchell Services Limited
- Rivservices Limited
- Olive Street Services Limited
- Charles Sturt Services Limited
- Charles Sturt Foundation Limited
- Charles Sturt University Foundation Trust
- Rural Australia Foundation Limited
- Campus Pre-School Incorporated

Abridged Income Statements

Year ended 31 December	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australian Government grants	106,111	100,735	106,111	100,735
Higher Education Contribution Scheme	58,387	51,763	58,387	51,763
Australian Government loan programs	12,643	6,916	12,643	6,916
Fees and charges	44,994	42,350	44,994	42,350
Other	39,752	34,006	33,318	23,784
Deferred income - superannuation	<u>(21,472)</u>	<u>(2,191)</u>	<u>(21,472)</u>	<u>(2,191)</u>
TOTAL REVENUE	<u>240,415</u>	<u>233,579</u>	<u>233,981</u>	<u>223,357</u>
Employee benefits and on-costs	153,862	139,709	149,127	135,232
Depreciation	18,612	17,596	18,612	17,596
Other	72,968	65,132	72,043	59,866
Deferred expense - superannuation	<u>(21,472)</u>	<u>(2,191)</u>	<u>(21,472)</u>	<u>(2,191)</u>
TOTAL EXPENSES	<u>223,970</u>	<u>220,246</u>	<u>218,310</u>	<u>210,503</u>
OPERATING RESULT	<u>16,445</u>	<u>13,333</u>	<u>15,671</u>	<u>12,854</u>

Deferred income and deferred expenses reflect movements in the actuarially assessed liability for employees who are members of the State Government's defined benefit superannuation plans. Because the Australian Government funds these movements they do not impact the operating result.

Employee benefits and on-costs reflect increases in salary rates and the number of employees, largely due to the transfer of Orange Campus.

Abridged Balance Sheets

At 31 December	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current assets	<u>37,482</u>	37,756	<u>35,870</u>	37,063
Non-current assets	<u>605,043</u>	<u>523,184</u>	<u>599,338</u>	<u>518,137</u>
TOTAL ASSETS	<u>642,525</u>	<u>560,940</u>	<u>635,208</u>	<u>555,200</u>
Current liabilities	<u>46,501</u>	39,738	<u>46,360</u>	39,725
Non-current liabilities	<u>91,872</u>	<u>112,623</u>	<u>91,848</u>	<u>112,623</u>
TOTAL LIABILITIES	<u>138,373</u>	<u>152,361</u>	<u>138,208</u>	<u>152,348</u>
NET ASSETS	<u>504,152</u>	<u>408,579</u>	<u>497,000</u>	<u>402,852</u>

The increase in non-current assets is mainly due to the revaluation of land and buildings (\$44.9 million) and the previously mentioned transfer of Orange Campus.

UNIVERSITY ACTIVITIES

The University is constituted under the *Charles Sturt University Act 1989*. It mainly:

- provides educational facilities of university standard
- provides distance education for students within New South Wales and elsewhere
- disseminates and increases knowledge and promotes scholarship
- confers degrees of Bachelor, Master and Doctor and awards diplomas and other certificates.

For further information on the University, refer to www.csu.edu.au.

CONTROLLED ENTITIES

The six companies controlled by the University are limited by guarantee. Operating costs of Charles Sturt Foundation Limited (the Trustee of Charles Sturt University Foundation Trust) have been met by the Trust. The Trustee has no other transactions.

With the exception of Rural Australia Foundation Limited, the four other companies do not impact on the consolidated operating result because the net costs of their operations are fully met by the University, ensuring nil operating results. The total expenditure of these four companies in 2006 was \$4.8 million (\$4.7 million in 2005). These companies do not own any property, plant and equipment and their liabilities are offset by receivables from the University.

The operation of Charles Sturt Foundation Trust resulted in an operating surplus of \$734,000 (\$5.0 million, reflecting the transfer of dissolved Trusts). Net assets of the Trust were \$7.1 million (\$5.7 million). The increase is largely due to revaluation of investments (\$681,000) and a contribution of \$303,000 on 31 December 2006 from Rural Australia Foundation Limited (equivalent to the company's net assets).

Following the above mentioned contribution Rural Australia Foundation Limited reported a loss of \$305,000 for the year.

Campus Pre-School Incorporated reported a surplus of \$42,000 (\$31,000). The Pre-School's net assets at 31 December 2006 were \$11,000 (net deficiency of \$31,000).