

Items for Consideration of Council

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CONFIDENTIAL

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ORIGIN: Acting General Manager

Termination of Agreement with the McInnes Group for the Preparation of a Local Environmental Study and Draft Local Environmental Plan - Seaside City, South Kingscliff

Confidential Nature of This Item: The Local Government Act 1993 Clause 10A(2)

(g) advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the ground of legal professional privilege

Items for Consideration of Council

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Reports from Director Corporate Services

1. ORIGIN: Financial & Information Services Unit

FILE REF: Financial Reporting

REPORT TITLE:

2001/02 Statutory Financial Reports/Audit Report

SUMMARY OF REPORT:

Council's Statutory General Purpose Financial Reports in accordance with Section 413 (2) (c) of the Local Government Act, 1993 for the financial year ended 30 June 2002 have been completed and audited. The Reports, including significant accounting policies and associated independent Audit Report from Thomas, Noble and Russell (TNR), presents Council with a financial overview of its operations for the year 2001/02. This report shows Council's finances and the internal financial management practices are sound. The tabled Financial Statements 2001/02 are now presented to Council for adoption.

Mr Peter Morrow and Mr Kevin Franey, partners of TNR will address Council at 6.00pm on issues that have arisen during the course of the audit. They will also be available to answer questions from Councillors.

RECOMMENDATION:

That: -

1. Council adopts the 2001/02 tabled Financial Reports prepared conforming with Section 413 (2) (c) of the Local Government Act, 1993 as follows: -
The financial statement is drawn up in accordance with:
 - a) - the Act and the Regulations;
- that Statements of Accounting concepts;
- the Local Government Code of Accounting Practice and Financial Reporting; and
- the Australian Accounting Standards.
 - b) Accounting policies be adopted.
 - c) The reports present fairly the Council's financial position and other records.
2. The meeting of 6 November be fixed to present any public submissions on the Financial Reports.

Reports from Director Corporate Services

REPORT:

BACKGROUND

Council's General Purpose Financial Report, including significant accounting policies for year ended 30 June 2002 have now been completed and audited, with the draft auditor's report received. In accordance with the provisions of the Local Government Act, and the Local Government financial regulations, Council must implement the following actions to allow the statements to be finalised, i.e.

- a) adopt the financial statements and financial policies;
- b) fix a meeting date to present the statements to the public, and
- c) advertise, for a minimum period of seven (7) days, that the Statements and the Auditor's Reports are available for public inspection.

In order to comply with these guidelines, Council will need to advertise that the statements are to be presented to Council and the public on 6 November 2002 and that the statements are available for public inspection up to that meeting date.

A draft copy of the Financial Reports will be tabled at this meeting.

These statements were completed by Council and audited by Council's auditors, Thomas Noble and Russell, within the statutory timeframe set by NSW Government legislation.

LEGISLATION REQUIREMENTS

The Local Government Act, 1993 ("the Act") relating to the preparation of Council's annual financial reports requires that: -

1. Section 413 – A council must prepare financial reports for each year, and must refer them for audit as soon as practicable after the end of that year.
2. Section 413 (2) – A council's financial reports must include:
 - (a) a general purpose financial report;
 - (b) any other matter prescribed by the regulations; and
 - (c) a statement in the approved form by the council as to its opinion on the general purpose financial report.
3. Section 413 (3) – The general purpose financial report must be prepared in accordance with the Act and the regulations and the requirements of:
 - (a) the publications issued by the Australian Accounting Research Foundation, on behalf of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia, under the title Australian Accounting Standards; and
 - (b) such other standards as may be prescribed by the regulations.
4. Section 416 – A council's financial reports for a year must be prepared and audited within 4 months after the end of the year concerned.
5. Section 418 – Upon receiving the Auditor's Report, the Act requires the Council to give at least 7 days public notice of the meeting at which it proposes to present its audited financial reports, together with the Auditor's Report, to the public.

Reports from Director Corporate Services

6. Section 420 – Any person may make submissions in respect of the Council’s audited financial reports or the Auditor’s Report.
7. Section 428 – The audited financial reports must be included in the Council’s annual report.
8. Clause 19 of the Local Government (Financial Management) Regulation, 1993 requires that the Statement under Section 413 (2) (c) on the annual financial report must be made by resolution of the Council and signed by the Mayor, at least one (1) other Councillor, the General Manager and the Responsible Accounting Officer.

COUNCIL’S RESPONSIBILITY

Council is responsible for the preparation of the financial reports and adequate disclosures. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of Council. As the Responsible Accounting Officer, Manager, Financial and Information Services, Mr Reg Norvill has stated the accounting records have been maintained in accordance with Section 412 of the Act and in a manner that permitted the timely preparation of the General and Special Purpose Financial Reports for the year ended 30 June 2002.

Update No. 10 to the Local Government Code of Accounting Practice and Financial Reporting was issued in April of this year and is relevant to accounting periods ending 30 June 2002.

The Operating Result for the year for General Fund is in accordance with budget expectations. Revisions have been made through the year in quarterly Budget Reviews to ensure Council has a sound financial result for the year.

The Water and Sewerage Funds’ end of year financial results have had unexpended work that will be carried over to 2002/03. Both Funds also remain financially stable.

BENEFITS AND PURPOSE OF ANNUAL FINANCIAL REPORTING

The primary benefits of financial reporting are:

- It makes Council accountable to the community for its financial management
- It provides the community and other interested parties with access to information about the current financial status of Council and its operational performance for the period in question.

The purpose of financial reporting, or the preparation of annual financial statements, is to communicate information about the financial position and operating results of Council to those who need to know or have an interest in Council operations.

Parties who have an interest in, or need to know financial reporting information include:

- ◇ councillors and management;
- ◇ residents/ratepayers;
- ◇ government departments and public authorities;
- ◇ community groups; and
- ◇ financial institutions

Reports from Director Corporate Services

The users of financial reporting information are varied and financial statements must, therefore, be structured to meet all their respective requirements. This is achieved through conformity with the Australian Accounting Standards, which apply to the majority of business operations in Australia.

GOVERNMENT CONTROLS

NSW legislation strongly controls the external financial reporting requirements of Council.

ANNUAL FINANCIAL REPORTING SYSTEM

General Purpose Financial Reports

Under the requirements of Australian Accounting Standards, in particular AAS 27, Council is required to prepare the following reports for each financial year.

Operating Statement

This shows the operating result and change in net assets from operations for the year.

Statement of Financial Position

This discloses the assets, liabilities and equity of Council.

Statement of Cash Flows

This shows information about cash flows associated with Council's operating, financing and investing activities.

Statement of Changes in Equity

This reconciles opening and closing balances for each class of equity during the reporting period and gives details of any movement in these classes of equity.

Notes to the Financial Statements

These disclose the accounting policies adopted by Council and provide additional material necessary for evaluating and interpreting the financial statements.

In addition to the General Purpose Financial Reports, Council must also submit the Auditor's Reports in accordance with Section 417(1) of the Act and Council's Certificate in accordance with Section 413(2)(c) of the Act.

Special Schedules

The Department of Local Government, the Local Government Grants Commission and the Department of Land and Water Conservation require a series of schedules. These provide additional details on Council's net cost of services; internal and external loans; operating statements and statements of net assets committed for water and sewerage services; and information on water and sewerage rates and charges.

AUDIT MANDATE

Council's Auditors, Thomas Noble and Russell, have completed the audit of Council's general purpose financial reports for the year ended 30 June 2002 under Section 417 of the Local Government Act 1993.

Reports from Director Corporate Services

The audit included:

- ◆ An examination of the financial information for the purpose of expressing an opinion on financial statements to help establish the credibility of those statements
- ◆ An examination of financial information for the purpose of reporting on the legality and control of operations and the probity of those dealing with public funds, and including the expression of an opinion on an entity's compliance with the statutory requirements and regulations that govern the activities of Council.

Council's auditor must prepare two reports to Council (Section 417 (1)): -

- * A report on the general purpose financial report, and
- * A report on the conduct of the audit.

As soon as practicable after receiving the auditor's reports, Council must send a copy of the audited financial reports and the auditor's reports to the NSW Department of Local Government.

MANAGEMENT RESPONSIBILITY - AUDIT

The performance of an audit or the provision of an audit report does not in any way absolve or relieve management of its responsibility such as the maintenance of adequate accounting policies and the preparation of financial information such as budget preparation and the quarterly budget reviews submitted to Council each three months. Council has a strong internal management reporting practices in place that ensures all costs and income are monitored and acted upon on a weekly basis.

Management has the responsibility to safeguard Council assets and prescribe policies and procedures that are consistent with the economic and efficient use of resources.

PERFORMANCE INDICATORS

Council remains in a sound financial position regarding its short-term liquidity. The key financial performance ratios, as shown in the statements and listed in the following table, remain at satisfactory levels.

Performance Indicator	2001/02	2000/01
Current Ratio	5.535	4.6
Unrestricted Current Ratio (Gen)	2.07	1.57
Debt Service Percentage (Gen)	14.62%	12.58%
Rate and Annual Charges Coverage Ratio	39.16%	42.98%
Rates and Annual Charges Outstanding (\$)	6.30%	7.36%

To clarify the meaning and implication, a basic definition of each indicator is listed below.

- a) Current Ratio - The total cash or cash convertible assets available to meet liabilities within the next twelve months, or current period, expressed on a dollar for dollar basis.
- b) Unrestricted Current Ratio - This is the same as the current ratio except it excludes assets and liabilities, which relate to activities that are restricted to specific purposes by legislation. This is a measure of Council's liquidity.

Reports from Director Corporate Services

- c) Debt Service Ratio – The amount used to repay borrowings as a percentage of total operating revenues. The indicator shows the amount of revenue necessary to service annual debt obligations.
- d) Rate Annual Charges Coverage Ratio Percentage – This percentage is based on rates and annual charges revenues as a percentage of total operating revenues. This is a measure of Council's dependency on rate income. State average is approximately 50%.
- e) Rates and Annual Charges Outstanding Percentage – This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges. This indicator measures the effectiveness of Council in recovering legally owed debts.

FINANCIAL OVERVIEW - GENERAL COMMENTS

While the above performance indicators reflect a sound position, the result has only been achieved through tight control over Council finances. Council's infrastructure needs continue to exceed available funds and the demand for works and services continue to grow as the population of the Shire increases. As experienced during the recent deliberations for the 2002/03 Management Plan & Budget, funding for operational and capital works continues to remain tight. This situation is not anticipated to change.

Reports from Director Corporate Services

COUNCIL OF TWEED SHIRE

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

Original Budget* 2002 \$'000	Notes	Actual 2002 \$'000	Actual 2001 \$'000
EXPENSES FROM ORDINARY ACTIVITIES			
20,513	Employee costs	21,422	19,379
2,775	Borrowing costs	2,621	2,758
18,748	Materials & contracts	17,012	14,373
17,293	Depreciation	18,106	17,753
6,200	Other expenses from ordinary activities	8,663	6,708
3,000	Loss from the disposal of assets	6,791	3,908
68,529	TOTAL EXPENSES FROM ORDINARY ACTIVITIES	74,615	64,879
REVENUE FROM ORDINARY ACTIVITIES			
40,145	Rates & annual charges	40,047	37,962
9,929	User charges & fees	12,424	10,482
4,777	Interest	5,199	5,697
770	Other revenues from ordinary activities	443	619
11,625	Grants & contributions provided for non-capital purposes	11,094	10,129
67,246	REVENUES FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS	69,207	64,889
-1,283	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS	(5,408)	10
21,023	Grants & Contributions provided for capital purposes	33,238	23,444
19,740	SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS	27,830	23,454
19,740	SURPLUS(DEFICIT) FROM ALL ACTIVITIES	27,830	23,454
19,740	Surplus(deficit) attributable to Council	27,830	23,454

* The original budget as approved by Council Refer Note 16

Reports from Director Corporate Services

COUNCIL OF TWEED SHIRE

STATEMENT OF FINANCIAL POSITION as at 30 June 2002

	Notes	Actual 2002 \$'000	Actual 2001 \$'000
CURRENT ASSETS			
Cash assets	6	56,489	41,483
Receivables	7	6,226	6,027
Inventories	8	1,531	1,718
Other	8	637	362
TOTAL CURRENT ASSETS		<u>64,883</u>	<u>49,590</u>
NON-CURRENT ASSETS			
Cash assets	6	61,869	55,209
Receivables	7	1,613	1,549
Inventories	8		107
Property, plant and equipment	9	688,651	677,964
TOTAL NON-CURRENT ASSETS		<u>752,133</u>	<u>734,829</u>
TOTAL ASSETS		<u>817,016</u>	<u>784,419</u>
CURRENT LIABILITIES			
Payables	10a,b	5,476	5,194
Interest bearing liabilities	10a,b	3,923	3,745
Provisions	10a,b	2,505	1,708
TOTAL CURRENT LIABILITIES		<u>11,904</u>	<u>10,647</u>
NON-CURRENT LIABILITIES			
Payables	10a	462	514
Interest bearing liabilities	10a	33,802	31,799
Provisions	10a	7,783	6,224
TOTAL NON-CURRENT LIABILITIES		<u>42,047</u>	<u>38,537</u>
TOTAL LIABILITIES		<u>53,951</u>	<u>49,184</u>
NET ASSETS		<u>763,065</u>	<u>735,235</u>
EQUITY			
Accumulated surplus		762,223	734,393
Asset Revaluation Reserve		842	842
TOTAL EQUITY		<u>763,065</u>	<u>735,235</u>

Reports from Director Corporate Services

COUNCIL OF TWEED SHIRE

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2002

	2002 \$'000			2001 \$'000			
	Notes Ref	Accum Surplus	Asset Revaluation Reserve	Total Equity	Accum Surplus	Asset Revaluation Reserve	Total Equity
Balance at beginning of the reporting period		734,393	842	735,235	710,939	842	711,781
Changes in equity recognised in the statement of financial performance		27,830		27,830	23,454		23,454
Adjustment due to compliance with revised Accounting Standards							
Transfers to Asset Revaluation Reserve							
Transfers from Asset Revaluation Reserve							
Distributions to/from outside equity interests							
Balance at end of the reporting period		762,223	842	763,065	734,393	842	735,235

Reports from Director Corporate Services

DETAILS OF MOVEMENTS & UTILISATION OF
RESTRICTED CASH ASSETS & INVESTMENTS

Restrictions	Notes	Movements			Proposed Utilisation of Restriction			
		Opening Balance 30-Jun-01 \$' 000	Transfers To Restriction \$' 000	Transfers From Restriction \$' 000	Closing Balance 30-Jun-02 \$' 000	Less than 1 Year	Between 1 and 5 Years	Greater than 5 Years
External								
Developer Contributions	6a,17	9632	4968	-1247	13353	5800	7553	
Water (not in reserves)	6a	1000	3293	0	4293	4293		
Water (Capital Upgrade - CCR)	6a	19491	5528	-3295	21724	10351	11373	
Water (Asset Replacement - ARR)	6a	14715	3645	-1624	16736	4336	12400	
Sewerage (not in reserves)	6a	1246	318	0	1564	1564		
Sewerage (Capital Upgrade - CCR)	6a	3837	3663	-1275	6225	6225		
Sewerage (Asset Replacement -ARR)	6a	27120	4661	-1222	30559	5405	18595	
DWM - Bin Replacement	6a	778	324	-90	1012	90	410	
DWM - Recycling	6a	583	99	-24	658		500	
DWM - Land Rehabilitation	6a	265	128	0	393		150	
DWM - Zoning costs -Stotts Ck Depot	6a	66	3	0	69		69	
DWM - EIS report - Stotts Ck Depot	6a	78	4	0	82		82	
DWM - Roadworks - Garbage Collect.	6a	224	65	-289	0			
DWM - Provision for Financial Assur.	6a	851	309	0	1160			
DWM - Landfill Environment M'ment.	6a	336	221	0	557		557	
DWM - Implementation Waste Disp.	6a	0	125	0	125		125	
Caravan Park Cash Assets	6a	1953	1629	-837	2745	2745		
Special Rate - Koala Beach	6a	17	12	-5	24		24	
Total		82192	28995	-9908	101279	40809	51838	8632

Restrictions	Notes	Movements			Closing Balance 30-Jun-02 \$'000	Less than 1 Year \$'000
		Opening Balance 30-Jun-01 \$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000		
Internal						
<u>Included in liabilities</u>						
Employees Leave Entitlements	6a	3677	458	0	4135	4135
Unexpended Loans	6a	673	5834	-3909	2598	2598
Unexpended Grants	6a	116	1450	-515	1051	1051
Sinking Funds	6a	410	0	-410	0	0
<u>Asset Management Reserves</u>						
Future Quarry Purchases	6a	210	53	-240	23	23
Financial Serv Computer	6a	54	9	0	63	63
Community Facilities	6a	25	55	0	80	80
Sportsfields - Asset M'ment	6a	81	60	-20	121	121
Fire Control - Risk M'ment Plan	6a	5	0	0	5	5
Civic Centre Asset M'ment	6a	88	48	0	136	136
Waterways Asset Management	6a	43	1	-14	30	30
Swimming Pools Asset M'ment	6a	22	1	0	23	23
Asset Management Reserve	6a	91	4	0	95	95
Tweed Heads Hacc	6a	55	22	-29	48	48
Murwillumbah Community Centre	6a	4	1	0	5	5
Library - Asset Management	6a	18	0	-18	0	0
Land Sales - Cemetery Asset M'ment	6a	149	7	0	156	156
<u>Other</u>						
Special Projects - 50% Land Dev	6a	39	23	-27	35	35
Workers Comp. Cont. Reserve	6a	199	9	0	208	208
Computer Equipment	6a	44	0	-44	0	0
Companion Animal	6a	56	0	-56	0	0
Contingency - Loan Guarantee	6a	25	0	0	25	25
Land Development	6a	1290	81	-1371	0	0
Non-DWM Land Rehabilitation	6a	55	41	0	96	96
Non-DWM M'ment Plan Depots	6a	-16	22	0	6	6
Non-DWM Zoning Stotts Ck.Dep	6a	2	3	0	5	5
Non-DWM EIS Report	6a	44	1	0	45	45

Reports from Director Corporate Services

Restrictions	Notes	Movements				Less than 1 Year
		Opening Balance	Transfers To	Transfers From	Closing Balance	
		30-Jun-01 \$' 000	Restriction \$' 000	Restriction \$' 000	30-Jun-02 \$' 000	
Internal (continued)						
Non-DWM Roadworks Garb. Coll.	6a	35	199	-234	0	0
Non-DWM Prov Fin Assurance	6a	188	99	-106	181	181
Non-DWM Landfill Env. M'ment	6a	14	11	0	25	25
Non-DWM Quirks Quarry	6a	190	8	0	198	198
Coastal M'ment Planning	6a	11	15	0	26	26
Beach Vehicle Licence Income	6a	174	39	-118	95	95
Skate Park - Tweed Coast	6a	15	1	0	16	16
Sewerage M'ment Facilities	6a	67	4	0	71	71
Agenda 21	6a	68	0	-25	43	43
QCS Research Projects	6a	26	0	-26	0	0
Water Quality DCP	6a	20	0	-20	0	0
Consulting	6a	21	11	0	32	32
Access Funding	6a	12	32	0	44	44
Road Land Sale	6a	99	5	0	104	104
Works Carried Forward	6a	1016	1373	0	2389	2389
Southern Cross University	6a	4	0	-4	0	0
Revolving Energy Fund	6a	0	8	-2	6	6
Art Gallery Construction	6a	0	20	0	20	20
Maternity Leave Reserve	6a	0	40	-12	28	28
Total		46491	10048	-7200	49704	12267
Total Restrictions		91611	39043	-17108	113546	53076
					51838	8632

Reports from Director Corporate Services

AUDIT LETTER FROM THOMAS, NOBLE & RUSSELL, COUNCIL'S AUDITORS:

Lismore, 30 October, 2002

Mayor and Councillors
Council of Tweed Shire
Civic and Cultural Centre
MURWILLUMBAH NSW 2484

Dear Sir,

We advise that we have completed our audit of the Council's general purpose financial reports for the year ended, 30 June, 2002 under section 417 of the Local Government Act 1993.

In accordance with that section we now report on the conduct of the audit.

1. AUDITORS' RESPONSIBILITIES

In order that your Councillors may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

In accordance with our contractual arrangements with Council we have undertaken to perform an attest (risk based) audit. The definition of an attest audit is:

"the minimum audit work necessary to enable an opinion to be expressed as to whether the financial report is presented fairly in accordance with the requirements of the Local Government Act 1993, Australian Accounting Standards and Accounting Concepts so as to present a view which is consistent with an understanding of the Council's financial position, the results of its operations and its cash flows."

Forming an opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial statements presented to us by the Council. As auditors of the Council we are not responsible for the preparation of the financial reports nor for the maintenance of proper and adequate accounting records and proper systems of internal control. These responsibilities, together with the requirement to present financial reports which give a true and fair view of the state of the Council's affairs and of its results are imposed on the Councillors by the Local Government Act and Regulations 1993.

As auditors of Council we are not required to:

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- 1) Review and assess the adequacy of Council's:
 - a) management plans;
 - b) quarterly budget reviews;
 - c) insurance cover; and
 - d) infrastructure improvement / maintenance planning and monitoring.

- 2) Form an opinion on, or advise Council on the probity of its decisions, however we ensure that the financial effect of Councils decisions are adequately disclosed in the general purpose financial report in accordance with applicable Accounting Standards.

The responsibility of the abovementioned rests with Council.

2. FINANCIAL MANAGEMENT PRACTICES

In accordance with the requirements of the Local Government Act and Regulations Council must prepare detailed budgets for all operations. As part of the budgetary process Council is responsible for authorising all expenditures and variations to budget. Council's policy in general fund is to operate with a balanced budget.

The quarterly review of Council's budget progress is a very important process in ensuring that the financial targets established by Council are met. We are aware that management place a high level of importance in ensuring that budgets are complied with. To maintain Council's financial position there needs to be a continued level of accountability and responsibility by senior management.

Reports from Director Corporate Services

3. OPERATING RESULT

Council's surplus from all activities for 2002 totalled \$27,830,000. This compares to a surplus in 2001 of \$23,454,000. This result can be summarised as follows:-

	Year ended 30/06/02 \$'000	Year ended 30/06/01 \$'000	Year ended 30/06/00 \$'000
Expenses from ordinary activities	(48,475)	(43,218)	(41,910)
Revenues from ordinary activities	<u>69,207</u>	<u>64,889</u>	<u>61,123</u>
Result from ordinary activities before depreciation	20,732	21,671	19,213
Depreciation expense	<u>(18,106)</u>	<u>(17,753)</u>	<u>(17,173)</u>
Result from ordinary activities before capital amounts	2,626	3,918	2,040
Capital grants and contributions	32,022	23,444	22,993
Gain / (loss) on disposal of assets	(2,764)	(3,908)	(2,938)
Significant items	<u>(4,054)</u>	<u>-</u>	<u>(5,349)</u>
Surplus from all activities	<u>\$ 27,830</u>	<u>\$ 23,454</u>	<u>\$ 16,746</u>

The major components of this change in net assets are analysed below.

Variations to 2001 by Income/Expenditure

The result from ordinary activities before capital amounts and significant items has decreased from a surplus of \$3,918,000 for the 2001 year to a surplus of \$2,626,000 in the 2002 financial year. Some of the components contributing to the decrease in the result from ordinary activities before capital amounts include:

Revenue

i) *increased general rates income \$623,000*

General rates income increased in conjunction with the ministerially approved rate-pegged limit of 2.8%.

ii) *increased sewer rates income \$466,000*

Sewer rates have increased as a result of a \$11 (2.7%) increment to the rate in addition to an increase in the number of rateable properties.

Reports from Director Corporate Services

iii) increase water user charges \$305,000

Revenue from water user charges has increased on the 2001 financial year largely due to dry weather conditions.

iv) improved result from domestic waste management activities \$247,000

Domestic waste management operating activities result improved as a result of population and annual charge (7%) increases. This surplus is used to fund future domestic waste management capital requirements such as tip rehabilitation and recycling facilities.

v) decreased interest income \$498,000

Interest income has decreased as a result of a decline in interest rates.

vi) increased building fees revenue \$445,000

Revenue from building services has increased in conjunction with development activity within the shire.

vii) reduced commission revenue \$245,000

Councils commission revenue has reduced in conjunction with near completion of the Greenbank Island development.

Expenditure

i) increased employee costs \$1,460,000

Employee costs have increased largely due to an award increase of 3.3% in November 2001, and rising workers compensation insurance premiums.

ii) increased long service leave and annual leave provisions \$836,000

An amendment to the Local Government Award now allows employees to access long service leave entitlements after 5 years rather than 10 years service. Council has increased its provision for long service leave to satisfy this requirement.

iii) increased legal expenses \$235,000

During the financial year Council paid legal costs of \$134,000 on a matter resolved in the Land and Environment Court.

Reports from Director Corporate Services

3.1 SIGNIFICANT ITEMS

Council's consolidated surplus of \$27,830,000 for the 2002 financial year has been impacted by the following expenses totalling \$4,054,000 that are significant in size and / or nature:

i) *Provision for Loss – Statewide Mutual \$879,000*

Council is a member of Statewide Mutual, which provides insurance cover for professional indemnity, public liability and other insurable risks. As at 30 June 2002 Statewide Mutual has incurred losses of approximately \$47m. A substantial proportion of these losses were underwritten by HIH Insurance Limited.

In accordance with the company's constitution each member Council must fund its share of losses incurred by the company. The extent of each Council's contribution for losses is subject to any Federal or Government funding for HIH Insurance Ltd exposure. A liability equivalent to Council's share of the losses at 30 June 2002 of \$879,000 has been recognised in Council's general purpose financial report.

ii) *Change in Accounting Estimate – Sick Leave Liability \$364,000*

In accordance with a change to the retirement age under the State Authorities Superannuation Act Council has recalculated its sick leave liability. The effect of the reduction in the retirement age from 58 years to 55 years of age has had the effect of increasing Council's sick leave liability by \$364,000 and reducing Council's surplus from all activities by same.

iii) *Disposal of Land Reserves \$2,811,000*

During the year Council accounted for movements in Council controlled land in accordance with government gazetted notices. In addition, Council also recognised the value of controlled reserves not previously brought to account.

Reports from Director Corporate Services

3.2 Operating Result Before Capital Grants, CONTRIBUTIONS AND DONATIONS, depreciation expense and profit / loss on sale of assets.

Council's operating surplus for general fund before capital grants, contributions, donations, profit/(loss) on sale of assets and depreciation expense represents recurring income over recurring expenditure and allows Council to fund new capital works, repay loans and replace retiring assets.

The general fund operating surplus before capital grants, contributions, donations, profit / (loss) on disposal of assets and depreciation expense for the year ended 30 June, 2002 can be disclosed by Council activity as follows:-

	2002 *	2001 *	2000 *
	Actual	Actual	Actual
	\$'000	\$'000	\$'000
General Fund Activities			
Administration	(11,312)	(10,545)	(9,797)
Public Order & Safety	(679)	(604)	(623)
Health	(616)	(449)	(421)
Community Services & Education	(61)	(175)	(180)
Housing and Community	(2,872)	(2,148)	(2,320)
Recreation and Culture	(4,363)	(3,922)	(3,726)
Mining, Manufacturing & Construction	639	63	249
Transport and Communication	(5,610)	(4,395)	(4,814)
Economic Affairs	(574)	(268)	(302)
General Purpose Revenues	27,109	26,450	25,007
General Fund Operations Result Before Depreciation	1,661	4,007	3,073
General Fund Depreciation	(11,187)	(11,020)	(10,686)
General Fund Result After Depreciation	(9,526)	(7,013)	(7,613)
Restricted Activities			
Domestic Waste Activities	1,646	1,310	1,318
Crown Caravan Parks	1,700	1,625	1,400
Water Supplies	7,134	6,886	6,193
Sewerage Services	7,350	7,843	7,229
Depreciation Expense	(6,921)	(6,733)	(6,487)
Surplus Before Capital Items	1,383	3,918	2,040

Reports from Director Corporate Services

The above surplus of \$1,383,000 includes significant expenses of \$1,243,000 as detailed at 3.1 i) and ii) to this report.

* Results presented on a net basis.

Explanation of major variances between actual results for the 2002 and 2001 financial years:-

Administration

The increase in the deficit for the administration function is largely attributable to the recognition of the provision for insurance losses associated with Statewide Mutual Limited of \$879,000.

Health

The increase in the deficit for Council's health function is largely attributable to increased salaries and wages and the effects of the amendment to Council's long service leave and sick leave provisions.

Housing and Community Services.

The increase in the deficit is largely attributable to increased salaries and wages for development control, strategic planning and environment personnel as well as increased legal costs associated with development control activities.

Recreation and Culture

The operating deficit for recreation and culture has increased largely as a result of cost escalations associated with the art gallery of approximately \$70,000 and libraries \$220,000.

Mining, Manufacturing & Construction

The operating surplus for this function of Council has improved as a result of revenue associated with increased development within the shire.

Transport and Communication

The operating deficit for transport and communication has increased due to additional Council expenditure on regional and local roads maintenance and the commencement of attributing interest on loans to fund transport and communication asset improvements. Previously all interest costs were borne by the administration function.

Economic Affairs

The increased deficit is due to the near completion of the Greenbank Island development. Council received \$245,000 commission in 2001 whilst no revenue from this project was received in 2002.

Reports from Director Corporate Services

Domestic Waste Activities

Domestic waste management has returned an improved surplus as a result of an increase to the annual charge of \$14.50.

Crown Caravan Parks (refer to Section 4 for detailed explanations)

Water (refer to Section 3.3 for detailed explanations)

Sewer (refer to Section 3.4 for detailed explanations)

3.3 WATER SUPPLIES

(i)	<i>Actual *</i> <i>2002</i> <i>\$'000</i>	<i>Original</i> <i>Budget</i> <i>2002</i> <i>\$'000</i>	<i>Variance</i> <i>\$'000</i>	<i>Actual *</i> <i>2001</i> <i>\$'000</i>	<i>Actual *</i> <i>2000</i> <i>\$'000</i>
Water supply activities can be summarised as follows:-					
Management Expenses	1,944	1,948	4	1,990	1,791
Operating Costs	2,976	3,126	150	2,596	2,218
Other	232	253	21	203	174
Depreciation / Asset Rep. Res.	2,935	2,815	(120)	2,857	2,815
Loss on Disposal of Infrastructure	391	-	(391)	618	946
Interest	95	98	3	138	207
Total Expenses	8,573	8,240	(333)	8,402	8,151
Rates and availability charges					
User charges	5,451	5,374	77	5,179	4,871
Interest	2,737	1,837	900	2,300	1,756
Other	1,947	2,123	(176)	2,165	1,867
Grants	571	362	209	434	354
Contributions - Developers	357	349	8	346	334
Total Revenue	17,108	13,045	4,063	13,890	12,144
Operating Result	8,535	4,805	3,730	5,488	3,993

* Results presented prior to internal elimination entries.

Reports from Director Corporate Services

<i>(ii) Key Indicators</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
	\$	\$	\$
Average rate per assessment	191	190	189
Management and Operating Cost per assessment	173	168	155

(iii) Explanations for Variances

Revenue

User charges have increased on original budget as a result of increased water consumption. Other revenues have increased as a result of increased connection fees arising from population growth. Developer contributions are difficult to budget for and have increased in conjunction with development activity throughout the shire.

Reports from Director Corporate Services

3.4 SEWERAGE SERVICES

(i)	Actual * 2002 \$'000	Original Budget 2002 \$'000	Variance \$'000	Actual * 2001 \$'000	Actual * 2000 \$'000
Sewerage services operating result can be summarised as follows:-					
Management Expenses	1,833	1,928	95	1,748	1,911
Operating Costs	4,094	4,015	(27)	3,547	3,173
Other	311	185	(126)	233	217
Depreciation / Asset Rep Res	3,486	3,308	(178)	3,308	3,221
Interest Expense	896	894	(2)	908	987
Total Expenses	10,620	10,330	(290)	9,744	9,509
Rates and Service					
Availability Charges	10,044	9,797	247	9,480	9,015
User Charges	1,066	976	90	1,083	1,091
Interest	1,814	1,771	43	1,726	1,449
Other	35	23	12	164	200
Grants- DLAWC	340	400	(60)	274	1,796
- Other	356	1,886	(1,530)	349	318
Contributions					
- Developers	8,236	4,000	4,236	4,915	4,175
Total Revenue	21,891	18,853	3,038	17,991	18,044
Operating Result	11,271	8,523	2,748	8,247	8,535

* Results presented prior to internal elimination entries.

(ii) <i>Key Indicators</i>	2002 \$	2001 \$	2000 \$
Average Rate per Assessment	390	373	373
Management and Operating Expenses per Assessment	230	205	211

Reports from Director Corporate Services

(iii) Explanation for Variances

Revenues

Revenue from sewer grants is lower than original budget as a result of capital projects not proceeding.

Reports from Director Corporate Services

4. BUSINESS ACTIVITIES

In accordance with National Competition Legislation effective 1 July, 1998, Council has identified the following business activities to prepare special purpose financial reports:

- a) Water Fund
- b) Sewer Fund
- c) Tweed Coast Holiday Parks Reserve Trust
- d) Commercial Waste Operations
- e) Private Works Operations
- f) Swimming Pool Operations
- g) Land Development
- h) Building Certification

Council declared business activities with gross revenue exceeding \$2m have been classified as a Category 1 business with operating details and assets disclosed on a gross basis in Council's special purpose financial report. Those declared businesses with an annual turnover less than \$2m are classified as Category 2 businesses. Under the National Competition guidelines Council is required to apply taxation principles to each business similar to those that would apply if they were operating in the commercial sector. Taxation equivalents applied in the special purpose financial reports include land tax and income tax equivalent to the company taxation rate of 30%. Where the business activity has significant borrowings a debt guarantee fee has been calculated to measure the variance between Council secured borrowing and those conditions achievable without Council support.

Provide below is a summary of the financial performance of Council's declared business activities for the year ended 30 June 2002:

Activity 2002	Operating Revenue \$'000	Operating Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Council Subsidy \$'000
Water	11,063	8,675	2,388	2.0%	0
Sewer	13,315	10,729	2,586	2.5%	0
Holiday Parks	3,819	2,851	968	7.7%	965
Commercial Waste	618	367	251	54.1%	0
Building Certification	350	320	30	N/a	0
Land Development	409	480	(71)	N/a	0

Reports from Director Corporate Services

Activity 2001	Operating Revenue \$'000	Operating Expenses \$'000	Result prior to capital amounts \$'000	Return on capital %	Council Subsidy \$'000
Water	10,424	8,510	1,914	1.7%	0
Sewer	12,802	9,856	2,946	2.9%	0
Holiday Parks	3,574	2,710	864	6.8%	1,105
Commercial Waste	553	398	155	33.0%	0
Building Certification	293	290	3	N/a	0
Land Development	599	1,132	(533)	N/a	0

Comments On Financial Performance of Declared Businesses

a) Water and Sewer Fund Operations

(see sections 3.2 and 3.3 of this report for detailed analysis of operating result).

As per National Competition guidelines it is expected that monopoly operations such as water and sewer will provide a break-even rate of return. The rate of return is calculated by dividing the operating result before capital items plus interest expense by the written down value of property, plant and equipment.

The rate of return achieved by Councils water and sewer funds is sufficient to enable funding of current capital improvements, the maintenance of existing assets and the repayment of loans.

b) Tweed Coast Holiday Parks Reserve Trust

Tweed Coast Holiday Parks Reserve Trust is a Council business unit managing the Crown Reserve Caravan Parks controlled by Council. During the financial year Council received a contribution of \$775,000 from the Trust to enable Council to maintain other controlled Crown reserves throughout the shire. Tweed Coast Holiday Parks Reserve Trust operating result from ordinary activities before capital items for the 2002 financial year was \$968,000 (2001: \$864,000) and has increased largely as a result of increased occupancy rates throughout all parks.

The rate of return for Tweed Coast Holiday Parks is less than the nominated benchmark rate (15%) of return for similar operations existing in the commercial sector. The difference between the actual rate of return and the required rate of return represents a notional subsidy from Council of \$965,000.

Reports from Director Corporate Services

The actual rate of return for Council's holiday park operations is impacted by the product mix of each site as compared to the land value of each site. Many of Council's holiday parks have a very high land value as a result of their prime coastal location. Tweed Coast Holiday Parks are situated on Crown land.

c) **Commercial Waste**

Commercial waste operations include collection and receiving of all waste other than waste relating to Domestic Waste Management. Commercial waste activities reported a surplus from ordinary activities before capital amounts of \$251,000 for the 2002 financial year. The surplus from ordinary activities represents an increase on the 2001 result (before fundamental errors) of \$96,000. This increase in profit is largely attributable to revenues for waste received from the Gold Coast area.

Commercial waste operations resulted in an actual rate of return of 33%. This rate of return is high due to the low levels of assets required for day to day operations.

f) **Building Certification**

Council's building certification operations has returned a surplus of \$30,000 (2001: (\$3,000)) for the 2002 financial year. This result has increased in conjunction with the level of building development within the shire.

g) **Land Development**

Funds from Council's land development activities are used to subsidise the purchase of community facilities at Piggabeen. Development of the Piggabeen subdivision was funded by an internal loan from water fund approved by the Minister for Local Government. In accordance with the terms of the loan agreement general fund has extinguished its debt with water fund and has refinanced the remaining debt from an internal reserve (Land Acquisition Reserve). This loan is to be repaid from the sale of residential lots.

During the 2002 financial year Council sold 6 lots resulting in a loss of \$26,000. Losses have resulted from higher than anticipated development costs associated with the nature of the sub-soil at the site.

Council anticipates that sale proceeds from the remaining 17 lots will not be sufficient to repay the remaining loan to the Land Acquisition Reserve. We understand that Council anticipates funding any remaining loan liability upon completion of the project from section 94 funds.

A rate of return has not been calculated as the land development operations do not own or control any property, plant or equipment.

Reports from Director Corporate Services

5. CAPITAL GRANTS AND CONTRIBUTIONS

Capital grants received during the period amount to \$2,849,000 and largely consisted of grants for bushfire control, Roads to Recovery, the art gallery, storm and flood damage, the environment and grants from the Department of Land and Water Conservation for sewerage augmentation.

Capital contributions received during the period amounted to \$30,389,000. This can be broken down as follows:-

	2002 \$'000	2001 \$'000	2000 \$'000
Section 94 Contributions - Cash	4,444	2,884	3,698
Section 64 Contributions	7,950	4,116	3,510
Roads and Traffic Authority	279	352	750
Non cash contributions from developers	17,494	14,149	11,460
Other contributions	222	-	351
	30,389	21,501	19,769

At 30 June, 2002 Council had \$13,353,000 held as a restricted asset for S94 contributions. S64 receipts are treated as a recoupment of infrastructure constructed in prior years and accordingly there are no unexpended S64 contributions. Council places all such receipts into internal reserves. Unexpended S94 contributions comprised:

PLAN	TOTAL CONTRIBUTION PLANS		CONTRIBUTIONS NOT UNDER A PLAN CLAUSE 41L (4)		TOTALS	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Open Space	3,137	2,119	288	231	3,425	2,350
Community Facilities	1,886	1,474	344	313	2,230	1,787
Car Parking	83	79	802	661	885	740
Street trees	36	16	-	-	36	16
Roads	5,414	3,589	30	104	5,444	3,693
Traffic facilities	-	-	120	115	120	115
Bridges	-	-	353	338	353	338
Footpaths / Cycleways	73	59	54	53	127	112
Drainage	293	220	149	111	442	331
Other	291	150	-	-	291	150
Restricted Assets	11,213	7,706	2,140	1,926	13,353	9,632

Reports from Director Corporate Services

5.1 GAIN / (LOSS) ON SALE OF ASSETS

Council's loss on sale of assets comprise the following items.

	2002 \$'000	2001 \$'000
Profit on sale of land held for resale	204	347
Profit on sale of plant and equipment	(144)	215
Loss on write-off of roads reconstructed	(2,379)	(2,750)
Loss on write-off of water and sewer infrastructure replaced	(445)	(700)
Loss on sale of property	(4,027)	(1,020)
	(6,791)	(3,908)

1. Loss on Sale of Property

During the financial year Council released control of parcels of land to the Department of National Parks and Wildlife. This disposal has been recognised as an expense in Council's financial report and disclosed as a significant item as detailed at 3.1 to this report.

6. STATEMENT OF FINANCIAL POSITION

6.1 NET CURRENT ASSETS

6.1.1 CASH AND INVESTMENTS

Council has net current assets of \$52,979,000 as at 30 June 2002. Net current assets however contains \$43,176,000 of externally restricted cash in the form of special purpose grants, unexpended loans for water and sewer funds, developers contributions and restricted water, sewer, domestic waste management and Crown Reserve Caravan Park funds. Also included in Council's net current assets is \$3,372,000 of externally restricted receivables relating to water, sewerage and domestic waste management charges and rates.

In addition Council has allocated \$12,267,000 to internally restricted cash to fund long term commitments.

After funding internal and external restrictions Council has unrestricted cash of \$1,046,000.

Reports from Director Corporate Services

6.2 NON-CURRENT ASSETS AND LIABILITIES

Council has a net non-current asset position of \$710,086,000 which consists largely of externally restricted investments not budgeted for expenditure in 2002, property, plant and equipment, water, sewer and drainage infrastructure, Council controlled road infrastructure, loans, and provisions for employee entitlements.

6.2.1 PROPERTY, PLANT AND EQUIPMENT

During the year Council capitalised the following property, plant and equipment:

	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>
Non-cash Developer Contributions		
- Open space	1,852	1,243
- Roads and Drainage Network	9,310	7,786
- Water Supply Network	1,484	1,132
- Sewerage Network	4,848	3,120
Non-cash Grants		
- Bush Fire Council	175	230
- PWD - Sewer	340	274
Council Constructed / Purchased Assets		
- Land and Buildings	1,875	1,345
- Plant and Equipment/Vehicles	2,518	3,348
- Roads and Drainage Network	8,085	7,800
- Water Supply Network	4,360	5,224
- Sewerage Network	2,273	2,638
- Other Structures	274	152
	37,394	34,292

The major elements of Council's constructed/purchased assets for the 2002 financial year were:

	<i>\$'000</i>
Information technology implementation	774
Bilambil sporting facilities purchase	1,100
Roads to Recovery Expenditure	1,516
Bartletts Road	340
Tyalgum Road	274
Lakeview Terrace	286

Reports from Director Corporate Services

6.2.2 LOANS

Council's overall debt position has increased during the last twelve months by \$2,189,000 with external borrowings for General Fund increasing by \$3,330,000*. During the financial year General Fund borrowed \$5,928,000. Some of the major projects funded by these borrowings are as follows:

	\$
i) Bridge construction	1,000,000
ii) Roads and Drainage	1,100,000
iii) Flood Mitigation	76,000
iv) Bilambil Sportsground acquisition	1,100,000
v) Surf Club Improvements	250,000
vi) Construction of Tweed Regional Art Gallery	700,000
vii) SES Headquarters	160,000
viii) Construction of Public Toilets	200,000
ix) Information Technology acquisition	1,248,000

* In addition to external borrowings, at the end of the 2002 financial year General Fund has borrowings of \$191,000 from Domestic Waste Management for the construction of the Agenda 21 house. This internal loan has been eliminated for the purposes of financial reporting in accordance with AAS 27.

Movement in Loans by Fund on a Net Basis

Activity	Balance 1/7/01 \$'000	New Loans Raised \$'000	Principal Repaid \$'000	Balance 30/6/02 \$'000	Movement Increase / (Decrease) \$'000
General	23,930	5,928	(2,598)	27,260	3,330
Sewerage	10,176	-	(733)	9,443	(733)
Water	1,430	-	(408)	1,022	(408)
Total	35,536	5,928	(3,739)	37,725	2,189

Reports from Director Corporate Services

7. PERFORMANCE INDICATORS

	<i>General</i>		<i>Water</i>		<i>Sewer</i>		<i>Consolidated 2002</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>Tweed</i>	<i>Cat. 5 Average</i>
Unrestricted Current Ratio	2.07	1.57	29.16	23.59	7.49	7.03	2.20	1.76
Debt Service Ratio	14.62%	12.58%	4.55%	11.08%	11.93%	13.63%	9.82%	8.98%
Outstanding Rates and Annual Charges	7.11%	8.45%	5.06%	6.10%	4.84%	5.21%	6.30%	7.44%

Commentary on Performance Indicators

The above represents the key performance indicators outlined in Note 13 to the financial statements on an activity by activity basis. In addition, we have provided Council with a comparison of Council's ratio's calculated on a consolidated basis to the Category 5 Council average (as at 30 June 2001) as supplied by the Department of Local Government. Category 5 councils include Newcastle, Wollongong, Shoalhaven and Lake Macquarie.

Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

- planning and budgetary controls
- cash management and the timing of cash flows
- the level of internally restricted assets
- credit management policies and economic circumstances

General Fund Unrestricted Current Ratio

Council's general fund unrestricted current ratio has improved on 2001 from 1.57 to 2.07 largely as a result of Council increasing its internal reserves by \$2,848,000. The major reserve increases are attributable to unspent financial assistance grants (local roads component), employee leave entitlements, unexpended loans and works carried forward.

Reports from Director Corporate Services

General Fund Long-Term Objectives

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets. As at 30 June 2002 Council has estimated that it would cost approximately \$92,000,000 to rehabilitate its general fund infrastructure assets to a "satisfactory standard". Estimated annual costs to maintain infrastructure at this "satisfactory standard" is estimated to be \$14,900,000 per annum. Council currently spends \$7,200,000 per annum on maintaining its general fund infrastructure.

Sewer and Water Fund Unrestricted Current Ratio

The unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

Debt Service Ratio

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

- the rate of new development in the shire
- Council's debt policy
- interest rate movements and loan terms
- capital investment strategies and capital contributions policies
- the level of cash reserves available to reduce the level of borrowings
- the state of Council's infrastructure / age of assets.

Council's general fund debt service ratio has increased from 12.58% to 14.62%. This ratio has been impacted by the effect of repaying an internal loan of approximately \$1,300,000 associated with the Piggabeen development during the financial year. Without the effects of this repayment Council's general fund debt service ratio would have been approximately 11% for the 2002 financial year. Council's overall debt service compares favourably with other Category 5 councils.

Rates and Annual Charges Outstanding Percentage

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

- Council's rating policy
- credit management policies

Reports from Director Corporate Services

- the socioeconomic characteristics of the area
- environmental factors influencing ratepayers ability to satisfy their obligations.

Council's general fund rates and annual charges outstanding percentage has decreased for all funds. Council's outstanding rates and annual charges ratio on a consolidated and fund-by-fund basis compares with ratios released by other Category 5 councils. Whilst Council's rates and annual charges outstanding ratio is not excessive Council should continue to monitor and improve its debt collection process to maximise cash flows.

8. OTHER MATTERS

8.1 INTERNAL CONTROL ENVIRONMENT

We have previously forwarded a report to the General Manager commenting on Council's systems of internal control and management procedures. No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

THOMAS NOBLE & RUSSELL

Per:

K R FRANEY (Partner)
Registered Company Auditor

F/Excel/Councils/Tweed2002/1324c2002

Reports from Director Corporate Services

COUNCIL OF TWEED SHIRE INDEPENDENT AUDIT REPORT

SCOPE

We have audited the attached financial report of the Council of Tweed Shire for the year ended 30 June 2002 as set out on pages 21 to 74. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

Our audit has been planned and performed in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material mis-statement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards, statutory and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion:

- (a) Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993, Chapter 13, Part 3, Division 2; and
- (b) The Council's financial report:
 - i. has been prepared in accordance with the requirements of that Division; and
 - ii. is consistent with the Council's accounting records; and
 - iii. presents fairly the Council's financial position and the results of its operations and cashflows; and
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial reports that have come to light in the course of the audit.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at LISMORE this 30th day of October 2002.
1324c2002

Reports from Director Corporate Services

LOCAL GOVERNMENT ACT 1993

AUDITOR'S CERTIFICATE UNDER THE LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATION 1993

COUNCIL OF TWEED SHIRE

**OVERDRAFT LIMIT: THIRTY FOUR MILLION, SIX HUNDRED AND THREE
30 JUNE 2002 THOUSAND DOLLARS \$34,603,000.**

We hereby certify that Council of Tweed Shire may borrow by way of limited overdraft any sum of up to but not exceeding the limit of thirty four million, six hundred and three thousand dollars \$34,603,000.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

Per:

.....
K R FRANEY (Partner)
Registered Company Auditor

Dated at LISMORE this 30th day of October 2002.

1324c2002

Reports from Director Corporate Services

COUNCIL OF TWEED SHIRE SPECIAL PURPOSE FINANCIAL REPORTS INDEPENDENT AUDIT REPORT

SCOPE

We have audited the Special Purpose Financial Report of the Council of Tweed Shire for the year ended 30 June 2002 as set out on pages 2 to 10. The financial report includes the nominated business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

The Special Purpose Financial Report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We 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 Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with those Australian Accounting Standards detailed in Note 1 to the Special Purpose Financial Report and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the result of their operations.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the Council's Special Purpose Financial Report:

- i. has been prepared in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting; and
- ii. is consistent with the Council's accounting records; and
- iii. presents fairly the financial position of Council's nominated Business Activities and the results of their operations.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

.....
P R MORROW (Partner)
Registered Company Auditor
Dated at Lismore this 30th day of October 2002.

Reports from Director Corporate Services

TWEED SHIRE COUNCIL

FINANCIAL STATEMENT REQUIRED BY SECTION 413 (2) (c)

OF THE LOCAL GOVERNMENT ACT, 1993

We, the undersigned do hereby state on behalf of the Council that, in our opinion: -


- (a) The accompanying financial reports for the year ended 30 June 2002 have been prepared in accordance with the Local Government Act 1993 and regulations thereto, Statements of Accounting Concepts, the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards: and
- (b) the financial reports present fairly the Council's financial position and operating result as at the end of that financial year; and
- (c) the financial reports accord with the Council's accounting and other records: and
- (d) we do not know of anything that would make the financial reports false or misleading in any way: and
- (e) the financial reports include such information and explanations as will prevent those reports from being misleading because of any disqualification that is included in the statement.

Signed at Murwillumbah in accordance with a resolution of Council passed on 30 October 2002.

W J Polglase
Mayor

D R Broyd
Acting General Manager

G Davidson
Deputy Mayor



R R Norvill
Responsible Accounting
Officer

