

Darwin City Council and its controlled entities

# General Purpose Financial Report for the year ended 30 June 2005





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## **Independent audit report to the Lord Mayor and Aldermen of Darwin City Council**

### **Scope**

#### *The financial report and Accountable Officer's responsibility*

The consolidated financial report comprises the statement of financial performance, statement of financial position, statement of working capital, statement of changes in equity, statement of cash flows, and accompanying notes to the financial statements, for Darwin City Council ("the Council") and it controlled entities for the year ended 30 June 2005. The consolidated entity comprises both the Council and the entities it controlled during the year.

The Accountable Officer of the Council is responsible for preparing a consolidated financial report that presents fairly the financial position and performance of the Council and its consolidated entities that complies with Accounting Standards, the Local Government Act, the Local Government (Accounting) Regulations and Accounting Code. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the consolidated financial report.

#### *Audit approach*

We conducted an independent audit of the consolidated financial report in order to express an opinion on it to the members of the Council. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the consolidated financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the consolidated financial report presents fairly, in accordance with Accounting Standards, the Local Government Act, the Local Government (Accounting) Regulations and Accounting Code a view which is consistent with our understanding of the Council's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the consolidated financial report, and  
assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the officers of the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the consolidated financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the officers and management of the Council.

## Independence

We are independent of the Council, and have met the independence requirements of Australian professional ethical pronouncements.

## Audit opinion

In our opinion;

- (a) the prescribed accounting records, other records and registers required to be kept by the Council have been properly kept throughout the year;
- (b) the receipt, expenditure and investment of moneys and the acquisition and disposal of assets by the Council during the year have been in accordance with the prescribed requirements;
- (c) the consolidated financial statements have been properly drawn up in accordance with the prescribed requirements and are in agreement with the accounts and records;
- (d) the consolidated financial statements present fairly the financial position of the Council and its controlled entities as at 30 June 2005 and the results of its operations and its cash flows for the year then ended;
- (e) the Council has complied with the provisions under the Local Government Act in respect of the conduct of its financial affairs; and
- (f) the financial statements have been prepared in accordance with Australian accounting standards, other mandatory professional reporting requirements, the applicable sections of the Local Government Act, Accounting Code and Regulations.

*Merit Partners*

Merit Partners

*Aminul Islam*

Aminul Islam  
Partner

Darwin

Date: *10 October 2005*

# DARWIN CITY COUNCIL and its Controlled Entities

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

### OFFICER'S CERTIFICATE

I, Allan Raymond McGill, the Chief Executive Officer of the Darwin City Council, hereby certify that the Annual Financial Statements:

(a) have been drawn up in accordance with the applicable Australian Accounting Standards, the Local Government Act and the Local Government (Accounting) Regulations so as to present fairly the financial position of the Council and the results for the year; and

(b) are in accordance with the accounting and other records of Council.

CERTIFIED at Darwin in the Northern Territory of Australia

This 10<sup>th</sup> day of October 2005.



A.R. MCGILL

Chief Executive Officer

## DARWIN CITY COUNCIL and its Controlled Entities

### STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2005

	Notes	Consolidated Actual 2005 \$	Council Actual 2005 \$	Consolidated Actual 2004 \$	Council Actual 2004 \$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>					
Rates & Annual Charges	3	33,695,540	33,707,002	32,662,179	32,673,404
User Charges & Fees	3	7,486,506	6,612,083	7,852,113	7,871,844
Investment Revenues	3	2,197,377	2,184,635	1,765,889	1,757,443
Operating Grants & Contributions	3	4,371,375	4,371,375	4,878,895	4,847,626
Other Operating Revenues	3	981,315	599,854	1,661,312	813,157
<b>Total Operating Revenues</b>		<b>48,732,113</b>	<b>47,474,949</b>	<b>48,820,388</b>	<b>47,963,474</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>					
Employee Costs	4	16,660,206	15,862,544	15,594,488	14,660,490
Materials & Contracts		23,498,709	22,731,415	21,331,961	20,415,804
Interest Charges	4	-	-	10,096	10,096
Depreciation & Amortisation	4	9,113,404	9,101,848	8,707,285	8,698,511
Other Expenses	4	3,060,205	3,435,452	2,755,968	3,801,901
Loss from Disposal of Assets	5	86,492	86,492	41,685	41,685
<b>Total Operating Expenses</b>		<b>52,419,016</b>	<b>51,217,751</b>	<b>48,441,483</b>	<b>47,628,487</b>
<b>OPERATING RESULTS BEFORE CAPITAL AMOUNTS</b>		<b>(3,686,903)</b>	<b>(3,742,802)</b>	<b>378,905</b>	<b>334,987</b>
Capital Grants & Contributions	3	3,139,003	3,139,003	2,863,129	2,863,126
<b>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>(547,900)</b>	<b>(603,799)</b>	<b>3,242,034</b>	<b>3,198,113</b>
<b>DIRECT TRANSFERS TO EQUITY</b>					
Asset Revaluation Reserve	17	88,052,335	88,052,335	26,608,529	26,608,529
Recognition/(De-recognition) of Controlled Entity		5,223	-	81,765	-
<b>TOTAL CHANGES IN EQUITY</b>		<b>87,509,658</b>	<b>87,448,536</b>	<b>29,932,328</b>	<b>29,806,642</b>

This Statement is to be read in conjunction with the attached Notes.

## DARWIN CITY COUNCIL and its Controlled Entities

### STATEMENT OF FINANCIAL POSITION as at 30 June 2005

	Notes	Consolidated Actual 2005 \$	Council Actual 2005 \$	Consolidated Actual 2004 \$	Council Actual 2004 \$
<b>CURRENT ASSETS</b>					
Cash on hand and at bank	6	1,693,997	1,139,119	1,482,114	807,495
Investments	6	36,226,103	36,226,103	34,845,857	34,845,857
Receivables	7	2,692,333	2,630,765	2,644,328	2,597,224
Inventories	8	120,790	103,811	114,457	90,520
Work-in-progress		4,083,334	4,083,334	849,315	849,315
Other	8	356,706	355,519	225,152	221,787
<b>TOTAL CURRENT ASSETS</b>		<b>45,173,263</b>	<b>44,538,651</b>	<b>40,161,223</b>	<b>39,412,198</b>
<b>NON-CURRENT ASSETS</b>					
Property, Plant & Equipment	9	429,565,028	429,517,006	345,765,114	345,726,370
Other	8	26,273	26,273	39,001	39,001
<b>TOTAL NON-CURRENT ASSETS</b>		<b>429,591,301</b>	<b>429,543,279</b>	<b>345,804,115</b>	<b>345,765,371</b>
<b>TOTAL ASSETS</b>		<b>474,764,564</b>	<b>474,081,930</b>	<b>385,965,338</b>	<b>385,177,569</b>
<b>CURRENT LIABILITIES</b>					
Creditors	10	6,498,599	6,140,181	5,607,216	5,067,765
Provisions	10	3,606,954	3,567,313	3,400,318	3,364,398
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,105,553</b>	<b>9,707,494</b>	<b>9,007,534</b>	<b>8,432,163</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	10	588,848	567,022	397,299	386,528
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>588,848</b>	<b>567,022</b>	<b>397,299</b>	<b>386,528</b>
<b>TOTAL LIABILITIES</b>		<b>10,694,401</b>	<b>10,274,516</b>	<b>9,404,833</b>	<b>8,818,691</b>
<b>NET ASSETS</b>		<b>464,070,163</b>	<b>463,807,414</b>	<b>376,560,505</b>	<b>376,358,878</b>
<b>EQUITY</b>					
Accumulated Surplus		242,575,422	242,312,673	243,179,407	242,977,780
Asset Revaluation Reserve	17	192,094,259	192,094,259	104,041,924	104,041,924
Other Reserves	SS1	29,400,482	29,400,482	29,339,174	29,339,174
<b>TOTAL EQUITY</b>		<b>464,070,163</b>	<b>463,807,414</b>	<b>376,560,505</b>	<b>376,358,878</b>

This Statement is to be read in conjunction with the attached Notes.

## DARWIN CITY COUNCIL and its Controlled Entities

### STATEMENT OF WORKING CAPITAL for the year ended 30 June 2005

	Notes	Consolidated Actual 2005 \$	Council Actual 2005 \$	Consolidated Actual 2004 \$	Council Actual 2004 \$
<b>CURRENT ASSETS</b>					
Cash on hand	6	1,693,997	1,139,119	1,482,114	807,495
Investments	6	36,226,103	36,226,103	34,845,857	34,845,857
Receivables	7	2,692,333	2,630,765	2,644,328	2,597,224
Inventories	8	120,790	103,811	114,457	90,520
Other	8	356,706	355,519	225,152	221,787
<b>TOTAL CURRENT ASSETS</b>		<b>41,089,929</b>	<b>40,455,317</b>	<b>39,311,908</b>	<b>38,562,883</b>
<b>Less: CURRENT LIABILITIES</b>					
Payables	10	6,498,599	6,140,181	5,607,216	5,067,765
Provisions	10	3,606,954	3,567,313	3,400,318	3,364,398
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,105,553</b>	<b>9,707,494</b>	<b>9,007,534</b>	<b>8,432,163</b>
<b>Less: Reserves</b>					
Externally Restricted Reserves		10,505,188	10,505,188	9,020,210	9,020,210
Internally Restricted Reserves		18,895,295	18,895,295	20,318,964	20,318,964
		<b>29,400,482</b>	<b>29,400,482</b>	<b>29,339,174</b>	<b>29,339,174</b>
		<b>11,689,447</b>	<b>11,054,835</b>	<b>38,346,708</b>	<b>37,771,337</b>
<b>WORKING CAPITAL</b>		<b>1,583,894</b>	<b>1,347,341</b>	<b>965,200</b>	<b>791,546</b>
<b>CURRENT RATIO</b>	13	<b>3.03:1</b>	<b>3.09:1</b>	3.36:1	3.50:1

The above amounts exclude restricted assets and cash held in a trust account or trust fund, and liabilities directly relating thereto.

This Statement is to be read in conjunction with the attached Notes.

## DARWIN CITY COUNCIL and its Controlled Entities

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2005

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<b>ASSET REVALUATION RESERVE</b>				
Notes				
17				
Balance at beginning of the reporting period	104,041,924	104,041,924	77,433,395	77,433,395
Transfers to Asset Revaluation Reserve	88,052,335	88,052,335	26,608,529	26,608,529
<b>Balance at end of the reporting period</b>	<b>192,094,259</b>	<b>192,094,259</b>	<b>104,041,924</b>	<b>104,041,924</b>
<b>ACCUMULATED SURPLUS</b>				
Balance at beginning of the reporting period	243,179,407	242,977,780	247,184,193	247,108,252
Change in Net Assets recognised in the Statement of Financial Performance	(547,900)	(603,799)	3,242,034	3,198,113
Transfers to Reserves	3,133,404	3,133,404	1,756,079	1,756,079
Transfers from Reserves	(3,194,712)	(3,194,712)	(9,084,664)	(9,084,664)
Recognition/(De-recognition) of Controlled Entity	5,223	-	81,765	-
<b>Balance at end of the reporting period</b>	<b>242,575,422</b>	<b>242,312,673</b>	<b>243,179,407</b>	<b>242,977,780</b>
<b>OTHER RESERVES - CASH BACKED</b>				
Notes				
SS1				
Balance at beginning of the reporting period	29,339,174	29,339,174	22,010,589	22,010,589
Transfers from Accumulated Surplus	(3,133,404)	(3,133,404)	(1,756,079)	(1,756,079)
Transfers to Accumulated Surplus	3,194,712	3,194,712	9,084,664	9,084,664
<b>Balance at end of the reporting period</b>	<b>29,400,482</b>	<b>29,400,482</b>	<b>29,339,174</b>	<b>29,339,174</b>
<b>TOTAL EQUITY AT END OF REPORTING PERIOD</b>	<b>464,070,163</b>	<b>463,807,414</b>	<b>376,560,505</b>	<b>376,358,878</b>

This Statement is to be read in conjunction with the attached Notes

## DARWIN CITY COUNCIL and its Controlled Entities

### STATEMENT OF CASH FLOWS for the year ended 30 June 2005

	Notes	Consolidated Actual 2005 \$	Council Actual 2005 \$	Consolidated Actual 2004 \$	Council Actual 2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<u>Receipts</u>					
Rates & Annual Charges		33,528,607	33,540,069	32,451,841	32,463,025
User Charges & Fees		7,840,319	6,878,454	6,908,013	6,927,744
Interest Received		2,365,206	2,352,464	1,535,177	1,526,731
Grants & Contributions		8,009,478	8,009,478	7,598,530	7,580,530
Other operating receipts		3,498,704	3,177,886	5,589,120	4,684,263
<u>Payments</u>					
Employee Costs		(16,262,021)	(15,479,135)	(15,765,696)	(14,816,675)
Materials & Contracts		(25,351,954)	(24,953,093)	(22,826,275)	(22,692,786)
Borrowing Costs		-	-	(10,096)	(10,096)
Other operating payments		(3,806,245)	(3,653,593)	(2,733,832)	(2,733,832)
<b>Net Cash provided by (or used in) Operating Activities</b>	11	<b>9,822,094</b>	<b>9,872,530</b>	<b>12,746,782</b>	<b>12,928,904</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<u>Receipts</u>					
Proceeds from sale of Property, Plant & Equipment	5	615,237	615,237	450,623	450,623
Recognition of Controlled Entity		-	-	174,964	-
<u>Payments</u>					
Purchase of Property, Plant & Equipment		(8,804,026)	(8,775,897)	(5,548,831)	(5,518,715)
Purchase of Investment Securities		(1,380,246)	(1,380,246)	(7,384,442)	(7,384,442)
Derecognition of Controlled Entity		(41,176)	-	-	-
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(9,610,211)</b>	<b>(9,540,906)</b>	<b>(12,307,686)</b>	<b>(12,452,534)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<u>Payments</u>					
Repayments of Borrowings & Advances		-	-	(121,932)	(121,932)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>-</b>	<b>-</b>	<b>(121,932)</b>	<b>(121,932)</b>
<b>Net Increase (Decrease) in cash held</b>		<b>211,883</b>	<b>331,624</b>	<b>317,164</b>	<b>354,438</b>
Cash at beginning of reporting period	11	1,482,114	807,495	1,164,952	453,057
<b>Cash at end of reporting period</b>	11	<b>1,693,997</b>	<b>1,139,119</b>	<b>1,482,114</b>	<b>807,495</b>

This Statement is to be read in conjunction with the attached Notes

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 1 – Summary of Significant accounting policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

#### 1.1 Basis of preparation

These financial statements, which are general purpose financial statements, have been drawn up in accordance with the Accounting Standards, Urgent Issues Group consensus views, the Local Government Act 1993 and the Local Government Accounting Code 2005. The accrual basis of accounting has been applied in accordance with the convention of historical cost accounting and does not take into account changing money values, or except where stated.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Darwin City Council as at 30 June 2005 and the results of all controlled entities for the year then ended. The Council and its controlled entities together form the economic entity which is referred to in this financial report as the consolidated entity. The financial statements of its controlled entities are prepared for the same period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter entity balances and transactions have been eliminated in full.

Where control of an entity is obtained or divested during a financial year, its results are included in the consolidated statement of financial performance only for the period for which the Council could exercise control of the entity during the period. Control in Darwin City Heart Promotions Pty Ltd was divested by Council as at 1 July 2004. Further information on the controlled entities is contained in Note 15.

#### 1.2 Accounting policies

Accounting policies adopted are consistent with those of the previous year.

#### 1.3 Taxation

Income of local authorities and public authorities is exempt from income tax due to the provisions of Section 50-25 of the Income Tax Assessment Act 1997. The Council's activities are exempt from all forms of Commonwealth taxation, except for the Fringe Benefits Tax and Goods and Services Tax.(GST). These taxes that are payable to and receivable from the Australian Tax Office are recognised and accrued in the financial statements. The cash flow arising from GST receipts from suppliers and payments to providers are included on a gross basis in the statement of cash flows.

#### 1.4 Trust funds held for outside parties

Funds held in the Trust Account on behalf of outside parties include those funds from security deposits lodged to guarantee performance and unclaimed monies paid into the Trust Account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. The monies are disclosed in Special Schedule 2 to the Financial Statements for information purposes only.

#### 1.5 Property, plant and equipment

##### (a) Non-current assets threshold

Items of property, plant and equipment with a total value of less than \$2,000, except for computer equipment as each component forms part of the Council's computer network, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

*(b) Capital and operating expenditure*

Wage and material expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised and funded from capital funding sources.

*(c) Acquisition*

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architect's fees, engineering design fees and all other establishment costs.

Non-monetary assets, including property, plant and equipment, received in the form of grants or contributions, are recognised as assets and revenues at fair value by Council valuation. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

*(d) Valuation*

Property, plant and equipment recognised, which excludes receivables and cash investments, are valued at their fair value except where stated in note 9. Where there is no active market in the assets, fair value is the replacement cost less depreciation. Where assets are not required and intended to be disposed of, fair value is the anticipated net sale proceeds. Assets within each class of property, plant and equipment are carried at fair value and are required to be revalued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

Assets within each class of other non-current assets (Land, Building and Infrastructure Assets) are required to be revalued at least every three years, or earlier if necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. Details of valuers and methods of valuation are disclosed in note 9.

In revaluing land and buildings, the potential capital gains tax in relation to such assets acquired after 19 September 1985 was not taken into account as the Council is not liable to this tax.

*(e) Depreciation of property, plant and equipment*

To achieve a systematic and rational allocation of the value of non-current assets over their estimated useful lives, depreciation represents the consumption of the service potential embodied in the non-current asset over its useful life to the Council. Depreciation is recognised on a straight-line basis taking into account the residual values of individual assets, using rates, which are reviewed annually. Assets are depreciated from the date of acquisition or, in respect of infrastructure assets, from the first full year after the asset is completed, purchased or contributed.

Asset	Range of estimated useful life
Buildings	20 - 60 years
Other Structures	4 - 50 years
Plant and Machinery	2 - 20 years
Furniture and Equipment	5 - 50 years
Fixtures and Fittings	3 - 35 years
Roads	70 years
Drainage	50 - 70 years
Footpaths	25 years
Walkways	25 years
Cyclepaths	20 - 30 years
Driveways	27 years
Other Infrastructure	15 - 100 years
Carparks	70 years
Traffic Signals	35 years
Plant and Equipment under Lease	5 years

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

Items or components which form an integral part of an infrastructure asset are recognised as a separate asset. These items or components may be replaced during the life of the complex asset. Each component is depreciated over its individual life or the life of the complex asset if shorter.

*(f) Funding of depreciation*

It is the policy of Council to allocate sufficient unrestricted funds, after meeting all other operating expenses, to the full funding of the annual depreciation expense. This will not apply to depreciation on capital assets that the council has resolved not to replace on their ultimate demise. If insufficient funds are available, the Council may recover the shortfall in the next years budget allocation or unfund that portion of the depreciation expense that cannot be funded from available funding sources.

**1.6 Capital works in progress**

The cost of property, plant and equipment being constructed by the Council includes the cost of materials and direct labour and an appropriate proportion of labour overheads.

**1.7 Leased plant and equipment**

Leases of plant and equipment under which the Council assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the initial legal ownership, are classified as finance leases and amortised on a straight line basis over the term of the lease or where the Council will obtain ownership of the asset, the life of the asset. Other leases are classified as operating leases.

Leases identified as being finance leases are capitalised in that a lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance.

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**1.8 Inventories**

Inventories are valued at the lower of cost and net realisable value.

**1.9 Investments**

*(a) Cash investments*

Investments are brought to account at net fair value and interest income is recognised as it accrues.

**1.10 Employee entitlements**

Employee entitlements are accrued for such items as wages and salaries, airfare entitlements, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee entitlements are assessed at each reporting date. Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements. Should sick leave vest or become vested with the employee, the liability will be accrued at that time.

Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability, otherwise the liability is treated as non-current.

*(a) Wages and salaries*

A liability for wages and salaries is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability is treated as a creditor of the Council and not as an employee entitlement.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

*(b) Annual leave*

A liability for annual leave is recognised and based on current wage and salary levels with an additional allowance being made for employee on-costs.

*(c) Superannuation*

The superannuation expense for the reporting period is the amount of the statutory and non-statutory contribution the local government makes to the superannuation plan which provides benefits to its employees.

*(d) Long service leave*

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The interest rates attaching, as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates with an additional allowance for employee on-costs and estimated future pay rises.

*(e) Other Entitlements*

A liability is recognised for airfare entitlements for employees with eligible service. The liability is calculated using airfare rates current at the reporting date. A liability is also recognised for employee entitlements to a rostered day off, but not taken as at year end. This liability is calculated using current rates of pay and hours owed for the employees involved.

**1.11 Provision for doubtful debts**

The collectability of debts is assessed at the reporting date and provision is made for doubtful accounts where it is no longer probable that the amount owing will be collected

***Credit risk***

The maximum credit risk exposure of receivables as at 30 June is the carrying amount of these assets as shown in Note 7.

Grants and subsidies receivable are considered risk free.

**1.12 Rates, grants and other revenue**

Rates, grants and other revenue are recognised as revenues when the Council obtains control over assets comprising the contributions. Receivables are recorded at nominal amounts less any provision for doubtful debts. Credit terms are 30 days.

*(a) Rates*

Control over assets acquired from rates is obtained at the commencement of the rating period. Where rate monies are received prior to the commencement of the rating period, the amount is recognised as unearned revenue as a liability in the balance sheet.

*(b) Grants and subsidies*

Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured.

*(c) Non-cash contributions*

Non-cash contributions in excess of \$2,000 in value are recognised as revenue and as non-current assets. Non-cash contributions below \$2,000 are recorded as revenue only.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

*(d) Other revenue including contributions*

Unreceived revenue is recognised as a receivable when it is probable that the receipt will occur and it can be reliably measured, otherwise the amount is recognised upon receipt.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are carried in the Constrained Works Reserve.

Disclosure of the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period are also reported in Note 14.

**1.13 Accounts payable (trade creditors and accruals)**

Accounts payable have been recognised as a liability where an obligation to pay for goods and services received can be reliably measured and it is probable the account will have to be paid. This usually occurs at the time of the goods being received or the service being performed. The amount recognised for each creditor is based on purchase or contract costs. These amounts are unsecured and normally settled within 30 working days.

**1.14 Loans and borrowings**

Loans and borrowings have been recognised as a liability at their respective book values.

**1.15 Cash**

For purposes of the Statement of Cash Flows, cash includes cash on hand, at call investments and other cash equivalents, which are readily convertible to cash, and which are used in the cash management function on a day-to-day basis, net of borrowings which are integral to the cash management function and which are not subject to a term facility.

**1.16 Components of equity**

*(a) Asset revaluation reserve*

The asset revaluation reserve is comprised of adjustments relating to changes in value of assets which arise primarily from changes in both the general and specific purchasing power of money. Net incremental changes in the carrying value of classes of capital non-current assets, since their initial recognition, are accumulated in this reserve. Where a class of asset is revalued downwards, without a prior revaluation credit in the asset revaluation reserve, the asset revaluation decrement net of the corresponding adjustment to the accumulated depreciation is treated as an operating expense.

*(b) Reserves held for future capital expenditure*

These are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future capital assets needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

*Constrained Works Reserve*

This reserve is credited with specified grants, subsidies and contributions of monetary revenue received during the reported period and constrained for the purpose of funding specific capital expenditure. As the expenditure is incurred on specified capital assets the equivalent funds are transferred out of the capital reserve to retained surplus. The closing balance in this reserve is equivalent to the funds received that have not yet been expended and must be retained until expended in the manner specified by the contributor.

*Plant Replacement Reserve*

This reserve has been created to meet the cost of replacement of plant. The balance is based on the anticipated needs identified in the Council's plant replacement plan.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

*Asset Maintenance & Refurbishment Reserve*

This reserve was created to allow for future maintenance and refurbishment of Council's major assets.

*Environmental Management Reserve*

This reserve is an accumulation of excess funds in the cleansing operations and is set aside for the future development of the Shoal Bay Waste Disposal Site or alternative waste disposal methods.

*Computer Purchase Reserve*

This reserve was created to separately identify surpluses arising from Council's Information Technology Program to provide for expenditure in future years.

*Car Parking Shortfall Reserve*

This reserve has been created to hold contributions from property developers for the provision for carparking.

*Off Street Parking Reserve*

This reserve is an accumulation of the surpluses from on and off street car parking operations to allow for future developments of carparking in the CBD.

*Unexpended Capital Works Reserve*

This reserve has been created to allow for capital works projects not completed in the current financial year to be completed in future periods.

*(b) Reserves held for funding future recurrent expenditure:*

These are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future recurrent or operating expenditure needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

*Economic Development Reserve*

This reserve is an accumulation of prior year surpluses, now accumulating investment revenue. It is set aside by Council resolution for investment in revenue raising ventures.

*Sub-divisions & Elections Reserve*

This reserve has been created to provide for monies that will be used in the future for specific sub-divisional works and costs associated with the holding of Council elections.

*Insurance & Disaster Cont. Reserve*

This reserve has been created to provide for insurance and possible costs associated with responding to a natural disaster.

*(d) Retained surplus*

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets used to provide services.

**1.17 Comparative figures**

Where required by Australian Accounting Standards, comparative figures for the preceding year have been reclassified on a basis consistent with current year disclosure.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

**1.18 Rounding Errors**

In accordance with Regulation 9 (5) of the Local Government (Accounting) Regulations these statements are prepared in whole dollars. Due to the effect of rounding some columns will be one dollar different to the sum of the individual figures shown in that column and the notes may also vary by one dollar.

**1.19 Native Title Issues**

The Native Title Act 1993(Cth) recognises the existence of native title in Australia and, among other things, prescribes procedures required for the validity of acts of government after 1 January 1994. Where native title claims have been lodged over Darwin City Council land, the provision of the Native Title Act may result in the following:

- The validity of tenements may be affected to the extent licences affect native title and were not granted in accordance with the provisions of the Native Title Act 1993; and
- The negotiation procedures set out in the Native Title Act 1993 may apply and may result in compensation being payable under those procedures.

The Council receives notifications of such claims when it is a stakeholder with an interest in their outcome. The Council will assess from time to time the significance or otherwise of the claims notified from its perspective to determine whether or not it wishes to join in the relevant proceedings.

**1.20 Adoption of International Financial Reporting Standards (IFRS)**

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for the reporting periods beginning on or after 1 January 2005.

These changes will require the council to adopt a number of different accounting policies and to present its financial reports differently for the year ending 30 June 2006 and subsequent years.

At this point in time the Council is managing the transition with key staff from the Finance Section attending information seminars, regularly reviewing the AASB and CPA Australia websites, and monitoring professional publications.

When the new Standards are adopted all comparative amounts will be restated as though the policies which apply to that financial report have always applied (subject to some exceptions). The comparative amounts in the financial report for the year ended 30 June 2006 will therefore be different from the amounts in the financial report for the year ended 30 June 2005. A reconciliation will be included in the notes.

To date the Council has identified the following key differences in accounting policies which will arise from the adoption of the Australian Equivalents to IFRSs. Financial information regarding the IFRS changes is contained in note 18.

Property, plant and equipment

The main area of impact is in recognition and measurement of property, plant and equipment. It is anticipated that the council will adopt permitted methods which will treat all property, plant and equipment as if it were acquired for its fair value at 30 June 2004. The property, plant and equipment will then be carried at its fair value. The effect of this is that the original cost figure or revaluations before 30 June 2004 will not appear in the financial reports for, or after the year ending 30 June 2006. The future depreciation expense is therefore likely to change as a result of a change in the asset's value and or useful life of the asset.

Inventories

The valuation of inventories will change from lower of cost and realisable value to the lower of cost and current replacement cost under the pending AASB 102 Inventories. This may lead to an increase in the valuation shown for inventories but at this stage the financial effect, if any, cannot be measured.

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2005**

**Note 1 - Significant Accounting Policies (cont)**

Impairment testing

Most assets will be subject to impairment testing. This will mean the council has to assess whether the benefits to be obtained from the asset (value in use) or its realisable value exceed the value at which it would be shown in the books. If they both fall short the asset will be written down to the higher of those two values. For the council these requirements are less severe than for many organisations as the council carries many of its assets at depreciated replacement cost where this is equivalent to fair value, and this is one of the measures for value in use for a not-for-profit organisation.

Provisions for disposal and restoration of long lived assets

The council will need to consider if it has any obligation to meet future costs for the disposal of its long lived assets, or for the restoration of land on which they stand. Any such obligation will be recognised as a liability and added to the cost of the asset. This will impact on depreciation charges during the life of such assets. Funds are available in the Environmental Reserve for the restoration of the Shoal Bay Waste Disposal site which is recognised in equity.

Investment property

Council's Investment properties are recognised at fair value rather than at depreciated cost. Accordingly there will be no effect on their value.

Financial Instruments

As allowed under AASB1, the economic entity has elected not to restate comparative financial information for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. Instead, the effects of AASB 132 and AASB 139 will be applied from 1 July 2005.



# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 2 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### General Public Services

Focused on internal governance, organisational, and administrative services. It includes the following programs:

Legislative and Executive – Implement policy, coordinate activities, support to Elected Members.

Administration - provide leadership and direction of Council's corporate programs and ensure sufficient and effective service delivery to all internal and external customers.

#### Public Order & Safety

Concerned with programs and services that deal with nuisance, safety and public behaviour. It includes the following programs:

Control of Domestic Animals – administer a responsible dog control program and educate the community in the responsible ownership of animals.

Other Public Order – promote responsible and safe use of public places.

#### Housing & Community

Functions and programs that deliver infrastructure, regulate activity and support community groups. It includes the following programs:

Community Development – review and comment on town planning matters, provide community services to special needs populations and assistance to community organisations, and foster and promote international understanding through Council's Sister Cities relationships.

Community Amenities – Management of urban infrastructure such as public toilets and memorials, and provide for the maintenance and upkeep of cemeteries within the municipality.

#### Environment & Sanitation

Programs that deal with the natural environment, waste management and street cleaning. It includes the following programs:

Environment – monitoring and protection of foreshores within the municipality and the minimisation of the potential for mosquito breeding on Council's land in conjunction with Territory Health Services.

Waste Management – To collect and dispose of commercial and domestic waste in an efficient and environmentally safe manner and to provide for and encourage recycling wherever possible.

Sanitation – Maintain an anti-litter campaign and ensure that street cleaning is in accordance with community requirements.

#### Recreation & Culture

Provision of sporting, recreation and cultural facilities, youth services, and the support of festivals. It includes the following programs:

Recreation Facilities – maintain sporting areas, recreation programs and public swimming pools.

Parks – maintain parks, reserves and beaches.

Cultural Services – Deliver library services and support the Darwin Entertainment Centre and other cultural activities.

#### Transportation

Provision and maintenance and control of road, car parks and assorted infrastructure. It includes the following programs:

Road transport – manage, maintain and develop road infrastructure.

Parking – facilitate and supply a sufficient amount of on-street and off street parking.

Other Transportation – provide and maintain footpaths, cycleway and access for people with disabilities.

#### Other Economic Affairs

Support for organisations and events that generate economic activity beneficial to Darwin. It includes the following programs:

Economic Development - Support the local economy, implement business and investment strategies for Council and facilitate and assist in promoting the CBD as a commercial and retail centre.

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 3 - OPERATING REVENUES

RATES & ANNUAL CHARGES	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<u>Ordinary Rates</u>				
Residential	22,819,018	22,819,018	20,623,114	20,623,114
Business	5,577,851	5,586,362	6,942,801	6,951,102
	<u>28,396,869</u>	<u>28,405,380</u>	<u>27,565,915</u>	<u>27,574,216</u>
<u>Special Rates</u> (pursuant to s 73)				
Parking	778,431	778,431	800,752	800,752
City Promotions	709,503	712,454	701,558	704,482
	<u>1,487,934</u>	<u>1,490,885</u>	<u>1,502,310</u>	<u>1,505,234</u>
<u>Annual Charges</u> (pursuant to ss 74(1) & 76)				
Waste Management Service	3,810,737	3,810,737	3,593,954	3,593,954
	<u>3,810,737</u>	<u>3,810,737</u>	<u>3,593,954</u>	<u>3,593,954</u>
<b>Total Rates &amp; Annual Charges</b>	<u><b>33,695,540</b></u>	<u><b>33,707,002</b></u>	<u><b>32,662,179</b></u>	<u><b>32,673,404</b></u>
<b>USER CHARGES &amp; FEES</b>				
<u>Fees</u>				
Regulatory/Statutory/Service Fees	6,864,530	5,990,107	7,191,876	7,211,607
Fines & Penalties	621,976	621,976	660,237	660,237
<b>Total User Charges &amp; Fees</b>	<u><b>7,486,506</b></u>	<u><b>6,612,083</b></u>	<u><b>7,852,113</b></u>	<u><b>7,871,844</b></u>
<b>INVESTMENT REVENUES</b>				
Interest on investments	2,197,377	2,184,635	1,765,889	1,757,443
<b>Total Investment Revenues</b>	<u><b>2,197,377</b></u>	<u><b>2,184,635</b></u>	<u><b>1,765,889</b></u>	<u><b>1,757,443</b></u>
<b>OTHER REVENUES</b>				
Other	981,315	599,854	1,661,312	813,157
<b>Total Other Revenues</b>	<u><b>981,315</b></u>	<u><b>599,854</b></u>	<u><b>1,661,312</b></u>	<u><b>813,157</b></u>
<b>GRANTS</b>				
<u>General Purpose (Untied)</u>				
FAG - general purpose component	1,168,232	1,168,232	1,225,089	1,225,089
- road component	1,351,140	1,351,140	1,362,101	1,362,101
	<u>2,519,372</u>	<u>2,519,372</u>	<u>2,587,190</u>	<u>2,587,190</u>
<u>NT Current Grants</u>				
Libraries	1,191,659	1,191,659	1,445,593	1,445,593
Other	502,844	502,844	810,712	779,443
	<u>1,694,503</u>	<u>1,694,503</u>	<u>2,256,305</u>	<u>2,225,036</u>
<u>Commonwealth Current Grants</u>	157,500	157,500	35,400	35,400
<b>TOTAL OPERATING GRANTS</b>	<u><b>4,371,375</b></u>	<u><b>4,371,375</b></u>	<u><b>4,878,895</b></u>	<u><b>4,847,626</b></u>
<u>NT Capital Grants</u>	2,343,258	2,343,258	2,014,715	2,014,715
<u>Commonwealth Capital Grants</u>	162,444	162,444	20,000	20,000
Roads to Recovery	633,301	633,301	698,184	698,184
<b>TOTAL CAPITAL GRANTS</b>	<u><b>3,139,003</b></u>	<u><b>3,139,003</b></u>	<u><b>2,732,899</b></u>	<u><b>2,732,899</b></u>
<b>TOTAL GRANTS</b>	<u><b>7,510,378</b></u>	<u><b>7,510,378</b></u>	<u><b>7,611,794</b></u>	<u><b>7,580,525</b></u>
<b>CONTRIBUTIONS &amp; DONATIONS</b>				
Developer Contributions	-	-	130,227	130,227
<b>TOTAL CONTRIBUTIONS &amp; DONATIONS</b>	<u>-</u>	<u>-</u>	<u>130,227</u>	<u>130,227</u>
<b>TOTAL GRANTS, CONTRIBUTIONS &amp; DONATIONS</b>	<u><b>7,510,378</b></u>	<u><b>7,510,378</b></u>	<u><b>7,742,021</b></u>	<u><b>7,710,752</b></u>

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 4 - OPERATING EXPENSES

	Consolidated 2005	Council 2005	Consolidated 2004	Council 2004
	\$	\$	\$	\$
<b>EMPLOYEE COSTS</b>				
Salaries and Wages	14,644,105	13,857,488	13,594,713	12,791,870
Superannuation	1,267,744	1,267,744	1,310,287	1,257,465
Workers' Compensation Insurance	415,701	415,701	596,714	575,171
Training Costs (excluding Salaries)	350,495	350,495	226,390	223,666
Travelling	169,690	158,645	87,165	87,165
Fringe Benefits Tax	119,535	119,535	98,181	98,181
Other	63,843	63,843	196,089	142,023
Less: Capitalised and distributed costs	<u>(370,907)</u>	<u>(370,907)</u>	<u>(515,051)</u>	<u>(515,051)</u>
<b>Total Operating Employee Costs</b>	<b><u>16,660,206</u></b>	<b><u>15,862,544</u></b>	<b><u>15,594,488</u></b>	<b><u>14,660,490</u></b>
<b>Total Number of Employees</b>	<b>312</b>	<b>279</b>	<b>318</b>	<b>283</b>
(Full time equivalent at end of reporting period)				
<b>BORROWING COSTS</b>				
Interest on Loans	-	-	10,096	10,096
<b>Total Interest Charges</b>	<u>-</u>	<u>-</u>	<u>10,096</u>	<u>10,096</u>
<b>DEPRECIATION &amp; AMORTISATION</b>				
Plant and Equipment	838,766	827,210	651,568	644,522
Other Infrastructure Assets	193,591	193,591	152,860	152,860
Buildings	1,428,883	1,428,883	1,393,990	1,393,990
Infrastructure				
- roads, bridges & footpaths	3,853,251	3,853,251	3,712,023	3,712,023
- stormwater drainage	2,089,728	2,089,728	2,084,316	2,084,316
Other assets				
- other	709,185	709,185	712,528	710,800
<b>Total Depreciation &amp; Amortisation</b>	<b><u>9,113,404</u></b>	<b><u>9,101,848</u></b>	<b><u>8,707,285</u></b>	<b><u>8,698,511</u></b>
<b>OTHER EXPENSES</b>				
Auditor's Remuneration				
- Audit Services	26,257	26,257	26,000	26,000
- Other Auditors	165,868	165,868	231,072	211,407
Bad and Doubtful Debts	147,771	133,307	478,073	478,117
Donations & Contributions	1,134,600	1,629,877	475,564	1,697,208
Insurances	788,582	683,016	704,353	615,976
Members' Fees & Allowances	489,738	489,738	442,303	442,303
Other	307,389	307,389	398,603	330,890
<b>Total Other Expenses</b>	<b><u>3,060,205</u></b>	<b><u>3,435,452</u></b>	<b><u>2,755,968</u></b>	<b><u>3,801,901</u></b>

### Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	Consolidated 2005	Council 2005	Consolidated 2004	Council 2004
	\$	\$	\$	\$
<b>DISPOSAL OF PLANT &amp; EQUIPMENT</b>				
Proceeds from disposal	615,237	615,237	327,911	327,911
Less: Carrying amount of assets sold	701,729	701,729	397,308	397,308
<b>Gain (Loss) on disposal</b>	<b><u>(86,492)</u></b>	<b><u>(86,492)</u></b>	<b><u>(69,397)</u></b>	<b><u>(69,397)</u></b>
<b>DISPOSAL OF REAL ESTATE ASSETS</b>				
Proceeds from disposal	-	-	122,712	122,712
Less: Carrying amount of assets sold	-	-	95,000	95,000
<b>Gain (Loss) on disposal</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>27,712</u></b>	<b><u>27,712</u></b>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<b><u>(86,492)</u></b>	<b><u>(86,492)</u></b>	<b><u>(41,685)</u></b>	<b><u>(41,685)</u></b>

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 6 - CASH & INVESTMENTS

	Consolidated 2005 \$ <u>Current</u>	Council 2005 \$ <u>Current</u>	Consolidated 2004 \$ <u>Current</u>	Council 2004 \$ <u>Current</u>
<b>CASH ASSETS</b>				
Cash on Hand and at Bank	463,997	(90,881)	825,114	150,495
Deposits at Call	1,230,000	1,230,000	657,000	657,000
<b>Total Cash</b>	<b>1,693,997</b>	<b>1,139,119</b>	<b>1,482,114</b>	<b>807,495</b>
<b>INVESTMENT SECURITIES</b>				
Term Deposits	36,226,103	36,226,103	34,845,857	34,845,857
<b>Total Investments</b>	<b>36,226,103</b>	<b>36,226,103</b>	<b>34,845,857</b>	<b>34,845,857</b>
<b>TOTAL CASH &amp; INVESTMENTS AVAILABLE</b>	<b>37,920,100</b>	<b>37,365,222</b>	<b>36,327,971</b>	<b>35,653,352</b>

*Cash Assets comprise highly liquid investments with short periods to maturity with insignificant risk of changes in value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.*

### RESTRICTED CASH & INVESTMENTS SUMMARY

<b>EXTERNAL RESTRICTIONS</b>				
- Included in equity	7,827,753	7,827,753	7,236,435	7,236,435
- Included in revenue	2,677,436	2,677,436	1,783,775	1,783,775
<b>Total External Restrictions</b>	<b>10,505,189</b>	<b>10,505,189</b>	<b>9,020,210</b>	<b>9,020,210</b>
<b>INTERNAL RESTRICTIONS</b>				
- Included in equity and liabilities	23,091,097	23,029,630	24,116,581	24,069,890
<b>Total Internal Restrictions</b>	<b>23,091,097</b>	<b>23,029,630</b>	<b>24,116,581</b>	<b>24,069,890</b>
<b>TOTAL UNRESTRICTED</b>	<b>4,323,814</b>	<b>3,830,403</b>	<b>3,191,180</b>	<b>2,563,252</b>
<b>TOTAL CASH &amp; INVESTMENTS AVAILABLE</b>	<b>37,920,100</b>	<b>37,365,222</b>	<b>36,327,971</b>	<b>35,653,352</b>
<b>EXTERNAL RESTRICTIONS</b>				
<b>Included in Equity</b>				
Other (H)	7,827,753	7,827,753	7,236,435	7,236,435
	7,827,753	7,827,753	7,236,435	7,236,435
<b>Included in Revenue</b>				
Developer Contributions (D)	-	-	22,727	22,727
Specific Purpose Unexpended Grants (F)	2,677,436	2,677,436	1,761,048	1,761,048
	2,677,436	2,677,436	1,783,775	1,783,775
<b>TOTAL EXTERNAL RESTRICTIONS</b>	<b>10,505,189</b>	<b>10,505,189</b>	<b>9,020,210</b>	<b>9,020,210</b>
<b>INTERNAL RESTRICTIONS</b>				
<b>Included in Liabilities</b>				
Employee Leave Entitlements	4,195,802	4,134,335	3,797,617	3,750,926
<b>Included in Equity</b>				
Future Capital Works & Expenditure Reserves	18,895,295	18,895,295	20,318,964	20,318,964
<b>TOTAL INTERNAL RESTRICTIONS</b>	<b>23,091,097</b>	<b>23,029,630</b>	<b>24,116,581</b>	<b>24,069,890</b>

#### Legend

- A. Loan moneys that must be applied for the purpose for which the loans were raised.
- B. Advances by Department of Transport & Works for work on specified roads.
- C. Self insurance liability resulting from reported claims or incurred claims not yet reported must have cash or specific investments held for the full amount of the provision.
- D. Development contributions that are not yet expended for the provision of services and amenities in accordance with contribution plans (also includes those not under contribution plans).
- E. Department of Transport & Works contributions that are not yet expended for the provision of services and amenities in accordance with those contributions.
- F. Grants that are not yet expended for the purposes for which the grants were obtained.
- G. Domestic Waste Management funds must be applied for the purpose for which they were raised.
- H. Other externally restricted moneys.

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 7 - RECEIVABLES

	Consolidated 2005 \$ <u>Current</u>	Council 2005 \$ <u>Current</u>	Consolidated 2004 \$ <u>Current</u>	Council 2004 \$ <u>Current</u>
Rates & Annual Charges	1,380,144	1,380,144	1,598,161	1,598,161
User Charges & Fees	1,572,297	1,510,729	1,378,348	1,413,567
Accrued Revenues	346,743	346,743	514,572	430,956
Total	3,299,184	3,237,616	3,491,081	3,442,684
Less: Allowance for Doubtful Debts	606,851	606,851	846,753	845,460
<b>TOTAL RECEIVABLES</b>	<b>2,692,333</b>	<b>2,630,765</b>	<b>2,644,328</b>	<b>2,597,224</b>

### RESTRICTED RECEIVABLES

	<u>Current</u>	<u>Current</u>	<u>Current</u>	<u>Current</u>
Domestic Waste Management	539,379	539,379	461,877	461,877
Parking	4,159	4,159	2,325	2,325
Other	17,338	17,338	5,246	5,246
<b>Total Restricted Receivables</b>	<b>560,876</b>	<b>560,876</b>	<b>469,448</b>	<b>469,448</b>
<b>Unrestricted Receivables</b>	<b>2,131,457</b>	<b>2,069,889</b>	<b>2,174,880</b>	<b>2,127,776</b>
<b>TOTAL RECEIVABLES</b>	<b>2,692,333</b>	<b>2,630,765</b>	<b>2,644,328</b>	<b>2,597,224</b>

### Note 8 - INVENTORIES & OTHER ASSETS

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<b>INVENTORIES</b>				
Stores & Materials	120,790	103,811	114,457	90,520
<b>Total Inventories</b>	<b>120,790</b>	<b>103,811</b>	<b>114,457</b>	<b>90,520</b>

*Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.*

### OTHER ASSETS

#### Current

Prepayments	50,701	50,701	31,730	28,365
Other	306,005	304,818	193,422	193,422
<b>Total Other Current Assets</b>	<b>356,706</b>	<b>355,519</b>	<b>225,152</b>	<b>221,787</b>

#### Non Current

Prepayments	26,273	26,273	39,001	39,001
<b>Total Other Non Current Assets</b>	<b>26,273</b>	<b>26,273</b>	<b>39,001</b>	<b>39,001</b>

**DARWIN CITY COUNCIL and its Controlled Entities**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2005

**Note 9 - PROPERTY, PLANT & EQUIPMENT**

	CARRYING AMOUNT MOVEMENTS DURING YEAR										
	2004					2005					
	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Derecognition Of Assets	Asset Disposals	Depreciation	Net Revaluation	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Land											
- Council owned (freehold)	93,359,500	-	93,359,500	-	-	-	-	-	93,359,500	-	93,359,500
Buildings	69,660,709	35,299,211	34,361,498	325,758	-	-	(1,428,883)	-	69,986,467	36,728,094	33,258,373
Infrastructure											
- Roads, bridges, footpaths	183,184,107	67,079,525	116,104,582	1,988,955	-	-	(3,853,251)	30,291,745	232,134,795	87,602,764	144,532,031
- Stormwater drainage	142,638,325	65,105,173	77,533,152	145,491	-	-	(2,089,728)	57,760,590	253,456,483	120,106,978	133,349,505
Other Infrastructure Assets	11,897,399	2,228,684	9,668,715	70,968	-	-	(193,591)	-	11,968,368	2,422,276	9,546,092
Plant & Equipment	10,153,666	4,266,728	5,886,938	1,802,204	-	(701,729)	(827,210)	-	10,824,730	4,664,527	6,160,203
Other Assets											
- Other	12,834,846	4,022,861	8,811,985	1,208,502	-	-	(709,185)	-	14,043,352	4,732,050	9,311,302
<b>Totals</b>	<b>523,728,552</b>	<b>178,002,182</b>	<b>345,726,370</b>	<b>5,541,878</b>	<b>-</b>	<b>(701,729)</b>	<b>(9,101,848)</b>	<b>88,052,335</b>	<b>685,773,695</b>	<b>256,256,689</b>	<b>429,517,006</b>

	CARRYING AMOUNT MOVEMENTS DURING YEAR										
	2004					2005					
	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Derecognition Of Assets	Asset Disposals	Depreciation	Net Revaluation	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Land											
- Council owned (freehold)	93,359,500	-	93,359,500	-	-	-	-	-	93,359,500	-	93,359,500
Buildings	69,660,709	35,299,211	34,361,498	325,758	-	-	(1,428,883)	-	69,986,467	36,728,094	33,258,373
Infrastructure											
- Roads, bridges, footpaths	183,184,107	67,079,525	116,104,582	1,988,955	-	-	(3,853,251)	30,291,745	232,134,795	87,602,764	144,532,031
- Stormwater drainage	142,638,325	65,105,173	77,533,152	145,491	-	-	(2,089,728)	57,760,590	253,456,483	120,106,978	133,349,505
Other Infrastructure Assets	11,897,399	2,228,684	9,668,715	70,968	-	-	(193,591)	-	11,968,367	2,422,275	9,546,092
Plant & Equipment	10,373,744	4,472,850	5,900,894	1,830,335	-	(701,729)	(838,766)	-	11,075,084	4,866,860	6,208,224
Other Assets											
- Other	12,874,152	4,037,379	8,836,773	1,208,502	(7,298)	-	(709,185)	-	14,043,352	4,732,050	9,311,302
<b>Totals</b>	<b>523,987,936</b>	<b>178,222,822</b>	<b>345,765,114</b>	<b>5,570,009</b>	<b>(7,298)</b>	<b>(701,729)</b>	<b>(9,113,404)</b>	<b>88,052,335</b>	<b>686,024,048</b>	<b>256,459,021</b>	<b>429,565,028</b>

# **DARWIN CITY COUNCIL and its Controlled Entities**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2005**

### **Note 9 (cont) – Property, plant and equipment valuations were determined by reference to the following:**

#### **Land and Improvements**

An independent valuation of land and improvements was obtained by the Australian Valuation Office, Northern Territory, as at 30 June 2004. Land and improvements have been valued at "Fair Value".

#### **Buildings**

An independent valuation of buildings was obtained by the Australian Valuation Office, Northern Territory, as at 30 June 2004. Council buildings have been valued at "Fair Value".

#### **Plant and Equipment**

Plant & equipment is carried at cost as it is turned over regularly and therefore represents a reasonable approximation of current replacement cost.

#### **Infrastructure**

##### **Roads, Driveways, Cyclepaths, Footpaths, and Walkways.**

Roads includes all earthworks, substructures, seals, kerbs and traffic devices. The valuation of roads, driveways, cyclepaths, footpaths and walkways was undertaken by Gutteridge Haskins & Davey Pty Ltd as at 30 June 2005 and was based on current unit costs derived from similar works carried out by other Councils within Australia.

##### **Drainage**

The valuation of stormwater drainage was undertaken by Gutteridge Haskins & Davey Pty Ltd as at 30 June 2005 and was based on current unit costs derived from similar works carried out by other Councils within Australia.

##### **Other Infrastructure**

Other infrastructure comprises of assets not able to be classified into one of the other infrastructure categories. Assets currently incorporated in this category include boat ramps, a vehicle wash down pond and inlet structure, carparks, traffic signals and other structures such as amenities blocks, shade structures, pergolas and the like.

The valuation of other infrastructure was undertaken by Gutteridge Haskins & Davey Pty Ltd as at 30 June 2002 and was based on current unit costs derived from similar works carried out by other Councils within Australia, except for other structures which were valued using the "Deprival Value" methodology.

#### **Other Assets**

Other assets comprise of furniture, fixtures and fittings, and is carried at cost as it is turned over regularly and therefore represents a reasonable approximation of current replacement cost.

## DARWIN CITY COUNCIL and its Controlled Entities

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

#### Note 10 - LIABILITIES

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<b>PAYABLES</b>				
Goods & Services	4,450,406	4,231,955	4,610,709	4,144,867
Payments received in advance	96,608	96,608	170,216	96,607
Accrued Expenses	1,286,117	1,241,470	354,814	354,814
Other	665,468	570,148	471,477	471,477
<b>Total Payables</b>	<b>6,498,599</b>	<b>6,140,181</b>	<b>5,607,216</b>	<b>5,067,765</b>
<b>PROVISIONS - Current</b>				
Annual Leave	2,218,900	2,179,259	2,074,653	2,038,733
Long Service Leave	1,201,098	1,201,098	1,144,603	1,144,603
Other	186,956	186,956	181,062	181,062
<b>Total Provisions - Current</b>	<b>3,606,954</b>	<b>3,567,313</b>	<b>3,400,318</b>	<b>3,364,398</b>
<b>PROVISIONS - Non Current</b>				
Long Service Leave	588,848	567,022	397,299	386,528
<b>Total Provisions - Non Current</b>	<b>588,848</b>	<b>567,022</b>	<b>397,299</b>	<b>386,528</b>

#### Note 11 - RECONCILIATION TO STATEMENT OF CASH FLOWS

##### (a) Reconciliation of Cash

*For the purposes of the statement of cash flows, cash includes cash on hand, at bank and at call deposits with other financial institutions. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:*

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<b>Cash Assets</b>				
Cash on Hand and at Bank	463,997	(90,881)	825,114	150,495
Deposits at Call	1,230,000	1,230,000	657,000	657,000
Balance per Statement of Cash Flows	<b>1,693,997</b>	<b>1,139,119</b>	<b>1,482,114</b>	<b>807,495</b>

##### (b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Change in Net Assets resulting from Operations	(547,900)	(603,799)	3,242,034	3,198,113
Add: Depreciation and Amortisation	9,113,404	9,101,848	8,707,285	8,698,511
Increase in provision for doubtful debts	-	-	428,222	428,868
Increase in employee benefits	392,291	377,515	186,791	201,813
Increase in other provisions	5,894	5,894	-	-
Decrease in receivables	193,059	205,068	-	-
Increase in trade creditors	-	87,089	-	-
Increase in accrued expenses payable	914,617	886,656	-	-
Increase in other payables	120,380	98,671	599,961	850,073
Loss on Sale of Assets	86,492	86,492	41,685	41,685
	<b>10,278,237</b>	<b>10,245,434</b>	<b>13,205,978</b>	<b>13,419,063</b>
Less: Decrease in provision for doubtful debts	239,902	238,609	-	-
Increase in receivables	-	-	310,802	346,116
Increase in inventories	6,333	13,291	-	-
Increase in other current assets	122,191	121,004	40,894	36,543
Decrease in trade creditors	87,717	-	-	-
Non-cash Capital Grants and Contributions	-	-	107,500	107,500
<b>Net Cash provided by (or used in) operations</b>	<b>9,822,094</b>	<b>9,872,530</b>	<b>12,746,782</b>	<b>12,928,904</b>

## DARWIN CITY COUNCIL and its Controlled Entities

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

#### Note 11 (continued) - RECONCILIATION TO STATEMENT OF CASH FLOWS

	Consolidated 2005	Council 2005	Consolidated 2004	Council 2004
	\$	\$	\$	\$
<b>(c) Non-Cash Financing and Investing Activities</b>				
Contributed Assets				
- Other	-	-	107,500	107,500
	-	-	107,500	107,500

*Contributed assets are handed over to the Council by developers once the construction project is completed, and consist mainly of lands, access roads and drainage assets. They are recognised in accordance with the principles set out for the relevant type of assets in Note 9.*

#### (d) Credit Stand-by Facilities

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts				
Total Facilities	500,000	500,000	500,000	500,000
Used at balance date	-	-	-	-

*The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.*

#### Note 12 - COMMITMENTS FOR EXPENDITURE

	Consolidated 2005	Council 2005	Consolidated 2004	Council 2004
	\$	\$	\$	\$
<b>(a) Capital Commitments</b>				
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:				
Buildings & Other Assets	801,375	801,375	386,575	386,575
Plant & Equipment	492,135	492,135	300,000	300,000
	1,293,510	1,293,510	686,575	686,575
These expenditures are payable:				
Not later than one year	1,293,510	1,293,510	686,575	686,575
	1,293,510	1,293,510	686,575	686,575

#### (b) Finance Lease Commitments

Council has no finance leases at this time.

#### (c) Operating Lease Commitments (Non-Cancellable)

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

<u>Total Future Minimum Lease Payments</u>				
Not later than one year	131,976	110,102	100,591	100,591
Later than one year and not later than 5 years	195,462	193,299	73,945	73,945
Later than 5 years	32,742	32,742	41,156	41,156
	360,180	336,143	215,692	215,692

#### (d) Other Expenditure Commitments

Other expenditure committed for (other than inventories) at the reporting date but not recognised in the financial statements as liabilities:

Parks Maintenance	3,468,164	3,468,164	1,155,000	1,155,000
Waste Management Services	13,493,904	13,493,904	18,728,038	18,728,038
Other	3,635,808	3,635,808	914,307	914,307
	20,597,876	20,597,876	20,797,345	20,797,345
These expenditures are payable:				
Not later than one year	8,970,386	8,970,386	6,086,036	6,086,036
Later than one year and not later than 5 years	11,627,490	11,627,490	14,686,309	14,686,309
Later than 5 years	-	-	25,000	25,000
	20,597,876	20,597,876	20,797,345	20,797,345

## DARWIN CITY COUNCIL and its Controlled Entities

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

#### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

COUNCIL ONLY	2005 <u>Indicators</u>	2004 <u>Indicators</u>
<b>Current Ratio</b>		
<u>Current Assets - Externally Restricted Assets</u>	3.09:1	3.50:1
Current Liabilities		
<b>Debt Service Ratio</b>		
<u>Net Debt Service Cost</u>	-	0.003:1
Operating Revenue*		
* as defined in the Code		
<b>Rate Coverage Ratio</b>		
<u>Rate Revenues</u>	71.00%	68.12%
Total Revenues		
<b>Rates &amp; Annual Charges Outstanding Percentage</b>		
<u>Rates &amp; Annual Charges Outstanding</u>	4.09%	4.89%
Rates & Annual Charges Collectible		

#### Note 14 - CONDITIONS OVER GRANTS & CONTRIBUTIONS

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
Unexpended at the close of the previous reporting period	1,783,775	1,783,775	486,607	486,607
Less: expended during the current period from revenues recognised in previous reporting periods				
Roads Infrastructure	1,432,841	1,432,841	480,607	480,607
Other	73,542	73,542	6,000	6,000
Subtotal	1,506,383	1,506,383	486,607	486,607
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions				
Roads Infrastructure	1,974,614	1,974,614	1,710,233	1,710,233
Heritage & Cultural Services	194,904	194,904	-	-
Other	230,526	230,526	73,542	73,542
Subtotal	2,400,044	2,400,044	1,783,775	1,783,775
Unexpended at the close of this reporting period and held as restricted assets	2,677,436	2,677,436	1,783,775	1,783,775
Net increase (decrease) in restricted assets in the current reporting period.	893,661	893,661	1,297,168	1,297,168

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 15 - Controlled Entities

The consolidated accounts of the economic entity include the accounts of the Darwin City Council, being the chief entity, Darwin Performing Arts Centre, and Darwin City Heart Promotions Ltd (until 1 July 2004) its controlled entities. The balances, and effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

**Darwin Performing Arts Centre** is a company limited by guarantee and not having a share capital. The Articles of Association state that the Board of Directors shall be not less than three nor more than seven, five of whom are appointed by the Darwin City Council and two of whom are elected by the ordinary members of the company. Further the company may not be wound up without the approval of the Darwin City Council.

The Memorandum of Lease between the Darwin City Council and Darwin Performing Arts Centre for the premises provides that the Darwin City Council may examine the books and records of Darwin Performing Arts Centre to satisfy itself as to the standard of business being carried on from the premises.

The Deed of Agreement between the Northern Territory and the Darwin City Council acknowledges that the Darwin City Council is responsible for the operation of the Darwin Performing Arts Centre and Council indemnifies the Northern Territory for any deficit beyond the agreed level of funding.

**Darwin City Heart Promotions** was recognised as a controlled entity for the first time in 2004 and is a company limited by guarantee and not having a share capital. The Darwin City Council has two members on the Board and the Company reported regularly to the Council. Darwin City Promotions received substantially all of its funding from the Council via a special rate levied for this purpose and in the event that the company is wound up any remaining assets were to be transferred to the Council.

Darwin City Heart Promotions was placed into liquidation on 3 May 2005 due to uncertainty regarding its ongoing operation. As Darwin City Council is deemed to have lost control of the entity at that date, adjustments have been made in the 2005 Financial Statements to write Darwin City Heart Promotions out of the Consolidated Accounts. Due to the immaterial size of the balances, this has been done as if it had occurred on 1 July 2004.

As a result of the liquidation, various minor items of office equipment with a book value of \$7,297.00 (as at 1 July 2004) and an amount of cash has been distributed to Darwin City Council. A further distribution of cash is expected in October 2005. Cash returned to Darwin City Council as a result of this distribution is considered to be restricted for use in the promotion of the central business district and has been placed in the constrained works reserve for that purpose.

**DARWIN CITY COUNCIL and its Controlled Entities**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2005**

**Note 16 - FINANCIAL INSTRUMENTS**

**Interest Rate Risk Exposures - Consolidated**

2005	Floating Interest Rate	Fixed interest ≤ 1 year	Non-interest bearing	Total
<b>Financial Assets</b>				
Cash Assets	\$ 1,630,000	\$ -	\$ 63,997	\$ 1,693,997
Investment Securities	-	36,226,103	-	36,226,103
Receivables	-	1,205,152	1,487,180	2,692,332
<b>Total</b>	<b>1,630,000</b>	<b>37,431,255</b>	<b>1,551,177</b>	<b>40,612,432</b>
<i>Weighted Average Interest Rate</i>	5.15%	5.76%		
<b>Financial Liabilities</b>				
Payables	-	-	6,498,599	6,498,599
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,498,599</b>	<b>6,498,599</b>
<b>2004</b>				
	Floating Interest Rate	Fixed interest ≤ 1 year	Non-interest bearing	Total
<b>Financial Assets</b>				
Cash Assets	\$ 657,000	\$ -	\$ 825,115	\$ 1,482,115
Investment Securities	-	34,845,857	-	34,845,857
Receivables	-	1,153,924	1,490,404	2,644,328
<b>Total</b>	<b>657,000</b>	<b>35,999,781</b>	<b>2,315,519</b>	<b>38,972,300</b>
<i>Weighted Average Interest Rate</i>	5.15%	5.57%		
<b>Financial Liabilities</b>				
Payables	-	-	5,607,216	5,607,216
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5,607,216</b>	<b>5,607,216</b>

**Recognised Financial Instruments**

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised as it accrues.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 5.49% and 6.20% (2004: 4.82% and 5.58%). Short term deposits have an average maturity of 127 days and an average interest rates of 5.76% (2004: 140 days, 5.57%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates, Annual &amp; User Charges (including legals &amp; penalties for late payment)</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Arrears attract interest of 18% (2004: 16%). Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the Northern Territory.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the Northern Territory.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Interest Bearing Loans</b>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> Council has no interest bearing loans at the present time.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Finance Leases</b>	<p><b>Accounting Policy:</b> Council has no finance leases at the present time.</p>

**Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Notes 6 & 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the Northern Territory, and there is no material exposure to any individual debtor.

**Net Fair Value**

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Note 17 - Asset Revaluation Reserve

	Consolidated 2005 \$	Council 2005 \$	Consolidated 2004 \$	Council 2004 \$
<b>Asset Revaluation Reserve</b>				
Movements in the asset revaluation reserve were as follows:				
Balance 1 July 2004	<b>104,041,924</b>	<b>104,041,924</b>	77,433,395	77,433,395
Net adjustment to non-current assets at end of period to reflect a change in current fair value:				
Land and improvements	-	-	23,774,650	23,774,650
Buildings	-	-	2,833,879	2,833,879
Infrastructure Assets	<b>88,052,335</b>	<b>88,052,335</b>	-	-
<b>Balance 30 June 2005</b>	<b>192,094,259</b>	<b>192,094,259</b>	104,041,924	104,041,924

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### NOTE 18 - IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The adoption of Australian equivalents to International Financial Reporting Standards from 1 July 2005 is expected to affect the amounts disclosed in the Council's Statement of Financial Position at 30 June 2005 as shown below. Items (including reclassifications) not affecting the net amounts reported in these Statements are not disclosed in this Note.

	Notes	AASB 30/6/2005 \$	AIFRS 1/7/2005 \$
<b>Investment Property (AASB 140)</b>			
Council has identified certain properties as Investment Properties and, pursuant to AASB 140.30 has elected to adopt the fair value model. These assets are currently included in Buildings and were revalued at fair value on 30 June 2004. Accordingly there will be no effect on the values in the financial statements.			
<b>Financial Instruments (AASB 132 &amp; 139)</b>			
Pursuant to AASB 139.45 Council has categorised certain investments as fair value through P&L investments. These amounts have a quoted market price in an active market and are measured at fair value; the remaining amounts are measured at cost. All are currently measured at the lower of cost and net realisable value.			
Investment Securities (at the lower of cost and net realisable value)		<b>37,365,222</b>	
Investments at Fair Value through P&L (at cost)			<b>37,365,222</b>
<b>Employee Benefits Provisions (AASB 117)</b>			
Liabilities for employee benefits (other than long service leave) payable more than 12 months beyond reporting date, currently measured at nominal values, are required to be measured as the present value of the future cash outflows. At present, Council does not have any liabilities that fall into this category. All non-current employee liabilities relate to long service leave.			
<b>Provision for Future Reinstatement (AASB 137)</b>			
Council has identified the Shoal Bay Waste Facility where it has an obligation to reinstate it to a specified condition on cessation of use. These obligations are to be measured at the present value of estimated future cash outflows. At this time these future cash outflows cannot be reliably estimated although funds do exist in the Environmental Reserve for the purpose of reinstatement.			
Provision for Future Reinstatement (at present value)		NOT RECOGNISED	
Unexpired costs capitalised			
<b>TOTAL EQUITY</b>		<b><u>463,807,414</u></b>	<b><u>463,807,414</u></b>
<b>Net Difference in Equity at 30 June 2005</b>			<b>-</b>

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### NOTE 18 (cont) - IMPACTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following are the consequential changes in the Statement of Financial Performance / Income Statement resulting from the adoption of the above policies and Standards

	AASB 30/6/2005 \$	AIFRS 1/7/2005 \$
Notes		
<b>Investment Property</b> (AASB 140)		
Depreciation expense recognised in Statement of Financial Performance		NIL
- net (increase) decrease in fair value recognised in Income Statement	NIL	
<b>Financial Instruments</b> (AASB 132 & 139)		
Fair value through Profit & Loss		
- net (increase) decrease in fair value recognised in Income Statement	NIL	
<b>Employee Benefits Provisions</b> (AASB 117)		
Net increase (decrease) in expense recognised		NIL
<b>Provision for Future Reinstatement</b> (AASB 137)		
Unwinding of present value discount (borrowing cost)	NIL	
Additional depreciation	NIL	
Excess reinstatement costs written off	NIL	
<b>NET RESULT FOR YEAR</b> (Surplus)/Loss	<u><u>603,799</u></u>	<u><u>603,799</u></u>
<b>Direct Transfer to Equity</b>		
<b>Adjustment to Opening Equity</b>		
<b>Net Difference in Equity at 30 June 2005</b>		<u><u>-</u></u>

# DARWIN CITY COUNCIL and its Controlled Entities

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### Special Schedule 1 - MOVEMENTS IN OTHER RESERVES

These Reserves, established at the Council's discretion, are required to be held in cash or authorised investments. Council may at any time vary the amounts or purposes of funds held in Reserve, but whilst established they are subject this restriction.

Reserve	Opening Balance 1 July 2004	Movements		Closing Balance 30 June 2005
		Tfr To Reserve	Tfr From Reserve	
Constrained Works Reserve	1,783,775	893,661	-	2,677,436
Plant Replacement Reserve	1,645,359	37,901	-	1,683,260
Asset Maint. & Refurbishment Reserve	5,378,646	131,857	1,271,128	4,239,375
Environmental Management Reserve	4,304,331	328,643	-	4,632,974
Computer Residual Reserve	998,871	-	257,274	741,597
Car Parking Shortfall Reserve	2,932,104	262,674	-	3,194,778
Off Street Parking Reserve	4,429,451	1,325,373	-	5,754,824
Unexpended Capital Works Reserve	3,920,185	-	1,470,093	2,450,092
Economic Development Reserve	1,509,701	-	134,909	1,374,792
Subdivisions & Elections Reserve	1,655,359	129,088	-	1,784,447
Insurance & Counter Disaster Reserve	781,394	85,515	-	866,909
<b>Total Reserve Balances</b>	<b>\$ 29,339,176</b>	<b>\$ 3,194,712</b>	<b>\$ 3,133,404</b>	<b>\$ 29,400,484</b>

## DARWIN CITY COUNCIL and its Controlled Entities

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

#### Special Schedule 2 - MONIES HELD IN TRUST

The Darwin City Council only performs a custodial role in respect of these monies, and because the monies cannot be used for Council, they are not brought to account in these financial statements. Trust cash is held in a non-interest bearing account at the Westpac Bank

	<b>Consolidated 2005</b>	<b>Council 2005</b>	Consolidated 2004	Council 2004
	\$	\$	\$	\$
Balance of Trust Account	<b>509,071</b>	<b>509,071</b>	490,182	490,182
Comprising of:				
Security deposits	<b>360,939</b>	<b>360,939</b>	308,481	308,481
Other monies held in trust	<b>148,132</b>	<b>148,132</b>	181,701	181,701
<b>TOTAL</b>	<b>509,071</b>	<b>509,071</b>	490,182	490,182

## DARWIN CITY COUNCIL and its Controlled Entities

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

#### Special Schedule 3 - COMPARISON OF ORIGINAL ESTIMATES WITH ACTUALS

Council undertakes quarterly budget reviews to ensure that the estimates reflect current operating conditions. Council originally budgeted for a balanced budget and, after reserve transfers, the final result for the year was an available surplus of \$98,785. The Controlled Entities do not form part of Council's budget and are therefore excluded from this schedule.

	\$	\$	\$	
	Original Estimate	Actual	Difference Surplus/ (Deficit)	Explanation
<b>GENERAL PUBLIC SERVICES</b>				
<b>Revenues</b>	30,887,913	31,775,998	888,085	Additional investment earnings as a result of an underlying increase in investments and an increase in average earnings. The Financial Assistance Grant increased instead of an expected decrease. Increase in User Fees and Charges and Other Revenue from recoverables and other items. Budget variations had been made throughout the year with the final variation to budget of \$32,582 surplus.
<b>Expenses</b>	13,824,208	14,960,491	(1,136,283)	Increase in other operating expenses where expenses have been reallocated during the year. Increased costs for materials and contracts relating to building maintenance, also increases in temporary staff labour costs. Budget variations to reflect this have been made during the year with a final variation to budget of \$397,645 deficit.
<b>PUBLIC ORDER &amp; SAFETY</b>				
<b>Revenues</b>	386,550	285,894	(100,656)	Lower than expected revenue from fines, penalties and animal income. Variations completed during the year with a final variation to budget of \$27,647 deficit..
<b>Expenses</b>	960,469	846,987	113,482	Lower than expected expenditure on animal management and fines recovery. Variations were completed during the year with a final variation to budget of \$3,462 deficit.
<b>HOUSING &amp; COMMUNITY</b>				
<b>Revenues</b>	566,838	653,544	86,706	Increased grant and subsidy income. Variations were completed during the year with a final variation to budget of \$33,209 surplus.
<b>Expenses</b>	1,663,600	1,434,853	228,747	Works program not completed during the year, projects carried over to next financial year.  Variations were completed during the year with the final variation to budget of \$147,707 surplus.
<b>ENVIRONMENT &amp; SANITATION</b>				
<b>Revenues</b>	6,168,116	6,573,674	405,558	Additional rates revenue as well as user charges and fees. Variations were completed during the year with the final variation to budget of \$275,894 surplus.
<b>Expenses</b>	9,818,188	10,148,478	(330,290)	Salary and Wages were greater than expected although partially offset by a decrease in contracts and materials. Budget variations were completed for all other items during the year with the final variation to budget of \$23,894 deficit.
<b>RECREATION &amp; CULTURE</b>				
<b>Revenues</b>	1,979,463	2,151,869	172,406	Library grant funds reduced during the year as well as reduced fees from the swimming pools. An additional \$150,000 grant was received to assist with Victory in the Pacific Day celebrations. Variations were completed during the year with the final variation to budget of \$94,400 surplus.
<b>Expenses</b>	12,234,256	12,814,167	(579,911)	Expenditure actually under budget due to decrease in watering costs for the year and other programmed works which have been carried forward. Variations were completed during the year with the final variation to budget of \$123,394 surplus.
<b>TRANSPORTATION</b>				
<b>Revenues</b>	5,705,954	8,054,455	2,348,501	Increased capital grant funding during the year. Variations were completed with the final variation to budget of \$19,866 surplus.
<b>Expenses</b>	10,009,847	10,486,674	(476,827)	Depreciation expenses increased due to additions to footpaths, cycleways and driveways. Materials and contract expenses also increased due to increases in their underlying costs. Variations were completed during the year with the final variation to budget of \$263,765 deficit.
<b>OTHER ECONOMIC AFFAIRS</b>				
<b>Revenues</b>	1,037,561	1,118,518	80,957	Additional revenues from rents and other charges received. Variations completed during the year with the final variation to budget of \$1,081 surplus.
<b>Expenses</b>	334,848	526,101	(191,253)	Additional expenses due to upgrades on Council's investment properties. Variations were completed during the year with the final variation to budget of \$49,484 deficit.