

Hal Balzan Local Council

Annual Audit Report 31st December 2012

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Hal Balzan Local Council

Financial Statements for the year ended 31st December 2012

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Hal Balzan Local Council

Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hal Balzan Local Council

**Statement of comprehensive income
for the year ended 31st December 2012**

	<i>Note</i>	2012 Eur	2011 Eur
		<u> </u>	<u> </u>
Funds received from Central Government	3	256,082	247,466
Income raised under the Local Enforcement System	3	7,040	9,260
General income	3	<u>4,097</u>	<u>4,200</u>
		267,219	260,926
 Expenditure			
Personal emoluments	4	(65,774)	(58,464)
Operations and maintenance	5	(104,203)	(109,771)
Administration and other expenditure	6	<u>(85,393)</u>	<u>(67,282)</u>
 Surplus for the year		<u>11,849</u>	<u>25,409</u>

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Statement of financial position at 31st December 2012

	<i>Note</i>	31st December 2012 Eur	31st December 2011 Eur
Assets			
Non-current Assets			
Property, plant and equipment	8a-b	445,181	342,927
		<u>445,181</u>	<u>342,927</u>
Current Assets			
Amounts receivable	9	10,818	12,545
Cash and bank balances	10	269,062	254,859
		<u>279,880</u>	<u>267,404</u>
Total Assets		<u><u>725,061</u></u>	<u><u>610,331</u></u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>538,009</u>	<u>526,160</u>
Non-Current Liabilities			
Deferred income	12	<u>123,412</u>	<u>26,499</u>
Current Liabilities			
Trade and other payables	11	<u>63,640</u>	<u>57,672</u>
Total Equity and Liabilities		<u><u>725,061</u></u>	<u><u>610,331</u></u>

These Financial Statements were approved by the Local Council and are signed on its behalf by :

Mayor

Executive Secretary

Date :

Hal Balzan Local Council**Statement of changes in equity
for the year ended 31st December 2012**

	Retained fund Eur
At 1st January 2011	500,751
Total comprehensive Income for the year	<u>25,409</u>
At 31st December 2011	526,160
Total comprehensive Income for the year	<u>11,849</u>
At 31st December 2012	<u>538,009</u>

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**Statement of cash flows
for the year ended 31st December 2012**

	<i>Note</i>	2012	2011
		<u>Eur</u>	<u>Eur</u>
Cash flows from operating activities			
Operating surplus for the year		11,849	25,409
<i>Adjustments for:</i>			
Decrease in asset value		0	203
Non-cash release of income from grants		(540)	(600)
Depreciation		42,859	38,080
Surplus for the year before working capital movements		54,168	63,092
Movement in receivables		1,727	7,730
Movement in payables		4,757	787
Net cash generated from operating activities		<u>60,652</u>	<u>71,609</u>
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(46,449)	(20,370)
Bank interest received		0	0
Net cash used in investing activities		<u>(46,449)</u>	<u>(20,370)</u>
Cash flows from financing activities			
Receipts from Government to acquire fixed assets		0	24,639
Refund to Government for unutilised grants to acquire fixed assets		0	(500)
Net cash used in financing activities		<u>0</u>	<u>24,139</u>
Movement in cash and cash equivalents		14,203	75,378
Cash and cash equivalents at the beginning of the year		254,859	179,481
Cash and cash equivalents at the end of the year	10	<u><u>269,062</u></u>	<u><u>254,859</u></u>

The notes on pages 6 to 17 form an integral part of these financial statements

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Notes to the financial statements for the year ended 31st December 2012

Note

1 General information

Balzan Local Council is the local authority of Balzan set up in accordance with the Local Councils Act. The office of the Local Council is situated at 153, Main Street, Balzan.

2 Accounting policies and reporting procedures

These Financial Statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act, Cap 363. The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act, Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

a) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

b) Local Enforcement System

As from the 1st September 2011 the Balzan Local Council started to form part of the Regional Committee. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Regional Committee after deducting the related expenses.

c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows :

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	Replacement basis
Litter Bins	Replacement basis
Playground Furniture	100
Street Lights	100
Street Mirrors	100

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Notes to the financial statements for the year ended 31st December 2012

Note

d) Government and EU Grants

Government and EU grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are included as deferred grants and treated as a component of total funds and equity. Grants are credited to the Statement of Comprehensive Income over the expected useful lives of the related assets.

e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

f) Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

g) Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Local Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

h) Profits and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

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Notes to the financial statements for the year ended 31st December 2012

Note

i) Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

j) Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Financial instruments

All financial assets are measured at cost and accounted for using settlement accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Council will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts receivable from collateral, discounted based on the interest rate at inception.

The financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such investments.

l) Adoption of new and amended IFRSs

The Council did not adopt any new IFRSs during the current year.

m) Critical estimates and judgements

accounts.

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Notes to the financial statements for the year ended 31st December 2012

Note

3 Revenue	2012	2011
	Eur	Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	255,542	244,888
Other Government Income	540	2,578
	<u>256,082</u>	<u>247,466</u>
Income raised under the Local Enforcement System		
Income from Birkirkara Joint Committee	4,007	9,135
Income from Central Regional Committee	3,033	125
	<u>7,040</u>	<u>9,260</u>
General income		
Income from tender documents	675	725
Income from permits	4,330	2,074
Sundry contributions & donations	(908)	1,401
	<u>4,097</u>	<u>4,200</u>
Total revenue	<u><u>267,219</u></u>	<u><u>260,926</u></u>
4 Personal emoluments	2012	2011
	Eur	Eur
Personal emoluments include, inter alia :		
Mayor's allowance	6,529	6,374
Executive Secretary's salary and allowances	28,696	25,410
Employees' salaries	20,050	16,621
Social security contributions	4,099	3,659
Councillors' Allowance	6,400	6,400
	<u>65,774</u>	<u>58,464</u>

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Notes to the financial statements for the year ended 31st December 2012

Note

5 Operations and maintenance

	2012	2011
	Eur	Eur
	<u> </u>	<u> </u>
Repairs and upkeep:		
Signs	2,756	1,564
Public property	(561)	2,349
Road markings	1,980	600
Other repairs and upkeep	1,284	231
	<u>5,459</u>	<u>4,744</u>
Contractual services:		
Refuse collection	60,791	62,360
Bulky refuse collection	3,855	4,518
Road and street cleaning	20,828	22,230
Cleaning and maintenance - public conveniences	5,255	5,510
Cleaning and maintenance - parks and gardens	2,214	2,214
Cleaning and maintenance - soft areas	100	0
Cleaning services	130	180
Street lighting	3,012	5,495
Other	2,559	2,520
	<u>98,744</u>	<u>105,027</u>
	<u>104,203</u>	<u>109,771</u>

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Notes to the financial statements for the year ended 31st December 2012

Note

6 Administration and other expenditure	2012	2011
	Eur	Eur
	<u> </u>	<u> </u>
Utilities	12,252	5,416
Materials & supplies	4,458	3,745
Rent	1,418	1,486
Memberships	200	0
Office services	1,088	1,949
Transport	459	155
Information services	1,304	1,965
Professional services	18,553	9,365
Community services & events	2,802	5,121
Depreciation	42,859	38,080
	<u>85,393</u>	<u>67,282</u>

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Notes to the financial statements for the year ended 31st December 2012

Note

8a Property, Plant and Equipment	Office furniture & fittings	Plant and machinery	Computer equipment	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Assets in the course of construction	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2012	17,762	0	9,832	6,050	69,931	9,676	569,707	273,458	0	956,416
Additions new this year	0	1,944	1,097	0	485	0	0	0	141,586	145,112
Cost - as at 31st December 2012	17,762	1,944	10,929	6,050	70,416	9,676	569,707	273,458	141,586	1,101,528
Grants - as at 1st January 2012	0	0	0	0	17,375	0	0	143,182		160,557
Transferred during the year	0	0	0	0	0	0	0	0		0
Grants - as at 31st December 2012	0	0	0	0	17,375	0	0	143,182	0	160,557
Acc.depreciation - as at 1st January 2012	11,073	0	9,346	5,074	19,356	9,676	328,085	70,322	0	452,932
Charge for the year	624	32	471	254	4,172	0	32,249	5,056	0	42,858
Acc.depreciation - as at 31st December 2012	11,697	32	9,817	5,328	23,528	9,676	360,334	75,378	0	495,790
Net book value - as at 31st December 2012	6,065	1,912	1,112	722	29,513	0	209,373	54,898	141,586	445,181

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Notes to the financial statements for the year ended 31st December 2012

Note

8b Property, Plant and Equipment	Office furniture & fittings	Computer equipment	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2011	17,762	9,832	6,050	49,561	9,676	569,910	273,458	936,249
Additions new this year	0	0	0	20,370	0	0	0	20,370
Adjustments	0	0	0	0	0	(203)	0	(203)
Cost - as at 31st December 2011	17,762	9,832	6,050	69,931	9,676	569,707	273,458	956,416
Grants - as at 1st January 2011	0	0	0	17,375	0	0	143,182	160,557
Transferred during the year	0	0	0	0	0	0	0	0
Grants - as at 31st December 2011	0	0	0	17,375	0	0	143,182	160,557
Acc.depreciation - as at 1st January 2011	10,531	9,184	4,807	15,685	9,676	299,161	65,808	414,852
Charge for the year	542	162	267	3,671	0	28,924	4,514	38,080
Acc.depreciation - as at 31st December 2011	11,073	9,346	5,074	19,356	9,676	328,085	70,322	452,932
Net book value - as at 31st December 2011	6,689	486	976	33,200	0	241,622	59,954	342,927

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Notes to the financial statements for the year ended 31st December 2012

Note

9 <u>Amounts receivable</u>	31st December 2012 Eur	31st December 2011 Eur
Current		
Amounts owed by Central Government (Note 13)	0	262
Debtors	7,888	7,290
Prepayments & accrued income	2,330	4,393
Deposits	600	600
	<u>10,818</u>	<u>12,545</u>

10 <u>Cash and cash equivalents</u>	31st December 2012 Eur	31st December 2011 Eur
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For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash in hand	116	116
Bank balances :		
Current accounts	268,884	254,681
Savings accounts	62	62
	<u>269,062</u>	<u>254,859</u>

11 <u>Trade and other payables</u>	31st December 2012 Eur	31st December 2011 Eur
Current		
Creditors	35,276	38,638
Accruals	18,813	9,875
Deferred income (note 12)	0	540
Retention money held	9,551	8,619
	<u>63,640</u>	<u>57,672</u>

Retention money held represents retention money held against permits issued to cover any breaches or damages caused by the permit holders. Once the permit is no longer required the money is refunded.

12 <u>Deferred income</u>	31st December 2012 Eur	31st December 2011 Eur
Current		
Opening balance	540	350
Grants received from Government for specific projects	0	300
Refund to Government	0	(50)
Released on depreciation	(540)	(600)
Current deferred income	0	540
	<u>0</u>	<u>540</u>
Closing balance	0	540

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Notes to the financial statements for the year ended 31st December 2012

Note

	31st December 2012 Eur	31st December 2011 Eur
12 <u>Deferred income (cont.)</u>		
Non-Current		
Opening balance	26,499	3,150
Grants received from Government for specific projects	0	24,339
Refund to Government	0	(450)
Grants received from ERDF	96,913	0
Current deferred income	0	(540)
Closing balance	<u>123,412</u>	<u>26,499</u>
Maturity of deferred income is as follows:		
Less than one year	12,611	540
Between one and five years	39,032	1,671
After five years	71,769	24,828
	<u>123,412</u>	<u>27,039</u>
	31st December 2012 Eur	31st December 2011 Eur
13 <u>Capital commitments</u>		
Authorised and contracted for (i)	422,720	562,556
Authorised and not contracted for (ii)	8,858	8,858
	<u>431,578</u>	<u>571,414</u>
Analysed as follows:		
(i) Authorised and contracted for		
Construction works	422,720	562,556
Urban improvements	0	0
	<u>422,720</u>	<u>562,556</u>
(ii) Authorised and not contracted for		
Construction works	6,358	6,358
Urban improvements	0	0
Others	2,500	2,500
	<u>8,858</u>	<u>8,858</u>

Part of the construction works are being funded through ERDF funds to the amount of €377,081. The rest are being funded from the Council's internal funds.

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Notes to the financial statements for the year ended 31st December 2012

Note

14 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Central Government is the main related party of the Local Council. In 2012 the Local Council received Eur255,422 (2011: Eur271,505) in funding from Central Government. Payments to Central Government for services received amounted to Eur120 (2011: Eur 120).

15 Financial assets and financial liabilities

The Council's financial assets comprise of trade receivables and cash held at reputable banks, while its financial liabilities are made up of trade creditors, retentions and deferred income.

16 Financial risk management

16.1 Financial risk factors

The Council's activities expose it to both credit risk and liquidity risk. The Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

a) Credit risk

The Council's credit risk arises from cash and cash equivalents, including deposits with the banks and amounts receivable. The Council's exposures to credit risk are analysed as follows:

	31st December 2012 Eur	31st December 2011 Eur
Amounts receivable	9,764	7,586
Cash and bank balances	269,062	254,859
	<u>278,826</u>	<u>262,445</u>

The ageing of the amounts receivable is as follows:

	31st December 2012 Eur	31st December 2011 Eur
Less than 1 month	201	0
Between 1 and 2 months due	218	365
Between 2 and 3 months due	267	53
Over 3 months due	9,078	7,168
	<u>9,764</u>	<u>7,586</u>

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Notes to the financial statements for the year ended 31st December 2012

Note

16 Financial risk management - Continued

a) Credit risk - continued

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 9 and 10 to these financial statements. The Council does not hold any collateral as security in this respect.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's major debtors are the Government and the Water Services Corporation, thus, it deems that it does not have any risk of non-recoverability of its dues.

b) Liquidity risk

The Council's exposure to liquidity risk is mainly from its payables and retention monies as per note 11 above and which are due within one year. Given the requirements at law to maintain a healthy working capital, the Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations. The Council's exposure to liquidity risk is as follows:

	31st December 2012 Eur	31st December 2011 Eur
Creditors	35,276	38,638
Accruals	18,813	9,875
Retention money held	9,551	8,619
	<u>63,640</u>	<u>57,132</u>

16.2 Fair values of financial instruments

At 31 December 2012 and 2011, the carrying amounts of cash at bank, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.