



LOCAL COUNCIL GHARGHUR
Report and Financial Statements
for the period ended 31 December 2009

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Financial Statements for the period ended 31 December 2009**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 income and expenditure 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.

LOCAL COUNCIL GHARGHUR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL GHARGHUR, which comprise the statement of affairs on page 6 as of 31st December 2009, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We were not appointed auditors of the Council until 14th January 2010. The financial statements for the year ended 31st March 2009 were audited by other auditors. Their report, which was dated 23rd June 2009, was qualified.

The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs) the latter should prevail. The council's financial statements for the period under review have been prepared in accordance with the specimen referred to above but do not take into consideration the additional requirements that emerge from the applicable IFRS. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System. There were no alternative acceptable audit procedures we could perform to obtain reasonable assurance on the completeness of the share of income or expenses, which were recorded in the financial statements.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2009 and of its financial performance, changes in equity and its cash flows for the period then ended. These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996 and have not been prepared in accordance with International Financial Reporting Standards

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the period. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Christian Vella (Partner) on its behalf

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Birkirkara BKR9024
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Date: 18th May 2010

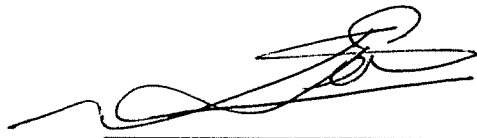
Statement of Income and Expenditure for the period ended 31 December 2009

	Notes	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Income			
Funds received from central government	3	149,394	180,481
Funds raised under Local Enforcement System	4	942	4,283
Investment income	5	173	2,643
General Income	6	6,776	8,198
		<u>157,285</u>	<u>195,605</u>
Expenditure			
Personal emoluments	7	(32,859)	(48,730)
Operations and maintenance	8	(64,579)	(63,840)
Administration and other expenditure	9	(54,906)	(85,439)
		<u>(152,344)</u>	<u>(198,009)</u>
Surplus/(Deficit) for the year		<u>4,941</u>	<u>(2,404)</u>

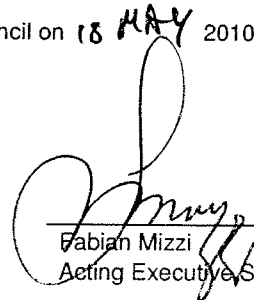
Statement of Affairs At 31 December 2009

	Notes	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Assets			
Non-Current Assets			
Property, plant and equipment	10	478,353	392,214
		<u>478,353</u>	<u>392,214</u>
Current Assets			
Receivables	11	1,477	3,073
Cash and Cash Equivalents	12	144,993	120,937
		<u>146,470</u>	<u>124,010</u>
Total Assets		<u>624,823</u>	<u>516,224</u>
Reserves and Liabilities			
Reserves			
Retained Fund		505,172	497,348
Liabilities			
Payables	13	119,651	18,876
Equity and liabilities		<u>624,823</u>	<u>516,224</u>

These Financial Statements were approved by the Local Council on 18 MAY 2010 and signed on its behalf by:



Mario Gauci
Mayor



Fabian Mizzi
Acting Executive Secretary

Statement of Changes in Equity for the period ended 31 December 2009

	Retained Funds €	Total €
At 31 March 2008	499,752	499,752
Deficit for the year	(2,404)	(2,404)
At 31 March 2009	497,348	497,348
Surplus for the period	4,941	4,941
Previous year Adjustment	2,883	2,883
At 31 December 2009	505,172	505,172

Cash Flow Statement for the period ended 31 December 2009

	Note	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Cash Flows from Operating Activities			
Surplus/(Deficit) for the period/year		4,941	(2,404)
Previous year Adjustment		2,883	-
Adjustments for:			
Depreciation		21,483	48,555
Investment Income		(173)	(2,643)
Increase in prov'n for doubtful debts		-	7,430
Operating Profit before Working Capital Changes		<u>29,134</u>	<u>50,938</u>
Decrease/(Increase) in receivables		1,596	(61,130)
Increase in payables		<u>100,775</u>	<u>9,810</u>
Net Cash inflow/(outflow) from operating activities		<u>131,505</u>	<u>(382)</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(77,224)	(11,194)
Interest received		<u>173</u>	<u>2,918</u>
		(77,051)	(8,276)
UIF Funds written back		(30,398)	-
Cash Flow used in Investing Activities		<u>(107,449)</u>	<u>(8,276)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		24,056	(8,658)
Cash and Cash Equivalents at the Beginning of period/year		120,937	129,595
Cash and Cash Equivalents at the end of period/year	12	<u>144,993</u>	<u>120,937</u>

Schedule of Special needs funds as at 31 December 2009

Fund received and expended	Brought forward	Receive	Expended	Balance
	1 April 09 €	1 Apr – 31 Dec 09 €	1 Apr – 31 Dec 09 €	31 Dec 09 €
Accessibility scheme	-	4,875	-	4,875
Total	-	4,875	-	4,875
Commitments				
Accessibility scheme	-	4,875	-	4,875
Total	-	4,875	-	4,875
Capital Commitments				
Accessibility scheme	-	4,875	-	4,875
Total	-	4,875	-	4,875

Notes to the Financial Statements for the period ended 31 December 2009

1. General Information

Gharghur Local Council is the local authority of Gharghur setup in accordance with the Local Councils Act.

The office of the Local Council is situated at Triq San Nikola Gharghur.

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 the Local Councils are as follows:

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

b. Local Enforcement System

Gharghur Local Council forms part of Tramuntana / North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)**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:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	100
Playground furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

d. Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account 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 cost, then the grant is accounted for when it becomes receivable.

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 Income and Expenditure.

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)**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 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 in 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 Income and Expenditure.

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 €, which is the Council's functional and present currency.

Transaction denominated in foreign currencies are translated into € at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Affairs.

h. Profit and Losses

Only profits that were realised at the date of the Statement of Affairs 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.

i. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)

	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
3 Funds received from Central Government		
In terms of section 55 of the Local Councils Act (CAP 363)	145,483	180,481
Other Government income	3,911	
	<u>149,394</u>	<u>180,481</u>
4 Income raised under the Local Enforcement System		
Income from contraventions	942	4,283
	<u>942</u>	<u>4,283</u>
5 Investment income		
Bank Interest Receivable	173	2,643
	<u>173</u>	<u>2,643</u>
6 General Income		
Permits	2,828	4,580
Tender Documents	-	86
UIF funds chargeable to the period	1,995	-
Sponsorships	360	2,000
General	1,593	1,528
Maltacom	-	4
	<u>6,776</u>	<u>8,198</u>
7 Personal Emoluments		
Personal emoluments include, inter alia:		
Mayor's Allowance	4,500	5,780
Executive Secretary salary and allowance	7,920	27,680
Employees' Salary and Allowances	18,566	12,291
Social Security Contributions	1,873	2,979
	<u>32,859</u>	<u>48,730</u>

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)**8 Operations and Maintenance**

Operations and maintenance includes, inter alia:	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Repairs and Upkeep:		
Road and Street Pavements (patching works)	9,817	5,011
Walkways	1,531	310
Street Signs	302	1,421
Road Markings	3,556	2,190
Others	3,090	1,817
Total	<u>18,296</u>	<u>10,749</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	17,593	23,300
Bulky Refuse Collection (including open skips)	2,327	2,417
Bring-in sites	2,631	3,511
Road and Street Cleaning (mechanical and manual)	11,340	15,059
Tipping fees	3,912	-
Cleaning and Maintenance of Public Conveniences	1,995	2,687
Cleaning and Maintenance of Parks and Gardens	1,813	2,492
eGovernment	140	280
Cleaning - Council Premises	370	1,012
Local Enforcement System expenses	61	-
Street Lighting	4,101	2,333
	<u>46,283</u>	<u>53,091</u>
Total Operations and Maintenance Expenses	<u>64,579</u>	<u>63,840</u>

9 Administration and other expenditure	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Utilities	3,363	4,740
Materials & Supplies	2,363	873
Rent	2,058	660
National and International Memberships	248	442
Office Services	3,453	2,543
Transport	233	307
Information services (including library)	3,288	2,882
Professional Services	3,634	4,363
Insurance	1,671	2,291
Community and Hospitality	13,074	10,345
Sundry expenses	38	8
Increase in Provision for doubtful debts	-	7,430
Depreciation	21,483	48,555
	<u>54,906</u>	<u>85,439</u>

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)**10 Property, Plant and Equipment**

Tangible Assets	Construction	Land and Buildings	Office Furniture /fittings	New Street Signs	Trees & Plants	Urban Improvements	Office Equipment	Plant & Machinery	Computer Equipment	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 April 2009	898,917	124,117	12,766	10,949	3,005	63,980	8,558	1,189	4,707	91,270	1,219,458
Additions	71,519	-	452	-	-	3,706	-	-	-	1,547	77,224
At 31 December 2009	970,436	124,117	13,218	10,949	3,005	67,686	8,558	1,189	4,707	92,817	1,296,682
Grants and other reimbursements											
At 1 April 2009	(441,564)	-	-	-	-	(3,010)	-	-	-	(65,730)	(510,304)
UJF Funds written back	30,398	-	-	-	-	-	-	-	-	-	30,398
At 31 December 2009	(411,166)	-	-	-	-	(3,010)	-	-	-	(65,730)	(479,906)
Accumulated Depreciation											
At 1 April 2009	(243,694)	-	(7,264)	(10,949)	(2,423)	(32,361)	(7,052)	(606)	(2,915)	(9,677)	(316,941)
Charge for the year	(16,119)	(928)	(313)	-	-	(2,284)	(211)	(82)	(309)	(1,237)	(21,483)
At 31 December 2009	(259,813)	(928)	(7,577)	(10,949)	(2,423)	(34,645)	(7,263)	(688)	(3,224)	(10,914)	(338,424)
Net Book Value											
At 31 December 2009	299,457	123,189	5,642	-	582	30,031	1,295	501	1,483	16,172	478,353

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)**10b Property, Plant and Equipment**

Tangible Assets	Construction	Office Furniture /fittings	New Street Signs	Trees & Plants	Urban Improvements	Office Equipment	Plant & Machinery	Computer Equipment	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 April 2008	1,014,320	11,578	10,787	3,005	51,643	8,558	769	4,707	91,270	1,196,637
Additions	8,714	1,188	162		12,337		420			22,821
At 31 March 2009	1,023,034	12,766	10,949	3,005	63,980	8,558	1,189	4,707	91,270	1,219,458
Grants and other reimbursements										
At 1 April 2008	(441,564)	-	-	-	(3,010)	-	-	-	(65,730)	(510,304)
Additions										
At 31 March 2009	(441,564)	-	-	-	(3,010)	-	-	-	(65,730)	(510,304)
Accumulated Depreciation										
At 1 April 2008	(207,168)	(6,825)	(10,787)	(2,423)	(23,789)	(6,676)	(487)	(2,317)	(7,914)	(268,385)
Charge for the year	(36,526)	(439)	(162)	-	(8,572)	(376)	(119)	(598)	(1,763)	(48,555)
At 31 March 2009	(243,694)	(7,264)	(10,949)	(2,423)	(32,361)	(7,052)	(606)	(2,915)	(9,677)	(48,555)
Net Book Value										
At 31 March 2009	337,776	5,503	-	582	28,609	1,506	583	1,792	15,862	392,214

Notes to the Financial Statements for the period ended 31 December 2009 (cont.)

	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
11 Receivables		
Trade Debtors	2	23
Prepayments & Accrued Income	1,475	3,050
	<u>1,477</u>	<u>3,073</u>

12 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council statement of affairs:

	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
Bank Balances:		
Ordinary funds	144,877	120,832
Cash in hand	116	105
Cash at bank and in hand	<u>144,993</u>	<u>120,937</u>

	1 Apr-31 Dec 2009 (9 months) €	1 Apr 08 - 31 Mar 09 (12 months) €
13 Payables		
Trade Creditors	11,267	7,006
Capital Creditors	4,875	-
Deferred UIF funds	25,499	-
Accruals	78,010	11,870
	<u>119,651</u>	<u>18,876</u>

14 Capital Commitments

The Council has Capital commitments for 2010 amount to €66,000 as follows:

	Euro
Roads Resurfacing	30,000.00
Public Convenience	6,000.00
Urban Improvements	20,000.00
Photovoltaic Panels	10,000.00
	<u>66,000.00</u>

15 Contingent gains

The Local Councils' Association has asked the Council to collate all the invoices due from the Water Services Corporation in respect of new services as per agreement with the Corporation which agreement had expired on the 31 December 2006. The amounts due, in respect of services up to 31 December 2009 are not included under receivables. The Local Councils Association had instructed the Council to file a law suit against the Water Services Corporation in order to recover all the amounts due. Up to the time of drafting these financial statements the Local Councils' Association was still in discussion with the Water Services Corporation for the settlement of the amounts due to each Council. The outcome of the discussions and/or probable law suit cannot as yet be determined, but the Council's estimate of the amounts due by Water Services Corporation is € 10,517.

16 Comparative figures

Comparative figures have been restated to comply with the current year presentation.