

GHAXAQ LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012

Prepared by: Patrick Caruana

GHAXAQ LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012

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Financial Statements – 31 December 2012

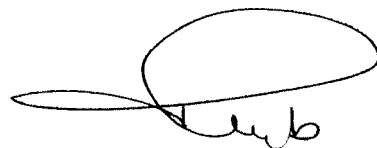
Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Local Council's retained funds at the end of the 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 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 Councils (Financial) Regulations, and the Local Councils (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 Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Darren Abela
Mayor



Ms Therese Xuereb
Executive Secretary

Date: 25 April 2013

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Ghaxaq Local Council which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditor

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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.

Basis for qualified opinion

1. As from 1 January 2005, all income and expenditure from the Local Enforcement System (LES) were centralised through the Zejtun Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Zejtun Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Southern Regional Committee as from 1 September 2011. Included in LES income of € 5,220 is an amount of € 4,009 received during the year from Zejtun Joint Committee. We were unable to determine the amount of further income the Council is entitled to receive from Zejtun Joint Committee since its audited financial statements for the year ended 31 December 2012 were not made available to us.
2. The council's financial statements do not include the quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures. These include information on receivables past due but not impaired, a reconciliation of the allowance for credit losses, the council's maximum exposure to credit risk, the contractual maturities of the council's financial liabilities and categories of financial assets and liabilities at the end of the reporting period.
3. The financial statements do not disclose information on the objectives, policies and processes for managing capital in line with IAS 1, *Presentation of Financial Statements*.
4. The council did not disclose the list of the relevant new and amended IFRSs that have been adopted by the council in the preparation of the financial statements in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
5. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion, except for the effect of the matters described in paragraphs 1, 2, 3 and 4 above under the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Ghaxaq Local Council as at 31 December 2012, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 8 to 10.

Because of the matter set out in paragraph 5, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 2, 3 and 4 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

25 April 2013

GHAXAQ LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2012

	Notes	Year ended 31 Dec 2012	Year ended 31 Dec 2011
		Euro	Euro
Income			
Funds received from government	3	322,418	297,719
Income raised under Local Enforcement System	4	5,220	26,401
Investment income	5	635	611
General income	6	7,010	8,097
		<u>335,283</u>	<u>332,828</u>
Expenditure			
Personal emoluments	7	62,200	59,442
Operations and maintenance	8	149,046	155,420
Administration and other expenditure	9	97,006	74,726
		<u>308,252</u>	<u>289,588</u>
Profit for the year		<u><u>27,031</u></u>	<u><u>43,240</u></u>

The notes on pages 8 to 18 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION as at 31 DECEMBER 2012

		2012	2011
	Notes	Euro	Euro
Assets			
Non-current assets			
Property, plant and equipment	10	747,702	541,371
Current assets			
Inventories	11	3,148	3,785
Receivables	12	21,204	14,434
Cash and cash equivalents	13	148,796	259,974
		<u>173,148</u>	<u>278,193</u>
Total assets		<u><u>920,850</u></u>	<u><u>819,564</u></u>
Reserves and Liabilities			
Reserves			
Retained funds		526,526	499,495
Non-current liabilities			
Deferred income	14	116,874	93,615
Non-current payables	15	127,781	75,990
		<u>244,655</u>	<u>169,605</u>
Current liabilities			
Payables	16	149,669	150,464
Total reserves and liabilities		<u><u>920,850</u></u>	<u><u>819,564</u></u>

These financial statements were approved by the Council on 25th April 2013 and were signed on its behalf by:



Darren Abela
Mayor



Therese Xuereb
Executive Secretary

The notes on pages 8 to 18 form part of the financial statements.

GHAXAQ LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2012

	Retained funds
	Euro
At 31 December 2010	456,255
Profit for the period	<u>43,240</u>
At 31 December 2011	499,495
Profit for the year	<u>27,031</u>
At 31 December 2012	<u><u>526,526</u></u>

The notes on pages 8 to 18 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2012

	2012	2011
Notes	Euro	Euro
Cash Flows from Operating Activities		
Profit for the year	27,031	43,240
Adjustment for:		
Depreciation	72,900	45,242
Interest receivable	(635)	(611)
Grants utilised during the year	(10,704)	(4,032)
	88,592	83,839
Decrease in inventories	637	231
Decrease / (Increase) in receivables	14	(2,179)
(Decrease) / Increase in payables	(23,089)	83,259
	66,154	165,150
Cash flows from investing activities		
Purchase of property, plant and equipment	(211,212)	(137,490)
Interest receivable	635	611
Receipt of Grant	33,522	7,058
	(177,055)	(129,821)
<i>Net cash used in investing activities</i>	(177,055)	(129,821)
Net (decrease) / increase in cash and cash equivalents	(110,901)	35,329
Cash and cash equivalents at beginning of year	233,593	224,645
Cash and cash equivalents at end of year	122,692	259,974

The notes on pages 8 to 18 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012

1. **General Information**

Ghaxaq Local Council is the local authority of Ghaxaq setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq.

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:

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.

Local Enforcement System

The Council forms part of the Regjun tan-Nofsinhar. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from this regional Committee and the administration fee collected by the Council for its services.

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
Construction works	10
Office furniture, fixtures and fittings	7½
New street signs – Replacement basis	N/A
Urban improvements (street furniture)	10
Computer equipment	25
Office equipment	20
Plant & Machinery	20
Plants	100
Playing field equipment	100
Litter bins – Replacement basis	N/A
Street lights	100

2. Accounting policies and reporting procedures (continued)

Government Grants

Government 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 cost, then the grant is accounted for when it becomes receivable.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are stated 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.

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 Comprehensive Income.

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 Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of 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.

Profit 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.

Cash and 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.

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012

2. Accounting policies and reporting procedures (*continued*)

Trade and other payables

Trade and other payables are stated at cost less any impairment losses.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. During the year under review, the Local Council has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to Government related entities' disclosures.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

GHAXAQ LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012
(continued)

	2012	2011
	Euro	Euro
3. Funds received from Central Government		
In terms of section 55 of the Local Councils Act 1993	307,582	293,687
Other government income	14,836	4,032
	<u>322,418</u>	<u>297,719</u>
	2012	2011
	Euro	Euro
4. Local enforcement income		
LES administrative fees	4,009	362
Share of profit from Joint Committee	1,211	26,039
	<u>5,220</u>	<u>26,401</u>
	2012	2011
	Euro	Euro
5. Investment income		
Bank interest receivable	<u>635</u>	<u>611</u>
	2012	2011
	Euro	Euro
6. General income		
Income from tender documents	650	850
Income from permits	4,036	2,950
Sundry contributions and donations	2,324	4,297
	<u>7,010</u>	<u>8,097</u>
	2012	2011
	Euro	Euro
7. Personal emoluments		
Mayor's honoraria	6,415	6,254
Councillors' allowances	6,400	6,400
Executive Secretary's salary and allowances	31,813	24,783
Employees' salaries	14,065	18,693
Social security contributions	3,507	3,312
	<u>62,200</u>	<u>59,442</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012
(continued)

8 Operations and maintenance

	2012	2011
	Euro	Euro
<i>Repairs and Upkeep:</i>		
Road patching	4,620	3,605
Road markings	177	1,619
Street Signs	2,123	1,460
Other repairs and upkeep	1,444	2,050
	8,364	8,734
 <i>Contractual Services:</i>		
Bulky refuse collection	3,502	3,674
Refuse collection	48,735	47,370
Road and street cleaning	27,987	30,127
Hire of Bins on Wheels	16,017	18,941
Waste disposal	29,919	29,919
Cleaning and maintenance - public conveniences	3,360	3,360
Cleaning and maintenance - parks and gardens	687	595
Cleaning and maintenance - council premises	941	989
Street lighting	4,422	8,385
Other contractual service	5,112	3,326
	140,682	146,686
	149,046	155,420

9 Administration and other expenses

	2012	2011
	Euro	Euro
Utilities	6,193	7,400
Materials and supplies	1,235	2,056
Office services	2,229	2,193
Rent	730	269
Transport	290	58
Information services	1,013	1,148
Lease of equipment	236	-
Professional services	7,191	8,407
Community and hospitality	3,739	4,697
National meetings / memberships	1,250	1,435
Penalties	-	1,821
Depreciation	72,900	45,242
	97,006	74,726

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2012
(continued)

10 Property, plant and equipment

Cost	Property		Office Furniture & Fittings		Plant & Machinery		Computer Equipment		Office Equipment		Urban Improvement		New Street Signs		Construction works		Assets not yet compl.		Special Programmes		Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	
At 1 January 2012	24,701	21,350	12,560	16,396	24,113	30,425	14,884	818,324	-	-	-	-	-	-	-	-	-	-	233,433	1,196,186	
Additions	-	-	4,500	-	-	755	-	260,409	-	-	-	-	-	-	-	-	-	13,567	-	-	279,231
At 31 December 2012	24,701	21,350	17,060	16,396	24,113	31,180	14,884	1,078,733	24,113	14,884	13,567	233,433	13,567	-	-	-	-	-	-	1,475,417	
Grants and other reimbursements																					
At 1 January 2012	-	-	-	2,637	-	-	-	9,548	-	-	-	-	-	-	-	-	-	-	232,912	-	245,097
Special Need Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	2,637	-	-	-	9,548	-	-	-	-	-	-	-	-	-	-	232,912	-	245,097
Depreciation provision																					
At 1 January 2012	1,793	12,769	7,602	12,920	19,683	14,473	14,884	325,314	280	280	-	-	-	-	-	-	-	-	280	409,718	
Charge for the year	228	622	1,473	187	809	2,280	-	67,278	-	-	-	-	-	-	-	-	-	-	23	72,900	
At 31 December 2012	2,021	13,391	9,075	13,107	20,492	16,753	14,884	392,592	20,492	14,884	-	-	-	-	-	-	-	-	303	482,618	
Net book value																					
At 31 December 2012	22,680	7,959	7,985	652	3,621	14,427	-	676,593	3,621	-	13,567	218	13,567	-	-	-	-	-	218	747,702	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 DECEMBER 2012

(continued)

10 Property, plant and equipment

	Property		Office Furniture & Fittings		Plant & Machinery		Computer Equipment		Office Equipment		Urban Improvement		New Street Signs		Construction works		Special Programmes		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost																				
At 1 January 2011	24,701	21,350	12,560	16,396	24,113	29,625	14,884	681,634	233,433	1,058,696										
Additions	-	-	-	-	-	800	-	136,690	-	-	-	-	-	-	-	-	-	-	-	137,490
At 31 December 2011	24,701	21,350	12,560	16,396	24,113	30,425	14,884	818,324	233,433	1,196,186										
Grants and other reimbursements																				
At 1 January 2011	-	-	-	2,637	-	-	-	9,548	232,912	245,097										
Special Need Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	2,637	-	-	-	9,548	232,912	245,097										
Depreciation provision																				
At 1 January 2011	1,563	12,098	6,494	12,679	18,693	12,865	14,884	284,945	255	364,476										
Charge for the year	230	671	1,108	241	990	1,608	-	40,369	25	45,242										
At 31 December 2011	1,793	12,769	7,602	12,920	19,683	14,473	14,884	325,314	280	409,718										
Net book value																				
At 31 December 2011	22,908	8,581	4,958	839	4,430	15,952	-	483,462	241	541,371										

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2012
(continued)

	2012 Euro	2011 Euro
11 Inventories		
Books	3,148	3,785
	21,204	14,434
12 Receivables		
Prepayments & accrued income	18,218	10,618
Other receivables	2,986	3,816
	21,204	14,434

Other receivables include an amount of €31,539 being LES debtors which date back prior to the setting up of the Zejtun Joint Committee. A Provision for bad debts for the full amount has been created as the amounts due are not recoverable.

	2012 Euro	2011 Euro
13 Cash and cash equivalents		
Cash at Bank:		
Current Accounts	21,784	8,225
Savings Accounts	126,873	251,599
Cash in hand	139	150
	148,796	259,974

	2012 Euro	2011 Euro
14 Deferred income		
Government grants		
Brought f/wd	99,599	96,573
Increase in period	40,307	7,058
Released in period	(10,704)	(4,032)
At 31 December	129,202	99,599
Current Deferred Income	12,328	5,984
Non-Current Deferred Income	116,874	93,615

Non-current deferred income is analysed as follows:

	2012	2011
Between 1 and 2 years	10,942	5,291
Between 2 and 5 years	26,093	12,536
More than five years	79,839	75,788
	116,874	93,615

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012
(continued)

	2012 Euro	2011 Euro
15 Non-current payables		
Payables - PPP scheme	127,781	75,990
	<u>127,781</u>	<u>75,990</u>

Non-current payables are analysed as follows:

	2012	2011
Between 1 and 2 years	28,779	25,330
Between 2 and 5 years	52,667	25,330
More than five years	46,335	25,330
	<u>127,781</u>	<u>75,990</u>

	2012 Euro	2011 Euro
16 Payables		
Payables	98,753	87,544
Deferred grants income	12,328	5,984
Accruals	12,484	30,554
Overdrawn Current Account	26,104	26,382
	<u>149,669</u>	<u>150,464</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

(continued)

	2012 Euro	2011 Euro
17 Capital commitments		
Authorised but not contracted for (i)	3,500	10,000
Authorised and contracted for (ii)	202,165	111,863
	205,665	121,863
(i) Authorised but not contracted for		
Urban Improvements	1,500	500
PV Panels	-	8,000
Equipment	500	500
Traffic signs	1,500	1,000
	3,500	10,000
(i) Authorised and contracted for		
Playing Field Upgrade	91,868	20,000
Road resurfacing	110,297	91,863
	202,165	111,863

18 Financial instruments

Financial assets include debtors and cash in hand and at bank. Financial liabilities include creditors, bank overdraft and other borrowings. At the Statement of Position date the Council had no unrecognised financial instruments.

The Local Council's activities expose it to a variety of financial risks, such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the un-predictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of provisions for doubtful debts. Cash is placed with reputable banks.

Liquidity Risk

Liquidity risk is limited as the Council has sufficient funding resources and also has the ability to raise finance to meet its obligations as and when these arise.

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012
(continued)

19 **Related parties**

During the year under review, the Council carried out transactions with the following related parties:

Name of Entity	Nature of Relationship	Amount €
Department of Local Government	Significant Control	307,582
LES Regional Committee	Joint Control	5,200
Water Services Corporation	No Control	<u>7,400</u>
		<u>320,182</u>

20 **Comparative figures**

Certain figures in the financial statements have been reclassified to conform with the the current year's presentation.