

Gzira Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2010

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2010**

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Financial Statements for the year ended 31 December 2010

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.

Approved by the Council and signed on its behalf on

2011 by:

Dr Chris Bonett
B.A. LL.D.
Mayor

Rowena Borg
B.A., Dip. MGMT, M.I.M.
Executive Secretary

Financial Statements for the year ended 31 December 2010

Independent Auditor's report

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 €	2009 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	<u>597,868</u>	<u>616,149</u>
		<u>597,868</u>	<u>616,149</u>
Current Assets			
Stock	4	47	47
Trade and other receivables	5	17,185	12,557
Cash and Cash Equivalents	6	<u>147,656</u>	<u>90,485</u>
		<u>164,888</u>	<u>103,089</u>
Total Assets		<u><u>762,756</u></u>	<u><u>719,238</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		586,888	584,522
Non-current liabilities			
Long term borrowings	7	64,683	76,311
Liabilities			
Trade and other payables	8	111,185	58,405
TOTAL RESERVES AND LIABILITIES		<u><u>762,756</u></u>	<u><u>719,238</u></u>

The notes on pages 9 to 18 are an integral part of the financial statements.

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

2011 and signed

Dr Chris Bonett
B.A. LL.D.
Mayor

Rowena Borg
B.A., Dip. MGMT, M.I.M.
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	Year ended 31 December 2010	Period from 1 April to 31 December 2009
REVENUE			
Funds received from central government	9	472,870	331,747
Investment income	10	246	453
General Income	11	<u>38,877</u>	<u>55,097</u>
		<u>511,993</u>	<u>387,297</u>
EXPENDITURE			
Personal emoluments	12	(107,416)	(57,221)
Operations and maintenance	13	(288,404)	(216,937)
Administration and other expenditure	14	(109,978)	(108,370)
Finance costs	15	<u>(3,829)</u>	<u>(2,727)</u>
		<u>(509,627)</u>	<u>(385,255)</u>
Total Comprehensive Income for the year/period		<u>2,366</u>	<u>2,042</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Retained Funds €
	<hr/>
At 31 March 2009	582,480
Total Comprehensive Income for the period	2,042
	<hr/>
At 31 December 2009	584,522
Total Comprehensive Income for the year	2,366
	<hr/>
At 31 December 2010	<u>586,888</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010	2009
Note	€	€
Cash Flows from Operating Activities		
Total comparative Income for the year/period	2,366	2,042
Adjustments for:		
Depreciation	44,833	35,304
Interest receivable	(246)	(453)
Interest payable	3,695	2,727
Operating Profit before Working Capital Changes	<u>50,648</u>	<u>39,620</u>
Decrease in stock	-	-
(Increase)/Decrease in receivables	(4,628)	11,550
Increase in payables	<u>52,780</u>	<u>43,791</u>
Net Cash inflow from operating activities	<u>98,800</u>	<u>94,961</u>
Cash flows from Investing Activities		
Interest received	246	453
Interest payable	(3,695)	(2,727)
Purchase of property, plant and equipment	(26,552)	(173,998)
Cash Flow used in Investing Activities	<u>(30,001)</u>	<u>(176,272)</u>
Loan repayments	<u>(11,628)</u>	<u>7,924</u>
	(11,628)	7,924
Net Decrease in Cash and Cash Equivalents	57,171	(73,387)
Cash and Cash Equivalents at the Beginning of period/year	90,485	163,872
Cash and Cash Equivalents at the End of year/period	5/8 <u>147,656</u>	<u>90,485</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

Notes to the Financial Statements for the period ended 31 December 2010

1. General Information

Gzira Local Council is the local authority of Gzira setup in accordance with the Local Councils Act. The office of the Local Council is situated at Rue d'Argens, Gzira.

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

Gzira Local Council forms part of Group H 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.

c. Property, Plant and Equipment

Property, plant and equipment are 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

Notes to the Financial Statements for the period ended 31 December 2010 - continued

d. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They 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.

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

Transaction 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 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.

j. Trade and other payables

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 amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Notes to the Financial Statements for the period ended 31 December 2010 - continued

k. Related parties

Related parties to the Local Council comprise the Department for Local Government, the Joint Committee and other Government entities.

The ultimate controlling party of the local is Central Government through the Department for Local Government. The Council's main revenue is through the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Other related parties that exercise no control are the Joint Committee and other Government entities such as Water Service Corporation. The Council also receives revenue from these parties such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works and the Joint Committee for contravention received within the locality.

l. Recognition and measurement

The council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value. All regular way transactions in assets classified in the receivables category are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from related parties are recognised and carried at cost.

m. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements for the period ended 31 December 2010 - continued

n. Critical accounting estimates and judgements

In preparing the financial statements, the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

In the opinion of the executive secretary, the accounting estimates, assumptions 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 (revised) – ‘Presentation of financial statements’.

Notes to the Financial Statements for the period ended 31 December 2010 – continued**3a Property, Plant and Equipment**

Tangible Assets	Property	Office Furniture /fittings	New Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Gym Equipment	Trees	Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 January 2010	179,001	61,959	1,009	67,244	13,390	22,667	4,500	27,928	644,931	1,022,629
Additions	-	-	-	-	-	10,553	-	-	15,999	26,552
At 31 December 2010	179,001	61,959	1,009	67,244	13,390	33,220	4,500	27,928	660,930	1,049,181
Grants and other reimbursements										
At 1 January 2010	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Grants received	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Accumulated Depreciation										
At 1 January 2010	(16,738)	(23,402)	(1,009)	(43,788)	(11,068)	(17,945)	(844)	-	(187,684)	(302,478)
Charge for the year	(1,615)	(2,794)	-	(2,242)	(424)	(2,156)	(816)	-	(34,786)	(44,833)
At 31 December 2010	(18,353)	(26,196)	(1,009)	(46,030)	(11,492)	(20,101)	(1,660)	-	(222,470)	(347,311)
Net Book Value										
At 31 December 2010	160,648	35,763	-	21,214	1,898	13,119	2,840	27,928	334,458	597,868

Notes to the Financial Statements for the period ended 31 December 2010 - continued**3b Property, Plant and Equipment**

Tangible Assets	Property	Office Furniture /fittings	New Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Gym Equipment	Trees	Construction	Total
Cost	€	€	€	€	€	€			€	€
At 1 April 2009	179,001	61,959	1,009	67,244	12,420	18,194	-	27,928	480,872	848,627
Additions	-	-	-	-	970	4,473	4,500	-	164,059	174,002
At 31 December 2009	179,001	61,959	1,009	67,244	13,390	22,667	4,500	27,928	644,931	1,022,629
Grants and other reimbursements										
At 1 April 2009	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Additions	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Accumulated Depreciation										
At 1 April 2009	(15,512)	(21,104)	(1,009)	(41,886)	(10,658)	(16,855)	-	-	(160,149)	(267,173)
Charge for the year	(1,226)	(2,298)	-	(1,902)	(410)	(1,090)	(844)	-	(27,535)	(35,305)
At 31 December 2009	(16,738)	(23,402)	(1,009)	(43,788)	(11,068)	(17,945)	(844)	-	(187,684)	(302,478)
Net Book Value										
At 31 December 2009	162,263	38,557	-	23,456	2,322	4,722	3,656	27,928	353,245	616,149

Notes to the Financial Statements for the period ended 31 December 2010 – continued

4 Stock	2010	2009
	€	€
Office stock	<u>47</u>	<u>47</u>

5 Receivables	2010	2009
	€	€
Receivables	2,200	4,518
Prepayments & Accrued Income	<u>14,985</u>	<u>8,039</u>
	<u>17,185</u>	<u>12,557</u>

Trade receivables

Within the current period	14,856	10,228
Exceeded credit period but not yet impaired	<u>2,329</u>	<u>2,329</u>
	<u>17,185</u>	<u>12,557</u>

6 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2010	2009
	€	€
Bank Balances:		
Ordinary funds	147,414	90,060
Cash in hand	<u>242</u>	<u>425</u>
Cash at bank and in hand	147,656	90,485
Overdrawn bank	<u>5,206</u>	<u>-</u>
	<u>152,862</u>	<u>90,485</u>

7 Long Term Borrowings	2010	2009
	€	€
Bank loans	64,683	76,311
	<u>64,683</u>	<u>76,311</u>

The Local Council has acquired the following facility, specifically for the purchase of property used to house the administrative offices of the Council. Loan I (€34,941) and Loan II (€139,792). Loan I is repayable in monthly instalments of €226 over a period of thirty years and bears interest at the rate of 6% per annum of the first 10 years. Loan II is repayable in monthly instalments of €922 in the first year, €967 for the second year, and €1,011 thereafter. The interest charged at 6.25% per annum for the first year, 6.75% for the second year and 7.25% for the remaining term of the loan.

The facility is secured by:

- First General Hypothec over the Council's assets
- First Special Hypothec and Special Privilege over the property purchased.

The instalments falling due within one year are being disclosed with the Current Liabilities while the balance falling due after one year is separately disclosed under long term borrowings above.

Notes to the Financial Statements for the period ended 31 December 2010 – continued**8 Payables**

	2010	2009
	€	€
Trade payables	68,039	20,187
Loan - current portion	15,324	-
Accruals and other creditors	22,616	38,218
Overdraft bank account	5,206	-
	<u>111,185</u>	<u>58,405</u>

9 Funds received from Central Government

	2010	2009
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	464,370	331,747
Other Government income	8,500	-
	<u>472,870</u>	<u>331,747</u>

10 Investment income

	2010	2009
	€	€
Bank Interest Receivable	246	453
	<u>246</u>	<u>453</u>

11 General Income

	2010	2009
	€	€
Income from permits	7,506	8,330
Contraventions	27,346	44,523
Other income	1,284	-
General	2,741	2,244
	<u>38,877</u>	<u>55,097</u>

12 Personal Emoluments

	2010	2009
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	8,667	4,500
Councillor's Allowances	8,330	-
Executive Secretary salary and allowance	27,934	19,250
Employees' Salary and Allowances	57,599	29,763
Social Security Contributions	4,886	3,708
	<u>107,416</u>	<u>57,221</u>

Notes to the Financial Statements for the period ended 31 December 2010 – continued**13 Operations and Maintenance**

Operations and maintenance includes, inter alia:

Repairs and Upkeep:	2010	2009
	€	€
Road and Street Pavements (patching works)	48,814	27,457
Street Signs	11,043	491
Road Markings	-	14,463
Others	10,338	9,242
Total	70,195	51,653

Contractual Services:

Refuse Collection (including bins on wheels)	92,542	56,471
Bulky Refuse Collection (including open skips)	15,058	6,433
Road and Street Cleaning (mechanical and manual)	65,581	45,985
Bring in sites	3,494	2,624
Cleaning and Maintenance of Public Conveniences	9,197	7,628
Cleaning and Maintenance of Parks and Gardens	27,033	30,900
Other contractual services	1,814	7,665
Cleaning - Council Premises	-	1,900
Local Enforcement Expenses	319	462
Street Lighting	3,171	5,216
	<u>218,209</u>	<u>165,284</u>
Total Operations and Maintenance Expenses	287,895	216,937

14 Administration and other expenditure

	2010	2009
	€	€
Utilities	9,324	10,261
Materials & Supplies	3,515	2,016
Rent	17,591	1,560
National and International Memberships	280	-
Office Services	2,792	3,049
Transport	337	-
Information services (including library)	9,977	3,742
Professional Services	3,484	25,811
Insurance	2,335	3,597
Community and Hospitality	15,510	12,624
Depreciation	44,833	35,304
Bad debts provision	-	10,406
	<u>109,978</u>	<u>108,370</u>

15 Finance Charges

	2010	2009
	€	€
Bank interest	3,695	2,727
Bank charges	134	-
	<u>3,829</u>	<u>2,727</u>

Notes to the Financial Statements for the period ended 31 December 2010 – continued

16 Capital Commitments

The Council has Capital commitments for 2011 are as follows:

	2010	2009
Contracted for but not yet provided in the financial statements	€	€
Construction works – PPP scheme	12,549	-
	<u>12,549</u>	<u>-</u>

17 Contingencies

The council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

The Council has an amount of €15,077 which is in dispute with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Councils' Association. The council has not recognised this amount in the financial statements.

18 Related Parties

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.