

Xaghra Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2010

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**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:

Joseph Cordina
Mayor

Joseph Azzopardi
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		2010	2009
ASSETS	Notes	€	€
Non-current Assets			
Property, plant and equipment	3	<u>719,102</u>	<u>793,288</u>
		<u>719,102</u>	<u>793,288</u>
Current Assets			
Receivables	4	40,375	37,479
Cash and Cash Equivalents	5	<u>211,404</u>	<u>33,491</u>
		<u>251,779</u>	<u>70,970</u>
Total Assets		<u><u>970,881</u></u>	<u><u>864,258</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		787,512	780,293
Non-current Liabilities			
Deferred Income	6	67,025	-
Current Liabilities			
Payables	7	116,344	83,965
TOTAL RESERVES AND LIABILITIES		<u><u>970,881</u></u>	<u><u>864,258</u></u>

The notes on pages 9 to 17 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

Joseph Cordina
Mayor

Joseph Azzopardi
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	Year ended 31 Dec 2010 €	Period from 1 Apr to 31 Dec 2009 €
INCOME			
Funds received from central Government	8	449,515	318,354
Funds raised from Local Enforcement System	9	-	1,571
Investment income	10	1,477	305
General Income	11	<u>27,281</u>	<u>11,780</u>
		<u>478,273</u>	<u>332,010</u>
EXPENDITURE			
Personal emoluments	12	(78,867)	(49,682)
Operations and maintenance	13	(135,990)	(111,453)
Administration and other expenditure	14	<u>(256,197)</u>	<u>(153,979)</u>
		<u>(471,054)</u>	<u>(315,114)</u>
Total Comprehensive Income for the year/period		<u>7,219</u>	<u>16,896</u>

The notes on pages 9 to 17 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Retained Funds
	€
At 31 March 2009	763,397
Total Comprehensive Income for the period	16,896
At 31 December 2009	780,293
Total Comprehensive Income for the year	7,219
At 31 December 2010	787,512

The notes on pages 9 to 17 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2,010 €	2009 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year/period		7,219	16,896
Adjustments for:			
Depreciation		79,634	65,492
Interest receivable		(1,477)	(305)
Operating Profit before Working Capital Changes		<u>85,376</u>	<u>82,083</u>
(Increase) in Receivables		(2,896)	(21)
(Decrease) in Payables		<u>(4,895)</u>	<u>(55,537)</u>
Net Cash Flow generated from operating Activities		<u>77,585</u>	<u>26,525</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(5,448)	(12,474)
Interest received		1,477	305
Increase in deferred income		<u>51,066</u>	<u>20,000</u>
Net Cash Flow generated from Investing Activities		<u>47,095</u>	<u>7,831</u>
Net Increase in Cash and Cash Equivalents		124,680	34,356
Cash and Cash Equivalents at the Beginning of year/period		25,095	(9,261)
Cash and Cash Equivalents at the End of year/period	5	<u>149,775</u>	<u>25,095</u>

The notes on pages 9 to 17 are an integral part of the financial statements.

SCHEDULE OF SPECIAL NEEDS

For the year ended 31 December 2010

Funds Received and expended	Brought forward	Received	Utilised	Balance at
	01-Jan-10	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	31-Dec-10
Accessibility funds	5,000	-	-	5,000
Belvedere	15,000	-	-	15,000
Public Private Partnership scheme - resurfacing	-	51,066	-	51,066
Niches	-	4,000	2,979	1,021
	20,000	55,066	2,979	72,087

Commitments	01-Jan-10	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	31-Dec-10
Accessibility funds	5,000	-	-	5,000
Belvedere	15,000	-	-	15,000
Public Private Partnership scheme - resurfacing	-	51,066	-	51,066
Niches	-	4,000	2,979	1,021
	20,000	55,066	2,979	72,087

Capital Commitments	01-Jan-10	1 Jan - 31 Dec 2010	1 Jan - 31 Dec 2010	31-Dec-10
Accessibility funds	5,000	-	-	5,000
Belvedere	15,000	-	-	15,000
Public Private Partnership scheme - resurfacing	-	51,066	-	51,066
Niches	-	4,000	2,979	1,021
	20,000	55,066	2,979	72,087

The notes on pages 9 to 17 are an integral part of the financial statements.

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

1. General Information

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8th September Avenue, Xaghra, Gozo.

2. Basis of Preparation and Accounting Policies

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 as adopted by the EU 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

Xaghra Local Council forms part of Gozo 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 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

Notes to the Financial Statements for the year 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 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.

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. 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.

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 year 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 related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Joint Committee and other Government entities such as Water Service Corporation.

l. Financial instruments

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.

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. 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 year ended 31 December 2010 - continued

3a Property, Plant and Equipment

Tangible Assets	Office Furniture /fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and equipment	Total
Cost							
At 1 January 2010	21,079	20,138	190,472	42,145	1,513,885	1,082	1,788,801
Additions	-	435	5,013	-	-	-	5,448
At 31 December 2010	21,079	20,573	195,485	42,145	1,513,885	1,082	1,794,249
Grants and other reimbursements							
As at 1 January 2010	-	-	-	-	(176,237)	-	(176,237)
Additions	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	(176,237)	-	(176,237)
Accumulated Depreciation							
As at 1 January 2010	(16,615)	(16,725)	(114,851)	(42,145)	(628,176)	(764)	(819,276)
Charge for the year	(335)	(833)	(7,745)	-	(70,658)	(63)	(79,634)
At 31 December 2010	(16,950)	(17,558)	(122,596)	(42,145)	(698,834)	(827)	(898,910)
Net book value							
At 31 December 2010	4,129	3,015	72,889	-	638,814	255	719,102

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

3b. Property, Plant and Equipment

Tangible Assets	Office Furniture /fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and equipment	Total
Cost							
At 1 March 2009	21,079	19,623	191,113	38,596	1,504,834	1,082	1,776,327
Additions	-	515	-	3,549	9,051	-	13,115
Disposals	-	-	(641)	-	-	-	(641)
At 31 December 2009	21,079	20,138	190,472	42,145	1,513,885	1,082	1,788,801
Grants and other reimbursements							
As at 1 March 2009	-	-	-	-	(176,237)	-	(176,237)
Additions	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	(176,237)	-	(176,237)
Accumulated Depreciation							
As at 1 March 2009	(16,356)	(16,169)	(108,934)	(38,596)	(573,017)	(712)	(753,784)
Charge for the year	(259)	(556)	(5,917)	(3,549)	(55,159)	(52)	(65,492)
As at 31 December 2009	(16,615)	(16,725)	(114,851)	(42,145)	(628,176)	(764)	(819,276)
Net book value							
At 31 December 2009	4,464	3,413	75,621	-	709,472	318	793,288

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

	2010	2009
	€	€
4 Receivables		
Accounts receivable	14,824	21,552
LES receivables	-	1,247
Prepayments and accrued income	25,551	14,680
	<u>40,375</u>	<u>37,479</u>
Receivables		
Within the credit period	40,375	37,479
Exceeded credit period but not yet impaired	-	-
	<u>40,375</u>	<u>37,479</u>

5 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 statement of affairs:

	2010	2009
	€	€
Bank Balances:		
Ordinary funds	211,242	33,375
Cash in hand	162	116
Overdrawn balances	<u>(61,629)</u>	<u>(8,396)</u>
Cash at bank and in hand	149,775	25,095
Transfer to payables	<u>61,629</u>	<u>8,396</u>
	<u>211,404</u>	<u>33,491</u>

	2010	2009
	€	€
6 Deferred Income		
Deferred Income – between 1 to 2 years	5,926	-
Deferred Income – between 2 to 5 years	14,592	-
Deferred Income - over 5 years	46,507	-
	<u>67,025</u>	<u>-</u>

	2010	2009
	€	€
7 Payables		
Accounts Payable	36,315	34,863
Other Payables	1,091	1,855
Accruals	13,268	18,851
Deferred income within 1 year	4,041	20,000
Bank overdraft	<u>61,629</u>	<u>8,396</u>
	<u>116,344</u>	<u>83,965</u>

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

Accounts Payable

Part of the amount invoiced by a contractor amounting to €12,109 with respect to the sweeping contract, which amount is included within the accounts payable, is currently being objected by the Local Council. The exact amount being objected has not yet been quantified but is estimated to be two thirds of the total invoiced amount.

A supplier, WasteServ Malta Ltd has been billing the Local Council for tipping fees in excess of the amount allocated to the Council for this purpose. This amount of €4,711 has been entered with the accounts payable.

	2010	2009
	€	€
8 Funds received from Central Government		
In terms of section 55 of the Local Councils Act (CAP 363)	443,848	306,523
Other Government income	5,667	11,831
	<u>449,515</u>	<u>318,354</u>
9 Income raised under Local Enforcement System		
	€	€
Income from contraventions	-	1,571
	<u>-</u>	<u>1,571</u>
10 Investment income		
	€	€
Bank Interest Receivable	1,477	305
	<u>1,477</u>	<u>305</u>
11 General Income		
	€	€
Income from tender documents	775	-
Income from permits	2,962	3,192
Income from road re-instatement	17,500	5,850
Contributions and donations	1,459	845
Income from other activities	4,585	1,893
	<u>27,281</u>	<u>11,780</u>
12 Personal Emoluments		
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	8,923	4,500
Councillors' Allowance	6,400	-
Executive Secretary salary and allowances	20,210	16,664
Employees' Salaries	38,466	25,053
Social Security Contributions	4,868	3,465
	<u>78,867</u>	<u>49,682</u>

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

15. Financial Instruments and Related Party Disclosures

The Council's financial position at the end of the financial year is favourable with the current assets exceeding the current liabilities by €95,060.

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.

The accounts receivable by the council include outstanding balances relating to the current period from WSC and accrued income from Government, as well as a guarantee made to MEPA that will be refunded to the Council on the completion of the works being carried out. The accounts payable and accruals shown under current liabilities all relate to the current year. There is a temporary overdrawn balance on the bank current account which is financed by the savings account. This negative balance represents the cheques that have not yet been presented to the bank for payment.

16. Capital Commitments

At the end of the financial year there were two capital projects approved but not yet contracted for. These related to Construction works amounting to around Euro 165,000. These projects will be undertaken only if the Local Council obtains additional funds from the Malta Environment and Planning Authority.

Financial Statements for the year ended 31 December 2010

Independent Auditor's report