

Ghasri Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2010

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

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Independent auditor's report	17

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:

Andrew Vella
Mayor

Joseph Camilleri
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 €	2009 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	<u>317,976</u>	<u>338,319</u>
		<u>317,976</u>	<u>338,319</u>
Current Assets			
Trade and other receivables	4	1,760	191
Cash and Cash Equivalents	5	<u>41,833</u>	<u>18,355</u>
		<u>43,593</u>	<u>18,546</u>
Total Assets		<u><u>361,569</u></u>	<u><u>356,865</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		355,496	348,652
Liabilities			
Trade and other payables	6	6,073	8,213
TOTAL RESERVES AND LIABILITIES		<u><u>361,569</u></u>	<u><u>356,865</u></u>

The notes on pages 8 to 16 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

Andrew Vella
Mayor

Joseph Camilleri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

		Year ended 31 Dec 2010	Period from 1 Apr to 31 Dec 2009
		€	€
INCOME	Notes		
Funds received from central government	7	156,660	110,632
Investment income	8	257	160
General Income	9	<u>2,639</u>	<u>6,401</u>
		<u>159,556</u>	<u>117,193</u>
 EXPENDITURE			
Personal emoluments	10	(41,980)	(23,751)
Operations and maintenance	11	(56,218)	(42,086)
Administration and other expenditure	12	(54,514)	(37,618)
		<u>(152,712)</u>	<u>(103,455)</u>
 Total Comparative Income for the year/period		<u>6,844</u>	<u>13,738</u>

The notes on pages 8 to 16 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Retained Funds €
At 31 March 2009	334,914
Total Comparative Income for the period	13,738
	<hr/>
At 31 December 2009	348,652
Total Comparative Income for the year	6,844
	<hr/>
At 31 December 2010	<u>355,496</u>

The notes on pages 8 to 16 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	6,844	13,738
Adjustments for:		
Depreciation	22,815	16,884
Interest received	(257)	(160)
Operating Profit before Working Capital Changes	<u>29,402</u>	<u>30,462</u>
Decrease in receivables	(1,569)	664
(Decrease)/Increase in payables	<u>(2,140)</u>	<u>3,433</u>
Net Cash inflow from operating Activities	<u>25,693</u>	<u>34,559</u>
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(2,472)	(59,840)
Special Needs Grant Utilised	-	15,000
Interest received	257	160
Cash Flow used in Investing Activities	<u>(2,215)</u>	<u>(44,680)</u>
Cash flows from financing activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	23,478	(10,121)
Cash and Cash Equivalents at the Beginning of year/period	18,355	28,476
Cash and Cash Equivalents at the End of year/period	5 <u>41,833</u>	<u>18,355</u>

The notes on pages 8 to 16 are an integral part of the financial statements.

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

1. General Information

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri.

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

Ghasri 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 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 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. 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. 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	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2010	129,040	17,992	487	6,851	11,500	20,996	2,115	420,834	609,815
Additions	-	-	-	-	100	2371.68	-	-	2,472
At 31 December 2010	129,040	17,992	487	6,851	11,600	23,368	2,115	420,834	612,287
Grants									
At 1 January 2010	-	-	-	-	-	-	-	(58,911)	(58,911)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	-	(58,911)	(58,911)
Depreciation									
At 1 January 2010	(13,105)	(8,784)	(413)	(6,572)	(7,605)	(12,282)	(2,115)	(161,709)	(212,585)
Charge for the year	(1,154)	(667)	(14)	(62)	(730)	(1,059)	-	(19,129)	(22,815)
At 31 December 2010	(14,259)	(9,451)	(427)	(6,634)	(8,335)	(13,341)	(2,115)	(180,838)	(235,400)
Net Book Value									
At 31 December 2010	114,781	8,541	60	217	3,265	10,027	-	181,085	317,976

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

3b Property, Plant and Equipment

Tangible Assets	Property	Office Furniture /fittings	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 April 2009	129,040	15,544	487	6,851	11,216	16,596	2,115	368,126	549,975
Additions	-	2,448	-	-	284	4,400	-	52,708	59,840
At 31 December 2009	129,040	17,992	487	6,851	11,500	20,996	2,115	420,834	609,815
Grants									
At 1 April 2009	-	-	-	-	-	-	-	(43,911)	(43,911)
Additions	-	-	-	-	-	-	-	(15,000)	(15,000)
At 31 December 2009	-	-	-	-	-	-	-	(58,911)	(58,911)
Depreciation									
At 1 April 2009	(12,232)	(8,275)	(401)	(6,514)	(6,978)	(11,640)	(2,115)	(147,546)	(195,701)
Charge for the year	(873)	(509)	(12)	(58)	(627)	(642)	-	(14,163)	(16,884)
At 31 December 2009	(13,105)	(8,784)	(413)	(6,572)	(7,605)	(12,282)	(2,115)	(161,709)	(212,585)
Net Book Value									
At 31 December 2009	115,935	9,208	74	279	3,895	8,714	-	200,214	338,319

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

	2010	2009
4 Receivables	€	€
Receivables	1,650	-
Prepayments and accrued income	<u>110</u>	<u>191</u>
	<u><u>1,760</u></u>	<u><u>191</u></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's Statement of Financial Position:

	2010	2009
Bank Balances:	€	€
Current Accounts	7,540	8,522
Savings Accounts	34,277	9,804
Cash in hand	<u>16</u>	<u>29</u>
Cash at bank and in hand	<u><u>41,833</u></u>	<u><u>18,355</u></u>

6 Payables

Trade Creditors	2,908	3,367
Accruals	3,165	4,846
	<u><u>6,073</u></u>	<u><u>8,213</u></u>

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

	2010	2009
	€	€
7 Funds received from Central Government		
In terms of section 55 of the Local Councils Act (CAP 363)	156,660	109,970
Other Government Income	-	662
	<u>156,660</u>	<u>110,632</u>
8 Investment income		
Bank Interest Receivable	<u>257</u>	<u>160</u>
	<u>257</u>	<u>160</u>
9 General Income		
Local enforcement income	8	76
Income from tender documents	200	450
Income from permits	165	94
Twinning	-	5,315
Contributions and donations	<u>2,266</u>	<u>466</u>
	<u>2,639</u>	<u>6,401</u>
10 Personal Emoluments		
Personal emoluments include, inter alia:		
Mayor's Allowance	8,924	4,500
Councillors' Allowance	6,400	-
Executive Secretary salary and allowances	24,945	17,990
Social Security Contributions	<u>1,711</u>	<u>1,261</u>
	<u>41,980</u>	<u>23,751</u>

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

	2010	2009
11 Operations and Maintenance		
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	9,499	16,382
Public Property	1,133	362
Walkways	212	-
Signs and markings	-	401
Other	1,867	1,259
Total	<u>12,711</u>	<u>18,404</u>
Contractual Services:		
Refuse Collection	12,330	9,377
Bulky Refuse Collection	692	1,617
Road and Street Cleaning	11,990	3,331
Cleaning and Maintenance - Public Conveniences	2,628	1,651
Cleaning and Maintenance - verges	836	294
Cleaning and Maintenance - Non-Urban roads	10,643	-
Cleaning services	1,665	-
Bring in sites	-	3,375
Street Lighting	1,980	3,754
Other	743	283
	<u>43,507</u>	<u>23,682</u>
Total Operations and Maintenance Expenses	<u>56,218</u>	<u>42,086</u>
12 Administration and other expenditure		
Utilities	1,726	1,574
Materials and supplies	299	295
National and International Memberships	292	396
Office Services	2,346	506
Transport	1,061	395
Travel	5,704	-
Rent	396	-
Information services	866	207
Professional Services	9,193	5,159
Community services and events	9,816	4,213
Twinning costs	-	7,989
Depreciation	22,815	16,884
	<u>54,514</u>	<u>37,618</u>

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

13 Capital Commitments

The Council has Capital commitments for 2011 are as follows:

	2010	2009
Approved but not yet contracted for:	€	€
Construction	1,500	1,500
Improvements	2,500	2,500
Equipment	1,000	1,000
Special Programmes	22,000	22,000
	<u>27,000</u>	<u>27,000</u>

Approved and contracted for: NIL

14. Financial Instruments

The Council's financial position at the end of the financial year is favourable with the current assets exceeding the current liabilities by €37,520.

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter.

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 prepayments made on the Council's insurance. The accounts payable and accruals shown under current liabilities all relate to the current year.

15 Contingent gains

During December 2010 the Local Council paid the Mayor the proportional increase based on the salary of the members of Parliament amounting to €2047.83. It is not clear whether this amount is going to be refunded back to the Council since there is an issue regarding the honoraria that is not yet resolved.

Financial Statements for the year ended 31 December 2010

Independent Auditor's report