

GHAXAQ LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010

GHAXAO LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010

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Financial Statements for the year ended 31 December 2010

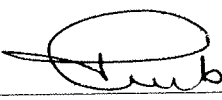
Statement of Local Council Members' and Executive Secretary's responsibilities

The Local Councils (Financial) Regulations 1993 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 period and of the Local Council's retained funds at the end of the period. 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 period and its retained funds as at the period 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.



Mayor



Executive Secretary

GHAXAQ LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITORS 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 2010, 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 auditors

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Local Council's Members and the Executive Secretary, as well as evaluating the overall financial statement's presentation. We believe that our audit provides a reasonable basis for our opinion. However, the evidence available to us was limited because of the matters set out in paragraph 1 below:

- 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 financial statements only include € 2,523 received during the year. We were unable to determine the amount of further income the Council is entitled to receive since the audited financial statements of the Zejtun Joint Committee for the year ended 31 December 2010 are not yet available.
- 2 Excluded from these financial statements are the budgeted figures for the period. This is not in accordance with the Local Councils (Financial) Procedures, 1996.
- 3 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.

GHAXAQ LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITORS TO THE AUDITOR GENERAL

The Council's financial statements for the year 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 IFRSs including the following instances:

- i. The financial statements do not include the quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures. These include information on the aged analysis of trade debtors, the council's maximum exposure to credit risk, the contractual maturities of the council's liabilities and categories of financial assets and liabilities at the end of the reporting period.
- ii. The financial statements show LES debtors of € 31,539 net of a provision of the same amount. This is contrary to IFRS 7, which requires separate presentation and a reconciliation of the provision for bad debts to be disclosed in the notes to the financial statements.

Opinion

Except for the adjustment that would have been necessary had we been able to obtain sufficient audit evidence regarding the matter in paragraph 1 above, the financial statements give a true and fair view of the financial position of Ghaxaq Local Council as at 31 December 2010, and of the results of its operations, changes in 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 2, 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 matter set out in paragraph 3 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

3 May 2011

GHAXAQ LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2010

	Notes	Year ended 31 Dec 2010	Period from 1 Apr to 31 Dec 2009
		Euro	Euro
Income			
Funds received from government	3	296,573	200,015
Income raised under Local Enforcement System	4	2,523	25,961
Investment income	5	466	41
General income	6	<u>19,396</u>	<u>3,916</u>
		<u>318,958</u>	<u>229,933</u>
Expenditure			
Personal emoluments	7	62,401	37,631
Operations and maintenance	8	149,033	82,520
Administration and other expenditure	9	<u>78,100</u>	<u>45,205</u>
		<u>289,534</u>	<u>165,356</u>
Profit for the year/period		<u><u>29,424</u></u>	<u><u>64,577</u></u>

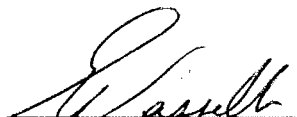
The notes on pages 8 to 17 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

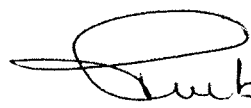
STATEMENT OF FINANCIAL POSITION as at 31 DECEMBER 2010

		2010	2009
	Notes	Euro	Euro
Assets			
Non-current assets			
Property, plant and equipment	10	449,123	299,143
Current assets			
Inventories	11	4,016	4,156
Receivables	12	15,032	10,987
Cash and cash equivalents	13	<u>224,645</u>	<u>131,942</u>
		<u>243,693</u>	<u>147,085</u>
Total assets		<u><u>692,816</u></u>	<u><u>446,228</u></u>
Reserves and Liabilities			
Reserves			
Retained funds		456,255	426,831
Non-current liabilities			
Deferred income	14	93,366	12,314
Current liabilities			
Payables	15	<u>143,195</u>	<u>7,083</u>
Total reserves and liabilities		<u><u>692,816</u></u>	<u><u>446,228</u></u>

These financial statements were approved by the Council on 3rd May 2011 and were signed on its behalf by:



 Mayor



 Secretary

The notes on pages 8 to 17 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2010

	Retained funds
	Euro
At 31 March 2009	362,254
Profit for the period	<u>64,577</u>
At 31 December 2009	426,831
Profit for the year	<u>29,424</u>
At 31 December 2010	<u><u>456,255</u></u>

The notes on pages 8 to 17 form part of the financial statements.

GHAXAQ LOCAL COUNCIL

STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2010

		1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Notes	Euro	Euro
Cash Flows from Operating Activities			
Profit for the year /period		29,424	64,577
Adjustment for:			
Depreciation		43,367	20,800
Interest receivable		(466)	(41)
(Decrease) in provision for doubtful LES debts		-	(6,475)
Grants utilised during the year/period		(2,672)	(1,539)
		<u>69,653</u>	<u>77,322</u>
Decrease in inventories		140	163
Decrease in receivables		2,530	18,780
Increase in payables		9,731	3,813
		<u>82,054</u>	<u>100,078</u>
<i>Net cash from operating activities</i>		<u>82,054</u>	<u>100,078</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(86,641)	(95,056)
Interest receivable		466	41
		<u>(86,175)</u>	<u>(95,015)</u>
<i>Net cash used in investing activities</i>		<u>(86,175)</u>	<u>(95,015)</u>
Cash flows from financing activities			
Receipt of grants		78,818	15,392
		<u>78,818</u>	<u>15,392</u>
<i>Net cash from financing activities</i>		<u>78,818</u>	<u>15,392</u>
Net increase in cash and cash equivalents		74,697	20,455
Cash and cash equivalents at beginning of year/period		<u>131,942</u>	<u>111,487</u>
Cash and cash equivalents at end of year/period	13	<u><u>206,639</u></u>	<u><u>131,942</u></u>

The notes on pages 8 to 17 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 DECEMBER 2010

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.

The financial statements are presented in Euro (€), which is also the functional currency of the Council.

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 Zejtun 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.

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, street lightning	100
Urban improvements (street furniture)	10
Computer equipment	25
Office equipment	20
Plant & Machinery	20
Plants	100
Playing field equipment	100
Litter bins	100
Street lights	100

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

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.

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.

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.

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 Affairs.

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.

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.

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

Inventories

Inventories are stated at the lower of cost or net realisable value.

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 2010
(continued)

	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Euro	Euro
3. Funds received from Central Government		
In terms of section 55 of the Local Councils Act 1993	293,664	198,476
Other government income	2,909	1,539
	296,573	200,015
	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Euro	Euro
4. Local enforcement income		
Share of profit from Joint Committee	2,523	25,961
	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Euro	Euro
5. Investment income		
Bank interest receivable	466	41
	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Euro	Euro
6. General income		
Income from tender documents	1,495	560
Income from permits	3,292	2,416
Sundry contributions and donations	14,609	940
	19,396	3,916
	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
	Euro	Euro
7. Personal emoluments		
Mayor's honoraria	6,364	4,500
Councillors' allowances	6,400	-
Executive Secretary's salary and allowances	22,211	18,485
Employees' salaries	24,140	12,262
Social security contributions	3,286	2,384
	62,401	37,631

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(continued)

8	Operations and maintenance	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
		Euro	Euro
	<i>Repairs and Upkeep:</i>		
	Road patching	5,676	3,974
	Pavements	-	-
	Road markings	1,030	571
	Other repairs and upkeep	4,751	1,578
		11,457	6,123
	<i>Contractual Services:</i>		
	Bulky refuse collection	4,569	3,452
	Road and street cleaning	27,920	20,449
	Hire of Bins on Wheels	49,966	37,690
	Waste disposal	33,270	9,741
	Cleaning and maintenance - public conveniences	3,465	2,625
	Cleaning and maintenance - parks and gardens	435	1,315
	Cleaning and maintenance - council premises	1,011	694
	Decrease in provision for doubtful LES debtors	-	(6,475)
	Street lighting	9,491	5,530
	Other contractual service	7,449	1,376
		137,576	76,397
		149,033	82,520
9	Administration and other expenses	1 Jan - 31 Dec 2010	1 Apr - 31 Dec 2009
		Euro	Euro
	Utilities	7,633	5,138
	Materials and supplies	4,142	5,017
	Office services	1,668	852
	Rent	250	10
	Transport	535	285
	Travelling	414	-
	Information services	3,649	829
	Lease of equipment	804	264
	Professional services	9,205	8,550
	Donations	-	416
	Community and hospitality	5,736	2,739
	National meetings	697	305
	Depreciation	43,367	20,800
		78,100	45,205

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(continued)

10 Property, plant and equipment

Cost	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	
At 1 January 2010	24,701	21,053	5,374	15,388	24,003	29,625	13,766	498,006	233,433	865,349									
Additions	-	297	7,186	1,008	110	-	1,118	183,628	-	-	-	-	-	-	-	-	-	-	193,347
At 31 December 2010	24,701	21,350	12,560	16,396	24,113	29,625	14,884	681,634	233,433	1,058,696									
Grants and other reimbursements																			
At 1 January 2010	-	-	-	2,637	-	-	-	9,548	232,912	245,097									
Special Need Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	2,637	-	-	-	9,548	232,912	245,097									
Depreciation provision																			
At 1 January 2010	1,387	11,348	4,911	11,440	17,366	11,003	13,766	249,685	203	321,109									
Charge for the year	176	750	1,583	1,239	1,327	1,862	1,118	35,260	52	43,367									
At 31 December 2010	1,563	12,098	6,494	12,679	18,693	12,865	14,884	284,945	255	364,476									
Net book value																			
At 31 December 2010	23,138	9,252	6,066	1,080	5,420	16,760	-	387,141	266	449,123									

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(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								
Cost											
At 1 April 2009	24,701	17,358	5,374	15,388	23,364	22,114	12,998	415,563	233,433	770,293	
Additions	-	3,695	-	-	639	7,511	768	82,443	-	95,056	
At 31 December 2009	24,701	21,053	5,374	15,388	24,003	29,625	13,766	498,006	233,433	865,349	
Grants and other reimbursements											
At 1 April 2009	-	-	-	2,637	-	-	-	9,548	232,912	245,097	
Special Need Funds	-	-	-	-	-	-	-	-	-	-	
Additions	-	-	-	-	-	-	-	-	-	-	
At 31 December 2009	-	-	-	2,637	-	-	-	9,548	232,912	245,097	
Depreciation provision											
At 1 April 2009	1,211	10,791	4,834	11,155	16,268	9,474	12,998	233,400	178	300,309	
Charge for the period	176	557	77	285	1,098	1,529	768	16,285	25	20,800	
At 31 December 2009	1,387	11,348	4,911	11,440	17,366	11,003	13,766	249,685	203	321,109	
Net book value											
At 31 December 2009	23,314	9,705	463	1,311	6,637	18,622	-	238,773	318	299,143	

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2010
(continued)

	2010 Euro	2009 Euro
11 Inventories		
Books	4,016	4,156
	<u>2010</u> Euro	<u>2009</u> Euro
12 Receivables		
Prepayments & accrued income	11,982	2,687
Other receivables	3,050	8,300
	<u>15,032</u>	<u>10,987</u>
	2010 Euro	2009 Euro
13 Cash and cash equivalents		
Cash at Bank:		
Current Accounts	8,231	11,205
Savings Accounts	216,298	120,587
Cash in hand	116	150
	<u>224,645</u>	<u>131,942</u>
	2010 Euro	2009 Euro
14 Deferred income		
Government grants		
Brought f/wd	13,853	-
Increase in period	85,392	15,392
Released in period	(2,672)	(1,539)
At 31 December	<u>96,573</u>	<u>13,853</u>
Current Deferred Income	<u>3,207</u>	<u>1,539</u>
Non-Current Deferred Income	<u>93,366</u>	<u>12,314</u>
Non-current deferred income is analysed as follows:		
	2010	2009
Between 1 and 2 years	9,536	1,108
Between 2 and 5 years	23,841	2,701
More than five years	59,989	8,505
	<u>93,366</u>	<u>12,314</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

(continued)

	1 Jan - 31 Dec 2010 Euro	1 Apr - 31 Dec 2009 Euro
15 Payables		
Payables	77,952	-
Deferred grants income	3,207	1,539
Accruals	44,030	5,544
Overdrawn Current Account	18,006	-
	<u>143,195</u>	<u>7,083</u>
	1 Jan - 31 Dec 2010 Euro	1 Apr - 31 Dec 2009 Euro
16 Capital commitments		
Authorised but not contracted for (i)	-	260
Authorised and contracted for (ii)	80,000	64,500
	<u>80,000</u>	<u>64,760</u>
(i) Authorised but not contracted for		
Traffic signs	-	260
	<u>260</u>	<u>260</u>
(i) Authorised and contracted for		
Garden Upgrade	20,000	19,000
Road resurfacing	60,000	45,000
Equipment	-	500
	<u>80,000</u>	<u>64,500</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010
(continued)

17 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.

18 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	293,664
LES Joint Committee	Joint Control	2,500
Water Services Corporation	No Control	7,800
		303,964
		303,964