

GHAXAQ LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2011

Prepared by: Patrick Caruana

GHAXAQ LOCAL COUNCIL

FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2011

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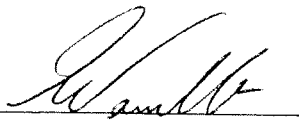
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Financial Statements for the year ended 31 December 2011

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

Financial Statements for the year ended 31 December 2011

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 2011, 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.

Auditors' 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 € 26,401 is an amount of € 26,039 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 2011 were not made available to us.
2. 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.

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 all the additional requirements that emerge from the applicable IFRSs. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Ghaxaq Local Council

Financial Statements for the year ended 31 December 2011

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

Qualified 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, the financial statements give a true and fair view of the financial position of Ghaxaq Local Council as at 31 December 2011, 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 matters set out in paragraphs 2 and 3, 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 2 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

27 April 2012

GHAXAQ LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2011

	Notes	Year ended 31 Dec 2011	Year ended 31 Dec 2010
		Euro	Euro
Income			
Funds received from government	3	297,719	296,573
Income raised under Local Enforcement System	4	26,401	2,523
Investment income	5	611	466
General income	6	<u>8,097</u>	<u>19,396</u>
		<u>332,828</u>	<u>318,958</u>
Expenditure			
Personal emoluments	7	59,442	62,401
Operations and maintenance	8	155,420	149,033
Administration and other expenditure	9	<u>74,726</u>	<u>78,100</u>
		<u>289,588</u>	<u>289,534</u>
Profit for the year		<u><u>43,240</u></u>	<u><u>29,424</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 2011

	Notes	2011 Euro	2010 Euro
Assets			
Non-current assets			
Property, plant and equipment	10	541,371	449,123
Current assets			
Inventories	11	3,785	4,016
Receivables	12	14,434	15,032
Cash and cash equivalents	13	<u>259,974</u>	<u>224,645</u>
		<u>278,193</u>	<u>243,693</u>
Total assets		<u><u>819,564</u></u>	<u><u>692,816</u></u>
Reserves and Liabilities			
Reserves			
Retained funds		499,495	485,679
Non-current liabilities			
Deferred income	14	93,615	93,366
Current liabilities			
Payables	15	<u>226,454</u>	<u>143,195</u>
Total reserves and liabilities		<u><u>819,564</u></u>	<u><u>722,240</u></u>

These financial statements were approved by the Council on 27 April 2012 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 2011

	Retained funds
	Euro
At 31 December 2009	426,831
Profit for the period	<u>29,424</u>
At 31 December 2010	456,255
Profit for the year	<u>43,240</u>
At 31 December 2011	<u><u>499,495</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 2011

	Notes	2011 Euro	2010 Euro
Cash Flows from Operating Activities			
Profit for the year		43,240	29,424
Adjustment for:			
Depreciation		45,242	43,367
Interest receivable		(611)	(466)
Grants utilised during the year		(4,032)	(2,672)
		83,839	69,653
Decrease in inventories		231	140
(Increase) in receivables		(2,179)	(4,045)
Increase in payables		83,259	134,444
		165,150	200,192
Net cash from operating activities			
		165,150	200,192
Cash flows from investing activities			
Purchase of property, plant and equipment		(137,490)	(193,347)
Interest receivable		611	466
Receipt of Grant		7,058	85,392
		(129,821)	(107,489)
Net cash used in investing activities			
		(129,821)	(107,489)
Net increase in cash and cash equivalents		35,329	92,703
Cash and cash equivalents at beginning of year		224,645	131,942
Cash and cash equivalents at end of year	13	259,974	224,645

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

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 DECEMBER 2011

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 2011
(continued)

	2011	2010
	Euro	Euro
3. Funds received from Central Government		
In terms of section 55 of the Local Councils Act 1993	293,687	293,664
Other government income	4,032	2,909
	297,719	296,573

	2011	2010
	Euro	Euro
4. Local enforcement income		
Share of profit from Joint Committee	26,401	2,523

	2011	2010
	Euro	Euro
5. Investment income		
Bank interest receivable	611	466

	2011	2010
	Euro	Euro
6. General income		
Income from tender documents	850	1,495
Income from permits	2,950	3,292
Sundry contributions and donations	4,297	14,609
	8,097	19,396

	2011	2010
	Euro	Euro
7. Personal emoluments		
Mayor's honoraria	6,254	6,364
Councillors' allowances	6,400	6,400
Executive Secretary's salary and allowances	24,783	22,211
Employees' salaries	18,693	24,140
Social security contributions	3,312	3,286
	59,442	62,401

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2011
(continued)

8 **Operations and maintenance**

	2011	2010
	Euro	Euro
<i>Repairs and Upkeep:</i>		
Road patching	3,605	5,676
Road markings	1,619	1,030
Street Signs	1,460	-
Other repairs and upkeep	2,050	4,751
	8,734	11,457
 <i>Contractual Services:</i>		
Bulky refuse collection	3,674	4,569
Refuse collection	47,370	-
Road and street cleaning	30,127	27,920
Hire of Bins on Wheels	18,941	49,966
Waste disposal	29,919	33,270
Cleaning and maintenance - public conveniences	3,360	3,465
Cleaning and maintenance - parks and gardens	595	435
Cleaning and maintenance - council premises	989	1,011
Street lighting	8,385	9,491
Other contractual service	3,326	7,449
	146,686	137,576
	155,420	149,033

9 **Administration and other expenses**

	2011	2010
	Euro	Euro
Utilities	7,400	7,633
Materials and supplies	2,056	4,142
Office services	2,193	1,668
Rent	269	250
Transport	58	535
Travelling	-	414
Information services	1,148	3,649
Lease of equipment	-	804
Professional services	8,407	9,205
Community and hospitality	4,697	5,736
National meetings / memberships	1,435	697
Penalties	1,821	-
Depreciation	45,242	43,367
	74,726	78,100
	74,726	78,100

GHAXAQ LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2011
(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		
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 year ended 31 DECEMBER 2011
(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		
Cost														
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 period ended 31 December 2011
(continued)

	2011 Euro	2010 Euro
11 Inventories		
Books	3,785	4,016
	<u>3,785</u>	<u>4,016</u>
	2011 Euro	2010 Euro
12 Receivables		
Prepayments & accrued income	10,618	11,982
Other receivables	3,816	3,050
	<u>14,434</u>	<u>15,032</u>
	2011 Euro	2010 Euro
13 Cash and cash equivalents		
Cash at Bank:		
Current Accounts	8,225	8,231
Savings Accounts	251,599	216,298
Cash in hand	150	116
	<u>259,974</u>	<u>224,645</u>
	2011 Euro	2010 Euro
14 Deferred income		
Government grants		
Brought f/wd	96,573	13,853
Increase in period	7,058	85,392
Released in period	<u>(4,032)</u>	<u>(2,672)</u>
At 31 December	<u>99,599</u>	<u>96,573</u>
Current Deferred Income	<u>5,984</u>	<u>3,207</u>
Non-Current Deferred Income	<u>93,615</u>	<u>93,366</u>
Non-current deferred income is analysed as follows:		
	2011	2010
Between 1 and 2 years	17,786	9,536
Between 2 and 5 years	20,548	23,841
More than five years	<u>55,281</u>	<u>59,989</u>
	<u>93,615</u>	<u>93,366</u>

GHAXAQ LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

(continued)

		2011 Euro	2010 Euro
15	Payables		
	Payables	163,534	77,952
	Deferred grants income	5,984	3,207
	Accruals	30,554	44,030
	Overdrawn Current Account	26,382	18,006
		226,454	143,195

		2011 Euro	2010 Euro
16	Capital commitments		
	Authorised but not contracted for (i)	10,000	-
	Authorised and contracted for (ii)	111,863	80,000
		121,863	80,000

(i) Authorised but not contracted for

Urban Improvements	500	-
PV Panels	8,000	-
Equipment	500	-
Traffic signs	1,000	-
	10,000	-

(i) Authorised and contracted for

Garden Upgrade	20,000	20,000
Road resurfacing	91,863	60,000
	111,863	80,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011
(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	293,687
LES Joint Committee	Joint Control	26,039
Water Services Corporation	No Control	<u>3,050</u>
		<u><u>322,776</u></u>