

Local Council Attard

Annual Audit Report

for the year ended 31 December 2012

Local Council Attard

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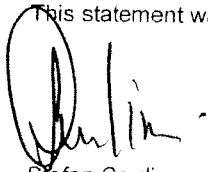
Attard Local Council

**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2012**

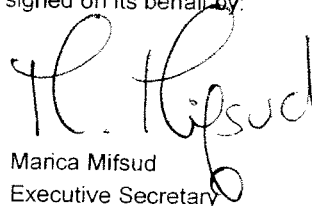
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 24 April 2013 and signed on its behalf by:



Stefan Cordina
Mayor



Marica Mifsud
Executive Secretary

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Attard Local Council which comprise the statement of financial position as at 31 December 2012, 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 auditor

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditor's 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 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkirkara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkirkara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. Included in LES income of € 38,258 is an amount of € 32,259 received during the year from Birkirkara Joint Committee. We were unable to determine the amount of further income the Council is entitled to receive from Birkirkara Joint Committee since its audited financial statements for the year ended 31 December 2012 were not made available to us.
2. The financial statements do not disclose a general description of the council's leasing agreement and the total of future minimum lease payments analysed by period as required by IAS 17, *Leases*.
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.

Qualified Opinion

In our opinion, except for the effect of the matters described in paragraphs 1 and 2 under the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Attard Local Council as at 31 December 2012, 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 7 to 12.

Because of the matter set out in paragraph 3 above, 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 these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to the council's statement of financial position on page 4 which shows that at 31 December 2012 the council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments) by € 137,218. The significance of this deficiency casts doubt as to whether the council will be able to meet its liabilities as they fall due.



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24 April 2013

Attard Local Council

Statement of Comprehensive Income
for the year ended 31 December 2012

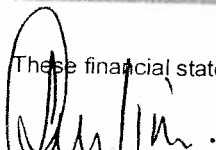
	Notes	2012 €	2011 €
Revenue			
Funds received from Central Government	3	617,240	536,606
Income raised under Local Council Bye-Laws	4	2,482	2,106
Income raised under Local Enforcement System	5	38,258	74,856
General Income	6	10,044	16,619
		<u>668,024</u>	<u>630,187</u>
Expenditure			
Personal Emoluments	7	(125,861)	(107,537)
Operations and maintenance	8	(373,978)	(406,226)
Administration and other expenditure	9	(189,020)	(185,723)
		<u>(688,859)</u>	<u>(699,486)</u>
Operating loss for the year		(20,835)	(69,299)
Finance income	10	152	249
		<u>(20,683)</u>	<u>(69,050)</u>
Asset impairment losses	7	(1,606)	-
Loss for the year	7	<u>(22,289)</u>	<u>(69,050)</u>

The notes on pages 7 to 27 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2012

	Notes	2012 €	2011 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	755,108	702,097
		<u>755,108</u>	<u>702,097</u>
Current Assets			
Inventories	12	7,586	7,659
Receivables	13	56,027	132,080
Cash and cash equivalents	14	17,351	19,650
		<u>80,964</u>	<u>159,389</u>
Total Assets		<u>836,072</u>	<u>861,486</u>
RESERVES			
Retained earnings		509,054	531,343
Total reserves		<u>509,054</u>	<u>531,343</u>
Non-Current Liabilities			
Deferred income	16	112,406	133,252
		<u>112,406</u>	<u>133,252</u>
Current Liabilities			
Payables	15	214,612	196,891
		<u>214,612</u>	<u>196,891</u>
Total Liabilities		<u>327,018</u>	<u>330,143</u>
Total reserves and liabilities		<u>836,072</u>	<u>861,486</u>

These financial statements were approved by the Local Council on 24th April 2013 and signed on its behalf by:


Stefan Cordina
Mayor


Marica Mifsud
Executive Secretary

The notes on pages 7 to 27 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2012**

	Retained Funds	Total
	€	€
At 1 January 2011	600,393	600,393
Loss for the year	(69,050)	(69,050)
At 31 December 2011	<u>531,343</u>	<u>531,343</u>
At 1 January 2012	531,343	531,343
Loss for the year	(22,289)	(22,289)
At 31 December 2012	<u>509,054</u>	<u>509,054</u>

Statement of Cash Flows
for the year ended 31 December 2012

	2012		2011	
	€	€	€	€
Net loss for the year	(22,289)		(69,050)	
Reconciliation to cash generated from operations:				
Depreciation	95,670		60,216	
Prior year adjustment	-		-	
Impairment losses	1,606		-	
Interest receivable	(152)		(249)	
Operating profit before working capital changes	74,835		(9,083)	
Decrease in inventories	73		14	
Decrease in receivables	20,104		33,024	
Decrease in other receivables	55,949		(5,516)	
Increase in payables	18,237		37,490	
Increase / increase in other payables	(20,585)		64,003	
Government grant released	(35,901)		2,239	
Cash generated in operating activities		112,712		122,171
Cash flow from investing activities				
Interest received	152		249	
Purchase of property, plant & equipment	(150,291)		(179,518)	
Receipt of grant	35,128		21,927	
Cash used in investing activities		(115,011)		(157,342)
Net Decrease in cash in the year		(2,299)		(35,171)
Cash and equivalents at beginning of year		19,650		54,821
Cash and equivalents at end of year		17,351		19,650

1. General Information

The Local Council Attard is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 6, Main Street, Attard. These financial statements were approved for issue by the Council Members on 24 April 2013. The Local Council's presentation as well as functional currency are denominated in €.

2 Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

New and amended standards adopted by the Local Council

The Council has adopted the following new and amended standards as of 1 January 2012:

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures - Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The Amendments are applicable for annual periods beginning on or after 1 July 2011.

New important standards and amendments not yet adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council's accounting periods beginning on or after 1 January 2013 or later periods, but the Council has not early adopted them:

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

New Important standards and amendments not yet adopted by EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

Government Loans (Amendments to IFRS 1) was issued in 13 March 2012. The amendments are required to be applied for annual periods beginning on or after 1 January 2014.

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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	Replacement Basis
Playground Furniture	100
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Inventories

Inventories are valued at the lower of cost and net realisable value.

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 and 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 comprehensive income.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

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 €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position 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 Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

3. Funds received from central government

	2012 €	2011 €
In terms of section 55 of the Local Councils Act	581,339	529,821
Supplementary Government Income	-	9,024
Urban Improvement Funds released to income	35,901	(2,239)
	<u>617,240</u>	<u>536,606</u>

4. Income raised from Bye-Laws

	2012 €	2011 €
Bye-Law - Advertising on Street Furniture	2,482	2,036
Bye-Law - Lease of public land	-	70
	<u>2,482</u>	<u>2,106</u>

5. Local Enforcement System

	2012 €	2011 €
Contraventions and other fines	32,259	74,119
Administrative charges to Regional Committees	5,999	737
	<u>38,258</u>	<u>74,856</u>

6. General Income

	2012 €	2011 €
Community Services	454	-
Sale of books and other merchandise	29	57
Sponsorships	100	200
General Income	1,626	(577)
Tender Documents/Info. Charges	710	1,784
Media Advertising	-	135
Donations	-	840
Contributions	(7,453)	1,050
Income from Permits	14,578	13,130
	<u>10,044</u>	<u>16,619</u>

7. (Loss)/profit for the year

	2012 €	2011 €
(Loss)/Profit for the year is stated after charging:		
Staff salaries	Note 125,861	107,537
Depreciation of tangible assets	95,670	60,216
Loss on impairment of property, plant and equipment	Note 1,606	-
	<u></u>	<u></u>

Notes to the Financial Statements
for the year ended 31 December 2012

Staff salaries

	2012 €	2011 €
Mayor's Remuneration	9,929	9,545
Councillors' Allowances	10,599	9,021
Executive Secretary Salary and Allowances	31,023	26,894
Employees' Salaries	67,062	56,271
Social Security Contributions	7,248	5,806
	<u>125,861</u>	<u>107,537</u>

Average number of people employed

Employees	5	4
Mayor & Councillors	9	7
	<u> </u>	<u> </u>

8. Operations and Maintenance

	2012 €	2011 €
<i>Repairs and Upkeep:</i>		
Public Property	6,007	9,601
Road/Street Pavements	13,691	31,509
Signs	6,322	8,692
Road Markings	8,053	6,165
Office Furniture and Equipment	1,178	472
Plant & Equipment	25	182
Other repairs and Upkeep	821	
	<u>36,097</u>	<u>56,621</u>

Attard Local Council

Notes to the Financial Statements
for the year ended 31 December 2012

<i>Contractual Services:</i>		
Waste Disposal	70,907	71,507
Refuse Collection	109,517	105,516
Bulky Refuse Collection	9,078	10,180
Bring-in Sites	753	873
Road & Street Cleaning	60,555	60,775
Cleaning & Maint. Non-Urban	10,316	9,937
Cleaning - Public Conveniences	6,218	7,701
Clean. & Maint. Parks & Gardens	57,527	62,182
Street Lighting	11,771	10,930
Experts	720	9,162
Local Enforcement Expenses	519	842
	<u>337,881</u>	<u>349,605</u>
 Total Operations and Maintenance Costs	 <u>373,978</u>	 <u>406,226</u>

9. Administration and other expenditure

	2012 €	2011 €
Utilities	3,993	15,814
Other repairs and upkeep	4,615	7,420
Rent	97	116
National and International Memberships	405	480
Office Services	20,672	16,991
Transport	11,920	10,405
Travel	-	1,000
Information Services	6,166	7,028
Lease of Equipment	610	152
Insurance Coverage	4,967	5,927
Bank Charges	268	344
Penalties - Department of Local Councils	-	7,503
Professional Services	18,758	20,948
Training	-	9
Entertainment	1,254	692
Visits - Foreign Delegations	96	158
Social Events	4,603	7,009
Cultural Events	10,471	22,516
Community Services	2,600	-
Donations	415	995
Bad Debts written off	1,440	-
Depreciation	95,670	60,216
	<u>189,020</u>	<u>185,723</u>

10. Finance Income

	2012 €	2011 €
Bank Interest Received	152	249
	<u>152</u>	<u>249</u>

Notes to the Financial Statements
for the year ended 31 December 2012

11. Property, plant and equipment

	Trees €	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Total €
Cost							
At 1 January 2011	6,740	20,357	18,445	1,931,784	13,503	26,562	2,017,391
Additions	3,022	124,624	-	44,684	3,874	3,314	179,518
At 31 December 2011	9,762	144,981	18,445	1,976,468	17,377	29,876	2,196,909
Depreciation							
At 1 January 2011	-	-	12,877	770,151	10,218	12,561	805,807
Charge for the year	-	-	-	57,670	1,294	1,252	60,216
At 31 December 2011	-	-	12,877	827,821	11,512	13,813	866,023
Grants							
At 1 January 2010	-	-	5,568	623,221	-	-	628,789
At 31 December 2011	-	-	-	-	-	-	-
Net book values							
At 31 December 2011	9,762	144,981	-	525,426	5,865	16,063	702,097

Notes to the Financial Statements
for the year ended 31 December 2012

11. Property, plant and equipment

Cost	Trees €	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Total €
At 1 January 2012	9,762	144,981	18,445	1,976,468	17,377	29,876	2,196,909
Additions	114	79,881	-	65,900	3,516	880	150,291
Impairment	-	-	-	(251)	(4,831)	(2,449)	(7,531)
At 31 December 2012	9,876	224,862	18,445	2,042,117	16,062	28,307	2,339,669
Depreciation							
At 1 January 2012	-	-	12,877	827,821	11,512	13,813	866,023
On impairment	-	-	-	(129)	(4,041)	(1,751)	(5,921)
Charge for the year	-	-	-	92,703	1,729	1,238	95,670
At 31 December 2012	-	-	12,877	920,395	9,200	13,300	955,772
Grants							
At 1 January 2012	-	-	-	-	-	-	-
At 31 December 2012	-	-	5,568	623,221	-	-	628,789
Net book values							
At 31 December 2012	9,876	224,862	-	498,501	6,862	15,007	755,108

12. Inventories

	2012 €	2011 €
Books held for resale	7,586	7,659
	<u>7,586</u>	<u>7,659</u>

13. Receivables

	2012 €	2011 €
Receivables	8,290	28,394
Other receivables	-	16,771
Accrued income	36,728	81,171
Financial assets	<u>45,018</u>	<u>126,336</u>
Other receivables	1,099	-
Prepayments	9,910	5,744
	<u>56,027</u>	<u>132,080</u>

Notes to the Financial Statements
for the year ended 31 December 2012

Receivables

General receivables are analysed as follows:

	2012 €	2011 €
Within credit period	885	1,933
Exceeded credit period but not impaired	7,405	26,461
	<u>8,290</u>	<u>28,394</u>

Included in the receivables are debtors with a carrying amount of €7,405 (2011 : € 26,461) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2012 €	2011 €
Not more than 3 months	1,160	921
More than 3 months but not more than 6 months	1,231	16
More than 6 months	5,014	25,524
	<u>7,405</u>	<u>26,461</u>

The movement in the provision for doubtful debts is as follows:

	2012 €	2011 €
Balance at 1 January	8,331	8,331
Increase/(decrease) in provision for LES debtors	(140)	-
Balance at 31 December	<u>8,191</u>	<u>8,331</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €8,191 (2011 - €8,331).

14. Notes to the cashflow statement

Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2012 €	2011 €
Bank Balances	17,265	19,553
Cash in Hand	86	97
	<u>17,351</u>	<u>19,650</u>

15. Payables

	2012 €	2011 €
Payables	113,472	95,235
Other creditors	21,933	1,578
Accruals	65,275	84,871
Financial liabilities	<u>200,680</u>	<u>181,684</u>
Deferred Income	13,932	15,207
	<u>214,612</u>	<u>196,891</u>

16. Deferred Income	2012 €	2011 €
Government grants		
At 1 January 2012	148,459	124,293
Increase in year	35,128	21,927
	183,587	146,220
Released in year	(35,901)	2,239
Classified as other payables	(21,933)	-
At 31 December 2012	125,753	148,459
Current Deferred Income	13,347	15,207
Non-Current Deferred Income	112,406	133,252
Deferred Government Grants		
Deferred between one and two years	11,241	13,581
Deferred between two and five years	34,791	42,035
Deferred in five years or more	66,374	77,636
	112,406	133,252
Deferred after five years or more:		
Government Grants	66,374	77,636

17. Capital commitments

	2012 €	2011 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	167,466	43,500
Contracted for but not provided in the financial statements	3,977	131,000
(i) Approved but not yet contracted for:		
Special Programmes: Gnien Hal-Warda	-	40,000
Resurfacing (Housing Authority Scheme)	75,000	-
Construction	20,000	-
Office Furniture and Fittings	500	2,000
Urban Improvements	71,966	-
New Street Signs	-	1,500
	167,466	43,500
(ii) Contracted for but not provided in the Financial Statements:		
Construction	3,977	111,000
Urban Improvements	-	20,000
	3,977	131,000

18. Contingent liabilities

The Council as at 31 December 2012 is contesting a claim of €13,420 made by a resident for compensation of flooding damages in a private property. The resident is claiming that such flooding was caused due to construction works carried out by the Council at Gnien Hal-Warda. A juridical notification was sent by the resident to the Council and to the contractor of Gnien Hal-Warda.

19. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint Control
Birkirkara Joint Committee (Local Enforcement)	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
ARMS Ltd	No control

The following were the significant transactions carried out by the Council with related parties having significant control:

	2012	2011
	€	€
Annual Financial Allocation	581,339	529,821

Key management compensation

Transactions with key management personnel are disclosed in note 7.

20. Financial Risk Management

The 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2012	2011
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	45,018	126,336
Cash and cash equivalents	17,351	19,650
	<u>62,369</u>	<u>145,986</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 17,351. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 509,054 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2012 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2012

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	113,472	-	-
Other creditors	21,933	-	-
Accruals	65,275	-	-

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

31 December 2011

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	95,235	-	-
Other creditors	1,578	-	-
Accruals	84,871	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

21. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2012 €	2011 €
Current assets		
Loans and receivables:		
Trade and other receivables	45,018	126,336
Cash and cash equivalents	17,351	19,650
	<u>62,369</u>	<u>145,986</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	113,472	95,235
Other creditors	21,933	1,578
Accruals	65,275	84,871
	<u>200,680</u>	<u>181,684</u>

22. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

23. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

24. Going Concern

The Statement of Financial Position on page 4 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.