

## FLORIANA LOCAL COUNCIL

### FINANCIAL STATEMENTS - 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 year and of the Local Council's retained funds at the end of the 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 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 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.

Nigel Holland  
Mayor

Kenneth Brincat  
Executive Secretary

FLORIANA LOCAL COUNCIL

FINANCIAL STATEMENTS for the year ending 31 December 2010

**Report of the Local Government Auditor to the Auditor General**

**Statement of Income and Expenditure  
for year ended 31 December 2010**

		<b>Year ended 31 December 10</b>	<b>Period from 1 April to 31 December 09</b>
	<b>Notes</b>	<b>€</b>	<b>€</b>
<b>Income</b>			
Funds received from government	3	368,418	261,263
Income raised under Local Enforcement System	4	283,742	204,971
Investment Income	5	732	217
General Income	6	49,471	16,297
		<hr/>	<hr/>
		702,363	482,748
		<hr/>	<hr/>
<b>Expenditure</b>			
Personal Emoluments	7	85,386	51,315
Operations and maintenance	8	297,398	217,894
Administration and other expenditure	9	252,684	193,962
		<hr/>	<hr/>
		635,468	463,171
		<hr/>	<hr/>
Profit for the year/period		66,895	19,577
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 14 form part of these accounts

**Statement of Financial Position  
as at 31 December 2010**

		2010	2009
	Notes	€	€
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	<u>658,151</u>	<u>574,478</u>
<b>Current Assets</b>			
Inventories	11	13,397	7,387
Receivables	12	135,073	188,375
Cash and cash equivalents	13	<u>349,655</u>	<u>317,853</u>
		498,125	513,615
		<u>                    </u>	<u>                    </u>
<b>Total Assets</b>		<u>1,156,276</u>	<u>1,088,093</u>
		<u>                    </u>	<u>                    </u>
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained Funds		1,059,003	992,108
<b>Current liabilities</b>			
Payables	14	<u>97,273</u>	<u>95,985</u>
		<u>                    </u>	<u>                    </u>
<b>Total reserves and liabilities</b>		<u>1,156,276</u>	<u>1,088,093</u>
		<u>                    </u>	<u>                    </u>

The notes on pages 8 to 14 form part of these accounts.

These financial statements were approved by the Council on                      and are  
signed on its behalf:

Nigel Holland  
Mayor

Kenneth Brincat  
Executive Secretary

**Statement of Changes in Equity  
for the year ended 31 December 2010**

	<b>Retained Funds</b>
	<b>€</b>
At 1 April 2009	
As previously reported	965,144
Prior year adjustment	7,387
	<hr/>
At 1 April 2009	972,531
Surplus for the period	19,577
	<hr/>
At 31 December 2009	992,108
	<hr/> <hr/>
At 1 January 2010	992,108
Surplus for the year	66,895
	<hr/>
At 31 December 2010	1,059,003
	<hr/> <hr/>
	1,059,003
Equity interests	<hr/> <hr/>

**Statement of Cash Flows**  
**for the year ended 31 December 2010**

	Note	2010 €	2009 €
<b>Cash Flows from Operating Activities</b>			
Profit for the year/period		66,895	19,577
Adjustments for:			
Depreciation		65,318	53,204
Increase in provision for bad debts		33,656	18,496
Disposal of assets		6,584	-
Increase in Grants Provision		-	7,131
Interest Receivable		(732)	(217)
		<u>171,721</u>	<u>98,191</u>
 Increase in inventories		 (6,010)	 -
Decrease in receivables		19,646	22,362
Increase in payables		<u>1,288</u>	<u>43,665</u>
 Net cash from operating activities		 186,645	 164,218
 <b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(155,575)	(87,576)
Interest receivable		732	217
		<u></u>	<u></u>
 Net cash used in investing activities		 (154,843)	 (87,359)
 <b>Net increase in cash and cash equivalents</b>		 31,802	 76,859
Cash and Cash Equivalents at the beginning of year/period		<u>317,853</u>	<u>240,994</u>
 Cash and Cash Equivalents at the end of year/period	13	 <u><u>349,655</u></u>	 <u><u>317,853</u></u>

The notes on pages 8 to 14 form part of these accounts.

**Schedule of Special Needs Funds  
as at 31 December 2010**

<b>Funds Received and Expended</b>	<b>Brought Forward €</b>	<b>Received/ Reallocated €</b>	<b>Expended €</b>	<b>* Carried Forward €</b>
Road Resurfacing	2,028	-	-	2,028
	<hr/>	<hr/>	<hr/>	<hr/>

\* Expended represents amounts transferred to grant reserve.

<b>Commitments</b>	<b>Brought Forward €</b>	<b>Contracted this year €</b>	<b>Invoices Received €</b>	<b>Carried Forward €</b>
Road Resurfacing	2,028	-	-	2,028
	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 8 to 14 form part of these accounts.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

### 1. General Information

Floriana Local Council is the local authority of Floriana setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, E.S. Tonna Square, Floriana.

### 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 amount disclosed in the financial statements under Local Enforcement Income represents income received or receivable from the contraventions falling under the Local Enforcement System.

#### *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 stated 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.

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

<b>3. Funds Received from Central Government</b>	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
In terms of Section 55 of the L.C. Act 1993	316,044	225,165
Other Government Income	52,374	36,098
	<u>368,418</u>	<u>261,263</u>
<b>4. Local Enforcement Income</b>		
Contraventions	<u>283,742</u>	<u>204,971</u>
<b>5. Investment Income</b>		
Bank interest	<u>732</u>	<u>217</u>
<b>6. General Income</b>		
Income from tender documents	6,326	890
Income from permits	9,314	4,691
Sponsorships	750	700
Contributions and donations	29,765	8,851
Insurance claims	3,316	1,165
	<u>49,471</u>	<u>16,297</u>
<b>7. Personal Emoluments</b>		
Personal emoluments include, inter alia:		
Mayor's allowance	10,523	4,500
Executive Secretary salary and allowances	23,494	18,514
Employees Salaries	41,430	24,978
Social Security Contributions	5,139	3,323
Councillors' remuneration	4,800	-
	<u>85,386</u>	<u>51,315</u>

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

	2010 €	2009 €
<b>8. Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:		
<b>Repairs and upkeep :</b>		
Road/Street Pavements (patching works)	10,968	515
Public property	12,639	13,148
Street signs	401	592
Road Markings	1,912	1,095
Street Lighting	3,854	2,523
Other Repairs & Upkeep	17,441	10,228
	<hr/> 47,215	<hr/> 28,101
<b>Contractual Services :</b>		
Refuse Collection (including bins on wheels)	24,550	22,128
Bulky Refuse Collection (including open skips)	9,442	9,428
Road & Street Cleaning (mechanical and manual)	36,030	31,428
Waste Disposal	11,089	-
Cleaning Council Premises	1,053	1,213
Cleaning Public Conveniences	3,031	3,162
Cleaning & Maint. Parks & Gardens	24,237	23,135
Cleaning of Culverts	4,097	-
Cleaning services	-	562
Other Contractual Services	6,102	-
Leasing equipment contract	1,790	3,874
Local Enforcement Expenses	128,762	138,546
	<hr/> 250,183	<hr/> 233,476
 Total	 <hr/> 297,398	 <hr/> 261,577

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

	2010 €	2009 €
<b>9. Administration and other expenses</b>		
Utilities	24,268	17,948
Other Repairs and Upkeep	2,233	463
Rent	3,202	2,480
National and International Membership	221	75
Office Services	6,893	5,701
Uniforms	365	-
Library	169	-
Travel	-	327
Transport	4,574	4,387
Information Services	8,915	4,008
Other Contractual Services	5,200	4,082
Professional Services	13,224	9,031
Insurance	3,561	2,774
Community and Hospitality	73,889	70,366
Bank charges	412	620
Increase in provision for doubtful LES debtors	33,656	18,496
Depreciation	65,318	53,204
Assets written off	6,584	-
	252,684	193,962

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

10. **Property, plant and equipment**

	<b>Construction</b>	<b>Office Furniture &amp; Fittings</b>	<b>New Street Signs</b>	<b>Urban Improvements</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Special Programmes</b>	<b>Total</b>
<b>Cost</b>	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
At 1 January 2010	597,817	23,189	15,616	308,470	29,805	13,108	61	51,783	1,039,849
Additions	59,190	1,889	2,844	81,954	7,619	2,079	-	-	155,575
Disposal of assets	(45)	(3,714)	-	(6,166)	(5,498)	(6,163)	(61)	-	(21,647)
At 31 December 2010	656,962	21,364	18,460	384,258	31,926	9,024	-	51,783	1,173,777
<b>Grants and other reimbursements</b>									
At 1 January 2010	-	-	-	-	-	-	-	51,783	51,783
Utilised during the year	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	-	51,783	51,783
<b>Accumulated Depreciation</b>									
At 1 January 2010	246,600	9,149	15,616	116,483	14,607	11,074	59	-	413,588
Charge for the year	48,530	1,104	2,844	8,573	4,607	(340)	-	-	65,318
Release of depreciation on disposal	(20)	(1,564)	-	(3,050)	(4,437)	(5,933)	(59)	-	(15,063)
At 31 December 2010	295,110	8,689	18,460	122,006	14,777	4,801	-	-	463,843
<b>Net book value</b>									
At 31 December 2010	361,852	12,675	-	262,252	17,149	4,223	-	-	658,151

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

10. **Property, plant and equipment**

	<b>Construction</b>	<b>Office Furniture &amp; Fittings</b>	<b>New Street Signs</b>	<b>Urban Improvements</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Plant &amp; Equipment</b>	<b>Special Programmes</b>	<b>Total</b>
<b>Cost</b>	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
At 1 April 2009	585,833	23,189	13,458	249,151	24,139	11,790	61	44,652	952,273
Additions	11,984	-	2,158	56,844	4,098	436	-	7,131	82,651
At 31 December 2009	597,817	23,189	15,616	305,995	28,237	12,226	61	51,783	1,034,924
<b>Grants and other reimbursements</b>									
At 1 April 2009	-	-	-	-	-	-	-	44,652	44,652
Utilised during the period	-	-	-	-	-	-	-	7,131	7,131
At 31 December 2009	-	-	-	-	-	-	-	51,783	51,783
<b>Accumulated Depreciation</b>									
At 1 April 2009	219,760	8,334	13,458	97,495	12,320	8,959	58	-	360,384
Charge for the period	26,840	815	2,158	18,823	2,235	2,097	1	-	52,969
At 31 December 2009	246,600	9,149	15,616	116,318	14,555	11,056	59	-	413,353
<b>Net book value</b>									
At 31 December 2009	351,217	14,040	-	189,677	13,682	1,170	2	-	569,788

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

	2010 €	2009 €
<b>11. Inventories</b>		
Books and publications	<u>13,397</u>	<u>7,387</u>
<b>12. Receivables</b>		
Local enforcement debtors	108,768	142,601
Prepayments & accrued income	25,130	10,834
Other debtors	1,175	34,940
	<u>135,073</u>	<u>188,375</u>
<b>Receivables are stated net of impairment charges as follows:</b>		
LES enforcement debtors	<u>108,768</u>	<u>142,601</u>
The maximum exposure to credit risk at reporting date is the carrying value of each class of receivables. The impairment loss on receivables is included in Note 9 under the administrative and other expenses.		
<b>13. Cash and Cash Equivalents</b>		
Ordinary Funds	347,618	315,022
Special Needs Funds	2,028	2,028
Cash in hand	9	803
	<u>349,655</u>	<u>317,853</u>
<b>14. Payables</b>		
Payables	1,499	72,078
Accruals and deferred income	93,745	13,879
Special Needs Funds - Unutilised	2,029	10,028
	<u>97,273</u>	<u>95,985</u>

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

**15. Related party transactions**

During the year, the Local Council had effected transactions with related parties resulting mainly in Connection with income transactions, are disclosed in note 3 to these financial statements.

The following transactions were carried out with related parties:

	2010 €	2009 €
<b>Funds received from Local Government</b>	368,418	261,263

**16. Financial risk management**

**Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Market risk

This note presents information about the local council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

***Credit risk***

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meets its contractual obligations. Credit risk arises principally from the local council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the company's debtor base for whom there is no history of default.

**Capital management**

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

**Fair values**

At 31 December 2010 and 2009 the carrying amounts of cash at bank, debtors, creditors and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the origination of the instruments and their expected realisation.