

Hal Gharghur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2011



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ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011

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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 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 30/04/2012 by:



Mario Gauci
Mayor



Kenneth Brincat
Acting Executive Secretary

LOCAL COUNCIL GHARGHUR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL GHARGHUR, which comprise the statement of financial position on page 5 as of 31st December 2011, and 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Members and the Executive Secretary, 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.

The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income amounting to €1,538, which was recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to a number of disclosures as required IAS 1 – Presentation of Financial Statements; IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors; IAS 16 – Property, Plant and Equipment; IAS 24 - Related Party Disclosures; IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IFRS 7 – Financial Instruments: Disclosures.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Local Council Gharghur as at 31st December 2011 and of its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Christian Vella (Partner) on its behalf

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Certified Public Accountants
The Penthouse, Level 3
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Valley Road
Birkirkara BKR9024
Malta

Date: 30th April 2012

STATEMENT OF FINANCIAL POSITION


As at 31 December 2011


ASSETS	Notes	2011 €	2010 €
Non-Current Assets			
Property, plant and equipment	3	703,038	636,989
		<u>703,038</u>	<u>636,989</u>
Current Assets			
Trade and other receivables	4	26,586	53,834
Cash and Cash Equivalents	5	91,279	68,667
		<u>117,865</u>	<u>122,500</u>
Total Assets		<u>820,903</u>	<u>759,490</u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		496,842	508,399
Long-Term Liabilities			
Long term payables	6	231,476	161,578
Liabilities			
Trade and other payables	7	92,585	89,513
TOTAL RESERVES AND LIABILITIES		<u>820,903</u>	<u>759,490</u>

The notes on pages 10 to 17 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on
on its behalf by:

30/04/ 2012 and signed


Mario Gauci
Mayor


Kenneth Brincat
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

		Year Ended Dec 11	Year Ended Dec 10	Budget Y/E 2011
		€	€	€
INCOME				
Funds received from central government	8	233,389	228,508	278,748
Funds raised under Local Enforcement System	9	435	1,505	6,002
Investment income	10	261	322	250
General Income	11	16,181	25,587	0
		<u>250,266</u>	<u>255,922</u>	<u>285,000</u>
EXPENDITURE				
Personal emoluments	12	(69,323)	(75,520)	(80,500)
Operations and maintenance	13	(84,200)	(89,510)	(159,500)
Administration and other expenditure	14	(108,300)	(78,987)	(155,000)
		<u>(261,823)</u>	<u>(244,017)</u>	<u>(395,000)</u>
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR/PERIOD		<u>(11,557)</u>	<u>11,905</u>	<u>(110,000)</u>

The notes on pages 10 to 17 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Retained Funds €
As at 31st Dec 2009	505,173
Profit for the period	11,905
Prior Year Adjustment	(8,678)
	<hr/>
As at 31st Dec 2010	508,399
Loss for the year	(11,557)
	<hr/>
As at 31st Dec 2011	496,842

The notes on pages 10 to 17 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

Cash Flows from Operating Activities

	2011 €	2010 €
Total Comprehensive (Loss)/Income for the year/period	(11,556)	11,905
Adjustments for:		
Depreciation	63,844	37,016
Accruals	13,547	
Prepayments/Accrued Income	(20,835)	
Interest receivable	(261)	(322)
Operating Profit before Working Capital Changes	52,280	48,599
(Increase)/decrease in receivables	2,834	(52,356)
Increase/(Decrease) in creditors	45,954	
UIF funds written back		(30,138)
Net Cash inflow from operating activities	101,068	(33,895)
Cash flows from Investing Activities		
Purchase of property, plant and equipment	(108,933)	(207,045)
Adjustment to Property Plant & Equip		2,713
Interest received	261	322
Movement in Grants	(14,403)	
Increase in deferred income	52,163	161,578
Cash Flow used in Investing Activities	(78,454)	(42,432)
Net (Decrease)/Increase in Cash and Cash Equivalents	22,613	(76,327)
Cash and Cash Equivalents at the Beginning of period/year	68,666	144,993
Cash and Cash Equivalents At the End of year/period	91,279	68,666

The notes on pages 10 to 17 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2011

1. General Information

Hal Gharghur Local Council is the local authority of Hal Gharghur setup in accordance with the Local Councils Act.

The office of the Local Council is situated at Triq San Nikola Hal Gharghur.

2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by the Local Councils are as follows:

a. Revenue recognition

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

b. Local Enforcement System

Hal Gharghur Local Council forms part of Tramuntana / North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

c. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	100
Playground furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

d. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

f. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Income and Expenditure.

g. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and present currency.

Transaction denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Affairs.

h. Profit and Losses

Only profits that were realised at the date of the Statement of Affairs are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

i. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

j. Trade and other payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Notes to the Financial Statements for the year ended 31 December 2011 - continued

k. Related parties

Related parties to the Local Council comprise the Department for Local Government, the Joint Committee and other Government entities.

The related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Joint Committee and other Government entities such as Water Service Corporation.

l. Recognition and measurement

The council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value. All regular way transactions in assets classified in the receivables category are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from related parties are recognised and carried at cost.

m. Critical accounting estimates and judgements

In preparing the financial statements, the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

In the opinion of the executive secretary, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) – 'Presentation of financial statements'.

Notes to the Financial Statements for the year ended 31 December 2011 - continued

3a Property, Plant and Equipment

Tangible Assets	Construction	Council Administrative Offices	Office Furniture/Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Total
As at 1st Jan 201	301,780	112,225	28,656	14,475	109,652	9,461	18,247	5,757	896,796	1,497,049
Additions	11,118				8,864	1,612	442	120	269,279	291,435
Disposal				(996)						(996)
Reclassifications	(161,224)	(4,233)	(1)	1,429	(9,725)	832	12,373	(401)	160,950	
As at 31 Dec 2011	151,674	107,992	28,655	14,908	108,791	11,905	31,062	5,877	1,166,075	1,626,938

Grants and other reimbursement

Grants Received									(479,906)	(479,906)
As at 31 Dec 2011									(479,906)	(479,906)

Accumulated Depreciation

As at 1st Jan 2011	333,484	(4,908)	(12,656)	(14,637)	(40,075)	(6,312)	(7,279)	(3,818)	(623,949)	(380,150)
Charge for the year	(10,252)	(1,026)	(1,200)	43	(6,278)	(704)	(3,424)	(455)	(40,548)	(63,844)
Reclassification	407,637	429		313	2,988	830	1,706		(413,903)	0
As at 31 Dec 2011	(84,405)	(6,363)	(13,856)	(14,908)	(49,341)	(7,846)	(12,409)	(4,273)	(250,594)	(443,994)
Net Book Value	67,269.22	101,628.63	14,799.28	(0.07)	59,450.04	4,059.84	18,652.74	1,604.20	435,574.39	703,038

Notes to the Financial Statements for the year ended 31 December 2011 - continued

3bProperty, Plant and Equipment

Tangible Assets	Construction	Council Administrative Offices	Office Furniture/Fittings	New Street Signs	Trees and plants	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Total
As at 1st Jan 2010	970,436	124,117	13,218	10,949	3,005	67,686	8,558	1,189	4,707	92,817	1,296,682
Additions	162,483	4,668	234	(162)		39,434	211	198	479	(500)	207,045
Disposals		(436)		(270)		(3,586)	(830)	(1,558)			(6,680)
Rescalfisif of Assets	(831,139)	(16,125)	15,203	3,958	(3,005)	6,118	1,522	18,418	571	804,479	0
As at 31 Dec 2010	301,780	112,224	28,655	14,475	0	109,652	9,461	18,247	5,757	896,796	1,497,047

Grants and other
reimbursement

Grants Received	(411,166)					(3,010)				(65,730)	(479,906)
As at 31 Dec 2010	(411,166)					(3,010)				(65,730)	(479,906)

Accumulated Depreciation

As at 1st Jan 2010	(259,813)	(928)	(7,577)	(10,949)	(2,423)	(34,645)	(7,263)	(688)	(3,224)	(10,914)	(338,424.00)
Charge for the year	(29,250)	(1,238)	(420)	162		(4,084)	(242)	(111)	(335)	(1,497)	(37,015.00)
Dep'n on Disposal		436		270		3,586	830		1,558		6,680.00
Reall of Depn	622,547	(3,178)	(4,659)	(4,120)	2,423	(4,932)	360	(8,038)	(259)	(611,538)	(11,391.00)
As at 31 Dec 2010	333,484	(4,908)	(12,656)	(14,637)	0	(40,075)	(6,315)	(8,837)	(2,260)	(623,949)	(380,150)

Net Book Value	224,098	107,316	15,999	(162)	0	66,567	3,149	9,410	3,497	207,117	636,990
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Notes to the Financial Statements for the year ended 31 December 2011 – continued

	2011 €	2010 €
4 Receivables		
Trade receivables	5,751	8,584
Prepayments & Accrued Income	20,835	45,249
	<u>26,586</u>	<u>53,833</u>
	2011 €	2010 €
Trade receivables		
Within the current period	26,586	53,833
Exceeded credit period but not yet impaired		
	<u>26,586</u>	<u>53,833</u>
5 Cash and Cash Equivalents		
Cash and cash equivalents consist of cash in hand and balance with banks		
Bank Balances:	2011 €	2010 €
Ordinary funds	91,047	68,433
Cash in hand	233	233
Cash at bank and in hand	<u>91,279</u>	<u>68,666</u>
	2011 €	2010 €
6 Long Term Payables		
PPP long term creditors	86,002	68,273
Deferred Income	145,468	93,305
	<u>231,471</u>	<u>161,578</u>
	2011 €	2010 €
7 Payables		
Trade Creditors	63,284	17,330
Deferred UIF funds	15,754	40,218
Accruals	13,547	31,965
	<u>92,585</u>	<u>89,513</u>

Hal Gharghur Local Council

Notes to the Financial Statements for the year ended 31 December 2011 – continued

Repairs and Upkeep:

	2011	2010
8 Funds received from Central Government	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	211,907	212,970
Other Government income	21,482	15,538
	<u>233,389</u>	<u>228,508</u>

	2011	2010
9 Income raised under the Local Enforcement System	€	€
Income from contraventions	435	1,505
	<u>435</u>	<u>1,505</u>

	2011	2010
10 Investment income	€	€
Bank Interest Receivable	262	322
	<u>262</u>	<u>322</u>

	2011	2010
11 General Income	€	€
Permits	4,683	6,150
Tender Documents	1,050	3,201
UIF and other funds chargeable to the period	3,457	3,588
Sponsorships	-	-
Refunds - Green MT	1,560	1,260
General	5,334	3,202
WSC reinstatement	-	7,950
Libraries	97	236
	<u>16,181</u>	<u>25,587</u>

	2011	2010
12 Personal Emoluments	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	3,830	8,835
Councillor's Allowances	6,400	6,400
Executive Secretary salary and allowance	21,748	22,982
Employees' Salary and Allowances	32,992	33,115
Social Security Contributions	4,352	4,188
	<u>69,322</u>	<u>75,520</u>

Notes to the Financial Statements for the year ended 31 December 2011 – continued

13 Operations and Maintenance

Operations and maintenance includes, inter alia:

	2011	2010
	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	832	3,202
Walkways	3,032	662
Street Signs	3,995	3,026
Road Markings	2,134	2,811
Others	3,606	7,728
	<u>15,598</u>	<u>17,428</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	26,144	29,139
Bulky Refuse Collection (including open skips)	2,783	2,969
Bring-in sites	0	565
Road and Street Cleaning (mechanical and manual)	9,265	15,823
PPP Contracts	700	0
Tipping fees	18,600	12,012
Cleaning and Maintenance of Public Conveniences	2,806	3,129
Cleaning and Maintenance of Parks and Gardens	2,271	2,460
eGovernmet	1,717	1,707
Cleaning - Council Premises	384	591
Local Enforcement System expenses	0	0
Street Lighting	4,416	3,687
Others	1,514	0
	<u>70,602</u>	<u>72,082</u>
Total Operations and Maintenance Expenses	<u>84,200</u>	<u>89,510</u>

14 Administration and other expenditure

	2011	2010
	€	€
Utilities	6,779	6,526
Materials & Supplies	4,800	2,190
Rent	2,812	2,667
National and International Memberships	2,579	384
Office Services	1,478	1,604
Transport and travel	310	1,054
Information services (including library)	3,721	3,080
Professional Services	3,701	7,668
Insurance	1,709	1,992
Community and Hospitality	13,129	14,398
Training	0	60
Depreciation	63,844	37,016
Others	3,386	348
	<u>108,300</u>	<u>78,987</u>

Hal Gharghur Local Council

15 Capital Commitments

	2011	2010
Road Resurfacing PPP 1- 2012 to 2019	-	185,309
Road Resurfacing PPP 1- 2012	50,285	-
Road Resurfacing PPP 1 -2013-2019	11,3749	-
Road Resurfacing PPP 2 - 2012	35,245	-
Road Resurfacing PPP 2 - 2013-2021	39,138	-
	<u>238,417</u>	<u>185,309</u>

The above represents commitments which the council had for 2010 and 2011.

16 Contingencies

The council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

17 Related Parties

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.