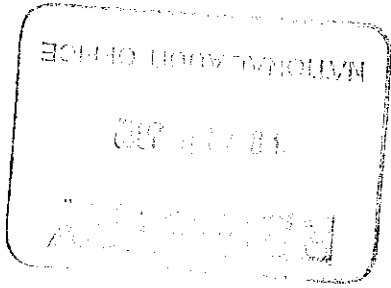


**IKLIN LOCAL COUNCIL**  
**FINANCIAL STATEMENTS**  
**for the year ended 31 DECEMBER 2011**



**Prepared by: Patrick Caruana**

Financial Statements -- 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 the Local Council's Statement of Comprehensive Income 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.

\_\_\_\_\_  
Mayor

Date: 23 April 2012

\_\_\_\_\_  
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 Iklil 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 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 € 31,337 is an amount of € 30,986 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 2011 were not made available to us.

2. The council has not provided for an amount of € 14,485 relating to amounts charged by a third party for waste tipping services. The council is not recognising this amount on the strength of a circular issued by the Local Councils Association which advised councils not to pay amounts for tipping services which exceed the amount allocated by Government to the council for this purpose. Since the council cannot presently determine the ultimate outcome of the matter, no provision for any liability that may result has been recognised in the financial statements.

3. The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

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 of the additional requirements that

Financial Statements for the year ended 31 December 2011

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

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

4. 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**

Except for the effects of the matters described in paragraphs 1 and 2 above, the financial statements give a true and fair view of the financial position of Iklin Local Council as of 31 December 2011, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 9 to 11.

Because of the matter set out in paragraph 4 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 paragraphs 3 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

23 April 2012

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

Notes	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Actual	Actual	
Euro	Euro	Euro
<b>Income</b>		
Funds received from central government	224,173	224,210
Local enforcement income	31,337	-
General income	12,765	13,019
	<u>268,275</u>	<u>237,229</u>
<b>Expenditure</b>		
Personal emoluments	65,712	60,113
Operations and maintenance	69,985	74,974
Administration and other expenditure	92,645	82,076
	<u>228,342</u>	<u>217,163</u>
Operating Surplus for the year	39,933	20,066
Investment income	238	1,177
	<u>40,171</u>	<u>21,243</u>
Surplus for the year		

The notes on pages 9 to 18 form part of the financial statements.

IKLIN LOCAL COUNCIL

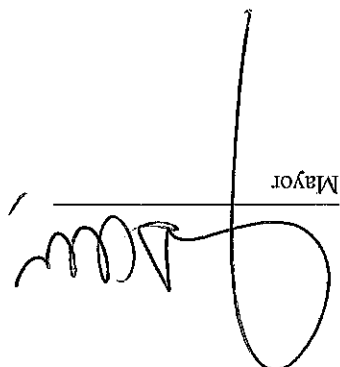
STATEMENT OF FINANCIAL POSITION as at 31 DECEMBER 2011

2011	2010
Euro	Euro

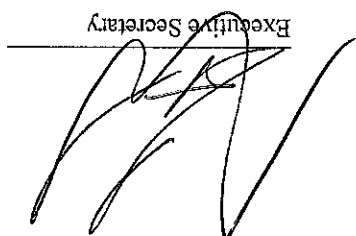
Assets	Notes	2011	2010
<b>Non-current assets</b>			
Property, plant and equipment	10	441,260	379,962
<b>Current assets</b>			
Receivables	11	170,776	4,813
Cash and cash equivalents	12	130,170	148,783
<b>Total assets</b>		<u>742,206</u>	<u>533,558</u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained funds		354,483	314,312
<b>Non-current liabilities</b>			
Deferred income	13	359,391	193,379
<b>Current liabilities</b>			
Payables	14	28,332	25,867
<b>Total reserves and liabilities</b>		<u>742,206</u>	<u>533,558</u>

These financial statements were approved by the Council on 23rd April 2012 and were signed on its behalf by:

Mayor



Executive Secretary



The notes on pages 9 to 18 form part of the financial statements.

IKLIN LOCAL COUNCIL  
STATEMENT OF CHANGES IN NET ASSETS/EQUITY  
for the year ended 31 DECEMBER 2011

IKLÍN LOCAL COUNCIL		STATEMENT OF CASH FLOWS		for the year ended 31 DECEMBER 2011	
2010	2011	Notes	Euro	Euro	
					<b>Cash Flows from Operating Activities</b>
					Surplus for the year/period
21,243	40,171				Adjustment for:
					Depreciation
29,317	39,612				Investment income
(1,177)	(238)				Income from grants
41,914	71,513				Receivables
(2,149)	(165,962)				Payables
(132)	2,465				
(2,281)	(163,497)				<b>Net cash from operating activities</b>
39,633	(91,984)				<b>Cash flows from investing activities</b>
					Purchase of property, plant and equipment
(108,682)	(100,910)				Investment income
1,177	238				<b>Net cash used in investing activities</b>
(107,505)	(100,672)				<b>Cash flows from financing activities</b>
					Grants received
94,386	174,043				<b>Cash flows from financing activities</b>
94,386	174,043				<b>Net movement in cash and cash equivalents</b>
26,514	(18,613)				<b>Cash and cash equivalents at beginning of year</b>
122,269	148,783				<b>Cash and cash equivalents at end of year</b>
148,783	130,170	12			

The notes on pages 9 to 18 form part of the financial statements.



## as at 31 DECEMBER 2011

Funds received and expended					Capital Creditors					Commitments				
Programme	Funds Brought Forward 1 Jan 2011	Funds Received Current period	Funds Expended Current period	Funds Carried Forward 31 Dec 2011	Programme	Brought Forward 1 Jan 2011	Contracted Current period	Invoices Received	Carried Forward 31 Dec 2011	Programme	Brought Forward 1 Jan 2011	Contracted Current period	Invoices Received	Carried Forward 31 Dec 2011

## 1. General Information

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Councils Act. The office of the Local Council is situated at "Three Villages", Trigir-Rumanzier, Iklin.

## 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 formed part of Birkirkara Joint Committee. As from 1 September 2011, the Council formed part of the Central Regional Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Birkirkara Joint Committee after deducting the related expenses and the percentage due from the Central Regional Committee.

*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	%
Trees	0
Buildings	1
Construction works	10
Office furniture, fixtures and fittings	7½
New street signs – Replacement method	N/A
Urban improvements (street furniture)	10
Computer equipment	25
Office equipment	20
Plant & Machinery	20
Plants	100
Playing field equipment	100
Litter bins – Replacement method	N/A
Street lights	100
Special Programmes	10

**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.

2. Accounting policies and reporting procedures (continued)

*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.

IRKLIN LOCAL COUNCIL

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

(continued)

3.	Funds received from Central Government	In terms of section 55 of the Local Councils Act 1993 Other government income	2011	2010
			Euro	Euro
			215,248	216,142
			8,925	8,068
			224,173	224,210
4.	Local Enforcement income	Tribunal Sentenced Contraventions	2011	2010
			Euro	Euro
			31,337	-
5.	Investment income	Bank interest	2011	2010
			Euro	Euro
			238	1,177
6.	General income	Community & cultural activities Permits General	2011	2010
			Euro	Euro
			3,776	3,578
			7,018	3,077
			1,971	6,364
			12,765	13,019
7.	Personal emoluments	Mayor's / Councillors' Allowance Executive Secretary's salary Employees' salaries Social security contribution	2011	2010
			Euro	Euro
			12,001	12,264
			27,199	24,510
			22,287	19,787
			4,225	3,552
			65,712	60,113

8. Operations and maintenance			
	2011	2010	
	Euro	Euro	
<i>Repairs and Upkeep:</i>			
Road patching	590	-	
Road markings	2,120	5,732	
Repairs and upkeep public property	1,665	1,522	
Operating materials & supplies	2,479	1,347	
Cleaning materials & supplies	407	556	
Street signs	1,937	266	
Litter Bins	1,026	-	
Repairs and upkeep plant & equipment	73	-	
Sundry repairs & upkeep	767	1,857	
<i>Contractual Services:</i>	11,064	11,280	
Refuse collection	26,095	25,361	
Waste banks	118	498	
Waste disposal	13,197	13,356	
Road and street cleaning	11,532	12,785	
Cleaning and maintenance - parks and garden	1,195	1,195	
Street lighting	2,560	2,085	
Lease of equipment	217	263	
Insurance coverage	2,120	1,955	
Bank charges	18	19	
Studies & consultations	507	4,905	
Cleaning Council premises	1,362	1,538	
	58,921	63,960	
	69,985	75,240	
9. Administration and other expenses			
	2011	2010	
	Euro	Euro	
Utilities	7,169	5,402	
Repair & upkeep office furniture & equipment	471	504	
Uniforms	631	506	
Rent	10,950	10,162	
Office services	3,875	3,119	
Transport	3,634	3,217	
Information services	606	1,436	
Other contractual services	-	24	
Professional services	12,505	20,024	
Community and hospitality	11,528	7,315	
National meetings	588	1,050	
Penalties & fines	1,076	-	
Depreciation	39,612	29,317	
	92,645	82,076	

**IKLIN LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 DECEMBER 2011**  
(continued)

**10. Property, plant and equipment**

	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant & Machinery	Special Programmes	Street Lights	Projects under construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>										
At 1 January 2011	455,552	22,098	28,343	57,875	25,821	340	352,165	2,516	-	944,710
Additions	1,629	894	-	921	-	-	-	4,282	93,184	100,910
At 31 December 2011	457,181	22,992	28,343	58,796	25,821	340	352,165	6,798	93,184	1,045,620
<b>Grants and other reimbursements</b>										
At 1 January 2011	15,561	-	-	-	2,644	-	264,673	-	-	282,878
Special Need Funds	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	15,561	-	-	-	2,644	-	264,673	-	-	282,878
<b>Accumulated Depreciation</b>										
At 1 January 2011	182,785	13,614	28,343	34,822	19,235	318	237	2,516	-	281,870
Charge for the year	22,681	652	-	2,283	768	4	8,942	4,282	-	39,612
At 31 December 2011	205,466	14,266	28,343	37,105	20,003	322	9,179	6,798	-	321,482
<b>Net book value</b>										
At 31 December 2011	236,154	8,726	-	21,691	3,174	18	78,313	-	93,184	441,260

IKLIN LOCAL COUNCIL

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

10 Property, plant and equipment

	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant & Machinery	Special Programmes	Street Lights	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>									
At 1 January 2010	436,487	22,098	27,480	56,719	25,715	340	264,673	2,516	836,028
Additions	19,065	-	863	1,156	106	-	87,492	-	108,682
At 31 December 2010	455,552	22,098	28,343	57,875	25,821	340	352,165	2,516	944,710
<b>Grants and other reimbursements</b>									
At 1 January 2010	15,561	-	-	-	2,644	-	264,673	-	282,878
Special Need Funds	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2010	15,561	-	-	-	2,644	-	264,673	-	282,878
<b>Accumulated Depreciation</b>									
At 1 January 2010	158,666	13,121	27,480	31,863	18,590	317	-	2,516	252,553
Charge for the year	24,119	493	863	2,959	645	1	237	-	29,317
At 31 December 2010	182,785	13,614	28,343	34,822	19,235	318	237	2,516	281,870
<b>Net book value</b>									
At 31 December 2010	257,206	8,484	-	23,053	3,942	22	87,255	-	379,962



11. Receivables																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 DECEMBER 2011

(continued)

14 Payables		2011	2010
	Payables	11,971	13,075
	Accruals	8,146	3,867
	Deferred grants income-short term	8,032	8,925
	Other payables	183	-
		<u>28,332</u>	<u>25,867</u>

15. Capital Commitments

		2011	2010
(i) Authorised but not contracted for (i)	Authorised but not contracted for (i)	94,553	76,259
	Authorised and contracted for (ii)	203,229	37,697
(i) Authorised but not contracted for		<u>297,782</u>	<u>113,956</u>
(i) Authorised and contracted for	Construction of new premises	34,941	34,941
	Street Paving	20,000	25,000
	Parking Project	17,408	-
	Special Programmes	16,404	16,318
	Urban Improvements	2,700	-
	Office Furniture & Equipment	3,100	-
		<u>94,553</u>	<u>76,259</u>
(i) Authorised and contracted for	Road contractor - retention money	9,448	9,448
	Road resurfacing	52,311	21,000
	Restoration of Rubble Walls	141,470	7,249
		<u>203,229</u>	<u>37,697</u>

## 16 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 unpredictability 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.

## 17 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	224,173
LES Joint Committee	Joint Control	30,986
Water Services Corporation	No Control	5,000
		<u>260,159</u>