



MELLIEHA

LOCAL COUNCIL MELLIEHA

Report and Financial Statements

for the year ending 31 December 2011



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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2011**

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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 Local Council on 11 April 2012 and signed on its behalf by:



Robert Cutajar  
Mayor



Carmel Debono  
Executive Secretary

## **LOCAL COUNCIL MELLIEHA**

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

We have audited the accompanying financial statements of LOCAL COUNCIL MELLIEHA, which comprise the statement of financial position on page 4 as of 31<sup>st</sup> 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 paragraph, 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. There were no alternative acceptable audit procedures we could perform to obtain reasonable assurance on the completeness of the share of income or expenses, which were recorded in the financial statements as well as on any accrued income or liabilities present as at end of the current financial year.


#### ***Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of Local Council Mellieha as at 31<sup>st</sup> 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  
Neville Cutajar (Partner) on its behalf

**3a**

Certified Public Accountants  
The Penthouse, Level 3  
Palazzo Ca' Brugnara  
Valley Road  
Birkirkara BKR9024  
Malta

**Date 11<sup>th</sup> April 2012**



Statement of Comprehensive Income  
for the year ended 31 December 2011

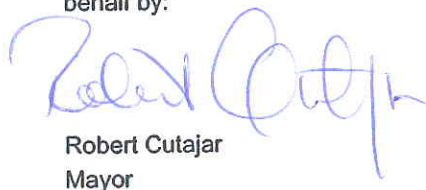
	Notes	2011 €	2010 €
<b>Revenue</b>			
Funds received from Central Government	3	1,073,282	1,061,933
Income raised under Local Council Bye-Laws	4	18,640	14,291
Income raised under Local Enforcement System	5	25,325	-
General Income	6	24,079	95,478
		<u>1,141,326</u>	<u>1,171,702</u>
<b>Expenditure</b>			
Personal Emoluments	7	(102,761)	(112,913)
Operations and maintenance	8	(412,991)	(337,583)
Administration and other expenditure	9	(495,896)	(454,059)
		<u>(1,011,648)</u>	<u>(904,555)</u>
<b>Operating surplus for the year</b>		129,678	267,147
Finance income	10	10,535	10,641
		<u>140,213</u>	<u>277,788</u>
Loss on write off of assets	7	(1,784)	-
<b>Profit for the year</b>	7	<u>138,429</u>	<u>277,788</u>

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

Statement of Financial Position  
as at 31 December 2011

		31 Dec 2011	31 Dec 2010 (as restated)	31 Dec 2010 (as previously stated)
	Notes	€	€	€
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	11	3,220,054	2,727,696	2,727,696
		<u>3,220,054</u>	<u>2,727,696</u>	<u>2,727,696</u>
<b>Current Assets</b>				
Inventories	12	13,700	11,293	11,293
Receivables	13	124,365	106,474	74,752
Cash and cash equivalents	14	1,178,069	1,305,015	1,305,015
		<u>1,316,134</u>	<u>1,422,782</u>	<u>1,391,060</u>
<b>Total Assets</b>		<u><u>4,536,188</u></u>	<u><u>4,150,478</u></u>	<u><u>4,118,756</u></u>
<b>RESERVES</b>				
Retained earnings		<u>3,751,743</u>	<u>3,613,314</u>	<u>3,581,592</u>
<b>Total equity</b>		<u><u>3,751,743</u></u>	<u><u>3,613,314</u></u>	<u><u>3,581,592</u></u>
<b>Non-Current Liabilities</b>				
Long-term borrowings	16	111,512	-	-
Deferred income	18	420,050	186,415	186,415
		<u>531,562</u>	<u>186,415</u>	<u>186,415</u>
<b>Current Liabilities</b>				
Payables	15	252,883	350,749	350,749
		<u>252,883</u>	<u>350,749</u>	<u>350,749</u>
<b>Total Liabilities</b>		<u><u>784,445</u></u>	<u><u>537,164</u></u>	<u><u>537,164</u></u>
<b>Total reserves and liabilities</b>		<u><u>4,536,188</u></u>	<u><u>4,150,478</u></u>	<u><u>4,118,756</u></u>

These financial statements were approved by the Local Council on 11th April 2012 and signed on its behalf by:

  
Robert Cutajar  
Mayor

  
Carmel Debono  
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 2011**

	Retained Funds	Total
	€	€
<b>At 1 January 2010</b>	3,335,526	3,335,526
Profit for the year	<u>277,788</u>	<u>277,788</u>
<b>At 31 December 2010</b>	<u>3,613,314</u>	<u>3,613,314</u>
 <b>At 31 December 2010</b> as previously stated	 3,581,592	 3,581,592
Prior year adjustment	<u>31,722</u>	<u>31,722</u>
<b>At 1 January 2011</b>	3,613,314	3,613,314
Profit for the year	<u>138,429</u>	<u>138,429</u>
<b>At 31 December 2011</b>	<u>3,751,743</u>	<u>3,751,743</u>



**Statement of Cash Flows**  
for the year ended 31 December 2011

	2011	2010
	€	€
<b>Net profit for the year</b>	138,429	277,788
<b>Reconciliation to cash generated from operations:</b>		
Depreciation	270,509	276,074
Deficit on disposal of assets	1,784	-
Bad Debts written off	826	-
Provision for Doubtful Debtors	(826)	
Interest receivable	(10,535)	(10,641)
<b>Operating profit before working capital changes</b>	400,187	543,221
(Increase) in inventories	(2,407)	(3,107)
(Increase) in receivables	(14,648)	(10,826)
(Increase) in other receivables	(1,715)	(42,099)
(Decrease) / Increase in payables	(7,630)	158,955
(Decrease) / Increase in other payables	(89,202)	104,754
Grant released	(10,461)	(11,197)
<b>Cash generated from operating activities</b>	274,124	739,701
<b>Cash flow from investing activities</b>		
Interest received	9,007	9,119
Purchase of property, plant & equipment	(764,651)	(282,650)
Receipt of grant	243,062	5,100
<b>Cash used in investing activities</b>	(512,582)	(268,431)
<b>Cash from financing activities</b>		
New long term third party borrowings	111,512	-
<b>Cash generated from financing activities</b>	111,512	-
<b>Net Increase / (Decrease) in cash in the year</b>	(126,946)	471,270
Cash and equivalents at beginning of year	1,305,015	833,745
<b>Cash and equivalents at end of year</b>	1,178,069	1,305,015

**1. General Information**

The Mellieha Local Council 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 126, New Mill Street, Mellieha, MLH 1107. These financial statements were approved for issue by the Council Members on 11 April 2012. 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 2011:

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

- IAS 24 - Related party disclosures (effective 1 January 2011) Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.



*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 Local Council's accounting periods beginning on or after 1 January 2012 or later periods, but the Local Council has not early adopted them:

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 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 2013, with earlier application being permitted. 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. This Standard had not yet been adopted by the EU at the date of authorisation of these financial statements.

- On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. At the same time, the IASB issued a revised version of IAS 27 Separate Financial Statements and a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. These Standards have not yet been endorsed by the European Union at the date of authorisation of these financial statements.

- 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. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

- 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 Local Councils 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. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.

- 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. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

The Councillors and Executive Secretary are 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 Councillors and Executive Secretary anticipate 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.

#### *Intangible Fixed Assets*

##### *Computer Software*

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

##### *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 council 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.

#### *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### *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. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

#### *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.



***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

***Trade and other payables***

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measure at amortised cost using the effective interest method.

***Financial instruments***

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

All interest-related charges are included within 'finance costs'.

**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.

**Local Enforcement System**

The Mellieha Local Council formed part of the North Joint Committee until August. The amount disclosed in the financial statements under Local Enforcement Income represents the share of gain derived until August from the Joint Committee after deducting the related expenses from the income. As from September the income recognised was derived from the five Regional Committees.

**Government grants**

Government grants relating to costs are deferred and recognised in the income statement 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.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**Profits and losses**

Only surpluses 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 Cash Flow Statement, 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.

**3. Funds received from central government**

	2011	2010
	€	€
In terms of section 55 of the Local Councils Act	952,923	953,148
Supplementary Government Income	14,903	35,079
EU Funding	23,081	11,088
Other Government Income	71,914	51,421
Grants Released	10,461	11,197
	<u>1,073,282</u>	<u>1,061,933</u>

**Note**

The Council has received additional funds through the submission of various applications including Scheme for Sustainable Localities, Scheme for Inizjattivi ta' Attivitajiet, Scheme EGOV4U, Library Scheme, Green Challenge & Community Involvement Award and Scheme for Lokalitajiet Indaf.

**4. Income raised from Bye-Laws**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Bye-Law - Use of Facilities	3,674	3,807
Bye-Law - Organisation of Courses	14,531	9,521
Bye-Law - Skips	435	963
	<u>18,640</u>	<u>14,291</u>

**5. Local Enforcement System**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Contraventions and other fines	25,325	-
	<u>25,325</u>	<u>-</u>

**6. General Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Cultural Events & sponsorships from NGOs	8,190	6,572
Sale of books and other merchandise	1,633	5,799
Tree Planting Contributions	388	225
Rent Receivable	(233)	(104)
General Income	283	69
Tender Documents/Info. Charges	1,490	1,660
Donations	-	715
Contributions	950	67,520
Refund of expenses	-	395
Insurance Claims	-	295
Income from Permits	11,378	12,332
	<u>24,079</u>	<u>95,478</u>

The item Contributions for 2010 amounting to € 67,520 includes arrears payable by the Water Services Corporation covering the period 2007 to 2009 on account of the road reinstatement agreement signed with the Council.

**7. Profit for the year**

		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
Profit for the year is stated after charging:			
Staff salaries	<i>Note</i>	102,761	112,913
Depreciation of tangible assets		270,509	276,074
Deficit on write off of tangible fixed assets		1,784	-
		<u>102,761</u>	<u>112,913</u>
<i>Staff salaries</i>			
		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
Mayor's Remuneration		9,561	13,386
Councillors' Allowances		8,800	8,800
Executive Secretary Salary and Allowances		26,901	26,833
Employees' Salaries		51,198	56,763
Social Security Contributions		6,301	7,131
		<u>102,761</u>	<u>112,913</u>

**8. Operations and Maintenance**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	35,800	48,692
Signs	25,998	6,919
Road Markings	25,251	5,491
Bus shelters	-	2,076
Other repairs and Upkeep	103	83
Council Property	2,531	644
Repairs and maintenance - litter bins	4,944	2,294
	<u>94,627</u>	<u>66,199</u>



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<i>Contractual Services:</i>		
Waste Disposal	-	339
Refuse Collection	117,415	115,329
Bulky Refuse Collection	19,527	9,586
Open Skips & Bring-in Sites	1,418	1,225
Road & Street Cleaning	42,960	38,919
Cleaning & Maint. Non-Urban	38,402	27,246
Cleaning - Public Conveniences	31,418	28,703
Cleaning - Council Premises	3,418	2,957
Clean. & Maint. Parks & Gardens	29,577	27,777
Clean. & Maint. Beaches	427	138
Street Lighting	10,345	9,628
Studies & Consultations	21,599	3,250
Share of loss from Joint Committee	1,858	6,287
	<u>318,364</u>	<u>271,384</u>
Total Operations and Maintenance Costs	<u>412,991</u>	<u>337,583</u>

**9. Administration and other expenditure**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Utilities	20,643	17,193
Other repairs and upkeep	2,209	3,119
Rent	1,125	1,233
National and International Memberships	552	460
Office Services	4,374	5,143
Transport	3,171	663
Travel	1,549	1,763
Information Services	13,536	18,624
Lease of Equipment	3,286	2,732
Insurance Coverage	2,398	3,175
Bank Charges	518	226
Professional Services	18,453	18,813
EU Projects Expenses	-	30,015
Tuition for courses and expenses	24,101	11,425
Entertainment	2,443	1,465
Conference Expenses	26,937	3,466
Cultural Events	76,072	51,399
Community Services	6,810	3,676
Sundry Minor Expenses	3,269	2,486
Provision for Doubtful Debtors	(826)	-
Bad Debts written off	826	-
General and administrative expenses	455	373
Twinning expenses	4,433	536
Penalties	9,053	-
Depreciation	270,509	276,074
	<u>495,896</u>	<u>454,059</u>

**10. Finance Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Bank Interest Receivable	10,535	10,641
	<u>10,535</u>	<u>10,641</u>

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

11. Property, plant and equipment	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2010	338,425	76,235	69,309	116,045	27,533	45,380	4,675,942	5,348,869
Additions	-	271,981	4,013	2,221	1,415	1,087	1,933	282,650
At 31 December 2010	338,425	348,216	73,322	118,266	28,948	46,467	4,677,875	5,631,519
<b>Depreciation</b>								
At 1 January 2010	4,374	-	69,309	111,866	22,054	16,387	1,051,861	1,275,851
On disposals/impairment	-	-	-	-	-	-	-	-
Charge for the period	1,118	-	4,013	1,665	2,579	2,732	263,967	276,074
At 31 December 2010	5,492	-	73,322	113,531	24,633	19,119	1,315,828	1,551,925
<b>Grants</b>								
At 1 January 2010	-	-	-	-	-	-	1,351,898	1,351,898
At 31 December 2010	-	-	-	-	-	-	-	-
<b>Net book values</b>								
At 31 December 2010	332,933	348,216	-	4,735	4,315	27,348	2,010,149	2,727,696

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

## 11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2011	338,425	348,216	73,322	118,266	28,948	46,467	4,677,875	5,631,519
Additions	-	678,895	-	75,975	2,047	6,262	1,472	764,651
Disposals	-	-	-	-	-	-	(1,784)	(1,784)
At 31 December 2011	338,425	1,027,111	73,322	194,241	30,995	52,729	4,677,563	6,394,386
<b>Depreciation</b>								
At 1 January 2011	5,492	-	73,322	113,531	24,633	19,119	1,315,828	1,551,925
Charge for the year	883	-	-	77,413	1,823	2,466	187,924	270,509
At 31 December 2011	6,375	-	73,322	190,944	26,456	21,585	1,503,752	1,822,434
<b>Grants</b>								
At 1 January 2011	-	-	-	-	-	-	1,351,898	1,351,898
At 31 December 2011	-	-	-	-	-	-	-	-
<b>Net book values</b>								
At 31 December 2011	332,050	1,027,111	-	3,297	4,539	31,144	1,821,913	3,220,054

**12. Inventories**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Books and other publications	13,700	11,293

**13. Receivables**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Receivables	26,471	11,823
Other receivables	16,729	2,036
Prepayments and accrued income	81,165	92,615
	<u>124,365</u>	<u>106,474</u>

*Receivables*

General receivables are analysed as follows:

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Within credit period	3,225	298
Exceeded credit period but not impaired	23,246	11,525
Impaired and provided for	-	826
Provision for doubtful debts	-	(826)
	<u>26,471</u>	<u>11,823</u>

*Local Enforcement System (LES) Debtors*

LES Debtors are stated after a specific provision for doubtful debts amounting to €16,688 (2010 - €16,688).



**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:

	2011 €	2010 €
Cash at Bank	1,177,838	1,304,800
Cash in Hand	231	215
	<u>1,178,069</u>	<u>1,305,015</u>

**15. Payables**

	2011 €	2010 €
Payables	190,678	198,307
Accruals and deferred income	62,205	152,442
	<u>252,883</u>	<u>350,749</u>

Payables include an amount of € 24,137 which is in dispute with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Council's Association.

**16. Borrowings**

		<b>2012</b>	<b>2011</b>
		<b>€</b>	<b>€</b>
<b>Non-current</b>			
Third party borrowings	<i>Note</i>	111,512	-
		<u>111,512</u>	<u>-</u>
<b>Borrowings</b>			
Repayable between one and two years		27,445	-
Repayable between two and five years		36,987	-
Repayable in five years or more		47,080	-
		<u>111,512</u>	<u>-</u>

**Third party loan**

Amount is payable to a supplier under the Public Private Partnership scheme as per Memo 45/2010. It is repayable over a period of 7 years, 2013 to 2019.

Long term amount payable under the scheme, inclusive of interest is € 147,138.40.

**17. Prior year adjustment**

An adjustment was done in respect of other government income received in connection with a scheme issued or activity carried out in previous year.

In view of this, the financial statements for the year ended 31 December 2010 have been restated to reflect this correction. There is no effect on the figures for the year ended 31 December 2011.

	<b>2010</b>		<b>2011</b>
	<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
	<b>€</b>	<b>€</b>	<b>€</b>
Receivables	74,752	31,722	106,474
Retained Earnings	(3,581,592)	(31,722)	(3,613,314)

18. Deferred Income	2011 €	2010 €
<b>Government grants</b>		
At 1 January 2011	196,874	202,972
Increase in year	243,062	5,100
	<u>439,936</u>	<u>208,072</u>
Released in year	(10,461)	(11,197)
At 31 December 2011	<u>429,475</u>	<u>196,875</u>
<b>Current Deferred Income</b>	<u>9,425</u>	<u>10,460</u>
<b>Non-Current Deferred Income</b>	<u>420,050</u>	<u>186,415</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	8,491	9,424
Deferred between two and five years	20,752	23,033
Deferred in five years or more	390,807	153,958
	<u>420,050</u>	<u>186,415</u>
<b>Deferred after five years or more:</b>		
Government Grants	<u>390,807</u>	<u>153,958</u>

## 19. Capital commitments

	2011 €	2010 €
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	898,677	546,000
- Contracted for but not provided in the financial statements	<u>1,047,564</u>	<u>959,517</u>
(i) Approved but not yet contracted for:		
Acquisition of Property	-	145,000
Office Improvements	58,000	58,000
Office Furniture and Fittings	-	-
Urban Improvements	41,000	3,000
Office Equipment & Computer Equipment	3,000	3,000
Torri l-Abjad Project	40,000	16,000
Tunnara Project	10,000	8,000
Triq Qasam Barrani Embellishment & Traffic Mgt	-	90,000
Misrah il-Parrocca Manikata Embellishment	90,000	20,000
Misrah iz-Zjara tal-Papa Embellishment	407,677	90,000
Tas-Sur Belvedere Floodlighting	-	50,000
Improvements to coastal areas	5,000	10,000
Open Spaces and Public Gardens	-	53,000
Triq l-Erwieh Playing Field Improvement	100,000	-
Gnien Dun Anton Debono Improvement	75,000	-
Selmun and Imgiebah Heritage Trail	15,000	-
Gnien il-Qighan Improvement	50,000	-
Country Park Facilities	4,000	-
	<u>898,677</u>	<u>546,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
New Street Signs	-	10,000
Road Resurfacing	263,864	300,000
Urban Improvements	-	63,000
Ta' Brag Family Park Project	460,000	370,000
Selmun and Imgiebah Heritage Trail	-	40,000
Open Spaces and Public Gardens	12,000	176,517
Acquisition of Property	118,700	-
Churches and Area Floodlighting	6,000	-
Triq Qasam Barrani Embellishment & Traffic Mgt	117,000	-
Qasam ta' Pennellu Improvements	70,000	-
	<u>1,047,564</u>	<u>959,517</u>



**20. Contingent liabilities***Contingent Liabilities*

The Council is involved in a court case filed by 2 individuals which involves the road levels following road resurfacing. Although the outcome of this decision is uncertain, the Council does not anticipate that should there be involved any expenses these will exceed € 40,000.

The Council also has guarantees amounting to € 16,664.69.

**21. 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 maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties	€ 26,198
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*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 Euro 1,178,069. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 1,063,251 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*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 trade in any foreign currency transactions.

*Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.



*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Council's current discount rate in respect of the third party loan is 8.38%, with cash flows amounting to € 220,707.62 over the next 8 years.

*Other risks*

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

**22. 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
North Joint Committee (Local Enforcement)	Joint Control
Street Lightening Joint Committee	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

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

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Annual Financial Allocation	<u>952,923</u>	<u>953,148</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

**23. 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.