



L-IMĠARR LOCAL COUNCIL

Report and Financial Statements for the year ended 2011

Prepared by Mr L. Padovani, FIA, CPA

Presented by C. Dalli, Executive Secretary

Approved by the Local Council on Monday 20 February 2012

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

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

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Financial Statements – 31 December 2011**Report of the Local Government Auditors to the Auditor General**

We have audited the Financial Statements of the Mgarr Local Council set out on pages 4 to 19.

Respective Responsibilities of the Local Council and Local Government Auditors

As described on page 1 the Executive Secretary and the Local Council are responsible for the preparation of the Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion thereon to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, on the evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Executive Secretary and the Local Council members in the preparation of the Financial Statements, and of whether the accounting policies are consistent with the Local Councils Act, CAP 363, the Financial Regulations issued in terms of the said Act, and the Local Councils (Financial) Procedures, 1996, and that such policies have been consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with the sufficient evidence to give responsible assurance that the Financial Statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OpinionHandwritten signature and initials in blue ink, located at the bottom right of the page.

XXX
Certified Public Accountants
XXX,
XXX,
XXX

, 2012.

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Statement of Income and Expenditure
For the year ended 31 December 2011.

	Notes	Year ending 31 Dec 2011	Year ending 31/12/10
		€	€
Income			
Funds received from central government	3	369,891	391,332
Income raised under Local Council Bye-Laws	4	-	-
Investment Income	6	317	141
General Income	7	49,069	69,697
		<u>419,277</u>	<u>461,170</u>
Expenditure			
Personal emoluments	8	67,605	64,681
Operations and maintenance	9	143,437	146,147
Administration and other expenditure	10	130,639	172,214
		<u>341,681</u>	<u>383,042</u>
Surplus for the year		<u>77,596</u>	<u>78,128</u>

The notes on pages 9 to 19 form part of these accounts.

**Statement of Financial Position at 31
December 2011**

	Notes	2011	2010
		€	€
Non-Current Assets			
Property, plant and equipment	12	<u>820,515</u>	<u>848,474</u>
Current Assets			
Receivables	13	65,907	63,521
Cash and cash equivalents	14	<u>98,409</u>	<u>62,087</u>
		<u>164,316</u>	<u>125,608</u>
Total Assets		<u>984,831</u>	<u>974,082</u>
Reserves and Liabilities			
Retained funds		865,127	787,531
Current Liabilities			
Payables	15	119,704	186,551
Reserves and Liabilities		<u>984,831</u>	<u>974,082</u>

The notes on pages 9 to 19 form part of these accounts

These Financial Statements were approved by the Local Council on 20/2/ 2012 and signed on its behalf by:



Mayor



Executive
Secretary

STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the year ended 31 December 2011

	Retained Funds €
At 31 December 2009	701,102
Prior year adjustment	8,301
Surplus for the year	<u>78,128</u>
At 31 December 2010	787,531
Surplus for the year	<u>77,596</u>
At 31 December 2011	<u>865,127</u>

The notes on pages 9 to 19 form part of these accounts.



Cash Flow Statement
For the year ended 31 December
2011

	Note	2011	2010
		€	€
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the period/year		77,596	78,128
Prior year adjustment	-		8,301
Adjustments for:			
Depreciation		48,597	57,035
Investment income		(317)	(141)
Interest payable		-	-
Operating Profit before Working Capital changes		125,876	143,323
(Increase) in inventories		-	-
Decrease/(Increase) in receivables		(2,386)	(43,124)
Increase/(Decrease) in payables		(113,460)	19,124
Cash generated from operations		10,030	119,323
Interest received		317	141
Net Cash (Outflow)/ inflow from Operating activities		10,347	119,464
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,310)	(80,828)
Interest received		-	-
CASH FLOW FROM FINANCING ACTIVITIES		(14,963)	38,636
Increase in grants		4,672	25,000
Net increase in Cash and cash Equivalents		(10,291)	63,636
Cash and cash equivalents At beginning of period/year		49,345	(14,291)
Cash and cash equivalents at end of period/year		39,054	49,345

**SCHEDULE OF SPECIAL NEEDS FUNDS
AT 31 DECEMBER 2011**

Funds Received and Expended

	Brought Forward	Received	Expended*	Carried Forward
	€	€	€	€
Special Programme 1	-	-	-	-
Special Programme 2	-	-	-	-
Special Programme 3	-	-	-	-
Total	-	-	-	-

* Expended represents amount transferred to grant reserve.

Capital Creditors

	Brought Forward	Contracted this year	Invoices Received	Carried Forward
	€	€	€	€
Special Programme 1	-	-	-	-
Special Programme 2	-	-	-	-
Special Programme 3	-	-	-	-
Total	-	-	-	-

Commitments

	Brought Forward	Contracted this year	Invoices Received	Carried Forward
	€	€	€	€
Special Programme 1	-	-	-	-
Special Programme 2	-	-	-	-
Special Programme 3	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements – 31 December 2011

01. General Information

Mgarr Local Council is the local authority of Mgarr setup in accordance with the Local Councils Act. The office of the Local Council is situated at 22, Triq Sir Harry Luke, Mgarr.

02. 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.

Certain new standards, amendments and interpretations to the existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) – Presentation of financial statements (effective from 1 January, 2010).
- IAS 7 (amendment) – Statement of cash flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) – Leases – Amendments to reflect changes in other standards.
- IAS 27 (revised) – Consolidated and separate financial statements (effective from 1 July, 2009).
- IAS 36 (impairment of assets) – Amendments to reflect changes in other standards.
- IAS 38 (amendment) – Intangible assets (effective from 1 July, 2009).
- IAS 39 (amendment) – Financial instruments: Recognition and measurement (effective from 1 January, 2010).
- IFRS 2 (amendment) – Group cash-settled and share-based payment transactions (effective from 1 January, 2010).
- IFRS 3 (revised) – Business combinations (effective from 1 July, 2009).
- IFRS 5 (amendment) – Measurement of non-current assets classified as held for resale (effective from 1 January, 2010).
- IFRIC 9 (amendment) and IAS 39 – Embedded derivatives (effective from 1 July, 2009). Amendments to reflect changes in other standards.
- IFRIC 17 – Distribution of non-cash assets to owners (effective on or after 1 July, 2009).
- IFRIC 19- Transfer of assets from customers (effective from 1 July, 2009).

New important standards and early 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, 2011 or later periods and the Local Council has early adopted them:

-IAS 24 – Related party disclosures (effective 1 January, 2011). Amendment 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 not early 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, 2011 or later periods and the Local Council has not early adopted them:

- IAS 32 (amendment) – Financial Instruments: Presentation (effective from 1 February, 2010).
- IAS 27 – Consolidate and separate financial statements (effective from July, 2010).
- IAS 34 – Interim financial reporting (effective 1 January, 2011).
- IFRS 3 (amendments) – Business combinations (effective from 1 January, 2011).
- IFRS 7 (amendments) – Financial Instruments (effective from January, 2011).
- IFRIC 13 – Customer loyalty programmes (effective 1 January, 2011).
- IAS 12 (amendment) – Income taxes – IAS 12 (effective from 1 January, 2012).
- IAS 1 (amendment) – Presentation of Financial statements (effective from 1 January, 2013).
- IFRS 9 – Financial Instruments – (effective from 1 January, 2013).

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

Accounting conducted on an accruals basis

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

Mgarr Local Council forms part of the Tramuntana 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. Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method at the following annual percentage rates:

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5

Construction Works	10.0
Urban Improvements (street furniture)	10.0
Special Programmes (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	100.0
Playground Furniture	100.0
Traffic Signs	100.0
Road Signs	100.0
Street Mirrors	100.0
Street Lights	100.0

d. 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.

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 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.

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.

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.

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. 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.

03. Funds received from Central Government

	2011	2010
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	369,891	382,382
Supplementary Government Income	-	8,950

04. Income raised under Local Council Bye-Laws

Income from contravention of Bye-Laws	-	4,626
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05. Local Enforcement Income

Fines and penalties	Received	-	-
	Accrued	-	-
		-	-

06. Investment Income

Bank interests	317	141
	317	141

07. General Income

Income from permits	2,147	2,805
Sponsorships	-	-
Others	46,922	23,414
Contributions and donations	-	-
	<u>49,069</u>	<u>26,219</u>

2011

2010

€

€

08. Personal EmolumentsPersonal Emoluments includes, *inter alia*:

Mayor's Allowance	7,964	6,825
Executive Secretary Salary + Allowances	23,350	24,304
Employees' Salaries	27,162	25,525
Councillors allowance	4,800	4,800
Social Security Contributions	4,329	3,227
	<u>67,605</u>	<u>64,681</u>

09. Operations and MaintenanceOperations and Maintenance includes, *inter alia*:**Repairs and Upkeep**

Road and Street Pavements (patching works)	25,005	14,295
Handyman service	27,960	29,451
Street Signs	3,487	94
Road Markings	1,925	15
Other	147	5,815
	<u>58,524</u>	<u>49,670</u>

Contractual Services:

Refuse Collection (including bins on wheels)	44,493	59,255
Bulky Refuse Collection	1,125	1,197
Road and Street Cleaning (mechanical and manual)	14,889	14,479
Cleaning and Maintenance of Public Conveniences	9,053	8,194
Cleaning and Maintenance of Parks and gardens	2,236	1,057
Local enforcement system expense	1,266	833
Street Lighting	2,735	5,285
Other contractual services	9,116	6,177
	<u>84,913</u>	<u>96,477</u>

Total

143,437

146,147




	2011	2010
	€	€
10. Administrative and other expenses		
Utilities	12,332	11,452
Information services	-	12,520
Rent	2,283	1,284
National and International Memberships	2,712	401
Office Services	12,344	13,096
Travel	348	14
Transport	3,300	3,986
Bank charges	168	931
Insurance	5,128	3,085
Leasing equipment	839	3,634
Professional Services	28,052	13,675
Provision for bad debts	(1,002)	-
Community and Hospitality	13,809	50,996
Incidental expenses	1,729	105
Depreciation	48,597	57,035
	<u>130,639</u>	<u>172,214</u>

	2011	2010
	€	€
11. Finance Costs		
Interest on Bank Loan	-	-
	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

12 Property, Plant and Equipment:

Tangible Assets	Office Furniture / fittings	Computer Equipment	Plant & machinery	Office equipment	New Street Signs	Construction	Special Programmes	Office extension	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€	€
Cost at beginning of Year	39,097	20,999	6,535	22,757	63,717	640,724	708,023	393,500	12,346	1,907,698
Additions this year	350	290	212	696	-	18,805	-	4,957	-	25,310
Transfers	-	-	-	-	-	-	-	-	-	-
Cost at end of Year	39,447	21,289	6,747	23,453	63,717	659,529	708,023	398,457	12,346	1,933,008
Grants at beginning of year	-	-	-	-	-	(132,955)	(174,703)	-	-	(307,658)
During the period/year	-	-	-	-	-	-	-	-	-	(4,672)
Grants at end of year	-	-	-	-	-	(132,955)	(174,703)	-	-	(312,330)
Accum. Dep'n Beginning of year	(20,280)	(17,373)	(5,105)	(19,567)	(63,717)	(334,715)	(282,509)	-	(8,300)	(751,566)
Charge for the year	(1,437)	(979)	(328)	(777)	-	(19,186)	(25,081)	-	(809)	(48,597)
Accum. Dep'n end of year	(21,717)	(18,352)	(5,433)	(20,344)	(63,717)	(353,901)	(307,590)	-	(9,109)	(800,163)
Net book value 31.12.2011	17,730	2,937	1,314	3,109	-	172,673	225,730	393,785	3,237	820,515
Net book value 31.12.2010	18,817	3,626	1,430	2,943	-	173,054	250,811	393,500	4,046	848,474
Depreciation rates	7.50%	25%	20%	20%	100%	10%	10%			

Notes to the Financial Statements for the year ended 31 December 2010 (cont as restated)**12 Property, Plant and Equipment**

Tangible Assets	Office Furniture / fittings	Computer Equipment	Plant & machinery	Office equipment	New Street Signs	Construction	Special Programmes	Office extension	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€	€
Cost at beginning of Year	39,097	18,828	6,535	21,109	63,470	543,050	708,023	261,238	12,346	1,673,696
Additions this year	-	2,171	-	1,648	247	97,674	-	132,262	-	234,002
Disposals	-	-	-	-	-	-	-	-	-	-
Cost at end of Year	39,097	20,999	6,535	22,757	63,717	640,724	708,023	393,500	12,346	1,907,698
Grants at beginning of year	-	-	-	-	-	(107,955)	(174,703)	-	-	(282,658)
Utilised for the year	-	-	-	-	-	(25,000)	-	-	-	(25,000)
Grants at end of year	-	-	-	-	-	(132,955)	(174,703)	-	-	(307,658)
Accum. Dep'n Beginning of year	(18,754)	(16,164)	(4,747)	(18,831)	(58,619)	(315,487)	(254,641)	-	(7,288)	(694,531)
Charge for the year	(1,526)	(1,209)	(358)	(736)	(5,098)	(19,228)	(27,868)	-	(1,012)	(57,035)
Accum. Dep'n end of year	(20,280)	(17,373)	(5,105)	(19,567)	(63,717)	(334,715)	(282,509)	-	(8,300)	(751,566)
Net book value 31/12/2010	18,817	3,626	1,430	2,943	-	173,054	250,811	393,500	4,046	848,474
Net book value 31/12/2009	20,343	2,664	1,788	2,278	4,851	119,608	278,679	261,238	5,058	696,507
Depreciation rates	7.50%	25%	20%	20%	100%	10%	10%			

12. Tangible Assets (cont.)

(a) New Street Signs (other than those under Special Programmes) consist of the following:

i) Various street names and traffic signs.

(b) Urban Improvements (other than those under Special Programmes) consist of the following:

i) Various upgrading works including Bus Shelters, road resurfacing etc

(c) Office Equipment includes:

Computer and other equipment.

13. Receivables

	2011 €	2010 €
Prepayments	4,025	5,190
Prepaid income	8,558	8,558
LES Debtors	20,215	21,216
Provision for bad debts	(20,214)	(21,215)
Debtors control account	53,323	49,772
	<u>65,907</u>	<u>63,521</u>

	2011 €	2010 €
Within credit period	57,349	55,183
	<u>57,349</u>	<u>55,183</u>

14. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local council's Statement of Affairs:

	2011 €	2010 €
Ordinary Funds	98,408	62,086
Petty cash	1	1
	<u>98,409</u>	<u>62,087</u>

15. Payables

	2011	2010
	€	€
Overdrawn bank account	59,355	12,743
Accrued income	24,118	1,293
Prepaid income	-	-
Payables	26,489	159,904
Accruals	9,742	12,611
	<u>119,704</u>	<u>186,551</u>

Payables and accruals refer to payments due to third parties for services rendered to the Council.

16. Inventories

	2011	2010
	€	€
	-	-
	<u>-</u>	<u>-</u>

The Council did not have any inventories during the past two years.

17. 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 (revised)




18. Related party transactions

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
Tramuntana Joint Committee (Local enforcement)	Joint control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2011 €	2010 €
Annual financial allocation	369,891	382,382

19. 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.