

Munxar Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2012



Prepared by JCA Limited



ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2012

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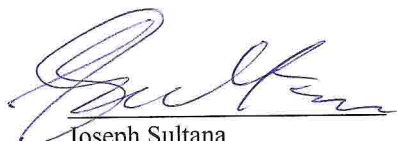
Financial Statements for the year ended 31 December 2012

Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of 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 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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 24 April 2013 by:


Joseph Sultana
Mayor
Anthony Grech
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

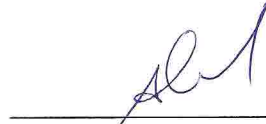
	Notes	31 December 2012 €	31 December 2011 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	479,192	294,753
		<u>479,192</u>	<u>294,753</u>
Current Assets			
Receivables	4	55,491	41,348
Cash and Cash Equivalents	5	328,266	296,413
		<u>383,757</u>	<u>337,761</u>
Total Assets		<u><u>862,949</u></u>	<u><u>632,514</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		339,928	309,764
Non-current Liabilities			
Deferred Income grants	6	359,326	154,687
Liabilities			
Payables	7	163,695	168,063
Total reserves and liabilities		<u><u>862,949</u></u>	<u><u>632,514</u></u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 24 April 2013 and signed on its behalf by:



Joseph Sultana
Mayor



Anthony Grech
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 €	2011 €
REVENUE			
Funds received from central government	8	227,490	221,061
General Income	10	<u>5,184</u>	<u>9,667</u>
		<u>232,674</u>	<u>230,728</u>
EXPENDITURE			
Personal emoluments	11	(61,268)	(58,000)
Operations and maintenance	12	(70,993)	(73,606)
Administration and other expenditure	13	<u>(70,279)</u>	<u>(86,226)</u>
		<u>(202,540)</u>	<u>(217,832)</u>
OPERATING SURPLUS FOR YEAR		30,134	12,896
Investment income	9	30	22
Total Comprehensive Income for the year		<u><u>30,164</u></u>	<u><u>12,918</u></u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Retained Funds 2012 €	Retained Funds 2011 €
At 1 January	309,764	296,846
Total Comprehensive Income for the year	30,164	12,918
	<hr/>	<hr/>
At 31 December	339,928	309,764

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 €	2011 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		30,164	12,918
Adjustments for:			
Depreciation		32,637	32,575
Investment Income		(30)	(22)
Amortised funds		(8,032)	(7,967)
Operating Profit before Working Capital Changes		54,739	37,504
(Increase)/Decrease in receivables		(14,143)	22,874
Increase in payables		87,013	19,029
Net Cash inflow from operating Activities		127,609	79,407
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(217,076)	(18,321)
New government grants		121,290	54,800
Investment income		30	22
Cash Flow from Investing Activities		(95,756)	36,501
Net Increase in Cash and Cash Equivalents		31,853	115,908
Cash and Cash Equivalents at the Beginning of Year		296,413	180,505
Cash and Cash Equivalents at the End of Year	5	328,266	296,413

The notes on pages 8 to 20 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2012

1. General Information

Munxar Local Council is the local authority of Munxar setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Prof. Guze Aquilina, Munxar .

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.

a. Accounting convention

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 as adopted by the EU 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.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2012 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Notes to the Financial Statements for the period ended 31 December 2012 – continued

c. 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.

d. Local Enforcement System

Munxar Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Regional committees. During 2012 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 as well as the administrative fee of 10% that is now chargeable to the Regional Committee for contraventions paid at the Council.

e. Property, Plant and Equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic 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 financial reporting 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 company 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.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income 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.

g. 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 Comprehensive Income.

h. Amounts Receivable

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

i. 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.

j. Surplus and deficits

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 deficits 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.

k. Cash and Equivalents

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

l. 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's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

Notes to the Financial Statements for the year ended 31 December 2012 - continued

m. Payables

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

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

n. Financial Instruments

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

Notes to the Financial Statements for the year ended 31 December 2012 – continued

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, 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).