



# PIETA' LOCAL COUNCIL

## Annual Audit Report

For The Year Ending  
31<sup>st</sup> December 2011

# PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

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## PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Council (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.

These financial statements were approved by the Local Council on 17 April 2012 and signed on its behalf by:

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Dr Malcolm Mifsud  
Mayor

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Simon Cauchi  
Executive Secretary

PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

# PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

## Statement of Comprehensive Income

	Notes	2011		2010
		€	€	€
Income				
Funds received from central government	3	275,184		272,473
Income raised under Local Council Bye-Laws	4	3,227		8,483
Income raised under Local Enforcement System	5	63,194		83,057
Investment Income	6	463		273
General Income	7	<u>44,164</u>		<u>55,108</u>
			386,232	<u>419,394</u>
Expenditure				
Personal emoluments	8	67,883		56,406
Operations and maintenance	9	227,808		251,743
Administration and other expenditure	10	79,214		44,904
Finance Cost	11	<u>1,257</u>		<u>1,500</u>
			(376,162)	<u>(354,553)</u>
Profit for the period	19		<u>10,070</u>	<u>64,841</u>

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Statement of Financial Position

	Notes	2011	2010
		€	€
<b>Assets</b>			
Non-current Assets			
Property, plant and equipment	12	<u>417,361</u>	<u>433,837</u>
 Current Assets			
Receivables	13	118,311	133,010
Cash and cash equivalents	14	<u>237,622</u>	<u>190,854</u>
		<u>355,933</u>	<u>323,864</u>
 Total assets		<u><u>773,294</u></u>	<u><u>757,701</u></u>
 <b>Reserves and Liabilities</b>			
Reserves			
Retained Funds		<u>380,210</u>	<u>370,140</u>
 Non-current Liabilities			
Long-term borrowings	15	18,115	23,457
Deferred income	16	<u>170,448</u>	<u>180,287</u>
		<u>188,563</u>	<u>203,744</u>
 Current Liabilities			
Payables	16	199,156	178,704
Current portion of long-term borrowings	15	<u>5,365</u>	<u>5,113</u>
		<u>204,521</u>	<u>183,817</u>
 Total reserves and liabilities		<u><u>773,294</u></u>	<u><u>757,701</u></u>

These financial statements were approved by the Local Council on 17th April 2012 and signed on its behalf by:

\_\_\_\_\_  
Dr Malcolm Mifsud  
Mayor

\_\_\_\_\_  
Simon Cauchi  
Executive Secretary

PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

Statement of Changes in Equity

	Retained Funds €
Balance at 01 January 2010	305,299
Profit for the year	<u>64,841</u>
Balance at 31 December 2010	370,140
Changes in equity	
Profit for the year	<u>10,070</u>
Balance at 31 December 2011	<u><u>380,210</u></u>



# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Statement of Cash flows

	Note	2011	2010
		€	€
Cash flow from operating activities			
Profit for the year/period		10,070	64,841
Adjustment for:			
Depreciation		36,343	31,271
Increase in provision for Bad Debts		11,476	21,703
Interest receivable		(463)	(273)
Bad debts		729	
Interest payable		1,257	1,500
Grants received transferred to income		(10,587)	(3,614)
Loss on disposal of asset		537	-
		<u>49,362</u>	<u>115,428</u>
Increase/(Decrease) in payables		13,994	(30,648)
Increase/(Decrease) in receivables		<u>5,092</u>	<u>(60,026)</u>
<i>Net cash from operating activities</i>		68,448	<u>24,754</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,796)	(72,473)
Interest received		<u>463</u>	<u>273</u>
<i>Net cash used in investing activities</i>		(15,333)	<u>(72,200)</u>
Cash flows from financing activities			
Proceeds from grants		-	154,619
Interest paid		(1,257)	(1,500)
Loan Repayments		<u>(5,090)</u>	<u>(4,867)</u>
<i>Net cash from financing activities</i>		<u>(6,347)</u>	<u>148,252</u>
Net increase in cash and cash equivalents		46,768	100,806
Cash and cash equivalents at beginning of year		<u>190,854</u>	<u>90,048</u>
Cash and cash equivalents at end of year	14	<u><u>237,622</u></u>	<u><u>190,854</u></u>

## PIETA' LOCAL COUNCIL

### Financial Statements for the year ended 31 December 2011

#### Notes to the Financial Statements

##### 1. General Information

The Pieta' Local Council is the local authority of Pieta' and the community of Guardamangia set up in accordance with the Local Councils Act. The office of the Local Council is situated at 'Il-Pelikan', K. Mifsud Street, Pieta'.

##### 2. Accounting Policies and Reporting Procedures

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

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

##### a. Revenue Recognition

Revenue is recognized 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.

Revenue is recognized 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.

From 1 September 2011 The Pieta' Local Council started to form part of the Central Region. Up to that day, the amount disclosed in the financial statements under Local Enforcement Income represents both income received and accrued. From 1 September 2011, contraventions carried out in its locality are payable to the regional committee but the council will be receiving a ten percent commission on the contraventions it processes on behalf of the regional committee.

##### c. Property, Plant and Equipment

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

	%	
Buildings	1	
Office Furniture and Fittings	7.5	
Construction Works	10	
Urban Improvements (Street Furniture)	10	
Special Projects	10	
Office Equipment	20	
Plant and Machinery	20	
Computer Equipment	25	
Plants	100	
Litter Bins	100	(replacement basis)
Playground Furniture	100	
Traffic signs	100	(replacement basis)
Road Signs	100	(replacement basis)
Street Mirrors	100	
Street Lights	100	

## PIETA' LOCAL COUNCIL

### Financial Statements for the year ended 31 December 2011

#### Notes to the Financial Statements (cont...)

##### d. Government Grants

Government grants 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 costs, then the grant is accounted for when it becomes receivable.

##### e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 recognized 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 less cost to sell and the value in use. Impairment losses are immediately recognized as an expense in the Statement of Comprehensive Income.

##### f. Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 recognized 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 €, which is the Council's functional and present currency.

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

##### h. Profit and Losses

Only profits that were realized at the date of the Statement of Affairs are recognized 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 banks.

##### j. Related parties

Related parties are those persons or bodies of persons having relationship with the council as they control, are controlled by, or are under common control with, central government

## PIETA' LOCAL COUNCIL

### Financial Statements for the year ended 31 December 2011

#### Notes to the Financial Statements (cont...)

##### k. Borrowings

Borrowings are recognized initially at the transaction value. Interest on borrowings is recognized as it accrues in the statement of comprehensive income.

Borrowings are classified both as current and long term liabilities according to their expected period of maturity.

##### l. 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 deemed to be difficult, subjective or complex to a degree that would warrant their description as critical in terms of IAS 1 (revised) - 'Presentation of Financial Statements'.

##### m. 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 budgeting exercise annually to ensure that funds are used diligently and that expenses are kept within the parameter of funds received. A variance analyses is carried out quarterly to ensure that there are no significant deviations from the amounts budgeted.

At time of reporting, the working capital ratio is positive and there are no significant deviations from the previous year.

##### n. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset is any asset that is cash or a contractual right to receive cash. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

Financial assets are initially recognized at their transaction value. They are derecognized when the contractual rights to the cash flows expire, or when the financial asset, or significant risks and rewards are transferred.

Financial liabilities are initially recognized at their transaction value. It is derecognized when its obligation is discharged, cancelled or expires.

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

#### (i). Financial assets

The financial assets of the council consist of receivables. These are recognized at their transaction value less provisions where impairment is perceived to have taken place. Impairment is perceived to have taken place when the receivable is not settled within the stipulated credit period. Testing for impairment is carried out at the end of the reporting period on an individual basis except for LES debtors, the impairment of which is tested collectively. The impairment provision is entered under 'Operations and maintenance'.

#### (ii) Financial Liabilities

The council's financial liabilities consist of trade creditors, other payables and loans. They are stated at their transaction value which is a reasonable approximation to their fair value.

All interest related expenses are recorded under finance costs.

	2011	2010
	€	€
3. Funds Received from central government		
In terms of article 55 of the Local Councils Act (Cap 363)	264,597	265,304
Other Government		
Income	-	3,555
Urban Improvement Fund	10,587	3,614
	<u>275,184</u>	<u>272,473</u>

	2011	2010
	€	€
4. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>3,227</u>	<u>8,483</u>

	2011	2010
	€	€
5. Local Enforcement Income		
Income including fines and penalties	<u>63,194</u>	<u>83,057</u>

	2011	2010
	€	€
6. Investment Income		
Bank interest	<u>463</u>	<u>273</u>

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

	2011	2010
	€	€
7. General Income		
Income from permits	231	172
Rental income	43,578	43,586
Income from trenching works	-	10,800
Commission due from regional committees	355	-
Other income	-	550
	<u>44,164</u>	<u>55,108</u>

	2011	2010
	€	€
8. Personnel Emoluments		
Mayor's allowance	6,364	6,364
Executive Secretary salary and allowances	29,085	25,961
Employee's salaries	23,561	16,068
Councillors' allowances	5,920	6,400
Social Security contributions	2,953	1,613
	<u>67,883</u>	<u>56,406</u>

	2011	2010
	€	€
9. Operations and maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	10,358	21,419
Road markings	1,426	2,560
Other repairs and upkeep	11,605	7,571
	<u>23,389</u>	<u>31,550</u>

Contractual Services:		
Refuse collection (including bins on wheels)	48,142	41,322
Bulky refuse collection (including open skips)	14,907	12,211
Landfill disposal fees	(i) 26,009	25,191
Bring-in sites	-	3,494
Road and Street Cleaning (mechanical and manual)	37,906	39,490
Cleaning and maintenance of Public Conveniences	94	189
Cleaning and maintenance of Parks and Gardens	8,658	8,658
Cleaning services council premises	2,545	2,405
Leasing equipment contract	5,119	8,325
Contract Management Services	17,635	17,178
Other contractual services	1,271	1,157
Local Enforcement Expenses	27,905	38,870
Fines and penalties	2,752	
Provision for doubtful LES debtors	11,476	21,703
	<u>204,419</u>	<u>220,193</u>
	<u>227,808</u>	<u>251,743</u>

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

9(i). Central government is allocating to the council € 1595 per month for waste disposal. However the service provider is invoicing € 572 over and above that amount. It is unclear whether the council will have to pay the additional amount which to date amounts to € 10,875. The council is providing for this amount in its books.

	2011	2010
	€	€
10. Administration and other expenditure		
Utilities	(9,631)	21,535
Other repairs and upkeep	10,210	13,816
Rent	1,179	(72,306)
National and International Memberships	1,455	655
Office services	8,301	7,808
Transport	59	-
Information Services	1,552	5,797
Insurance	2,257	3,517
Professional services	19,571	25,760
Community and hospitality	3,661	1,117
Social events	1,948	3,292
Cultural events	-	1,875
Bank charges	923	446
Deduction re internet subscription	120	321
Loss on disposal of asset	537	-
Bad debts	729	-
Depreciation	36,343	31,271
	<u>79,214</u>	<u>44,904</u>

	2011	2010
	€	€
11. Finance Costs		
Interest on Bank Loan	<u>1,257</u>	<u>1,500</u>

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

#### 12a. Property, Plant and Equipment

Asset	Construction Works €	Buildings €	Office Furniture & fittings €	Car park fittings and equipment €	New Street Signs €	Urban Improve- ments €	Office equipment including computers €	Total €
Cost								
As at 01 January 2011	747,640	142,331	25,483	18,345	26,205	65,737	20,230	1,045,971
Additions	8,025	-	6,513	-	-	2,195	3,671	20,405
Disposals	(9,980)	-	(294)	(2,471)	-	-	-	(12,745)
As at 31 December 2011	745,685	142,331	31,702	15,874	26,205	67,932	23,901	1,053,630
Grants and other reimbursements								
As at 01 January 2011	271,558	-	-	-	-	-	2,637	274,195
Additions	-	-	-	-	-	-	-	-
Reallocation	-	-	-	-	-	-	-	-
As at 31 December 2011	271,558	-	-	-	-	-	2,637	274,195
Accumulated Depreciation								
As at 01 January 2011	203,623	23,926	13,621	17,146	26,205	42,198	11,220	337,939
Charge for the year	28,284	1,162	1,270	66	-	3,663	1,898	36,343
Released on disposal	(9,980)	-	(294)	(1,934)	-	-	-	(12,208)
As at 31 December 2011	221,927	25,088	14,597	15,278	26,205	45,861	13,118	362,074
Net Book Value								
As at 31 December 2011	252,200	117,243	17,105	596	-	22,071	8,146	417,361



# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

#### 12b. Property, Plant and Equipment

Asset	Construction Works €	Buildings €	Office Furniture & fittings €	Car park fittings and equipment €	New Street Signs €	Urban Improve- ments €	Office equipment including computers €	Total €
Cost								
As at 01 January 2010	664,051	142,331	21,841	18,345	24,355	65,197	18,608	954,728
Additions	83,589	-	3,642	-	1,850	540	1,622	91,243
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2010	747,640	142,331	25,483	18,345	26,205	65,737	20,230	1,045,971
Grants and other reimbursements								
As at 01 January 2010	271,558	-	-	-	-	-	2,637	274,195
Additions	-	-	-	-	-	-	-	-
As at 31 December 2010	271,558	-	-	-	-	-	2,637	274,195
Accumulated Depreciation								
As at 01 January 2010	182,208	22,739	12,896	16,769	24,355	38,202	9,499	306,668
Charge for the year	21,415	1,187	725	377	1,850	3,996	1,721	31,271
Released on disposal	-	-	-	-	-	-	-	-
As at 31 December 2010	203,623	23,926	13,621	17,146	26,205	42,198	11,220	337,939
Net Book Value								
As at 31 December 2010	272,459	118,405	11,862	1,199	-	23,539	6,373	433,837

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

	2011	2010
	€	€
13.Receivables		
Trade receivables	29,828	36,684
LES debtors	62,109	63,887
Accrued income	11,515	15,835
Other receivables	5,500	3,100
<b>Financial assets</b>	<u>108,952</u>	<u>119,506</u>
Prepayments	9,359	13,504
	<u>118,311</u>	<u>133,010</u>
(i) Details of trade receivables are as follows:		
Due within the credit period	1,023	10,800
Exceeding credit period but not provided for	28,805	25,884
Impaired and provided for	12,644	12,644
	<u>42,472</u>	<u>49,328</u>
(ii) Details of LES debtors		
Due within the credit period	62,109	63,887
Impaired and provided for	262,712	251,236
	<u>324,821</u>	<u>315,123</u>
(iii) Details of doubtful debts provision of LES debtors		
Opening balance	251,236	229,533
Increase in provision	11,476	21,703
Closing balance	<u>262,712</u>	<u>251,236</u>
(iii) Details of doubtful debts provision of trade debtors		
Opening balance	12,644	12,644
Increase in provision	-	-
Closing balance	<u>12,644</u>	<u>12,644</u>

### 14. Cash and Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Affairs:

	2011	2010
	€	€
Bank balances:		
- ordinary funds	236,731	190,325
Cash in Hand	891	529
	<u>237,622</u>	<u>190,854</u>

# PIETA' LOCAL COUNCIL

## Financial Statements for the year ended 31 December 2011

### Notes to the Financial Statements (cont...)

#### 15. Long Term Borrowings

	2011	2010
	€	€
Due within one year	5,365	5,113
Due between 2 and 5 years	18,115	10,998
Due after more than 5 years	-	12,459
	<u>23,480</u>	<u>28,570</u>

(1) The long term borrowings consist of a loan taken out by the council to purchase the premises from which it operates. This amount is to be repaid by April 2016. Interest is being charged at 4.85%

(2) The loan repayment for the current period amounts to € 5,090. This consists of 12 monthly installments of € 530.

	2011	2010
	€	€
16. Payables		
Due within one year:-		
Payables	135,850	81,302
Accruals	45,301	73,748
Other payables	<u>6,221</u>	<u>13,721</u>
<b>Financial liabilities</b>	<u>187,372</u>	<u>168,771</u>
Deferred income	<u>11,784</u>	<u>9,933</u>
	<u>199,156</u>	<u>178,704</u>

Due after more than one year:-

Deferred income	<u>170,448</u>	<u>180,287</u>
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The deferred income which amounts to € 9,740 (2010 - € 9,933) is the portion of grants received which will be transferred to income within one year. The remainder of the funds received - € 170,448 (2010 - € 180,287) represent amounts to be transferred during the useful life of the underlying assets.

# PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements (cont...)

## 17a Capital Commitments

	2011	2010
	€	€
(i) Details of capital commitments are as follows:		
Approved but not yet contracted for (ii)	5,000	343,530
Contracted for but not provided in Financial Statements (iii)	176,418	6,000
	<u>181,418</u>	<u>349,530</u>
These could be analysed as follows:		
(ii) Approved but not yet contracted for:		
Street Signs	2,500	1,500
Office Equipment	-	1,000
Urban Improvements	2,500	341,030
	<u>5,000</u>	<u>343,530</u>
(iii) Contracted for but not provided in the Financial Statements		
Urban Improvements	<u>176,418</u>	<u>6,000</u>

## 18. Related Parties

During the year the council carried out transactions with the following parties

<i>Name of Entity</i>		<i>Nature of relationship</i>
Department of local council		significant control
Central Joint Committee (local enforcement)		joint control
Water Services Corporation		no control
Enemalta Corporation		no control
Wasteserv Malta Limited		no control
	2011	2010
	€	€
(i) Transactions with parties exercising significant control		
Funds received from Central Government for operations	264,597	268,859
Funds received from Central Government as grants	-	154,619
(ii) Transactions with parties exercising joint control		
Funds received through the LES system	64,972	78,612
Transactions with LES joint committee	27,905	43,235
(iii) Transactions with related entities		
Purchase of water and electricity	(12,842)	6,614
Waste disposal carried out by Wasteserv Malta Limited	27,599	23,595
Trenching works on behalf of Water Services Corporation	-	10,800
(iv) Amounts due related entities		
Water Services Corporation	21,180	24,842
(v) Amounts due from parties exercising joint control		
Local Enforcement System	324,821	315,123
(vi) Amounts due from related entities		
Water Services Corporation	40,406	48,285

## PIETA' LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements (cont...)

### 19a. Contingent Liabilities

The council had received a bill in 2010 for water and electricity amounting to € 18,870, covering consumption up to 21 October 2010 of the fountain at the ex-torpedo depot. This amount was accounted for in the books but the council was questioning whether it was liable for payment as it believed that the area was never devolved to it. This amount has been reversed in 2011 as there are no documents to show devolution of the area to the council, hence the council is not liable for payment.

The amount reversed is material compared to the profit figure. The table below shows adjusted profit/(loss) for the year after removing the effect of the reversal.

	2011	2010
	€	€
Profit	10,070	64,841
Adjustment for Rent	-	(72,793)
Adjustment for utilities	<u>(18,870)</u>	<u>18,870</u>
Adjusted (loss)/profit	<u>(8,800)</u>	<u>10,918</u>

### 19b. Contingent Liabilities

In 2010, the Lands Department waived the rent of the car park situated at Alfred Craig Street which had accrued during the period when the car park was not operating, up to the termination of the lease in April 2009. The accrued rent which had been entered in the books, and amounted to € 72,793 was reversed from the books in 2010.

### 19c. Contingent Liabilities

The restoration of 6 niches during the year was financed by a scheme of the Department of Local Government. The council was obliged to take out guarantees in favour of MEPA for the amount of € 2,400. This amount is will be refunded if the work performed is found to be according to approved permit.

## 20. Financial Risk Management

The activities of the council expose it to a variety of risk as follows:

### i. Credit Risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In the council's case this risk is related to cash at bank and debtors.

The council banks with reputable institution of long standing, thus reducing it's risk.

The council accounts for funds received and receivable from persons guilty of contraventions under the local enforcement system. Yearly, the council provides for doubtful amounts which are over two years old. In the current financial year the provision has amounted to € 11,476 (2010 - €21,703).

Other significant amounts which may be at risk of not being recovered by virtue of their age is an amount due from the Water Services Corporation.

The maximum exposure to credit risk from receivables, net of impairment losses is as follows:

	€
- Contraventions receivable	62,109
- Receivables from Water Services Corporation	24,111

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Financial Statements for the year ended 31 December 2011

Notes to the Financial Statements (cont...)

## ii. Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The council receives guaranteed funds from central government which are predetermined as to how they are to be spent in services towards the community. Other funds are available to the council to finance capital projects.

The council manages its liquidity risk by operating within the parameters of funding available to it.

The contractual maturity of liabilities is as follows:

	2011	2010
	€	€
Payables and accruals		
Due within one year	<u>187,372</u>	<u>168,771</u>
Borrowings		
Due within one year	5,365	5,113
Due between 2 and 5 years	18,115	10,998
Due after 5 years	-	12,459
	<u>23,480</u>	<u>28,570</u>
<b>Total financial liabilities</b>	<u><u>210,852</u></u>	<u><u>197,341</u></u>

## 21. Categories of financial assets and liabilities

	2011	2010
	€	€
Trade receivables	29,828	36,684
LES debtors	62,109	63,887
Accrued income	11,515	15,835
Other receivables	<u>5,500</u>	<u>3,100</u>
<b>Total financial assets</b>	<u><u>108,952</u></u>	<u><u>119,506</u></u>
	2011	2010
	€	€
Payables	135,850	81,302
Accruals	45,301	73,748
Other payables	<u>6,221</u>	<u>13,721</u>
	<u>187,372</u>	<u>168,771</u>
Bank borrowings	<u>23,480</u>	<u>28,570</u>
<b>Total financial liabilities</b>	<u><u>210,852</u></u>	<u><u>197,341</u></u>

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Notes to the Financial Statements (cont...)

22. Key management compensation

Transaction with key management personnel are disclosed in note 8.

23. Change in accounting estimates

Since 2011, expenditure on traffic signs is no longer classified as fixed assets fully depreciated in the year of purchase. Instead the cost is being carried in the profit and loss account as direct expenditure.