

SANTA LUCIJA LOCAL COUNCIL
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010

SANTA LUCIJA LOCAL COUNCIL

FINANCIAL STATEMENTS
for the year ended 31 December 2010

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Financial Statements for the period ended 31 December 2010

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.

Financial Statements for the year ended 31 December 2010

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Santa Lucia Local Council which comprise the statement of affairs as at 31 December 2010, the statement of income and expenditure, statement of changes in net assets/equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Local Council's Members and the Executive Secretary, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion. However, the evidence available to us was limited because of the matters set out in paragraph 1 below:

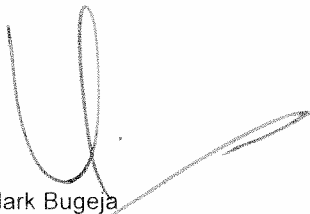
- 1 As from 31 December 2004, all income and expenditure from the Local Enforcement System (LES) were centralised through the Zejtun Joint Committee (Group G) and LES debtors at that date were transferred to the Joint Committee as well. The financial statements only include € 8,500 received during the year. We were unable to determine the amount of further income the Council is entitled to receive since the audited financial statements of the Zejtun Joint Committee for the year ended 31 December 2010 are not yet available.
- 2 Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.
- 3 The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

The Council's financial statements for the year under review have been prepared in accordance with the specimen referred to above but do not take into consideration the additional requirements that emerge from the quantitative disclosures of IFRS 7, Financial Instruments: Disclosures.

Opinion

Except for the adjustment that would have been necessary had we been able to obtain sufficient audit evidence regarding the matter in paragraph 1 above, the financial statements give a true and fair view of the financial position of Santa Lucia Local Council as at 31 December 2010, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 7 to 9.

Because of the matters set out in paragraphs 2 and 3 above, these financial statements do not comply fully with the Local Councils Act CAP 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996, and because of the matter set out in paragraph 3 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

14 April, 2011

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF INCOME AND EXPENDITURE
for the year ended 31 DECEMBER 2010

		Year ended 31 Dec 2010	Period from 1 Apr to 31 Dec 2009
	Notes	Euro	Euro
Income			
Funds received from central government	3	291,835	206,161
Local Enforcement income	4	8,500	(8,621)
Investment income	5	1,405	134
General income	6	6,868	22,292
		<u>308,608</u>	<u>219,966</u>
Expenditure			
Personal emoluments	7	75,544	45,157
Operations and maintenance	8	143,444	97,352
Administration and other expenditure	9	83,866	72,507
		<u>302,854</u>	<u>215,016</u>
Surplus for the year / period		<u>5,754</u>	<u>4,950</u>

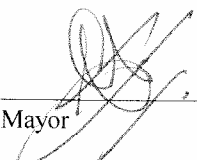
The notes on pages 7 to 17 form part of the financial statements.

SANTA LUCIJA LOCAL COUNCIL

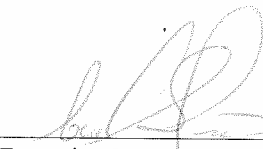
STATEMENT OF FINANCIAL POSITION as at 31 DECEMBER 2010

		2010	2009
	Notes	Euro	Euro
Assets			
Non-current assets			
Property, plant and equipment	10	229,614	216,421
Current assets			
Inventories	11	4,058	4,646
Receivables	12	15,753	5,641
Cash and cash equivalents	13	90,917	100,205
		<u>110,728</u>	<u>110,492</u>
Total assets		<u><u>340,342</u></u>	<u><u>326,913</u></u>
Reserves and Liabilities			
Reserves			
Retained funds		255,530	249,776
Non-current liabilities			
Long term borrowings	14	20,225	21,607
Deferred income	15	13,415	-
		<u>33,640</u>	<u>21,607</u>
Current liabilities			
Payables	16	49,024	53,382
Current portion of long term borrowings	14	2,148	2,148
		<u>51,172</u>	<u>55,530</u>
Total reserves and liabilities		<u><u>340,342</u></u>	<u><u>326,913</u></u>

These financial statements were approved by the Council on *Thursday 14 April* 2011 and were signed on its behalf by:



Mayor



Executive Secretary

The notes on pages 7 to 17 form part of the financial statements.

Audit report page 2.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CHANGES IN NET ASSETS/EQUITY
for the year ended 31 DECEMBER 2010

	Retained funds
	Euro
At 31 March 2009	244,826
Surplus for the period	<u>4,950</u>
At 31 December 2009	249,776
Surplus for the year	<u>5,754</u>
At 31 December 2010	<u><u>255,530</u></u>

The notes on pages 7 to 17 form part of the financial statements.

SANTA LUCIJA LOCAL COUNCIL

CASH FLOW STATEMENT
for the year ended 31 DECEMBER 2010

	2010	2009
Notes	Euro	Euro
Cash Flows from Operating Activities		
Surplus for the year/period	5,754	4,950
Adjustment for:		
Depreciation	24,446	19,107
Interest receivable	(1,405)	(134)
government Grant released	(190)	-
Increase / (Decrease) in provision for bad debts	1,144	(11,003)
	29,749	12,920
Decrease in inventories	588	262
(Increase) / Decrease in receivables	(5,257)	16,127
Increase in payables	(5,989)	4,028
	(10,658)	20,417
<i>Net cash from operating activities</i>	19,091	33,337
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,639)	(8,471)
Interest received	1,405	134
<i>Net cash used in investing activities</i>	(36,234)	(8,337)
Cash flows from financing activities		
Grants received	6,852	
Bank loan repayment	(1,382)	(431)
<i>Net cash from financing activities</i>	5,470	(431)
Net increase in cash and cash equivalents	(11,673)	24,569
Cash and cash equivalents at beginning of year	100,205	75,636
Cash and cash equivalents at end of year	13&16 88,532	100,205

SANTA LUCIA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 DECEMBER 2010

1. General Information

Santa Lucija Local Council is the local authority of Santa Lucija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Santa Lucija.

2. Accounting policies and reporting procedures

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

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

Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

Local Enforcement System

The Council forms part of Zejtun 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.

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
Construction works	10
Office furniture, fixtures and fittings	7½
New street signs, street lightning	100
Urban improvements (street furniture)	10
Computer equipment	25
Office equipment	20
Plant & Machinery	20
Plants	100
Playing field equipment	100
Litter bins	100
Street lights	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010

2. Accounting policies and reporting procedures (*continued*)

Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are stated annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of Income and Expenditure.

Amounts Receivable

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

Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and present currency.

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

Profit and Losses

Only profits that were realised at the date of the Statement of Affairs are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

Cash and Equivalents

Cash and cash equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

2. Accounting policies and reporting procedures (*continued*)

Inventories

Inventories are stated at the lower of cost or net realisable value.

Trade and other payables

Trade and other payables are stated at cost less any impairment losses.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. During the year under review, the Local Council has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to Government related entities' disclosures.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

SANTA LUCIA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 DECEMBER 2010
 (continued)

3. Funds received from Central Government

	2010	2009
	Euro	Euro
In terms of section 55 of the Local Councils Act 1993	286,645	200,660
Other government income	<u>5,190</u>	<u>5,501</u>
	<u>291,835</u>	<u>206,161</u>

4 Local Enforcement income

	2010	2009
	Euro	Euro
Tribunal Sentenced Contraventions	<u>8,500</u>	<u>(8,621)</u>

5 Investment income

	2010	2009
	Euro	Euro
Bank interest	<u>1,405</u>	<u>134</u>

6 General income

	2010	2009
	Euro	Euro
General Contributions	313	1,566
E.U. Funds	1,081	1,928
Document charges	-	17,112
Permits	350	1,250
	<u>5,124</u>	<u>436</u>
	<u>6,868</u>	<u>22,292</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(continued)

7. **Personal emoluments**

	2010	2009
Personal emoluments include, inter alia:		
	Euro	Euro
Mayor's / Concellors' Allowance	12,764	4,500
Executive Secretary's Salary	23,073	16,587
Employees' salaries	35,281	20,909
Social Security Contribution	4,426	3,161
	<u>75,544</u>	<u>45,157</u>

8. **Operations and maintenance**

	2010	2009
These include, inter alia:-		
	Euro	Euro
<i>Repairs and Upkeep:</i>		
Road/street pavements	4,216	2,974
Signs	653	-
Road markings	627	4,462
Other repairs and upkeep	26,279	15,413
	<u>31,775</u>	<u>22,849</u>

Contractual Services:

Refuse collection	32,028	20,464
Bulky refuse	3,237	2,786
Road and street cleaning	13,728	11,139
Cleaning and maintenance - public convenience	5,978	5,761
Cleaning and maintenance - parks and gardens	26,473	18,670
Cleaning and maintenance - council premises	3,339	2,449
Other contractual services	2,584	1,976
Waste disposal	18,854	8,180
Street lighting	5,448	3,078
	<u>111,669</u>	<u>74,503</u>
Total	<u>143,444</u>	<u>97,352</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 DECEMBER 2010
(continued)

9. Administration and other expenses

	2010 Euro	2009 Euro
Utilities	6,775	5,639
Repairs and upkeep	112	3,810
Uniforms	-	1,327
Rent	1,336	528
National and international memberships	1,317	791
Office services	5,795	4,772
Travel	537	1,107
Transport	3,016	2,387
Information services	2,663	1,484
Other contractual services	4,703	3,454
Professional services	13,368	8,098
Community and hospitality	17,628	9,694
Training expenses	-	342
EU Funds expenditure	-	19,705
Other expenses	746	675
Fax machines penalty	-	450
WI FI charge	280	140
Provision for doubtful LES Debtors	1,144	(11,003)
Depreciation	24,446	19,107
	<u>83,866</u>	<u>72,507</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(continued)

10 Property, plant and equipment

	Plant and Machinery	Office Furniture Fixtures & Fittings	Office/Computer Equipment	Urban Improvements	Street Signs	Street Paving	Construction & Special Programmes	Council Premises	Total
	Lm	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost									
At 1 January 2010	10,830	26,100	28,723	85,311	17,742	87,469	330,169	31,447	617,791
Additions	2,750	155	1,017	5,180	857	25,747	1,933	-	37,639
At 31 December 2010	13,580	26,255	29,740	90,491	18,599	113,216	332,102	31,447	655,430
Grants									
At 1 January 2010	-	-	2,637	-	-	-	104,182	-	106,819
Received for the year	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	2,637	-	-	-	104,182	-	106,819
Accumulated depreciation									
At 1 January 2010	7,738	14,178	19,089	39,752	17,742	60,246	134,951	855	294,551
Charge for the year	870	872	1,453	6,853	857	4,469	8,768	304	24,446
At 31 December 2010	8,608	15,050	20,542	46,605	18,599	64,715	143,719	1,159	318,997
Net book value									
At 31 December 2010	4,972	11,205	6,561	43,886	-	48,501	84,201	30,288	229,614

SANTA LUCIJA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2010
(continued)

10 Property, plant and equipment

	Plant and Machinery	Office Furniture & Fixtures & Fittings	Office/Computer Equipment	Urban Improvements	Street Signs	Street Paving	Construction & Special Programmes	Council Premises	Total
Cost	Lm	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
At 1 April 2009	10,830	25,711	28,420	79,399	15,875	87,469	330,169	31,447	609,320
Additions	-	389	303	5,912	1,867	-	-	-	8,471
At 31 December 2009	10,830	26,100	28,723	85,311	17,742	87,469	330,169	31,447	617,791
Grants									
At 1 April 2009	-	-	2,637	-	-	-	104,182	-	106,819
Received for the period	-	-	-	-	-	-	-	-	-
At 31 December	-	-	2,637	-	-	-	104,182	-	106,819
Accumulated depreciation									
At 1 April 2009	7,233	13,495	17,847	34,423	15,875	58,116	127,830	625	275,444
Charge for the period	505	683	1,242	5,329	1,867	2,130	7,121	230	19,107
At 31 December 2009	7,738	14,178	19,089	39,752	17,742	60,246	134,951	855	294,551
Net book value									
At 31 December 2009	3,092	11,922	6,997	45,559	-	27,223	91,036	30,592	216,421

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 DECEMBER 2010
(continued)

11 Inventories

Inventories consist of books and souvenirs held by the Council at the end of the year.

12 Receivables

	2010 Euro	2009 Euro
These represent the following:		
Local enforcement debtors	-	1,144
Prepayments	3,637	1,749
Other receivables	12,116	2,748
	<u>15,753</u>	<u>5,641</u>

Local enforcement debtors amount to € 33,533. As these are all older than 2 years, the full amount has been provided for. The Provision for bad and doubtful debts as at 31 December 2010 amounts to €33,533.

13 Cash and equivalents

	2010 Euro	2009 Euro
These represent the following:		
Cash in hand	-	-
Petty Cash	129	43
Current Accounts	1,611	10,991
Savings Accounts	1,139	
Term deposit accounts	88,038	89,171
	<u>90,917</u>	<u>100,205</u>

14 Borrowings

The Council has a loan facility of Euro 26,290 with APS Bank Limited in connection with the purchase of property used to house the administrative offices of the Council. This is repayable in monthly installments of Euro 179 over a period of twenty years and bears interest at the rate of 1.75% over the base rate.

The facility is secured by:

- (a) First General Hypothec over the Council's assets.
- (b) Guarantee issued by the Housing Authority for Euro 25,157.
- (c) Contractual obligation to register in favour of the Bank a First Special Hypothec and Special Privilege over shop numbers 5,6 & 8 in Binja Faqqani, Trejzet il-Girasol, Santa Lucija.
- (d) Pledge over insurance policy covering the property and over a Term Deposit.

The repayments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year. The amounts are due:

	2010	2009
Between 1 and 2 years	4296	4296
Between 2 and 5 years	6444	6444
More than five years	9485	10867
	<u>20225</u>	<u>21607</u>

SANTA LUCIA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2010
(continued)

15 Deferred income

	2010	2009
	Euro	Euro
Government grants		
Brought fwd	943	-
Increase in period	12,380	943
Released in period	282	-
At 31 December	<u>13,605</u>	<u>943</u>
Current Deferred Income	<u>190</u>	<u>943</u>
Non-Current Deferred Income	<u>13,415</u>	<u>-</u>

Non-current deferred income is analysed as follows:

	2010	2009
Between 1 and 2 years	2683	-
Between 2 and 5 years	4026	-
More than five years	6706	-
	<u>13415</u>	<u>-</u>

16 Payables

These represent the following:

	2010	2009
	Euro	Euro
Payables	12,272	10,232
Accruals	34,177	42,065
Deferred income	190	943
Other payables	-	142
Other payables - Overdrawn Current Account	2,385	-
	<u>49,024</u>	<u>53,382</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2010

(continued)

17 Financial instruments

Financial assets include debtors and cash in hand and at bank. Financial liabilities include creditors, bank overdraft and other borrowings. At the Statement of Position date the Council had no unrecognised financial instruments.

The Local Council's activities expose it to a variety of financial risks, such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the un-predictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of provisions for doubtful debts. Cash is placed with reputable banks.

Liquidity Risk

Liquidity risk is limited as the Council has sufficient funding resources and also has the ability to raise finance to meet its obligations as and when these arise.

18 Related parties

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

Name of Entity	Nature of Relationship	Amount €
Department of Local Government	Significant Control	283,150
LES Joint Committee	Joint Control	8,500
Water Services Corporation	No Control	4,750
MEPA	No Control	1,048
		<u>297,448</u>