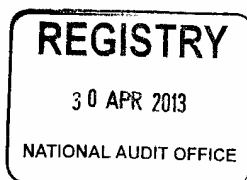


SANTA LUCIJA LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2012

*Prepared by: Ms Josianne Debono
Obo Dconsulta Ltd,
(April 2013)*



SANTA LUCIJA LOCAL COUNCIL

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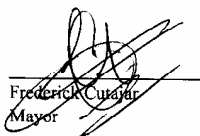
SANTA LUCIJA LOCAL COUNCIL

**STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S
RESPONSIBILITIES**
for the year ended 31 December 2012

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993,

This statement was approved by the Council on 22/04/2013 and signed on its behalf by:


Frederick Cutajar
Mayor


Caroline Silvio
Executive Secretary

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

| | Notes | Year Ended 2012 € | Year Ended 2011 € |
|--|----------|-------------------------|-------------------------|
| Income | | | |
| Funds received from Central Government | 4 | 338,230 | 291,385 |
| Income from Local Enforcement System | 5 | 6,017 | 18,610 |
| General Income | 6 | 15,074 | 11,945 |
| | | 359,321 | 321,940 |
| Expenditure | | | |
| Personal emoluments | 7 | 79,447 | 78,280 |
| Operations and maintenance | 8 | 150,671 | 149,745 |
| Administrative and other expenditure | 9 | 96,915 | 73,738 |
| | | 327,033 | 301,763 |
| Operating Surplus for the year | | 32,288 | 20,177 |
| Investment income | 10 | 1,667 | 1,449 |
| Finance Costs | 10 | (843) | - |
| | | 824 | 1,449 |
| Surplus for the year | 3 | 33,112 | 21,626 |

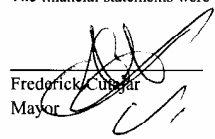
The notes on pages 6 to 25 form an integral part of these financial statements

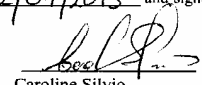
SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

| | Notes | Year Ended 2012 € | Year Ended 2011 € |
|---|-------|-------------------------|-------------------------|
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 11 | 426,417 | 342,613 |
| Deferred Expenditure | | 10,421 | - |
| | | 436,838 | 342,613 |
| <i>Current Assets</i> | | | |
| Inventories | 12 | 4,651 | 4,651 |
| Trade and other Receivables | 13 | 61,444 | 188,098 |
| Cash and cash equivalent | 14 | 108,814 | 123,064 |
| | | 174,909 | 315,813 |
| Total assets | | 611,747 | 658,426 |
| Reserves and liabilities | | | |
| <i>Reserves</i> | | | |
| Retained Funds | | 310,268 | 277,156 |
| <i>Non-current liabilities</i> | | | |
| Long term borrowings | 15 | 16,878 | 18,970 |
| Deferred Income | 16 | 151,641 | 163,491 |
| Payables | 17 | 37,137 | - |
| | | 205,656 | 182,461 |
| <i>Current liabilities</i> | | | |
| Current portion of long term borrowings | | 2,935 | 2,148 |
| Payables | 17 | 92,888 | 196,661 |
| | | 95,823 | 198,809 |
| Total liabilities | | 301,479 | 381,270 |
| Total reserves and liabilities | | 611,747 | 658,426 |

The financial statements were approved by the Council on 92/04/2013 and signed on its behalf by:


Frederick Cusgar
Mayor


Caroline Silvio
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

| | Retained Funds € | Total Funds € |
|----------------------------|---------------------------------|------------------------------|
| At 1 January 2011 | 255,530 | 255,530 |
| Surplus for the year | 21,626 | 21,626 |
| At 31 December 2011 | <u>277,156</u> | <u>277,156</u> |
| At 1 January 2012 | 277,156 | 277,156 |
| Surplus for the year | 33,112 | 33,112 |
| At 31 December 2012 | <u>310,268</u> | <u>310,268</u> |
| Equity Interest | <u>310,268</u> | <u>310,268</u> |

The notes on pages 6 to 25 form an integral part of these financial statements.

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2012

STATEMENT OF CASHFLOWS

For the year ended 31 December 2012

| | Notes | 2012 € | 2011 € |
|--|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Surplus for the year | | 33,112 | 21,626 |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 36,359 | 24,319 |
| Loss on disposal of capital items | | 6,722 | - |
| Interest payable | | 843 | - |
| Grants Released | | (8,844) | (2,074) |
| Interest receivable | | (1,667) | (1,405) |
| Operating Surplus before working capital changes | | 66,525 | 42,466 |
| <i>Movements in working capital:</i> | | | |
| (Increase) in inventories | | - | (593) |
| (Increase) in receivables | | (13,448) | (54,494) |
| (Decrease)/Increase in payables | | (125,348) | 142,795 |
| Net cash flows from operating activities | | (72,271) | 130,174 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (71,179) | (137,318) |
| Increase in deferred expenditure | | (10,421) | |
| Interest received | | 1,450 | 1,405 |
| Interest paid | | (843) | - |
| Net cash flows from investing activities | | (80,993) | (135,913) |
| Cash flows from financing activities | | | |
| Grants received | | 140,319 | 41,526 |
| Bank loan repayment | | (1,305) | (1,255) |
| Net cash flows from financing activities | | 139,014 | 40,271 |
| Net movement in cash and cash equivalents | | (14,250) | 34,532 |
| Cash and cash equivalents at beginning of year | | 123,064 | 88,532 |
| Cash and equivalents at end of year | 14 | 108,814 | 123,064 |

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2012

1. General Information

The Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Santa Lucija. These financial statements were approved for issue by the Council Member on the 22/04/2013. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting Convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to 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 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)
- IAS 24 - Related party disclosures (effective 1 January 2011)

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2012

2. Accounting Policies and Reporting Procedures- continued

New Relevant Standards and not yet adopted/not yet 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 2012 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

SANTA LUCIJA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

| | Rates in % |
|---|-------------------|
| Land | 0 |
| Trees | 0 |
| Buildings | 1 |
| Office Furniture & Fittings | 7.5 |
| Construction Works | 10 |
| Urban Improvements (Street Furniture) | 10 |
| Special Programmes (Projects) | 10 |
| Office Equipment and Computer Equipment | 20 |
| Motor Vehicles | 20 |
| Plant and Machinery | 20 |
| Road/Street Signs | Replacement basis |
| Litter Bins | Replacement basis |
| Playground Equipment | 100 |
| Street Lighting | 100 |
| Street Mirrors | Replacement basis |
| Plants | 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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial year in which they are incurred.

SANTA LUCIJA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Impairment of property, plant and equipment

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

SANTA LUCIA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

For loans; and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cashflows, cash and cash equivalents comprise cash in hand and balances held at banks.

SANTA LUCIJA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 – 'Related Party Disclosure.'

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

SANTA LUCIJA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Financial instruments

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

For the purpose of subsequent measurement, financial assets are classified into loans and receivables upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

Loans and receivables

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 company's trade receivables and cash and cash equivalents 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 counter party default rates for each identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

SANTA LUCIJA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Financial liabilities

The company's financial liabilities include payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

SANTA LUCIA LOCAL COUNCIL

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

2. Accounting Policies and Reporting Procedures - continued

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SANTA LUCIJA LOCAL COUNCIL

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

3. Surplus for the year

Surplus for the year is stated after charging:

| | 2012 | 2011 |
|---|--------|--------|
| | € | € |
| Personelle Emoluments (Note 7) | 79,447 | 78,280 |
| Depreciation on property, plant and equipment (Note 11) | 36,359 | 24,319 |

4. Funds Received from Central Government

| | 2012 | 2011 |
|--|---------|---------|
| | € | € |
| In terms of section 55 of the Local Councils Act, 1993 | 301,254 | 285,533 |
| Other government income | 36,976 | 5,852 |
| | 338,230 | 291,385 |

5. Income raised under Local Enforcement System

| | 2012 | 2011 |
|---------------------------|-------|--------|
| | € | € |
| Contraventions - note (i) | 6,017 | 18,610 |
| | 6,017 | 18,610 |

(i) In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

- The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.
- As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofs in -nhar.' The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:
 - a) Receipts of funds from the Joint Committee up to the 31 August 2011;
 - b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

SANTA LUCIJA LOCAL COUNCIL

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

6. General Income

| | 2012 | 2011 |
|--------------------|---------------|-------------|
| | € | € |
| Community services | 12,785 | - |
| Permits | 531 | 6,761 |
| Contributions | 833 | 451 |
| EU Funds | - | 3,298 |
| Document charges | 925 | 1,435 |
| | 15,074 | 11,945 |

7. Personnel emoluments

| | 2012 | 2011 |
|---------------------------------------|---------------|-------------|
| | € | € |
| <i>Personelle emoluments include:</i> | | |
| Mayor's Honoraria | 6,539 | 6,364 |
| Council Members' Allowance | 6,400 | 6,400 |
| Executive Secretary's Salary | 28,220 | 27,397 |
| Employees' Salaries | 33,412 | 33,554 |
| Social Security Contributions | 4,876 | 4,565 |
| | 79,447 | 78,280 |

SANTA LUCIJA LOCAL COUNCIL

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

8. Operations and Maintenance

| | 2012 | 2011 |
|---|----------------|----------------|
| | € | € |
| <i>Operations and maintenance includes:</i> | | |
| Repairs and Upkeep | | |
| Road and Street Pavements | 1,750 | 1,782 |
| Road Markings & signs | 5,736 | 1,856 |
| Other Repairs & Upkeep | 18,631 | 20,479 |
| Public property | 412 | - |
| Council property | 28 | - |
| | <u>26,557</u> | <u>24,117</u> |
| Contractual Services | | |
| Waste Disposal | 24,825 | 25,389 |
| Refuse Collection | 29,222 | 34,139 |
| Bulky Refuse Collection | 11,142 | 5,573 |
| Open Skips | 389 | - |
| Road & Street Cleaning | 12,863 | 13,638 |
| Cleaning and Maintenance of Parks and Gardens | 25,095 | 28,085 |
| Cleaning & Maintenance - Public Conveniences | 4,816 | 6,267 |
| Cleaning & Maintenance Non- Urban | 500 | - |
| Cleaning Council Premises | 3,873 | 3,438 |
| Street Lighting | 7,090 | 2,245 |
| Other Contractual Service | 4,299 | 6,854 |
| | <u>124,114</u> | <u>125,628</u> |
| Total Operations and Maintenance | <u>150,671</u> | <u>149,745</u> |

SANTA LUCIJA LOCAL COUNCIL

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

9. Administrative and Other Expenses

| | 2012 | 2011 |
|---|---------------|---------------|
| | € | € |
| Utilities | 6,843 | 6,317 |
| Repairs and upkeep | - | 125 |
| Operating Materials & Supplies | 4,267 | - |
| Uniforms | 171 | 163 |
| National and International memberships | 424 | 853 |
| Office Services | 6,419 | 6,358 |
| Transport expenses | 4,852 | 2,008 |
| Training expenses | 1,100 | - |
| Travelling expenses | - | 510 |
| Insurance Coverage | 2,785 | - |
| Bank Charges | 83 | - |
| Information services | 1,087 | 2,009 |
| Librarian Services | 853 | - |
| Professional services | 11,891 | 15,411 |
| ICT expenses | 3,163 | 270 |
| Fines and penalties | - | 943 |
| Community Services and Social Events | 3,893 | 10,033 |
| Sundry Minor Expenses | 845 | 491 |
| Rent | 5,158 | 3,928 |
| Net loss arising from disposals/write offs of capital items | 6,722 | - |
| Depreciation | 36,359 | 24,319 |
| | 96,915 | 73,738 |

10. Finance Income and cost

10.1 Investment Income

| | 2012 | 2011 |
|--------------------------|-------|-------|
| | € | € |
| Bank interest receivable | 1,667 | 1,449 |

10.1 Finance cost

| | 2012 | 2011 |
|--------------------|------|------|
| | € | € |
| Loan interest paid | 843 | - |

SANTA LUCIJA LOCAL COUNCIL

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

11. Property, plant and equipment

| | Council Premises € | Construction Works & Special Programmes € | Office Furniture & Fittings € | New Street Signs € | Urban Improve. € | Office & Computer Equip. € | Plant & machinery € | Street Paving € | Assets under Construction € | Total € |
|---|-----------------------|--|----------------------------------|-----------------------|---------------------|-------------------------------|------------------------|--------------------|--------------------------------|----------------|
| Cost | | | | | | | | | | |
| At 1 January 2012 | 31,447 | 365,177 | 30,479 | 21,261 | 170,601 | 33,168 | 15,061 | 113,216 | 12,338 | 792,748 |
| Reclassifications to opening balances | - | 70,354 | - | - | (70,354) | - | - | - | - | - |
| Additions | - | 98,620 | 3,517 | 594 | 212 | 1,756 | 310 | - | 18,176 | 123,185 |
| Disposals | - | (1,819) | (2,792) | (2,133) | (10,453) | (9,087) | - | - | - | (26,284) |
| Other adjustments - additions | - | - | - | - | - | - | 3,700 | - | - | 3,700 |
| At 31 December 2012 | 31,447 | 532,332 | 31,204 | 19,722 | 90,006 | 25,837 | 19,071 | 113,216 | 30,514 | 893,349 |
| Government Grants | | | | | | | | | | |
| At 1 January & 31 December 2012 | - | 104,182 | - | - | - | - | - | - | - | 104,182 |
| Depreciation | | | | | | | | | | |
| At 1 January 2012 | 1,464 | 153,405 | 15,970 | 21,261 | 50,326 | 24,637 | 9,541 | 69,349 | - | 345,953 |
| Reclassifications to opening balances | - | 4,468 | - | - | (4,468) | - | - | - | - | - |
| Charge for the year | 298 | 21,410 | 1,243 | 594 | 5,607 | 1,728 | 1,048 | 4,191 | - | 36,119 |
| Released on disposal | - | (3,345) | (1,283) | (2,133) | (5,286) | (7,515) | - | - | - | (19,562) |
| Other adjustments – charge for the year | - | - | - | - | - | - | 240 | - | - | 240 |
| At 31 December 2012 | 1,762 | 175,938 | 15,930 | 19,722 | 46,179 | 18,850 | 10,829 | 73,540 | - | 362,750 |
| N.B.V. at 31 December 2012 | 29,685 | 252,212 | 15,274 | - | 43,827 | 6,987 | 8,242 | 39,676 | 30,514 | 426,417 |

SANTALUCIA LOCAL COUNCIL

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

11. Property, plant and equipment - continued

| | Council Premises € | Construction Works & Special Programmes € | Office Furniture & Fittings € | New Street Signs € | Urban Improve. € | Office & Computer Equip. € | Plant & machinery € | Street Paving € | Assets under Construction € | Total € |
|-----------------------------------|--------------------------|---|--|--------------------------|------------------------|-------------------------------------|---------------------------|-----------------------|-----------------------------------|----------------|
| Cost | | | | | | | | | | |
| At 1 January 2011 | 31,447 | 332,102 | 26,255 | 18,599 | 90,491 | 29,740 | 13,580 | 113,216 | - | 655,430 |
| Additions | - | 33,075 | 4,224 | 2,662 | 80,110 | 3,428 | 1,481 | - | 12,338 | 137,318 |
| Disposals | | | | | | | | | | |
| At 31 December 2011 | 31,447 | 365,177 | 30,479 | 21,261 | 170,601 | 33,168 | 15,061 | 113,216 | 12,338 | 792,748 |
| Government Grants | | | | | | | | | | |
| At 1 January & 31 December 2011 | - | 104,182 | - | - | - | 2,637 | - | - | - | 106,819 |
| Depreciation | | | | | | | | | | |
| At 1 January 2011 | 1,159 | 143,719 | 15,050 | 18,599 | 46,605 | 20,542 | 8,608 | 64,715 | - | 318,997 |
| Charge for the year | 305 | 9,686 | 920 | 2,662 | 3,721 | 1,458 | 933 | 4,634 | - | 24,319 |
| At 31 December 2011 | 1,464 | 153,405 | 15,970 | 21,261 | 50,326 | 22,000 | 9,541 | 69,349 | - | 343,316 |
| N.B.V. at 31 December 2011 | 29,983 | 107,590 | 14,509 | - | 120,275 | 8,531 | 5,520 | 43,867 | 12,338 | 342,613 |

SANTA LUCIJA LOCAL COUNCIL

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

12. Inventories

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

13. Trade and other Receivables

| | 2012 | 2011 |
|------------------------------------|---------------|----------------|
| | € | € |
| Falling due within One Year | | |
| Prepayments | 3,808 | 4,153 |
| Accrued income | 57,520 | 183,662 |
| Other receivables | 116 | 283 |
| | <u>61,444</u> | <u>188,098</u> |

LES debtors amount to €33,533. As these are all older than 2 years, the full amount has been provided for.

14. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of financial position:

| | 2012 | 2011 |
|----------------------------------|----------------|----------------|
| | € | € |
| Petty cash | 98 | 65 |
| Bank balances - Current accounts | 20,678 | 34,961 |
| Bank balances - Term deposits | 88,038 | 88,038 |
| | <u>108,814</u> | <u>123,064</u> |

SANTA LUCIJA LOCAL COUNCIL

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

15. Long Term Borrowings

The Council has a loan facility of €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 €179 over a period of 20 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 €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 1 year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after 1 year. The amounts are due:

| | 2012 | 2011 |
|------------------------------|---------------|---------------|
| | € | € |
| Amount between 1 and 2 years | 5,870 | 4,296 |
| Amount between 2 and 5 years | 6,444 | 6,444 |
| Amount after 5 years | 4,564 | 8,230 |
| | 16,878 | 18,970 |

16. Deferred Income

| | 2012 | 2011 |
|---|-----------------|----------------|
| | € | € |
| Balance at the beginning of the year | 170,907 | 13,605 |
| Increase in period | - | 159,376 |
| Released to income | (8,844) | (2,074) |
| Balance at the end of the year | 162,063 | 170,907 |
| Current Deferred Income | (10,422) | (7,416) |
| Non- Current Deferred Income | 151,641 | 163,491 |
| <i>Non- current deferred income is analysed as follows:</i> | | |
| Amount to be released between 1 and 2 years | 12,209 | 14,091 |
| Amount to be released between 2 and 5 years | 22,947 | 16,280 |
| Amount to be released after 5 years | 116,485 | 140,536 |
| | 151,641 | 170,907 |

SANTA LUCIJA LOCAL COUNCIL

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

16. Deferred Income - continued

Deferred income represents grant agreements entered into under the Urban Improvements Fund (UIF), Alternative Energy LC scheme and the Public Private Partnership (PPP) scheme up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the assets in line with the depreciation charge on the projects that were capitalised up to the end of the year under review.

17. Trade and Other Payables

| | 2012 | 2011 |
|--|---------------|----------------|
| | € | € |
| <i>Amounts falling due within one Year:</i> | | |
| Payables | 29,403 | 152,548 |
| Capital creditors (i) | 18,569 | - |
| Accruals note | 34,494 | 36,697 |
| Deferred Income | 10,422 | 7,416 |
| | <u>92,888</u> | <u>196,661</u> |
| <i>Amounts falling due after more than one year:</i> | | |
| Long term capital creditors (ii) | <u>37,137</u> | - |

- (i) Short-term capital creditor represents the amount of €18,569 payable to a contractor for resurfacing works carried out at Triq Inez Soler under the PPP scheme.
- (ii) Other amounts due relating to the project mentioned in (i) above which was completed during 2012 amount to €37,137 which are payable over a period of seven (8) years and this amount is disclosed under Long Term payables

SANTA LUCIA LOCAL COUNCIL

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

18. Capital commitments

| | 2012 | 2011 |
|--|---------|------|
| | € | € |
| <i>Details of capital commitments at the accounting date are as follows:</i> | | |
| (i) Approved but not yet contracted for | 25,633 | - |
| (ii) Contracted for and provided in the financial statements | 55,707 | - |
| (iii) Contracted for but not provided in the financial statements | 186,507 | - |

The amounts contracted for relate to commitments for road resurfacing works to be carried out on Triq il-Gnien (€83,326); Triq Guljetta Lopez (€103,183) and other commitments for payments on the works done on Triq Inez Soler (€55,707). All these works form part of the PPP programme to be repayable over a period of nine (9) years.

19. Contingent liabilities

As at 31 December 2012, the end of the reporting period, Santa Lucia Local council has no pending court cases and/or litigation which might result in a future contingent liability

SANTA LUCIJA LOCAL COUNCIL

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

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Santa Lucija Local council is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

| Name of Entity | Nature of Relationship | 2012 € | 2011 € |
|---|------------------------|-----------|-----------|
| Department of Local Government - income | Significant Control | 301,014 | 285,533 |
| LES Joint Committee - income | Joint Control | 7,629 | 18,610 |
| Housing Authority - income | No Control | 167,644 | 128,655 |
| Water Services Corporation - income | No Control | 6,602 | 21,413 |
| Wasteserv Malta Ltd – operations | No Control | 21,413 | - |

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks, which include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

SANTA LUCIJA LOCAL COUNCIL

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

21. Financial Risk Management - continued

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Interest Rate risk

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

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

22. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements 22/04/2013 by the council members.

23. Comparative figures

The presentation of certain comparatives have been amended to conform to the current year's presentation.

Santa Lucija Local Council

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Santa Lucija Local Council which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditor

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

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 Zejtun Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Southern Regional Committee as from 1 September 2011. Included in LES income of € 6,017 is an amount of € 3,938 received during the year from the Zejtun Joint Committee. 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 2012 are not yet available.
2. 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 not been prepared in accordance with the specimen referred to above and do not take into consideration all the additional requirements that emerge from the applicable IFRSs. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Santa Lucija Local Council

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion, except for the effects of the matters described in paragraph 1 and 2 under Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Santa Lucija Local Council as at 31 December 2012, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 6 to 14.

Because of the matters set out in paragraphs 2 and 3 under Basis for qualified opinion paragraph, 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 matters set out in paragraph 2 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

22 April 2013