

Xewkija Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2011

**Prepared by
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011**

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

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

Approved by the Council and signed on its behalf on

2012 by:

Dr. Monica Vella
Mayor

Sue-Ellen Bugeja
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 €	31 December 2010 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	535,784	400,799
		<u>535,784</u>	<u>400,799</u>
Current Assets			
Receivables	4	185,339	139,361
Cash and Cash Equivalents	5	286,821	153,220
		<u>472,160</u>	<u>292,581</u>
Total Assets		<u><u>1,007,944</u></u>	<u><u>693,380</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		535,262	486,636
Non-current Liabilities			
Deferred income	6	237,430	149,171
Current Liabilities			
Payables	7	235,252	57,573
Total reserves and liabilities		<u><u>1,007,944</u></u>	<u><u>693,380</u></u>

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

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

2012

Dr. Monica Vella
Mayor

Sue-Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 €	2010 €
REVENUE			
Funds received from central government	8	315,699	316,493
Funds raised under Local Enforcement System	9	201	1,031
General Income	11	<u>7,259</u>	<u>33,060</u>
		<u>323,159</u>	<u>350,583</u>
EXPENDITURE			
Personal emoluments	12	(56,722)	(61,875)
Operations and maintenance	13	(84,713)	(96,601)
Administration and other expenditure	14	<u>(133,724)</u>	<u>(130,585)</u>
		<u>(275,159)</u>	<u>(289,061)</u>
Operating surplus for the year		48,000	61,523
Investment income	10	626	291
Total Comprehensive Income for the year		<u>48,626</u>	<u>61,814</u>

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Retained Funds 2011 €	Retained Funds 2010 €
At 1 January	486,636	424,822
Total comprehensive income for the year	48,626	61,814
	<hr/>	<hr/>
At 31 December	<u>535,262</u>	<u>486,636</u>

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		48,626	61,814
Adjustments for:			
Depreciation		38,398	32,939
Investment Income		(626)	(291)
Deferred income released		(1,663)	-
Operating Profit before Working Capital Changes		84,735	94,462
Decrease/(Increase) in Receivables		(45,978)	(117,932)
Increase in Payables		157,518	12,852
Net Cash inflows/(outflows) from from operating Activities		196,275	(10,618)
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(173,383)	(49,040)
Investment Income		626	291
New grants received		109,483	150,130
Cash Flow used in/from Investing Activities		(63,274)	101,381
Net Increase in Cash and Cash Equivalents		133,001	90,763
Cash and Cash Equivalents at the Beginning of Year		135,268	44,505
Cash and Cash Equivalents at the End of Year	5	268,269	135,268

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

Notes to the Financial Statements for the year ended 31 December 2011

1. General Information

Xewkija Local Council is the local authority of Xewkija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 2, Triq Torri Tingi, Xewkija XWK 2231. Xewkija Local Council started to form part of the Gozo Regional Committee in September 2011.

2. Accounting Policies and Reporting Procedures

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

a. Accounting convention

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2010 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

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

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

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

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

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

Notes to the Financial Statements for the year ended 31 December 2011 – continued

c. Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

d. Local Enforcement System

Xewkija Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2011 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses as well as the administrative fee of 10% that is now chargeable to the Gozo Regional Committee for contraventions paid at the Council.

e. Property, Plant and Equipment

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

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

g. Impairment of Assets

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

h. Amounts Receivable

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

i. Foreign Currencies

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

j. Surplus and deficits

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

k. Cash and Equivalents

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

l. Related parties

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

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

m. Payables

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

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

Notes to the Financial Statements for the year ended 31 December 2011 – continued

n. Financial Instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

Notes to the Financial Statements for the year ended 31 December 2011 – continued

o. Critical accounting estimates and judgements

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

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

Notes to the Financial Statements for the year ended 31 December 2011 (cont)
3a Property, Plant and Equipment

	Property	Office Furniture /fittings	Computer Equipment	Office & Other Equipment	Urban Improvements	New Street Signs	Construction	Assets under construction	Total
Cost									
At 1 January 2011	85,539	22,980	4,884	5,997	409,377	30,462	352,665	-	911,904
Additions this year	-	-	-	1,236	104	2,065	136,032	33,946	173,383
Reclassifications	-	(1,490)	-	1,490	-	-	-	-	-
At 31 December 2011	85,539	21,490	4,884	8,723	409,481	32,527	488,697	33,946	1,085,287
Grants and other reimbursements									
At 1 January 2011	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions this year	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Accumulated Depreciation									
At 1 January 2011	(7,310)	(10,761)	(4,736)	(4,514)	(229,407)	(30,462)	(11,005)	-	(298,195)
Charge for the year	(784)	(549)	(148)	(393)	(17,390)	(2,065)	(17,069)	-	(38,398)
At 31 December 2011	(8,094)	(11,310)	(4,884)	(4,907)	(246,797)	(32,527)	(28,074)	-	(336,593)
Net book value									
At 31 December 2011	77,445	10,180	-	3,816	159,569	-	250,828	33,946	535,784

Notes to the Financial Statements for the year ended 31 December 2011 (cont)
3b Property, Plant and Equipment

	Property	Office Furniture /fittings	Computer Equipment	Office & Other Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost								
At 1 January 2010	85,539	22,891	4,523	5,997	409,377	28,781	305,756	862,864
Additions this year	-	89	361	-	-	1,681	46,909	49,040
At 31 December 2010	85,539	22,980	4,884	5,997	409,377	30,462	352,665	911,904
Grants and other reimbursements								
At 1 January 2010	-	-	-	-	(3,115)	-	(209,795)	(212,910)
Additions this year	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	(3,115)	-	(209,795)	(212,910)
Accumulated Depreciation								
At 1 January 2010	(6,518)	(10,170)	(4,417)	(4,075)	(210,724)	(28,781)	(571)	(265,256)
Charge for the year	(792)	(591)	(319)	(439)	(18,683)	(1,681)	(10,434)	(32,939)
At 31 December 2010	(7,310)	(10,761)	(4,736)	(4,514)	(229,407)	(30,462)	(11,005)	(298,195)
Net book value								
At 31 December 2010	78,229	12,219	148	1,483	176,855	-	131,865	400,799

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

	2011	2010
	€	€
4 Accounts Receivable		
Accounts receivable	7,900	5,950
Other receivables (Guarantees)	12,150	11,650
Prepayments and accrued income	163,243	121,761
Deferred expenditure	2,046	-
	<u>185,339</u>	<u>139,361</u>

	2011	2010
	€	€
Receivables		
Within the current period	22,690	26,759
Exceeded credit period but not yet impaired	12,150	11,650
Government grants under the PPP scheme	150,499	100,952
	<u>185,339</u>	<u>139,361</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2011	2010
	€	€
Bank Balances:		
Ordinary funds	286,798	153,120
Cash in hand	23	100
Overdrawn balances	(18,552)	(17,952)
	<u>268,269</u>	<u>135,268</u>
Transfer to payables	18,552	17,952
Cash at bank and in hand	<u>286,821</u>	<u>153,220</u>

6 Deferred Income

	2011	2010
	€	€
Deferred Income:		
Between 1 and 2 years	24,456	7,599
Between 2 and 5 years	59,906	36,825
Over 5 years	153,068	104,747
	<u>237,430</u>	<u>149,171</u>

	2011	2010
	€	€
Opening balance	150,130	-
Increase in grants	109,483	150,130
Release of grants	(1,663)	-
Closing balance	<u>257,950</u>	<u>150,130</u>
Less Current portion	<u>20,520</u>	<u>959</u>
Non-current portion	<u>237,430</u>	<u>149,171</u>

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

7 Payables	2011	2010
	€	€
Accounts Payable	8,834	7,800
Accruals	187,346	30,862
Deferred income within 1 year	20,520	959
Overdrawn bank balances	18,552	17,952
	<u>235,252</u>	<u>57,573</u>
8 Funds received from Central Government	2011	2010
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	306,570	299,964
Other Government Income	9,129	16,529
	<u>315,699</u>	<u>316,493</u>
9 Income raised from Local Enforcement System	2011	2010
	€	€
Income from Local Enforcement System	201	1,031
	<u>201</u>	<u>1,031</u>
10 Investment income	2011	2010
	€	€
Bank Interest Receivable	626	291
	<u>626</u>	<u>291</u>
11 General Income	2011	2010
	€	€
Income from permits	2,055	1,957
Income from tender documents	660	958
Income from reinstatement of roads	-	27,350
Contributions and donations	4,544	2,795
	<u>7,259</u>	<u>33,060</u>
12 Personal Emoluments	2011	2010
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	5,053	8,924
Councillors' Allowance	5,700	6,100
Executive Secretary salary and allowances	20,941	26,610
Employees' Salaries	21,745	16,833
Social Security Contributions	3,283	3,408
	<u>56,722</u>	<u>61,875</u>

Notes to the Financial Statements for the year ended 31 December 2011 (cont)
13 Operations and Maintenance

	2011	2010
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	5,647	10,183
Public property	8,310	10,513
Street signs and markings	2,197	5,185
Council property	309	-
Total	<u>16,463</u>	<u>25,881</u>

Contractual Services:

Refuse Collection (including bins on wheels)	26,761	32,965
Bulky Refuse Collection (incl open skips)	752	2,277
Road and Street Cleaning (mechanical and manual)	10,075	11,186
Cleaning and Maintenance of Public Conveniences	5,311	3,326
Tipping fees	15,010	15,200
Street Lighting	10,341	5,766
	<u>68,250</u>	<u>70,720</u>
Total Operations and Maintenance Expenses	<u>84,713</u>	<u>96,601</u>

14 Administration and other expenditure

	2011	2010
	€	€
Utilities	8,523	5,993
Other repairs and upkeep	1,330	20,860
National and International Memberships	3,415	1,529
Rent	256	256
Office Services	3,925	3,705
Travel	1,142	692
Transport	418	156
Information services	2,712	1,927
Other contractual services	3,135	3,108
Professional Services	15,824	28,108
Community and Hospitality	54,646	31,237
Training	-	75
Depreciation	38,398	32,939
	<u>133,724</u>	<u>130,585</u>

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

15. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Gozo Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2011	2010
Significant control:	€	€
Revenue:		
Annual financial allocation	<u>306,570</u>	<u>299,964</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

16. Contingencies

The council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

There is a contingent liability for tipping fees that were overcharged but not entered in the accounts amounting to €11,656. This amount was not entered following instructions from the Local Council's Association since the bills for this service exceeded the amount received by the Council from Central Government for this purpose.

The Council has a bank guarantee of €12,150 in favour of MEPA.

17. Contingent gains

The credit regarding the debt due from Mr. Charles Cordina is still in force. The Local Council has obtained an executive title to retrieve this debt from Mr. Charles Cordina. A judicial sale by auction was made on request of the Local Council, however, other third party creditors concurred in this judicial sale and the Council received €238.11 from the amount due. This amount has been accounted for in the accounts of 2010. The remaining balance is still due.

The mayor still has to refund the Local Council an amount of Euro 1,248 out of the amount of Euro 2,559 additional honoraria taken in 2010 since during 2011 a refund of Euro 1,311 was made.

Notes to the Financial Statements for the year ended 31 December 2011 (cont)**18. Capital Commitments**

Details of Capital commitments are as follows:	2011	2010
	Euro	Euro
Approved but not yet contracted for	25,000	20,000
Contracted but not yet included in the financial statements	300,260	-
	<u>325,260</u>	<u>20,000</u>

These could be analysed as follows:

Approved but not yet contracted for:

Public Convenience – Soil Street	-	20,000
Public Convenience – St John Baptist Square	25,000	
	<u>25,000</u>	<u>20,000</u>

Contracted but not yet entered in financial statements:

PPP scheme	<u>300,260</u>	<u>-</u>
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19 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

19.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2011	2010
Class of financial assets – carrying amounts	€	€
Trade and other receivables	185,339	139,361
Cash and Cash Equivalents	286,821	153,220
	<u>472,160</u>	<u>292,581</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2011	2010
	€	€
Payables	<u>235,252</u>	<u>57,573</u>
	<u>235,252</u>	<u>57,573</u>

18.3 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2011	2010
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	185,339	139,361
Cash and Cash Equivalents	<u>286,821</u>	<u>153,220</u>
	<u>472,160</u>	<u>292,581</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>235,252</u>	<u>57,573</u>
	<u>235,252</u>	<u>57,573</u>

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