

Zurrieq Local Council

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

REGISTRY

30 APR 2013

NATIONAL AUDIT OFFICE

Prepared by: Joseph Azzopardi CPA
AB/05/88

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

The Local Council's (Financial) Regulations 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 Statement of Comprehensive Income of the Local Council for the year and its retained funds as at the year end, and that they comply with the Local Councils 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Ignatius Farrugia
Mayor



Josianne Cilia Mumford
Executive Secretary

Wednesday, 20th March 2013

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 Zurrieq 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, 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. During the year under review the council scrapped items of property, plant and equipment which were fully written off in the accounting records but which, according to the fixed assets register, had a net book value of € 296,733. The list of assets scrapped was not presented to the council and the council minutes do not make reference to this event.

As shown in note 10 to these financial statements, the net book value of property, plant and equipment at 31 December 2012 amounted to € 1,621,114. Our audit work revealed that the fixed assets register, which is intended to support the figures shown in the financial statements, showed that the carrying amounts of these assets at balance sheet date amounted to € 1,434,051 (after adjusting for the items scrapped). The Council could not give us satisfactory explanations for this discrepancy.

In view of the matters explained above we could not satisfy ourselves as to the existence, completeness and valuation of the carrying amount of property, plant and equipment at 31 December 2012 amounting to € 1,621,114.

2. Included with current liabilities under "Trade Payables" in note 13 to the financial statements is an amount of € 326,592 which is due to capital creditors. Of this balance, an estimated amount of € 217,728 is due to be paid after more than one year.
3. The quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures relating to liquidity risk (refer to note 21(iii)) do not include the required disclosures about the contractual maturities of financial liabilities. Moreover the financial statements do not disclose the classes of financial assets and liabilities.
4. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

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, 2 and 3 above, the financial statements give a true and fair view of the financial position of Zurrieq 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 in these financial statements.

Because of the matters set out in paragraph 3 and 4 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 paragraphs 2 and 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

20 March 2013

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Statement of Comprehensive Income

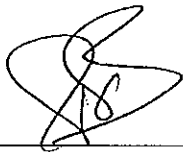
	Note	Year ended 31 December 2012	Year ended 31 December 2011
		EUR	EUR
Income			
Funds received from central government	3	752,565	687,820
Income from Local Enforcement	4	6,211	34,323
General Income	6	42,163	88,248
		<u>800,939</u>	<u>810,391</u>
Expenditure			
Personal Emoluments	7	111,779	107,808
Operations and Maintenance	8	387,279	332,983
Administration and other expenditure	9	270,729	271,785
		<u>769,787</u>	<u>712,576</u>
Operating surplus for the year		31,152	97,815
Investment income	5	3,963	5,515
Profit for the year		35,115	103,330

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

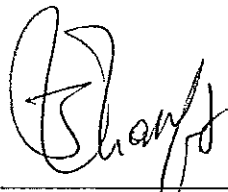
Statement of Financial Position

	Note	31 December 2012 EUR	31 December 2011 EUR
ASSETS			
Non Current Assets			
Property, Plant and Equipment	10	<u>1,621,114</u>	<u>927,801</u>
Current Assets			
Receivables	11	362,956	578,269
Cash and cash equivalents	12	542,204	651,292
		<u>905,160</u>	<u>1,229,561</u>
Total Assets		<u>2,526,274</u>	<u>2,157,362</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>1,254,580</u>	<u>1,219,465</u>
Current Liabilities			
Payables	13	<u>1,271,694</u>	<u>937,897</u>
Total Reserves and Liabilities		<u>2,526,274</u>	<u>2,157,362</u>

These Financial Statements were approved by the Local Council on Wednesday, 20th March 2013 and signed on its behalf:



Mayor



Executive Secretary

Statement of Changes in Equity

	Retained Funds EUR
Balance as at 1 January 2011	1,116,135
Total comprehensive income for the year 2011	103,330
Balance at 31 December 2011	<u>1,219,465</u>
Balance as at 1 January 2012	1,219,465
Total comprehensive income for the year 2012	35,115
Balance at 31 December 2012	<u>1,254,580</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Statement of Cash Flows

	Note	2012 EUR	2011 EUR
Cash Flows from Operating Activities			
Profit/(Loss) for the year/period		35,115	103,330
Adjustments for:			
Depreciation		107,028	98,077
Increase in provision for doubtful LES debtors		18,301	21,447
Investment income receivable		(3,963)	(5,515)
Government grant released		(22,835)	(4,840)
Operating Profit before Working Capital Changes		133,646	212,499
Decrease/(Increase) in Receivables		7,451	(21,670)
Increase/(Decrease) in Payables		336,742	(79,952)
Net cash from operating activities		477,839	110,877
Cash flows from investing activities			
Purchases of property, plant and equipment		(800,341)	(189,627)
Investment income received		3,963	5,515
Net Cash used in investing activities		(796,378)	(184,112)
Cash flows from financing activities			
Receipt of grants		198,335	46,951
Net Cash from financing activities		198,335	46,951
Net movement in Cash and Cash Equivalents		(120,204)	(26,284)
Cash and cash equivalents at the beginning of the year		639,991	666,275
Cash and cash equivalents at the end of the year 12,13		519,787	639,991

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

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

1. General Information

Zurrieq Local Council is the local authority of Zurrieq setup in accordance with the Local Councils Act. The office of the Local Council is situated at Centru Komunita Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq.

2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up applying IFRSs and 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:

a. Local Enforcement System and Payables

With effect from 1 September 2011 the Council formed part of the Southern Region. This had been notified to the Council by Memo 85/2011 whereby it was decided that the compensation due to Local Councils from the Regional Committee had to be of 10% of every payment effected in respect of traffic contraventions remitted to the respective Local Council. As per Legal Notice 363.41 the Council raises an invoice to each of the five Regions during the first week of the following month.

b. Critical accounting estimates and judgements

In preparing the Financial Statements the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) – ‘Presentation of Financial Statements’.

c. New and amended standards adopted by the Local Council

These changes did not 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 24 (amendment) – Related party disclosures – Amendment simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.
- IAS 36 (Impairment of assets) - Amendments to reflect changes in other standards.
- IAS 39 (amendment) - Financial instruments: Recognition and Measurement (effective from 1 Jan 2010).

d. New important standards and early adopted

There were no new amendments to existing standards which are mandatory for the Local Council's accounting periods beginning on or after 1 January 2012.

Notes to the Financial Statements ... continued

2. Accounting Policies and Reporting Procedures (contd.)

e. Revenue recognition

Income from central government is not recognised until there is reasonable assurance that the council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses Interest income is recognised in the income statement as it accrues.

f. Property, Plant and Equipment

Property, plant and equipment are 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	0.00
Trees	0.00
Buildings	1.00
Office furniture and fittings	7.50
Construction works	10.00
Urban Improvements (street furniture)	10.00
Special Programmes (Projects)	10.00
Office Equipment	20.00
Motor Vehicles	20.00
Plant & Machinery	20.00
Computer Equipment	25.00
Plants	100.00
Litter bins	100.00
Playground Furniture	100.00
Traffic signs	100.00
Road Signs	100.00
Street Mirrors	100.00
Street Lights	100.00

g. 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.

h. 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.

i. 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.

Notes to the Financial Statements ... continued

2. Accounting Policies and Reporting Procedures (contd.)

In accordance with prevailing regulations any local enforcement dues which have exceeded two years since being issued have been provided for.

j. 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.

k. Surpluses and deficits

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.

l. 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.

3. Funds Received from Central Government

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
In terms of Sections 55 of the Local Councils Act (CAP 363)	716,921	660,680
Special needs Government Income	465	-
Other government income	35,179	27,140
	<u>752,565</u>	<u>687,820</u>

4. Local Enforcement System Income

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
Income from administration fees	6,211	34,323
	<u>6,211</u>	<u>34,323</u>

5. Investment Income

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
Bank interest receivable	3,963	5,515
	<u>3,963</u>	<u>5,515</u>

Notes to the Financial Statements ... continued

6. General Income

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
Income from tender documents	3,100	1,110
Income from events, courses and activities	12,374	12,964
Income from permits	26,031	70,923
Income from rent of premises	658	1,751
Sundry contributions & donations	-	1,500
In terms of Local Councils (Financial) Procedures, 1996	<u>42,163</u>	<u>88,248</u>

7. Personal Emoluments

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
Personal emoluments include, inter alia:		
Mayor's Allowance	10,085	9,546
Executive Secretary Salary	30,821	30,338
Employees' Salaries	52,540	49,921
Social Security Contributions	6,394	6,803
Other allowances	17 <u>11,939</u>	<u>11,200</u>
	<u>111,779</u>	<u>107,808</u>

8. Operations and Maintenance

	Year ended 31 Dec 2012	Year ended 31 Dec 2011
	EUR	EUR
Repairs and Upkeep:		
Road Asphaltting	88,657	55,088
Public Property	171	193
Road Markings	15,226	25,561
Repair works on fountains	118	348
	<u>104,172</u>	<u>81,190</u>

Notes to the Financial Statements ... continued

8. Operations and Maintenance (cont...)

	Note	Year ended 31 Dec 2012	Year ended 31 Dec 2011
		EUR	EUR
Contractual Services:			
Refuse collection (including bins on wheels)		187,068	180,051
Bulky refuse collections (including open skips)		12,469	18,535
Road and Street Cleaning (mechanical and manual)		37,686	23,242
Cleaning and Maintenance of Public Conveniences		9,396	9,561
Cleaning and Maintenance of Parks and Gardens		9,300	9,993
Cleaning and Maintenance of Non-Urban areas		10,729	3,321
Cleaning and Maintenance of Soft Areas		7,302	4,446
Cleaning and Maintenance of Council Premises		360	48
Local Enforcement system expenses	19	1,710	(10,662)
Street lighting		7,087	13,258
		<u>283,107</u>	<u>251,793</u>
Total Operations and Maintenance expenses		<u>387,279</u>	<u>332,983</u>

9. Administration and other expenditure

		Year ended 31 Dec 2012	Year ended 31 Dec 2011
		EUR	EUR
Utilities		12,694	12,347
Uniforms		-	39
Other repairs and upkeep		40,887	17,655
Advertising and publications		7,148	5,827
Insurance coverage		3,796	4,157
Materials and Supplies		2,824	1,369
Office Services		8,454	8,117
Transport		2,123	2,335
Information Services		2,587	2,865
Rent		3,652	7,545
Sundry expenses		5	21
Professional Services		25,919	26,005
EU Projects	19	6,358	(487)
International relationships		3,874	28,532
Community services & events		20,943	30,371
Other contractual services		4,061	3,146
Bad debts written off		(100)	1,974
Increase in provision for doubtful debts		18,301	21,447
Bank charges		175	443
Depreciation		107,028	98,077
		<u>270,729</u>	<u>271,785</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2011

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

10. Property, Plant and Equipment

	Property EUR	Office Furniture /Fittings EUR	Plant & Machinery EUR	Trees EUR	Office Equipment EUR	Urban Improvement EUR	New Street Signs EUR	Construct EUR	Special Programm EUR	Assets under construct EUR	Total EUR
Cost as at 1 January 2012	176,229	78,561	3,451	36,306	33,967	261,481	37,069	293,904	1,286,720	78,062	2,285,750
Additions during the period	-	-	1,064	-	4,016	-	-	-	572,847	222,414	800,341
Disposals	-	(20,366)	(857)	(761)	(17,418)	(8,449)	(10,115)	(21,754)	(275,405)	-	(355,125)
Cost at 31 December 2012	176,229	58,195	3,658	35,545	20,565	253,032	26,954	272,150	1,584,162	300,476	2,730,966
Grants at 1 January 2012	-	-	-	-	-	-	-	-	360,281	-	360,281
Other reimbursements	-	-	-	-	-	-	-	-	-	-	-
Grants at 31 December 2012	-	-	-	-	-	-	-	-	360,281	-	360,281
Acc. Dep'n beginning of period	20,755	44,942	2,009	17,214	31,332	154,875	37,069	194,007	495,465	-	997,668
Charge for the period	4,701	2,518	295	-	1,328	13,344	-	3,577	81,265	-	107,028
Disposals	-	(20,366)	(857)	(761)	(17,418)	(8,449)	(10,115)	(21,754)	(275,405)	-	(355,125)
Acc. Dep'n end of Period	25,456	27,094	1,447	16,453	15,242	159,770	26,954	175,830	301,325	-	749,571
Net Book Value 31 December 2012	150,773	31,101	2,211	19,092	5,323	93,262	-	96,320	922,556	300,476	1,621,114

Zurrieq Local Council
Financial Statements for the year ended 31st December 2011

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

10 b. Property, Plant and Equipment ... continued

	Property EUR	Office Furniture /Fittings EUR	Plant & Machinery EUR	Trees EUR	Office Equipment EUR	Urban Improvement EUR	New Street Signs EUR	Construct EUR	Special Programm EUR	Assets under construct EUR	Total EUR
Cost as at 1 January 2011	175,297	78,561	3,451	36,306	33,393	259,680	37,069	293,904	1,178,462	-	2,096,123
Additions during the period	932	-	-	-	574	1,801	-	-	108,258	78,062	189,627
Disposal											
Cost at 31 December 2011	176,229	78,561	3,451	36,306	33,967	261,481	37,069	293,904	1,286,720	78,062	2,285,750
Grants at 1 January 2011	-	-	-	-	-	-	-	-	360,281	-	360,281
Other reimbursements											
Grants at 31 December 2011									360,281		360,281
Acc. Dep'n beginning of period	14,787	41,323	1,703	17,214	29,683	139,710	37,069	189,987	428,115	-	899,591
Charge for the period	5,968	3,619	306	-	1,649	15,165	-	4,020	67,350	-	98,077
Disposal											
Acc. Dep'n end of Period	20,755	44,942	2,009	17,214	31,332	154,875	37,069	194,007	495,465	-	997,668
Net Book Value 31 December 2011	155,474	33,619	1,442	19,092	2,635	106,606	-	99,897	430,974	78,062	927,801

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

11. Receivables

	2012	2011
	EUR	EUR
Trade Receivables	23,763	12,560
LES Receivables	12,463	37,488
Prepayments	7,952	9,883
Garnishee order	64,705	64,705
Bank guarantees	-	10,000
Accrued Income Receivable	254,073	443,633
	<u>362,956</u>	<u>578,269</u>

Provision for bad and doubtful
Debts as at 31 December

	EUR	EUR
Opening provision for bad and doubtful debts	278,513	276,539
Increase in provision for the year	18,301	1,974
Closing balance of bad and doubtful debts provision	<u>296,814</u>	<u>278,513</u>

12. Cash and Cash Equivalents

	2012	2011
	EUR	EUR
Bank Balances:		
Bank Current Account	86,900	64,633
Savings Accounts	251,800	347,608
Fixed Account	203,000	203,000
Cash in hand	504	36,051
Cash at Bank and in Hand	<u>542,204</u>	<u>651,292</u>

The fixed savings account held with a leading banking institution has been blocked in conjunction with existing bank guarantees – as per measures 313 and 323 - this restriction is expected to remain blocked for the time being but there is a possibility that it will be released during 2013. The physical work on both measures is expected to be completed in 2013 however the bank guarantees themselves were release in 2012. Work also encompasses statistical evaluation which must follow-on after same completion.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

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

13. Payables

	2012	2011
	EUR	EUR
Bank balance overdrawn	22,417	11,301
Trade Payables	449,998	110,877
Other payables	63	63
Accruals	9,539	11,919
Deferred Income	789,677	803,737
	<u>1,271,694</u>	<u>937,897</u>

14. Deferred Income

	2012	2011
	EUR	EUR
Balance at 1 January	803,737	609,759
(Decrease)/Increase in funds during the year	8,775	198,818
Amount released to the Statement of Comprehensive Income	(22,835)	(4,840)
Balance at 31 December	<u>789,677</u>	<u>803,737</u>
Amounts deferred to between:		
One and two years	20,559	12,374
Two and five years	769,118	791,363
Five years or more	-	-
	<u>789,677</u>	<u>803,737</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

15. Capital Commitments

	2012	2011
	EUR	EUR
(i) Details of Capital Commitments are as follows:		
Approved but not yet contracted for (ii)	8,000	-
Contracted for but not provided in the financial statements (iii)	768,039	648,824
	<u>776,039</u>	<u>648,824</u>
These could be analysed as follows:		
(ii) Approved but not yet contracted for:		
Special Programmes	8,000	-
	<u>8,000</u>	<u>-</u>
(iii) Contracted for but not provided for in the financial statements		
Public Private Partnership Scheme:		
- Road resurfacing (3 locations)	136,955	275,567
Road resurfacing (other – 3 locations)	440,829	89,952
New public gardens UIF (1 location)	92,655	92,655
Hal-Millieri Project	45,000	190,650
Canopy	19,000	-
Patching (1 location)	28,300	-
Special Programms	5,300	-
	<u>768,039</u>	<u>648,824</u>

16. Contingent Liabilities

The Council has been drawn into a court case. The outcome and liability of the council is estimated to be EUR 60,947.

The Council is engaged in two commitments on measures – numbered 313 and 323 – projects, the resurfacing of a major road in the locality, a medieval chapel parvis and entry road to it. The amount of Eur 10,000 previously held in a bank guarantee has now been released.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

17. Other allowances

The Council has paid the following additional allowances during 2011. These amounts are shown net of statutory deductions.

	2012	2011
	EUR	EUR
Mayor	1,600	1,600
Vice Mayor	1,200	1,200
Councillors' allowances	8,580	8,400
Executive Secretary	<u>1,539</u>	=
	<u>12,919</u>	<u>11,200</u>

18. Prior year adjustments

There were no prior year adjustments made in the course of 2012 nor deemed necessary during the course of preparation of these financial statements.

19. Related Parties

During the year under review, the Council entered into ongoing transactions with the following entities which are under full or partial Government control and which could therefore be deemed as related parties:

<u>Name of Entity</u>	<u>Relationship</u>
Department of Local Government	Significant control
Local Enforcement System	Joint control
Regional committees	Joint control
Lands Department	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
ARMS Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner of Police	No control

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

19. Related Parties (contd.)

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

(i) Annual allocation from Department of Local Government

	Year ended 31 December 2012 EUR	Year ended 31 December 2011 EUR
Annual Financial Allocation	716,921	660,680

(ii) Year-end balances

	Year ended 31 December 2012 EUR	Year ended 31 December 2011 EUR
Receivables:		
Water Services Corporation	20,650	11,247
Payables:		
ARMS Limited	765	969
Wasteserv Limited	44,241	33,090

20. Comparative figures

Where necessary the figures of the previous years have been reclassified for comparison purposes.

21. Financial risk management

The exposure to risks and the way in which they arise, coupled with the Council's policies and processes for managing, measuring and processing them in the course of meeting its objectives are disclosed in more detail in this section. The Council must manage its finances in a manner which achieves the intended targets by employing financial resources made available to it by the respective Department of Local Governance in the annual allocation as well as funds made available through other authorised partnerships and sources.

Methods used to measure such risks as employed by the Council are under continuous development and improvement. These serve to uphold the Council's objectives, processes and policies.

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

21. Financial risk management (contd.)

Significant changes in the Council's exposure to financial risks and the manner in which they are measured and managed are disclosed below.

The risks to which the Council has been or may be exposed in the foreseeable future may be categorised as follows:

Financial risk factors

The Council's activities may expose it to a variety of risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and currency risk arising from the financial instruments it may hold. The risk management policies employed by the Council to manage these risks are discussed below:

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Council's income and operating cash flows are not dependent on changes in market interest rates.

(ii) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from debt balances owed to the Council at the balance sheet date. The Council is exposed to this risk whenever amounts are owed to the Council by individuals and companies. Any cash balances as well as all surplus cash are deposited with reputable local banking institutions.

Amounts receivable by the Council include Local Enforcement System debts and other receivables which are subject to the risk of non-payment. It is the Council's policy to impair and provide for any debt which exceeds two years and which therefore does not remain within the acceptable limit of the credit period. This policy effects the provision for doubtful debts as follows:

	Year ended 31 December 2012 EUR	Year ended 31 December 2011 EUR
Amounts receivable within credit period	36,226	50,048
Impaired and provided for	18,301	1,974
Provision for doubtful debts as per IFRS 7.37	(18,301)	(1,974)
	<u>36,226</u>	<u>50,048</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

21. Financial risk management (contd.)

(iii) Liquidity risk

Liquidity risk is the risk that arises in the event that maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. There are sufficient liquid assets to ensure the ongoing operation of the Council for the foreseeable future.

(iv) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Council's functional currency. The Council is not exposed to foreign exchange risk at the present time.

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Council's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows:

	Year ended 31 December 2012 EUR	Year ended 31 December 2011 EUR
Financial assets		
Cash and bank balances	542,204	651,292
Receivables	355,004	568,386
	<u>897,208</u>	<u>1,219,678</u>
Financial liabilities		
Bank balance overdrawn	22,417	11,301
Payables	459,600	122,858
	<u>482,017</u>	<u>134,159</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

21. Financial risk management (contd.)

Capital management

It is the Council's policy to maintain a strong liquidity base so as to ensure compliance with the Local Councils (Financial) Regulations, 1993 whereby it is to be ascertained that an acceptable level of positive liquidity is maintained at all times. Such policy on the Council's liquidity also ensures that suppliers will be in a position to provide the necessary services at all times, with confidence that they will get paid and on their part to deliver the agreed services to the quality expectations being requested and within completion timeframes. Sufficient liquidity sustains future development of the Council's work and ensures the delivery of intended works and services to the community which it serves.

The Council is not dependent upon any form of short or long term borrowing, nor does it envisage to request or require such funding in the foreseeable future. The Council's reserves comprise of retained funds which during the past year have remained stable as shown hereunder:

	31 December 2012 EUR	31 December 2011 EUR
Reserves		
Retained funds	1,254,580	1,219,465

Financial Situation Indicator

In terms of section 55 of the Local Councils Act, the Financial Situation Indicator (FSI) of a Local Council should not be permitted to drop below 10%. This is derived by expressing the net current assets at year-end as a percentage of the Annual Government Allocation for that year.

On 1st February 2012 the Council's Executive Secretary communicated a request by email to the DLG asking for a review of the 10% benchmark commencing from 2012. The Council's net allocation for 2012 was of € 716,924 whereas the sum of its current assets less current liabilities as at 31 December 2012 amounted to € 51,382. This gives a FSI of 7.1%. The current liabilities as at 31st December 2012 included an accrual of € 326,592 which was the remaining 60% portion of the PPP scheme – roads resurfacing – pending invoicing by the contractor.

It is to be noted that in instances when the FSI has fallen below the 10% benchmark, the Executive Secretary is bound to notify the Director for Local Governance (DLG) immediately.

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Financial Statements for the year ended 31st December 2012

Notes to the Financial Statements for the period ended 31 December 2012_(cont...)

22. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.