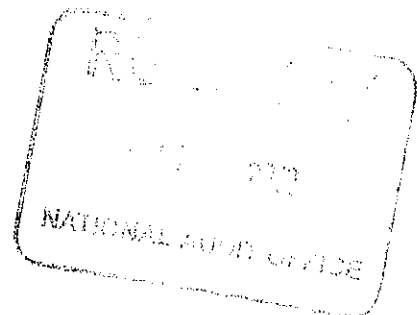


**Zurrieq Local Council**

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



Prepared by: Christopher Mifsud FCCA MIM  
ACCA Membership registration number : 0016680

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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 Munford  
Executive Secretary

Wednesday, 25 April 2012

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

**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 2011, 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 auditors***

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

***Auditors' 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 shown in note 10 to these financial statements, the net book value of property, plant and equipment at 31 December 2011 amounted to € 927,801. 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 € 1,408,969. The Council could not give us satisfactory explanations for this discrepancy and consequently we could not satisfy ourselves as to the existence, completeness and valuation of the carrying amount of fixed assets at 31 December 2011 amounting to € 927,801.
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 been prepared in accordance with the specimen referred to above but 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.


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

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

***Qualified Opinion***

Except for the effects of the matters described in paragraph 1 above, the financial statements give a true and fair view of the financial position of Zurrieq Local Council as at 31 December 2011, 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 2 and 3 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraphs 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

25 April 2012

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

**Statement of Comprehensive Income**

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
		EUR	EUR
<b>Income</b>			
Funds received from central government	3	687,820	671,620
Income from Local Enforcement	4	34,323	63,607
General Income	6	88,248	79,921
		<u>810,391</u>	<u>815,148</u>
<b>Expenditure</b>			
Personal Emoluments	7	107,808	99,734
Operations and Maintenance	8	332,983	375,535
Administration and other expenditure	9	271,785	235,493
		<u>712,576</u>	<u>710,762</u>
<b>Operating surplus for the year</b>		<b>97,815</b>	<b>104,386</b>
Investment income	5	5,515	6,845
<b>Profit/(Loss) for the year/period</b>		<b>103,330</b>	<b>111,231</b>


Zurriq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

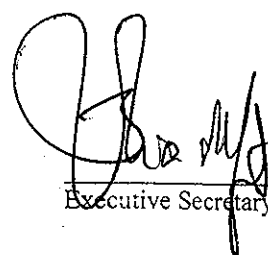
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**Statement of Financial Position**

	Notes	31 December 2011 EUR	31 December 2010 EUR
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	10	<u>927,801</u>	<u>836,251</u>
<b>Current Assets</b>			
Receivables	11	578,269	426,179
Cash and cash equivalents	12	651,292	702,266
		<u>1,229,561</u>	<u>1,128,445</u>
<b>Total Assets</b>		<u>2,157,362</u>	<u>1,964,696</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Funds		<u>1,219,465</u>	<u>1,116,135</u>
<b>Current Liabilities</b>			
Payables	13	<u>937,897</u>	<u>848,561</u>
<b>Total Reserves and Liabilities</b>		<u>2,157,362</u>	<u>1,964,696</u>

These Financial Statements were approved by the Local Council on the 25<sup>th</sup> April 2012 and signed on its behalf:

  
Mayor

  
Executive Secretary

**Statement of Changes in Equity**

	<b>Retained Funds EUR</b>
Balance as at 1 January 2010	1,004,904
Total comprehensive income for the year 2010	<b>111,231</b>
Balance at 31 December 2010	<u><b>1,116,135</b></u>
Balance as at 1 January 2011	1,116,135
Total comprehensive income for the year 2011	103,330
Balance at 31 December 2011	<u><b>1,219,465</b></u>



## Statement of Cash Flows

	Note	2011 EUR	2010 EUR
<b>Cash Flows from Operating Activities</b>			
Profit/(Loss) for the year/period		103,330	111,231
Adjustments for:			
Depreciation		98,077	88,579
Investment income receivable		(5,515)	(6,845)
LES debtors		-	17,426
<b>Operating Profit before Working Capital Changes</b>		<b>195,892</b>	<b>210,391</b>
(Increase)/Decrease in Receivables		(152,090)	(36,774)
Increase/(Decrease) in Payables		114,026	2,087
<b>Net cash from operating activities</b>		<b>157,828</b>	<b>175,704</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(189,627)	(111,956)
Decrease in deferred income		-	-
Grants		-	236
Investment income received		5,515	6,845
<b>Net Cash used in investing activities</b>		<b>(26,284)</b>	<b>(104,875)</b>
<b>Cash flows from financing activities</b>			
Special needs funds transferred during the year		-	288,277
<b>Net Cash from financing activities</b>		<b>-</b>	<b>288,277</b>
<b>Net movement in Cash and Cash Equivalents</b>		<b>(26,284)</b>	<b>359,106</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>666,275</b>	<b>307,169</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>639,991</b>	<b>666,275</b>

## Notes to the Financial Statements for the period ended 31 December 2011

### 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 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 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 Jan 2010).
- IFRS 3 (revised) - Business combinations (effective from 1 July 2009).

#### d. New important standards and 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 2011 or later periods and the Local Council has early adopted them:

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

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- IAS 24 - Related party disclosures (effective 1 January 2011). Amendments 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.

**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.

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

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 2011	Year ended 31 Dec 2010
	EUR	EUR
In terms of Sections 55 of the Local Councils Act (CAP 363)	660,680	658,593
Special needs Government Income	-	12,561
Other government income	27,140	466
	<u>687,820</u>	<u>671,620</u>

**4. Local Enforcement System Income**

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	EUR	EUR
Sentenced cases/accrued income	34,323	63,607
	<u>34,323</u>	<u>63,607</u>

**5. Investment Income**

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	EUR	EUR
Bank interest receivable	5,515	6,845
	<u>5,515</u>	<u>6,845</u>

**Notes to the Financial Statements ... continued**

**6. General Income**

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	EUR	EUR
Income from tender documents	1,110	5,470
Income from events, courses and activities	12,964	13,962
Income from permits	70,923	45,498
Income from insurance claims	-	13,018
Income from rent of premises	1,751	1,973
Sundry contributions & donations	1,500	-
Other government income	-	-
In terms of Local Councils (Financial) Procedures, 1996	<u>88,248</u>	<u>79,921</u>

**7. Personal Emoluments**

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	EUR	EUR
Personal emoluments include, inter alia:		
Mayor's Allowance	9,546	9,546
Executive Secretary Salary	30,338	28,732
Employees' Salaries	49,921	46,479
Social Security Contributions	6,803	6,017
Other allowances	11,200	8,960
	<u>107,808</u>	<u>99,734</u>

**8. Operations and Maintenance**

	Year ended 31 Dec 2011	Year ended 31 Dec 2010
	EUR	EUR
<b>Repairs and Upkeep:</b>		
Road Asphaltting	55,088	85,423
Public Property	193	-
Road Markings	25,561	10,893
Repair works on fountains	348	-
	<u>81,190</u>	<u>96,316</u>

Notes to the Financial Statements ... continued

8. Operations and Maintenance (cont...)

	Note	Year ended 31 Dec 2011	Year ended 31 Dec 2010
		EUR	EUR
<b>Contractual Services:</b>			
Refuse collection (including bins on wheels)		180,051	159,082
Bulky refuse collections (including open skips)		18,535	14,495
Road and Street Cleaning (mechanical and manual)		23,242	37,188
Cleaning and Maintenance of Public Conveniences		9,561	7,420
Cleaning and Maintenance of Parks and Gardens		9,993	12,794
Cleaning and Maintenance of Non-Urban areas		3,321	14,043
Cleaning and Maintenance of Soft Areas		4,446	7,302
Cleaning and Maintenance of Council Premises		48	200
Local Enforcement system expenses	19	(10,662)	16,894
Street lighting		13,258	9,801
		<u>251,793</u>	<u>279,219</u>
<b>Total Operations and Maintenance expenses</b>		<u>332,983</u>	<u>375,535</u>

9. Administration and other expenditure

		Year ended 31 Dec 2011	Year ended 31 Dec 2010
		EUR	EUR
Utilities		12,347	11,279
Uniforms		39	2,056
Other repairs and upkeep		17,655	26,017
Advertising and publications		5,827	7,192
Insurance coverage		4,157	3,748
Materials and Supplies		1,369	1,717
Office Services		8,117	6,259
Transport		2,335	2,004
Information Services		2,865	3,364
Rent		7,545	6,712
Sundry expenses		21	23
Professional Services		26,005	29,832
EU Projects	19	(487)	523
International relationships		28,532	1,624
Community services & events		30,371	23,168
Other contractual services		3,146	3,638
Bad debts written off		1,974	-
Increase in provision for doubtful debts		21,447	17,426
Bank charges		443	332
Depreciation		98,077	88,579
		<u>271,785</u>	<u>235,493</u>

Zurrieg Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

10. Property, Plant and Equipment

	Property	Office Furniture / Fittings	Plant & Machinery	Trees	Office Equipment	Urban Improvement	New Street Signs	Construct	Special Program	Assets under construct	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	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

Zaurieg Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

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

	Property	Office Furniture / Fittings	Plant & Machinery	Trees	Office Equipment	Urban Improvements	New Street Signs	Construction	Special Programmes	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost as at 1 January 2010	156,435	76,139	2,567	36,306	31,699	226,878	33,106	293,904	1,127,133	1,984,167
Additions during the period	18,862	2,422	884	-	1,694	32,802	3,963	-	51,329	111,956
Disposal										
Cost at 31 December 2010	175,297	78,561	3,451	36,306	33,393	259,680	37,069	293,904	1,178,462	2,096,123
Grants at 1 January 2010	-	-	-	-	-	-	-	-	360,045	360,045
Other reimbursements									236	236
Grants at 31 December 2010	-	-	-	-	-	-	-	-	360,281	360,281
Acc. Dep'n beginning of period	13,069	37,787	1,464	17,214	27,974	128,325	33,106	186,244	365,829	811,012
Charge for the period	1,718	3,536	239	-	1,709	11,385	3,963	3,743	62,286	88,579
Disposal										
Acc. Dep'n end of Period	14,787	41,323	1,703	17,214	29,683	139,710	37,069	189,987	428,115	899,591
Net Book Value 31 December 2010	160,510	37,238	1,748	19,092	3,710	119,970	-	103,917	390,066	836,251



Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

11. Receivables

	2011	2010
	EUR	EUR
Other Receivables	12,560	16,864
LES Receivables	37,488	49,684
Prepayments	9,883	3,160
Garnishee order	64,705	64,705
Bank guarantees	10,000	-
Accrued Income Receivable	443,633	291,766
	<u>578,269</u>	<u>426,179</u>

State of trade receivables as at 31 Dec 2011

	EUR	EUR
Amounts receivable within credit period	50,048	66,548
Impaired and provided for	1,974	17,426
Provision for doubtful debts as per IFRS 7.37	(1,974)	(17,426)
	<u>50,048</u>	<u>66,548</u>

12. Cash and Cash Equivalents

	2011	2010
	EUR	EUR
Bank Balances:		
Bank Current Account	64,633	36,179
Savings Accounts	347,608	362,727
Fixed Account	203,000	303,000
Cash in hand	36,051	360
Cash at Bank and in Hand	<u>651,292</u>	<u>702,266</u>

Two saving accounts with a leading banking institution have been blocked in conjunction with an existing bank guarantees – as per measures 313 and 323 - this restriction is expected to remain blocked for the duration of 2012 and possibly even 2013. The physical work on both measures is expected to be completed in 2012 however the bank guarantee itself also encompasses statistical evaluation work which must follow-on after same completion.

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

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Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

**13. Payables**

	2011	2010
	EUR	EUR
Bank Current Account	11,301	35,991
Trade Payables	110,877	184,760
Other payables	63	63
Accruals	11,918	17,988
Deferred Income	803,737	609,759
	<u>937,896</u>	<u>848,561</u>

**14. Deferred Income**

	2011	2010
	EUR	EUR
Balance at 1 January	609,759	29,716
Increase in funds during the year	193,978	580,279
Amount released to the Statement of Comprehensive Income	<u>-</u>	<u>(236)</u>
Balance at 31 December	<u>803,737</u>	<u>609,759</u>
Amounts deferred to between:		
One and two years	12,374	5,237
Two and five years	791,363	604,522
Five years or more	<u>-</u>	<u>-</u>
	<u>803,737</u>	<u>609,759</u>

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2011

Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

**15. Capital Commitments**

	2011	2010
	EUR	EUR
(i) Details of Capital Commitments are as follows:		
Approved but not yet contracted for (ii)	-	-
Contracted for but not provided in the financial statements (iii)	648,824	1,425,659
	<u>648,824</u>	<u>1,425,659</u>
These could be analysed as follows:		
(ii) Approved but not yet contracted for:		
Improvements	-	-
Office Equipment	-	-
Special Programmes	-	-
	<u>-</u>	<u>-</u>
(iii) Contracted for but not provided for in the financial statements		
Public Private Partnership Scheme:		
- Road resurfacing (2 locations)	275,567	690,136
Road resurfacing (other – 3 locations)	89,952	74,738
New public gardens (1 location)	92,655	258,186
Hal-Millieri Project	190,650	402,599
	<u>648,824</u>	<u>1,425,659</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. Amount of Eur 10,000 in bank guarantee is being disclosed in accordance with IAS 37 which governs the information pertaining to provisions, contingent liabilities and contingent assets

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Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)

**17. Other allowances**

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

	2011	2010
	EUR	EUR
Mayor	1,600	1,280
Vice Mayor	1,200	960
Councillors' allowances	8,400	6,720
Executive Secretary	-	641
Refund from Bubagra Admin Committee	-	(641)
	<u>11,200</u>	<u>8,960</u>

**18. Prior year adjustments**

There were no prior year adjustments made in the course of 2011 nor deemed necessary during the course of preparation of these financial statements

**19. Creditor amounts written off**

The following amounts have been written off in 2011 in compliance with the Management Letter accompanying the audited financial statements as at 31<sup>st</sup> December 2010. They comprise of formerly outstanding creditor amounts appearing in the Council's accounting records and deemed as neither due nor payable by the Council to the same suppliers.

Supplier	Nominal account effected	NL Ref	€
Water Serv Dept	Electricity	2130/000	12,295.80
GO plc	Telephone Charges	2160/000	26.93
Vodafone	Telephone Charges	2160/000	229.84
GO plc	Telephone Charges	2160/000	84.41
Ells	Patching works	2315/000	1,213.87
Mithna Textile	Patching works	2315/000	0.11
Nexus Lighting	Street lighting	3010/000	9.99
Dept of Waste	Road/street cleaning	3051/000	19,700.19
Euroclean	Road/street cleaning	3051/000	0.21
Med Developmt	Management services	3120/000	877.24
Fusion	Social events	3360/000	69.37
Andre Borg	EU projects	3367/000	1,137.04
Mqabba LC	EU projects	3367/000	20.15
Weave	EU projects	3367/000	1,769.99
TCTC	Educational activity	3380/000	10.00
Joint Committee	LES expenditure	3600/000	26,581.47
Asfaltar	Special programmes	7500/000	16,296.90
Silvar	Special programmes	7500/000	456.79
			<u>79,566.43</u>

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**Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)**

**20. Related Parties**

During the year under review, the Council entered into transactions with the following:

<u>Name of Entity</u>	<u>Relationship</u>
Department of Local Councils	Significant control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control

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

	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2010</b>
	<b>EUR</b>	<b>EUR</b>
Annual Government Allocation	<u>660,680</u>	<u>654,408</u>

**21. Comparative figures**

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

**22. Financial risk management**

**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.

**Notes to the Financial Statements for the period ended 31 December 2011\_(cont...)**

**22. Financial risk management (contd)**

**(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 high ranking local banking institutions.

**(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.

**(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.