

Luqa Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2010

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2010**

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Financial Statements for the year ended 31 December 2010

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 a statement of the Local Council's income and expenditure 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the 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 2011 by:

John Schembri
Mayor

Michael Portelli
Executive Secretary

Financial Statements for the year ended 31 December 2010

Independent Auditor's report

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 €	2009 €
ASSETS			
Non-Current Assets			
Plant and Equipment	3	<u>647,241</u>	<u>561,234</u>
		<u>647,241</u>	<u>561,234</u>
Financial Asset			
Investments	4	<u>201,942</u>	<u>-</u>
Current Assets			
Trade and other receivables	5	121,804	88,541
Cash and Cash Equivalents	6	<u>406,524</u>	<u>504,901</u>
		<u>528,328</u>	<u>593,442</u>
TOTAL ASSETS		<u><u>1,377,511</u></u>	<u><u>1,154,676</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		1,212,847	1,102,568
Investment revaluation reserve		<u>1,942</u>	<u>-</u>
		<u>1,214,789</u>	<u>1,102,568</u>
Liabilities			
	7		
Non-Current Liabilities			
Deferred income grants		36,716	-
Current Liabilities			
Trade and other payables		126,006	52,108
Total Liabilities		<u>162,722</u>	<u>52,108</u>
TOTAL RESERVES AND LIABILITIES		<u><u>1,377,511</u></u>	<u><u>1,154,676</u></u>

The notes on pages 10 to 18 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on April 2011 and signed on its behalf by:

John Schembri
Mayor

Michael Portelli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	Year ended 31 Dec 2010 €	Period from 1 Apr to 31 Dec 2009 €
INCOME			
Funds received from central government	8	354,276	232,064
Funds raised from contraventions	9	213,705	144,084
Investment income	10	864	672
General Income	11	15,201	7,603
		<u>584,046</u>	<u>384,423</u>
EXPENDITURE			
Personal emoluments	12	(85,221)	(45,950)
Operations and maintenance	13	(231,478)	(138,643)
Administration and other expenditure	14	(157,068)	(277,928)
		<u>(473,767)</u>	<u>(462,521)</u>
COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		110,279	(78,098)
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale investments		1,942	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		<u>112,221</u>	<u>(78,098)</u>

The notes on pages 10 to 18 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

At 31 December 2010

	Retained Funds €	Investment Revenue Reserve €	Total €
At 31 March 2009	1,180,666	-	1,180,666
Loss for the period	(78,098)	-	(78,098)
At 31 December 2009	<u>1,102,568</u>	<u>-</u>	<u>1,102,568</u>
Profit for the year	110,279	-	110,279
Investment revaluation reserve	-	1,942	1,942
At 31 December 2010	<u><u>1,212,847</u></u>	<u><u>1,942</u></u>	<u><u>1,214,789</u></u>

The notes on pages 10 to 18 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

At 31 December 2010

	Note	2010 €	2009 €
Cash Flows from Operating Activities			
Profit/(Loss) for the year		110,279	(78,098)
Adjustments for:			
Depreciation		54,083	41,641
Increase in Provision for doubtful debts		49,050	195,018
Interest receivable		(864)	(672)
Operating Profit before Working Capital Changes		212,548	157,889
(Decrease) in Receivables		(82,313)	(19,483)
Decrease in Payables		73,898	11,790
Cash generated from operations		204,133	150,196
Net Cash inflow from operating Activities		204,133	150,196
Cash flows from Investing Activities			
Interest received		864	672
Purchase of Tangible Fixed Assets		(140,090)	-
Grants received		36,716	-
Investment in La Valette Fund		(200,000)	-
Cash Flow generated from/(used in) Investing Activities		(302,510)	672
Net Increase in Cash and Cash Equivalents		(98,377)	150,868
Cash and Cash Equivalents at the Beginning of year		504,901	354,033
Cash and Cash Equivalents at the End of year/period	6	406,524	504,901

The notes on pages 10 to 18 are an integral part of the financial statements.

SCHEDULE OF SPECIAL NEEDS

At 31 December 2010

Fund received and expended	Brought forward	Receive	Expended	Balance
	€	€	€	€
PPP resurfacing project	-	26,716	-	26,716
Projects and incentives	-	10,000	-	10,000
Total	-	36,716	-	36,716
Commitments				
PPP resurfacing project	-	26,716	-	26,716
Projects and incentives	-	10,000	-	10,000
Total	-	36,716	-	36,716
Capital Commitments				
PPP resurfacing project	-	26,716	-	26,716
Projects and incentives	-	10,000	-	10,000
Total	-	36,716	-	36,716

The notes on pages 10 to 18 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2010

1. General Information

The Luqa Local Council is the local authority of Luqa setup in accordance with the Local Councils Act. The office of the Local Council is situated at St Paul Street Luqa.

2. Accounting Policies and Reporting Procedures

These financial statements have been prepared 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. Revenue recognition

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

b. Local Enforcement System

Luqa Local Council does not form part of the pooling system with the Zurrieq Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the amount of contraventions that have been issued within the locality and that have been decided by the tribunal as guilty.

c. 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	100
Playground furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

Notes to the Financial Statements for the year ended 31 December 2010 - continued

d. 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.

e. 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.

f. 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.

g. 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.

Transaction 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.

h. Profit and Losses

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

i. 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.

j. Trade and other 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.

Trade and other 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 company.

Notes to the Financial Statements for the year ended 31 December 2010 - continued

k. Related parties

The related part to the Local Council that exercises a significant control is the Department for Local Government.

The related parties to the Local Council that exercise no control are the Joint Committee and other Government entities such as Water Service Corporation.

l. Recognition and measurement

The council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value. All regular way transactions in assets classified in the receivables category are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from related parties are recognised and carried at cost.

m. 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. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

In the opinion of the executive secretary, the accounting estimates, assumptions 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) – 'Presentation of financial statements'.

Notes to the Financial Statements for the year ended 31 December 2010 - continued

3a Property, Plant and Equipment

Tangible Assets	Property	Office Furniture /fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2010	179,426	26,680	12,768	9,218	73,098	21,424	1,379,465	5,066	42,264	885	-	-	1,750,294
Additions	-	-	1,095	-	84,704	-	41,689	-	-	-	10,000	2,602	140,090
At 31 December 2010	179,426	26,680	13,863	9,218	157,802	21,424	1,421,154	5,066	42,264	885	10,000	2,602	1,890,384
Grants and other reimbursements													
At 1 January 2010	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Accumulated depreciation													
At 1 January 2010	(17,032)	(15,470)	(10,922)	(8,532)	(42,943)	(21,424)	(398,661)	(154)	(8,781)	(619)	-	-	(524,538)
Charge for the period	(1,624)	(841)	(735)	(137)	(9,343)	-	(40,593)	-	(335)	(53)	(167)	-	(53,828)
At 31 December 2010	(18,656)	(16,311)	(11,657)	(8,669)	(52,286)	(21,424)	(439,254)	(154)	(9,116)	(672)	(167)	-	(578,366)
Net book value													
At 31 December 2010	160,770	10,369	2,206	549	84,083	-	368,689	4,912	3,015	213	9,833	2,602	647,241

Notes to the Financial Statements for the year ended 31 December 2010 - continued

3a Property, Plant and Equipment

Tangible Assets	Property	Office Furniture /fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Trees	Special Programmes	Machinery	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 April 2009	179,426	26,680	12,768	9,218	73,098	21,424	1,379,465	5,066	42,264	885	1,750,294
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	179,426	26,680	12,768	9,218	73,098	21,424	1,379,465	5,066	42,264	885	1,750,294
Grants and other reimbursements											
At 1 April 2009	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	(664,777)
Accumulated depreciation											
At 1 April 2009	(16,344)	(14,421)	(10,768)	(7,869)	(40,597)	(21,423)	(362,092)	(154)	(8,409)	(566)	(482,643)
Charge for the period	(688)	(1,049)	(154)	(663)	(2,346)	(1)	(36,315)	-	(372)	(53)	(41,641)
At 31 December 2009	(17,032)	(15,470)	(10,922)	(8,532)	(42,943)	(21,424)	(398,407)	(154)	(8,781)	(619)	(524,284)
Net book value											
At 31 December 2009	162,394	11,210	1,846	686	8,722	-	367,847	4,912	3,350	266	561,233

Notes to the Financial Statements for the year ended 31 December 2010 – continued

	2010	2009
	€	€
4 Investments		
Valletta Fund Management		
Money fund	200,000	-
Investment growth	1,942	-
	<u>201,942</u>	<u>-</u>

The investment income consists of the La Valette Management money fund held with Bank of Valletta. The fair value changes on available-for-sale financial assets is being recognised directly in equity, and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

	2010	2009
	€	€
5 Receivables		
LES receivables	426,744	344,541
Allowance for doubtful debts	(306,104)	(257,054)
Prepayments	1,164	1,054
	<u>121,804</u>	<u>88,541</u>

Trade receivables

Within the current period	1,164	1,054
Exceeded credit period but not yet impaired	120,640	87,487
	<u>121,804</u>	<u>88,541</u>

	2010	2009
	€	€
6 Cash and Cash Equivalents		
Bank Balances:		
Current Accounts	3,300	38,902
Savings Accounts	403,224	465,513
Cash in hand	-	486
	<u>406,524</u>	<u>504,901</u>

	2010	2009
	€	€
7 Payables		
Trade payables	46,378	35,879
Other payables and accruals	79,628	16,229
Current Liabilities	<u>126,006</u>	<u>52,108</u>
Non-current liabilities:		
Deferred income grants	<u>36,716</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2010 – continued

	2010	2009
	€	€
8 Funds received from Central Government		
In terms of section 55 of the Local Councils Act (CAP 363)	349,276	232,064
Other Government income	5,000	-
	<u>354,276</u>	<u>232,064</u>
9 Local Enforcement System Income		
Contraventions income receivable	213,705	144,084
	<u>213,705</u>	<u>144,084</u>
10 Investment income		
Bank Interest Receivable	864	-
	<u>864</u>	<u>672</u>
11 General Income		
Sundry Contributions & donations	9,685	2,122
Income from tender documents	2,140	3,450
Other	3,376	2,031
	<u>15,201</u>	<u>7,603</u>
12 Personal Emoluments		
Personal emoluments include, inter alia:		
Mayor's Allowance	9,506	4,323
Councillors' Allowance	8,540	-
Executive secretary's salary	23,703	17,715
Employees' salaries	39,065	20,431
Social Security contributions	4,407	3,481
	<u>85,221</u>	<u>45,950</u>

Notes to the Financial Statements for the year ended 31 December 2010 – continued**13 Operations and Maintenance**

	2010	2009
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	4,989	2,895
Signs & Road Markings	6,286	2,814
Other Repairs	7,088	7,441
Total	<u>18,363</u>	<u>13,150</u>

Contractual Services:

Refuse Collection (including bins on wheels)	43,327	32,495
Refuse disposal fee	42,403	6,302
Bulky Refuse Collection (including open skips)	3,350	4,158
Road and Street Cleaning (mechanical and manual)	23,600	19,757
Cleaning and Maintenance of Public Conveniences	5,100	5,477
Cleaning and Maintenance of Parks and Gardens	14,325	10,604
Local Enforcement expenses	76,818	42,749
Street Lighting	4,192	3,951
	<u>213,115</u>	<u>125,493</u>
Total Operations and Maintenance Expenses	<u>231,478</u>	<u>138,643</u>

14 Administration and other expenditure

Utilities	5,224	4,064
Materials & Supplies	512	723
Rent	1,272	779
Office Services	11,494	3,400
Transport	698	723
Newsletter and publications	-	4,854
Insurance and bank charges	3,430	1,955
Professional Services	12,595	9,345
Community services and events	18,511	15,143
Other office expenses	199	283
Increase in allowance for bad debts	49,050	195,018
Depreciation	54,083	41,641
	<u>157,068</u>	<u>277,928</u>

Notes to the Financial Statements for the year ended 31 December 2010 – continued

15 Capital Commitments

	2010	2009
Construction	€	€
Installation of lift at day centre	63,013	151,000
Resurfacing - Triq Sant Andrija	41,865	-
Pjazza Sant' Andrija, misrah il-knisja u triq san pawl	63,135	219,463
Resurfacing Triq il-Vitorja Hal Farrug	50,047	-
PPP resurfacing	267,164	-
Office improvements	-	5,000
Urban improvements	-	3,000
Office Equipment	-	3,000
	485,224	381,463

16 Related Parties

The ultimate controlling party of the local 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 in respect of trenching works.