

Luqa Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2011

**Prepared by
JCA Limited**

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

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Independent auditors' report	4
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 – 22

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:

John Schembri
Mayor

Michael Portelli
Executive Secretary

Financial Statements for the year ended 31 December 2011

Independent Auditors' report

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 €	2010 €
ASSETS			
Non-Current Assets			
Plant and Equipment	3	<u>876,859</u>	<u>647,241</u>
		<u>876,859</u>	<u>647,241</u>
Financial Asset			
Investments	4	<u>203,643</u>	<u>201,942</u>
Current Assets			
Trade and other receivables	5	94,071	121,804
Cash and Cash Equivalents	6	<u>327,979</u>	<u>406,524</u>
		<u>422,050</u>	<u>528,328</u>
TOTAL ASSETS		<u><u>1,502,552</u></u>	<u><u>1,377,511</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		1,267,666	1,212,847
Investment revaluation reserve		<u>3,643</u>	<u>1,942</u>
		<u>1,271,309</u>	<u>1,214,789</u>
Liabilities			
Non-Current Liabilities			
Deferred income grants	7	44,394	36,716
Current Liabilities			
Trade and other payables	7	186,849	126,006
Total Liabilities		<u>231,243</u>	<u>162,722</u>
TOTAL RESERVES AND LIABILITIES		<u><u>1,502,552</u></u>	<u><u>1,377,511</u></u>

The notes on pages 10 to 22 are an integral part of the financial statements.

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

2012 and signed

John Schembri
Mayor

Michael Portelli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 €	2010 €
REVENUE			
Funds received from central government	8	350,664	354,276
Funds raised from contraventions	9	140,897	213,705
General Income	11	15,574	15,201
		<u>507,135</u>	<u>583,182</u>
EXPENDITURE			
Personal emoluments	12	(82,651)	(85,221)
Operations and maintenance	13	(216,123)	(231,478)
Administration and other expenditure	14	(154,348)	(157,068)
		<u>(453,122)</u>	<u>(473,767)</u>
OPERATING SURPLUS FOR THE YEAR		<u>54,013</u>	<u>109,415</u>
Investment income	10	806	864
		<u>54,819</u>	<u>110,279</u>
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale investments		1,701	1,942
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>56,520</u></u>	<u><u>112,221</u></u>

The notes on pages 10 to 22 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

At 31 December 2011

	Retained Funds €	Investment Revenue Reserve €	Total €
At 1 January 2010	1,102,568	-	1,102,568
Total comprehensive income for the year	110,279	-	110,279
Investment revaluation reserve	-	1,942	1,942
At 31 December 2010	<u>1,212,847</u>	<u>1,942</u>	<u>1,214,789</u>
At 1 January 2011	1,212,847	1,942	1,214,789
Total comprehensive income for the year	54,819	-	54,819
Investment revaluation reserve	-	1,701	1,701
At 31 December 2011	<u><u>1,267,666</u></u>	<u><u>3,643</u></u>	<u><u>1,271,309</u></u>

The notes on pages 10 to 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

At 31 December 2011

	Note	2011 €	2010 €
Cash Flows from Operating Activities			
Total comprehensive income for the year		54,819	110,279
Adjustments for:			
Depreciation		60,563	54,083
Increase in Provision for doubtful debts		47,618	49,050
Interest receivable		(806)	(864)
Operating Profit before Working Capital Changes		162,194	212,548
(Decrease) in Receivables		(19,885)	(82,313)
Decrease in Payables		58,798	73,898
Cash generated from operations		201,107	204,133
Net Cash inflow from operating Activities		201,107	204,133
Cash flows from Investing Activities			
Interest received		806	864
Purchase of property, plant and equipment		(290,181)	(140,090)
Investment in La Valette Fund		-	(200,000)
Cash Flow (used in) Investing Activities		(289,375)	(339,226)
Cash flows from Financing Activities			
Grants received		9,723	36,716
Cash flows generated from Financing activities		9,723	36,716
Net (decrease) in Cash and Cash Equivalents		(78,545)	(98,377)
Cash and Cash Equivalents at the Beginning of year		406,524	504,901
Cash and Cash Equivalents at the End of year	6	327,979	406,524

The notes on pages 10 to 22 are an integral part of the financial statements.

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

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

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 period ended 31 December 2011 – continued

c. 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.

d. 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. On 1st September 2011 Luqa Local Council became part of the South Regional Committee and started to charge an administrative fee of 10% to the respective Regional Committees 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
Traffic and Road 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.

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

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.

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 Comprehensive Income.

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 Comprehensive Income.

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.

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

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 company.

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 – continued**3a Property, Plant and Equipment**

	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 2011	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
Additions	-	-	-	269	53,729	-	226,358	-	-	1,177	-	8,648	290,181
At 31 December 2011	179,426	26,680	13,863	9,487	211,531	21,424	1,647,512	5,066	42,264	2,062	10,000	11,250	2,180,565
Grants and other reimbursements													
At 1 January 2011	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Accumulated depreciation													
At 1 January 2011	(18,656)	(16,311)	(11,657)	(8,669)	(52,286)	(21,424)	(439,254)	(154)	(9,116)	(672)	(167)	-	(578,366)
Charge for the period	(1,608)	(778)	(551)	(164)	(10,665)	-	(46,053)	-	(302)	(278)	(164)	-	(60,563)
At 31 December 2011	(20,264)	(17,089)	(12,208)	(8,833)	(62,951)	(21,424)	(485,307)	(154)	(9,418)	(950)	(331)	-	(638,929)
Net book value													
At 31 December 2011	159,162	9,591	1,655	654	127,147	-	548,994	4,912	2,713	1,112	9,669	11,250	876,859

Notes to the Financial Statements for the year ended 31 December 2011 – continued**3b Property, Plant and Equipment**

	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)	(398,406)	(154)	(8,781)	(619)	-	-	(524,283)
Charge for the period	(1,624)	(841)	(735)	(137)	(9,343)	-	(40,849)	-	(335)	(53)	(167)	-	(54,084)
At 31 December 2010	(18,656)	(16,311)	(11,657)	(8,669)	(52,286)	(21,424)	(439,255)	(154)	(9,116)	(672)	(167)	-	(578,367)
Net book value													
At 31 December 2010	160,770	10,369	2,206	549	84,083	-	368,688	4,912	3,015	213	9,833	2,602	647,240

- 3c. An adjustment was made to the charge for depreciation on construction for the period 2010 since this was not in agreement with the financial statements. The amount of depreciation quoted in note 14, administrative and other expenditure was correctly stated. The amount in the last financial statements was quoted as the depreciation charge for the period for Construction was €40, 593, which has now been revised to read €40,849.

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

4 Investments	2011	2010
	€	€
Valetta Fund Management		
Money fund	201,942	200,000
Investment growth	1,701	1,942
	<u>203,643</u>	<u>201,942</u>

The investment income consists of the La Valette Management money fund held with Bank of Valetta. 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).

5 Receivables	2011	2010
	€	€
LES receivables	438,455	426,744
Allowance for doubtful debts	(353,722)	(306,104)
Prepayments and accrued income	9,338	1,164
	<u>94,071</u>	<u>121,804</u>

Trade receivables	2011	2010
	€	€
Within the current period	9,338	1,164
Exceeded credit period but not yet impaired	84,733	120,640
	<u>94,071</u>	<u>121,804</u>

Provision for doubtful debts	2011	2010
	€	€
Balance on 1 January	306,104	257,054
Movements during the year	47,618	49,050
Balance at 31 December	<u>353,722</u>	<u>306,104</u>

6 Cash and Cash Equivalents	2011	2010
	€	€
Bank Balances:		
Current Accounts	90,803	3,300
Savings Accounts	237,176	403,224
Cash in hand	-	-
	<u>327,979</u>	<u>406,524</u>

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

7 Payables	2011	2010
	€	€
Trade payables	175,338	46,378
Other payables and accruals	9,547	79,628
Deferred income short term	1,964	-
Current Liabilities	<u>186,849</u>	<u>126,006</u>
Non-current payables		
Deferred income grant	<u>44,394</u>	<u>36,716</u>
8 Funds received from Central Government	2011	2010
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	348,223	349,276
Other Government income	2,441	5,000
	<u>350,664</u>	<u>354,276</u>
9 Local Enforcement System Income	2011	2010
	€	€
Contraventions income receivable	140,897	213,705
	<u>140,897</u>	<u>213,705</u>
10 Investment income	2011	2010
	€	€
Bank Interest Receivable	806	864
	<u>806</u>	<u>864</u>
11 General Income	2011	2010
	€	€
Sundry Contributions & donations	12,332	9,685
Income from tender documents	150	2,140
Income from permits	3,092	3,376
	<u>15,574</u>	<u>15,201</u>
12 Personal Emoluments	2011	2010
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	9,546	9,506
Councillors' Allowance	8,600	8,540
Executive secretary's salary	25,713	23,703
Employees' salaries	33,923	39,065
Social Security contributions	4,869	4,407
	<u>82,651</u>	<u>85,221</u>

Notes to the Financial Statements for the year ended 31 December 2011 – continued**13 Operations and Maintenance**

	2011	2010
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	2,794	4,989
Signs & Road Markings	7,348	6,286
Other Repairs	10,220	7,088
Total	20,362	18,363
Contractual Services:	2011	2010
	€	€
Refuse Collection (including bins on wheels)	39,833	43,327
Refuse disposal fee	36,249	42,403
Bulky Refuse Collection (including open skips)	3,155	3,350
Road and Street Cleaning (mechanical and manual)	23,600	23,600
Cleaning and Maintenance of Public Conveniences	5,000	5,100
Cleaning and Maintenance of Parks and Gardens	14,326	14,325
Local Enforcement expenses	68,765	76,818
Street Lighting	4,833	4,192
	195,761	213,115
Total Operations and Maintenance Expenses	216,123	231,478

14 Administration and other expenditure

	2011	2010
	€	€
Utilities	5,941	5,224
Materials & Supplies	1,137	512
Rent	1,707	1,272
Office Services	2,504	11,494
Transport	1,382	698
Travel	1,446	-
Information services	2,881	-
Insurance and bank charges	1,995	3,430
Professional Services	14,099	12,595
Community services and events	10,803	18,511
Other office expenses	531	199
Increase in allowance for bad debts	47,618	49,050
Penalty	1,741	-
Depreciation	60,563	54,084
	154,348	157,069

Notes to the Financial Statements for the year ended 31 December 2011 – continued**15 Capital Commitments**

	2011	2010
Construction	€	€
Day Centre	75,000	63,013
Resurfacing - Triq Sant Andrija	-	41,865
Pjazza Sant' Andrija, misrah il-knisja u triq san pawl	-	63,135
Resurfacing Triq il-Vitorja Hal Farrug	-	50,047
PPP resurfacing	267,164	267,164
	<u>342,164</u>	<u>485,224</u>

16 Related Parties

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
Joint Committee (Local Enforcement)	Joint control
Regional Committee	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:	€	€
Annual financial allocation	<u>348,223</u>	<u>349,276</u>

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 as a result of the trenching works.

17. 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.

Notes to the Financial Statements for the period ended 31 December 2011 – continued**17.1 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	90,367	120,640
Gross investments	203,643	201,942
Cash and Cash Equivalents	327,979	406,524
	<u>621,989</u>	<u>729,106</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 note 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.

17.2 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
Current payables within one year:	€	€
Trade payables	175,338	46,378
Other payables and accruals	8,031	79,628
Financial Liabilities	<u>183,369</u>	<u>126,006</u>

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

17.3 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:

Current Assets	2011	2010
	€	€
Loans and receivables:		
Trade and other receivables	90,367	120,640
Gross investments	203,643	201,942
Cash and Cash Equivalents	<u>327,979</u>	<u>406,524</u>
	<u>621,989</u>	<u>729,106</u>
	2011	2010
Current Liabilities	€	€
Financial liabilities measured at amortised costs:		
Trade payables	175,338	46,378
Other payables and accruals	8,031	79,628
Financial Liabilities	<u>183,369</u>	<u>126,006</u>