



MQABBA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31st December 2010

Prepared by:
Mqabba Local Council

TABLE OF CONTENTS

<i>SECTION</i>	<i>PAGE</i>
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Local Government Auditor to the Auditor General	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Schedule of Special Needs Funds	9
Notes to the Financial Statements	10 - 19

Financial Statements for the year ended 31st 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 Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Monday, 21st February 2011

Mr. Noel Galea
(Mayor)

Mr. Anthony Bonello
(Executive Secretary)

Financial Statements for the year ended 31st December 2010

Report of the Local Government Auditor to the Auditor General

TO BE REPORTED BY THE LOCAL GOVERNMENT AUDITOR

Statement of Comprehensive Income for the year ended 31st December 2010

	Note	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Income			
Funds received from Central Government	3	366,427	182,141
Income raised under Local Council Bye-Laws	4	3,903	3,290
Income raised under Local Enforcement System	5	19,210	30,713
Investment Income	6	747	304
General Income	7	4,408	3,517
		<u>394,695</u>	<u>219,965</u>
Expenditure			
Personal emoluments	8	68,869	36,546
Operations and maintenance	9	101,876	73,718
Administration and other expenditure	10	104,776	97,492
		<u>(275,521)</u>	<u>(207,756)</u>
Profit for the year/period		<u><u>119,174</u></u>	<u><u>12,209</u></u>

The notes on pages 10 to 19 form an integral part of these financial statements.

Statement of Financial Position as at 31st December 2010

	Note	2010 €	2009 €
<u>Assets</u>			
Non-current Assets			
Property, plant and equipment	11 a-b	503,081	334,724
Current Assets			
Inventories	12	-	4,052
Receivables	13	14,593	35,742
Cash and cash equivalents	14	148,642	109,515
		<u>163,235</u>	<u>149,309</u>
Total Assets		<u><u>666,316</u></u>	<u><u>484,033</u></u>
<u>Reserves and Liabilities</u>			
Reserves			
Retained funds		529,744	410,570
Current Liabilities			
Trade and other payables	15	136,572	73,463
		<u>136,572</u>	<u>73,463</u>
Total Reserves and Liabilities		<u><u>666,316</u></u>	<u><u>484,033</u></u>

The notes on pages 10 to 19 form an integral part of these financial statements.

These financial statements were approved by the Local Council on the 21st February 2011 and are signed on its behalf by:

Mr. Noel Galea
(Mayor)

Mr. Anthony Bonello
(Executive Secretary)

Statement of Changes in Equity for the year ended 31st December 2010

	Retained Funds
	€
Balance as at 31 March 2009	398,361
Profit for the period (April - December 2009)	<u>12,209</u>
Balance as at 31 December 2009	410,570
Profit for the year (January - December 2010)	<u>119,174</u>
Balance as at 31 December 2010	<u>529,744</u>

Statement of Cash Flows for the year ended 31st December 2010

	Year ended 31 December 2010 (12 months)	Period from 1 April to 31 December 2009 (9 months)
Note	€	€
Cash flow from operating activities		
Profit for the year/period	119,174	12,209
Adjustment for:		
Depreciation	28,018	20,113
Loss on disposal of assets	77	-
Increase in provision for doubtful LES debtors	18,541	25,186
Interest receivable	(747)	(304)
	<u>165,063</u>	<u>57,204</u>
Increase in payables	63,109	16,942
Increase in receivables	2,608	(29,695)
Decrease in inventories	4,052	-
<i>Net cash from operating activities</i>	<u>234,832</u>	<u>44,451</u>
Cash flow from investing activities		
Payment to acquire property, plant and equipment	(196,452)	(96)
Interest receivable	747	304
<i>Net cash from investing activities</i>	<u>(195,705)</u>	<u>208</u>
Net increase / (decrease in cash and cash equivalents)	39,127	44,659
Cash and cash equivalents at beginning of year/period	109,515	64,856
Cash and cash equivalents at end of year/period	<u>148,642</u>	<u>109,515</u>

The notes on pages 10 to 19 form an integral part of these financial statements.

Schedule of Special Needs Funds as at 31st December 2010

Funds Received and Expended

	Brought Forward	Received	Expended	Carried Forward
	1 January 2010			31 December 2010
	€	€	€	€
Special Funds Country Parks	-	-	-	-
Special Funds Roads Resurfacing	-	-	-	-
Total	-	-	-	-

Capital Creditors

	Brought Forward	Received	Expended	Carried Forward
	1 January 2010			31 December 2010
	€	€	€	€
Special Funds Country Parks	-	-	-	-
Special Funds Roads Resurfacing	-	-	-	-
Total	-	-	-	-

Commitments

	Brought Forward	Received	Expended	Carried Forward
	1 January 2010			31 December 2010
	€	€	€	€
Special Funds Country Parks	-	-	-	-
Special Funds Roads Resurfacing	-	-	-	-
Total	-	-	-	-

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

1. General Information

Mqabba Local Council is the local authority of Mqabba setup in accordance with the Local Councils Act. The office of the Local Council is situated at 29, Triq il-Parrocca, Mqabba, Malta.

2. Accounting Policies and Reporting Procedures

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 with the requirements of International Financial Reporting Standards as adopted by the European Union 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. Interest income is recognised in the profit or loss as it accrues.

b. Local Enforcement System

Mqabba Local Council forms part of the Zurrieq Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. The amount receivable from the Local Enforcement System is disclosed in the statement of financial position. A full provision for bad debts is accounted for receivables aged over two years.

c. Financial instruments

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 plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. 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.

At 31 December 2010, the carrying amounts of cash at bank, receivables, payables, and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

d. Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount 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 Local Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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:

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

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. Government Grants

Government grants are accounted for on a systematic basis in the profit or loss 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.

f. 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 profit or loss.

g. 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 profit or loss.

h. 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 €, which is the Council's functional currency. Transactions denominated in foreign currencies are translated into € using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

i. Profit and Losses

Only profits that were realised at the reporting date 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.

j. 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.

3. Funds received from Central Government

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
In terms of section 55 of the Local Councils Act (Cap 363)	238,069	162,915
Government Grants	123,174	-
Other Government Income	5,184	19,226
	<u>366,427</u>	<u>182,141</u>

4. Income raised from Bye-Laws

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Income raised under Local Council Bye-Laws	<u>3,903</u>	<u>3,290</u>

5. Local Enforcement Income

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Fines and Penalties	<u>19,210</u>	<u>30,713</u>

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

6. Investment Income

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Bank interest	<u>747</u>	<u>304</u>

7. General Income

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Income from tender documents	401	241
Income from permits	2,285	204
Contributions and donations	<u>1,722</u>	<u>3,072</u>
	<u>4,408</u>	<u>3,517</u>

8. Personal Emoluments

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Mayor's allowance	10,724	4,505
Councillors' allowances	4,600	-
Executive Secretary's salary and allowances	25,035	17,918
Employees' salaries	24,787	11,838
Social Security Contributions	<u>3,723</u>	<u>2,285</u>
	<u>68,869</u>	<u>36,546</u>

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)**9. Operations and Maintenance**

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Repairs and upkeep:		
Road and street pavements	6,575	11,337
Street signs	1,601	1,138
Road markings	2,559	868
	<u>10,735</u>	<u>13,343</u>
Contractual Services:		
Refuse collection	22,040	17,968
Bulky refuse collection	1,263	1,059
Road and Street Cleaning	17,241	12,504
Waste disposal	19,270	6,709
Cleaning and Maintenance of Public Conveniences	3,367	2,587
Cleaning and Maintenance of Parks and Gardens	4,681	2,689
Street lighting expenses	4,813	4,465
Local Enforcement System (L.E.S.) Expenses*	18,467	12,394
	<u>91,141</u>	<u>60,375</u>
	<u>101,876</u>	<u>73,718</u>

*Mqabba Local Council forms part of the Zurrieq Joint Committee.

10. Administration and other expenditure

	Year ended 31 December 2010 (12 months) €	Period from 1 April to 31 December 2009 (9 months) €
Utilities	6,961	4,870
Other repairs and upkeep	4,493	749
Rent	1,747	1,333
National and International Memberships	728	106
Office Services	6,770	3,915
Travel	-	100
Transport	1,189	686
Information Services	7,996	4,391
Insurance	1,643	1,110
Professional services	6,402	12,687
Community and hospitality	18,442	20,761
Sundry expenses	1,846	1,485
Depreciation	28,018	20,113
Increase in provision for doubtful L.E.S. debtors	18,541	25,186
	<u>104,776</u>	<u>97,492</u>

Notes to the Financial Statements for the period ended 31st December 2010 (cont..)

11a. Property, Plant and Equipment

Asset	Buildings	Office Furniture & Fittings		Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	Traffic Signs	Construction Works	Special Projects	Total
		€	€								
Cost											
As at 31 December 2009	106,324	12,996	573	10,021	5,999	309,819	1,526	423,471	360,680	1,231,409	
Additions	-	8,126	-	555	424	1,805	-	179,129	6,413	196,452	
Disposals	-	-	-	-2,836	-	-107	-	-	-	(2,943)	
As at 31 December 2010	106,324	21,122	573	7,740	6,423	311,517	1,526	602,600	367,093	1,424,918	
Grants and other reimbursements											
As at 31 December 2009	-	-	-	2,637	-	255,231	-	-	32,956	360,680	651,504
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2010	-	-	-	2,637	-	255,231	-	-	32,956	360,680	651,504
Accumulated Depreciation											
As at 31 December 2009	7,195	7,123	434	5,553	4,761	39,893	1,526	178,696	-	245,181	
Charge for the period	991	675	28	568	352	1,477	-	23,937	-	28,018	
Released on disposal	-	-	-	(2,782)	-	(84)	-	-	-	(2,866)	
As at 31 December 2010	8,186	7,798	462	3,329	5,113	41,286	1,526	202,633	-	270,333	
Net Book Value											
As at 31 December 2010	98,138	13,324	111	1,774	1,310	15,000	-	367,011	6,413	503,081	

Notes to the Financial Statements for the period ended 31st December 2010 (cont..)

11b. Property, Plant and Equipment

Asset	Office										Total	
	Buildings	Furniture & Fittings	Plant & Machinery	Computer Equipment	Office Equipment	Improvements	Urban	Traffic Signs	Construction Works	Special Projects		
€	€	€	€	€	€	€	€	€	€	€	€	
Cost												
As at 01 April 2009	106,324	12,996	573	10,021	5,903	309,819	1,526	423,471	360,680	1,231,313		
Additions	-	-	-	-	96	-	-	-	-	-	96	
As at 31 December 2009	106,324	12,996	573	10,021	5,999	309,819	1,526	423,471	360,680	1,231,409		
Grants and other reimbursements												
As at 01 April 2009	-	-	-	2,637	-	255,231	-	32,956	360,680	651,504		
Additions	-	-	-	-	-	-	-	-	-	-		
As at 31 December 2009	-	-	-	2,637	-	255,231	-	32,956	360,680	651,504		
Accumulated Depreciation												
As at 01 April 2009	6,446	6,773	409	5,131	4,560	38,702	1,526	161,521	-	225,068		
Charge for the period	749	350	25	422	201	1,191	-	17,175	-	20,113		
As at 31 December 2009	7,195	7,123	434	5,553	4,761	39,893	1,526	178,696	-	245,181		
Net Book Value												
As at 31 December 2009	99,129	5,873	139	1,831	1,238	14,695	-	211,819	-	334,724		

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

12. Inventories

	2010	2009
	€	€
Stock	<u>-</u>	<u>4,052</u>

13. Receivables

	2010	2009
	€	€
LES debtors	14,076	28,620
Prepayments and accrued income	<u>517</u>	<u>7,122</u>
	<u>14,593</u>	<u>35,742</u>

14. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2010	2009
	€	€
Bank Balances	148,392	109,430
Cash in Hand	<u>250</u>	<u>85</u>
	<u>148,642</u>	<u>109,515</u>

15. Trade and other payables

	2010	2009
	€	€
Payables	113,149	49,633
Accruals	<u>23,423</u>	<u>23,830</u>
	<u>136,572</u>	<u>73,463</u>

Notes to the Financial Statements for the year ended 31st December 2010 (cont..)

16. Related party transactions

Mqabba Local Council is ultimately controlled by the Central Government Local Councils Department. It also forms part of the Zurrieq Joint Committee, thus having a joint control interest in the Local Enforcement System.

Other related parties through ultimate control of the Central Government, but which have no control on the Mqabba Local Council include Water Services Corporation, Enemalta Corporation and Malta Environmental Planning Authority.

In the ordinary course of its operations, the Council received funds and income from the related parties. The Council's income reflected in the statement of comprehensive income comprises funds received from the Central Government amounting to Euro 366,427 (April-December 2009: Euro 182,141). The Council also received a share of profit derived from the Joint Committee Local Enforcement System amounting to Euro 19,210 (April-December 2009: Euro 30,713).

In the opinion of the Local Council's members, disclosure of related party transactions, which are generally carried out, is only necessary when the transactions effected have a material impact on the operating results and financial position of the Council.