

Nadur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2010

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**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:

Miriam Portelli
Mayor

Rita Mifsud Attard
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 €	2009 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>782,588</u>	<u>772,552</u>
		<u>782,588</u>	<u>772,552</u>
Current Assets			
Receivables	4	83,195	7,652
Cash and Cash Equivalents	5	<u>198,928</u>	<u>98,237</u>
		<u>282,123</u>	<u>105,889</u>
Total Assets		<u><u>1,064,711</u></u>	<u><u>878,441</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		760,805	715,583
Non-current Liabilities			
Long term borrowings	6	81,996	87,554
Deferred income	7	108,273	-
Current liabilities			
Payables	8	113,637	75,304
Total reserves and liabilities		<u><u>1,064,711</u></u>	<u><u>878,441</u></u>

The notes on pages 9 to 18 are an integral part of the financial statements.

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

2011

Miriam Portelli
Mayor

Rita Mifsud Attard
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	9	423,036	298,557
Funds raised from Local Enforcement System	10	-	1,300
Investment income	11	450	191
General Income	12	<u>32,480</u>	<u>13,597</u>
		<u>455,966</u>	<u>313,645</u>
EXPENDITURE			
Personal emoluments	13	(66,514)	(35,693)
Operations and maintenance	14	(166,495)	(97,996)
Administration and other expenditure	15	(173,845)	(149,677)
Finance costs	16	<u>(3,890)</u>	<u>(4,152)</u>
		<u>(410,744)</u>	<u>(287,518)</u>
Total Comprehensive Income for the year/period		<u>45,222</u>	<u>26,127</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Retained Funds €
At 31 March 2009	689,456
Total Comprehensive Income for the period	26,127
	<hr/>
At 31 December 2009	715,583
Total Comprehensive Income for the year	45,222
	<hr/>
At 31 December 2010	<u>760,805</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 €	2009 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year/period		45,222	26,127
Adjustments for:			
Depreciation		72,892	59,968
Decrease in Provision for Bad Debts		(2,527)	(1,280)
Interest receivable		(450)	(191)
Interest payable on bank loan		3,890	4,152
Operating Profit before Working Capital Changes		<u>119,027</u>	<u>88,776</u>
(Increase)/ Decrease in Receivables		(73,015)	1,584
Increase in Payables		<u>38,767</u>	<u>14,360</u>
Net Cash Flow generated from operating Activities		<u>84,779</u>	<u>104,720</u>
Cash flows from Investing Activities			
Purchase of Property, plant and equipment		(82,928)	(44,604)
Increase in deferred income		108,273	-
Interest received		450	191
Interest paid on bank loan		(3,890)	(4,152)
Net Cash Flow generated from / (used in) Investing Activities		<u>21,905</u>	<u>(48,565)</u>
Cash flows from Financing Activities			
Movement in bank loan		(5,558)	(2,935)
Net Cash used in Financing Activities		<u>(5,558)</u>	<u>(2,935)</u>
Net Increase in Cash and Cash Equivalents		101,126	53,220
Cash and Cash Equivalents at the Beginning of year/period		94,393	41,173
Cash and Cash Equivalents at the End of year/period	5	<u>195,519</u>	<u>94,393</u>

The notes on pages 9 to 18 are an integral part of the financial statements.

**SCHEDULE OF SPECIAL NEEDS FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Funds received and expended	Brought forward	Received	Expended	Balance
	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	-	18,660	-	18,660
Energy Saving	-	5,100	5,100	-
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
Total	-	114,471	5,100	109,371

Commitments

	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	-	18,660	-	18,660
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
Total	-	109,371	-	109,371

Capital Creditors

	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	-	18,660	-	18,660
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
Total	-	109,371	-	109,371

The notes on pages 9 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

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo.

2. Basis of Preparation and Accounting Policies

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 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.

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 statement of comprehensive income as it accrues.

b. Local Enforcement System

Nadur Local Council forms part of Gozo 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.

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 (cont)

d. 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.

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 Comprehensive Income.

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 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 Comprehensive Income.

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.

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 Financial Position.

h. Profit and Losses

Only profits that were realised at the date of the Statement of Financial Position 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 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.

j. 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.

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

k. Related parties

The related party 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. 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. 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.

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. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the period in which they are incurred.

n. 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 (cont)

3a Property, Plant and Equipment

Tangible Assets	Trees & Plants	Office Furniture	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under construction	Total
Cost											
At 1 January 2010	5,732	27,540	16,132	26,294	415,417	13,942	982,578	131,415	138,150	-	1,757,200
Additions this year	108	642	-	1,323	3,115	-	45,058	4,913	-	27,769	82,928
At 31 December 2010	5,840	28,182	16,132	27,617	418,532	13,942	1,027,636	136,328	138,150	27,769	1,840,128
Grants and other reimbursements											
At 1 January 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Accumulated Depreciation											
At 1 January 2010	-	(12,874)	(13,888)	(23,601)	(187,475)	(13,942)	(391,816)	(39,946)	(3,149)	-	(686,691)
Additions this year	-	(1,815)	(544)	(465)	(13,210)	-	(52,717)	(4,007)	(134)	-	(72,892)
At 31 December 2010	-	(14,689)	(14,432)	(24,066)	(200,685)	(13,942)	(444,533)	(43,953)	(3,283)	-	(759,583)
Net book value											
At 31 December 2010	5,840	13,493	1,700	3,551	217,847	-	353,487	24,034	134,867	27,769	782,588

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

3b Property, Plant and Equipment

Tangible Assets	Trees & Plants	Office Furniture	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Total
Cost										
At 1 April 2009	3,644	27,540	16,132	26,294	413,082	13,942	942,497	131,315	138,150	1,712,596
Additions this period	2,088	-	-	-	2,335	-	40,081	100	-	44,604
At 31 December 2009	5,732	27,540	16,132	26,294	415,417	13,942	982,578	131,415	138,150	1,757,200
Grants and other reimbursements										
At 1 April 2009	-	-	-	-	-	-	(229,616)	(68,341)	-	(297,957)
Additions this period	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	-	-	(229,616)	(68,341)	-	(297,957)
Accumulated Depreciation										
At 1 April 2009	-	(11,437)	(13,372)	(23,246)	(173,735)	(13,942)	(351,292)	(36,651)	(3,048)	(626,723)
Additions this period	-	(1,437)	(516)	(355)	(13,740)	-	(40,524)	(3,295)	(101)	(59,968)
At 31 December 2009	-	(12,874)	(13,888)	(23,601)	(187,475)	(13,942)	(391,816)	(39,946)	(3,149)	(686,691)
Net book value										
At 31 December 2009	5,732	14,666	2,244	2,693	227,942	-	361,146	23,128	135,001	772,552

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

	2010	2009
	€	€
4 Receivables		
Accounts receivable	3,175	2,572
Prepayments and accrued income	80,020	5,080
	<u>83,195</u>	<u>7,652</u>
Receivables		
Within the credit period	78,361	7,652
Exceeded credit period but not yet impaired	4,834	-
	<u>83,195</u>	<u>7,652</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2010	2009
	€	€
Bank Balances:		
Ordinary funds	198,845	98,207
Cash in hand	83	30
Overdrawn balances	<u>(3,409)</u>	<u>(3,844)</u>
	195,519	94,393
Transfer to payables	3,409	3,844
	<u>198,928</u>	<u>98,237</u>
Cash at bank and in hand		

	2010	2009
	€	€
6 Long term payables		
Bank borrowings	<u>81,996</u>	<u>87,554</u>
	<u>81,996</u>	<u>87,554</u>

The Council has a loan facility of Euro 91,444 (2009: Euro 97,002) with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears interest of 1.75% over the Central Bank Intervention rate, currently 3.75% per annum and is repayable in full by June 2026.

The facility is secured by:

- (a) First General Hypothec over the Council's assets for Euro 116,469.
- (b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

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

7 Deferred Income	2010	2009
	€	€
Deferred Income - 1 to 2 years	10,344	-
Deferred Income - 2 to 5 years	25,472	-
Deferred Income - over 5 years	72,457	-
	<u>108,273</u>	<u>-</u>
8 Payables	2010	2009
	€	€
Accounts payable	38,001	26,008
Unspent funds	1,231	-
Accruals	55,350	36,004
Deferred income within one year	6,198	-
Borrowings	9,448	9,448
Overdrawn balances	3,409	3,844
	<u>113,637</u>	<u>75,304</u>
9 Funds received from Central Government	2010	2009
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	398,540	270,131
Other Government Income	24,496	28,426
	<u>423,036</u>	<u>298,557</u>
10 Income raised from Local Enforcement System		
Income from Local Enforcement System	-	1,300
	<u>-</u>	<u>1,300</u>
11 Investment income		
Bank Interest Receivable	450	191
	<u>450</u>	<u>191</u>
12 General Income		
Cultural activities	9,613	8,342
Community services	3,930	2,780
Contributions and donations	5,582	1,050
Income from tender documents	961	558
Income from reinstatement of roads	10,620	-
Income from permits	1,603	864
Other income	171	3
	<u>32,480</u>	<u>13,597</u>

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

13 Personal Emoluments	2010	2009
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	8,924	4,500
Councillors' Allowance	6,400	-
Executive Secretary salary and allowances	26,610	17,780
Employees' Salaries	20,890	10,931
Social Security Contributions	3,690	2,482
	<u>66,514</u>	<u>35,693</u>
14 Operations and Maintenance	2010	2009
	€	€
Operations and maintenance includes, inter alia:		
<i>Repairs and Upkeep:</i>		
Road and street pavements	18,914	6,186
Street signs and road markings	1,672	-
Public property	4,909	167
Other	1,562	1,214
Total	<u>27,057</u>	<u>7,567</u>
<i>Contractual Services:</i>		
Refuse Collection (including bins on wheels)	57,104	24,073
Bulky Refuse Collection (incl open skips)	16,838	13,469
Road and Street Cleaning (mechanical and manual)	16,654	9,610
Cleaning and Maintenance of Public Conveniences	2,989	2,335
Cleaning and maintenance - parks and gardens	6,822	5,642
Cleaning and maintenance - non- urban	2,609	4,929
Clean.& Maint-Beaches and coastal areas	494	-
Local Enforcement System - expenses	1,204	225
Street lighting	17,270	12,352
Other	17,454	17,794
	<u>139,438</u>	<u>90,429</u>
Total Operations and Maintenance Expenses	<u>166,495</u>	<u>97,996</u>
15 Administration and other expenditure	2010	2009
	€	€
Utilities	12,636	16,548
Other repairs and upkeep	15,342	4,713
National and International Memberships	856	702
Rent	2,402	1,670
Office Services	3,296	3,320
Travel	76	-
Transport	2,145	2,587
Information services	15,929	5,120
Other contractual services	2,508	8,419
Professional Services	21,373	12,351
Community and Hospitality	26,917	35,559
Provision for bad and doubtful debts	(2,527)	(1,280)
Depreciation	72,892	59,968
	<u>173,845</u>	<u>149,677</u>

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

16 Finance cost	2010	2009
	€	€
Interest on bank loan	<u>3,890</u>	<u>4,152</u>

17 Capital Commitments

	2010	2009
	€	€
Capital expenditure contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>
Capital expenditure approved but not yet contracted for	<u>87,710</u>	<u>132,000</u>

Further analysis as follows:

Approved but not yet contracted:

Acquisition of property	7,000	7,000
Construction	80,710	83,000
Improvements to property	-	40,000
Equipment	-	2,000
	<u>87,710</u>	<u>132,000</u>

18 Contingencies

The Council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

19 Contingent Liability

- i) The Council has a case still pending before Criminal Court and the Council is negotiating with the party to try to avoid civil court litigation. The claim is for a broken windscreen and the claim amounts to Euro 274.
- ii) The Council has an amount due to a supplier amounting to Euro 15,596 which amount is not included as a liability in the accounts. The Council is not recognizing the liability since it is claiming that there were works which have not been carried out correctly and amounts charged which are disapproved. Furthermore, there is an amount which the Local Council is objecting since rates charged were not as per contract.

20 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 as a result of the trenching works.

21 Comparative figures

Comparative figures have been restated to comply with the current year presentation.

Financial Statements for the year ended 31 December 2010

Independent Auditor's report