

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

| | | |
|--|-----------------|-----------------|
| Non-current payables (Cont.) | 2012 | 2011 |
| | € | € |
| Non-current liabilities may be analysed as follows: | | |
| Due between 1 to 2 years | 36,093 | 61,851 |
| Due between 2 to 5 years | 108,279 | 106,948 |
| Due after 5 years | 85,679 | 117,017 |
| | <u>230,051</u> | <u>285,816</u> |
| 7 Deferred Income Grants | 2012 | 2011 |
| | € | € |
| Deferred Income 1 to 2 years | 13,693 | 11,095 |
| Deferred Income 2 to 5 years | 33,357 | 26,879 |
| Deferred Income over 5 years | 96,418 | 78,153 |
| | <u>143,468</u> | <u>116,127</u> |
| | 2012 | 2011 |
| | € | € |
| Opening balance | 130,737 | 114,471 |
| Increase in grants | 41,118 | 20,830 |
| Release of grants | 13,223 | 4,564 |
| Closing balance | <u>158,632</u> | <u>130,737</u> |
| Less Current portion | <u>15,164</u> | <u>14,610</u> |
| Non-current portion | <u>143,468</u> | <u>116,127</u> |
| 8 Payables | 2012 | 2011 |
| | € | € |
| Payables | 93,773 | 66,949 |
| Unspent Funds | - | 1,301 |
| Accruals | 159,754 | 247,534 |
| Deferred income grants within one year | 15,164 | 14,610 |
| Borrowings | 9,448 | 9,448 |
| Overdrawn balances | <u>10,397</u> | <u>11,308</u> |
| | <u>288,536</u> | <u>351,150</u> |
| 9 Funds received from Central Government | 2012 | 2011 |
| | € | € |
| In terms of section 55 of the Local Councils Act (CAP 363) | 414,002 | 396,679 |
| Other Government Income | <u>16,420</u> | <u>32,173</u> |
| | <u>430,422</u> | <u>428,852</u> |
| 10 Income raised from Local Enforcement System | | |
| Income from Contraventions | 2,177 | 295 |
| | <u>2,177</u> | <u>295</u> |

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

11 General Income

| | 2012 | 2011 |
|------------------------------|---------------|---------------|
| | € | € |
| Cultural activities | 8,418 | 7,544 |
| Community services | 4,530 | 4,994 |
| Contributions and donations | 8,228 | 7,340 |
| Income from tender documents | 1,868 | 1,458 |
| Income from permits | 2,789 | 1,888 |
| Other income | - | 9,763 |
| | <u>25,833</u> | <u>32,987</u> |

12 Personal Emoluments

| | 2012 | 2011 |
|---|---------------|---------------|
| | € | € |
| Personal emoluments include, inter alia: | | |
| Mayor's Allowance | 6,539 | 3,804 |
| Councillors' Allowance | 6,400 | 6,400 |
| Executive Secretary salary and allowances | 25,655 | 25,012 |
| Employees' Salaries | 21,496 | 29,204 |
| Social Security Contributions | 3,985 | 4,535 |
| | <u>64,075</u> | <u>68,955</u> |

13 Operations and Maintenance

| | 2012 | 2011 |
|--|---------------|---------------|
| | € | € |
| Operations and maintenance includes, inter alia: | | |
| Repairs and Upkeep: | | |
| Road and street pavements | 23,944 | 10,712 |
| Street signs and road markings | 2,396 | 1,513 |
| Public property | 4,587 | 5,966 |
| Other | 9,982 | 17,703 |
| Total | <u>40,909</u> | <u>35,894</u> |

Contractual Services:

| | | |
|--|----------------|----------------|
| Refuse Collection (including bins on wheels) | 59,572 | 48,554 |
| Bulky Refuse Collection (incl open skips) | 12,528 | 11,038 |
| Road and Street Cleaning (mechanical and manual) | 14,812 | 16,014 |
| Cleaning and Maintenance of Public Conveniences | 3,799 | 3,094 |
| Cleaning and maintenance - parks and gardens | 7,989 | 6,287 |
| Cleaning and maintenance - non- urban | 5,146 | 1,182 |
| Clean.&Maint-Beaches and coastal areas | - | 312 |
| Local Enforcement System - expenses | 1,227 | 1,051 |
| Street lighting | 7,726 | 10,738 |
| Other | 17,797 | 13,177 |
| | <u>130,596</u> | <u>111,447</u> |
| Total Operations and Maintenance Expenses | <u>171,505</u> | <u>147,341</u> |

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

| | | |
|---|----------------|----------------|
| 14 Administration and other expenditure | 2012 | 2011 |
| | € | € |
| Utilities | 13,795 | 13,224 |
| Other repairs and upkeep | 5,952 | 5,604 |
| National and International Memberships | 1,036 | 10,528 |
| Rent | 3,431 | 1,913 |
| Office Services | 5,236 | 3,338 |
| Travel | 1,911 | 3,884 |
| Transport | 2,595 | 3,713 |
| Information services | 25,437 | 15,358 |
| Other contractual services | 3,831 | 3,964 |
| Professional Services | 11,176 | 21,678 |
| Community and Hospitality | 24,225 | 24,087 |
| Training | 95 | - |
| Penalty | - | 1,626 |
| Depreciation | 119,340 | 88,829 |
| | <u>218,060</u> | <u>197,746</u> |
| 15 Investment income | 2012 | 2011 |
| | € | € |
| Bank Interest Receivable | 1,421 | 561 |
| | <u>1,421</u> | <u>561</u> |
| 16 Finance cost | 2012 | 2011 |
| | € | € |
| Interest on bank loan | 3,423 | 3,656 |
| | <u>3,423</u> | <u>3,656</u> |
| 17 Capital Commitments | 2012 | 2011 |
| | € | € |
| Capital expenditure approved but not yet contracted for | 333,516 | 7,000 |
| Further analysis as follows: | | |
| Capital expenditure approved but not yet contracted for: | | |
| Resurfacing of Madre Gemma Camilleri and Rakela Camilleri Streets | 64,280 | - |
| Resurfacing of Ramla Road and Dun Anton Tabone Street | 252,736 | - |
| Works on Alleys | 16,500 | - |
| Acquisition of property | - | 7,000 |
| | <u>333,516</u> | <u>7,000</u> |
| 18 Contingent gain | | |

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.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

19 Contingent Liability

- i) The Council has an amount due to a supplier amounting to Euro 13,819 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 not approved. Furthermore, there is an amount which the Local Council is objecting since rates charged were not as per contract.
- ii) The Council has an outstanding balance with a supplier amounting to Euro 9,390 which is not included as a liability in the accounts. The Council has instruction from the Local Councils Association not to pay this amount since it exceeds the government allocation for this expense. There are discussions between the Local Councils Association, Department for Local Government and the Contractor regarding this issue which is common to all the Local Councils.
- iii) There is a dispute between the Local Council and the Koperattiva Ghawdex Indafa Pubblika whereby the supplier is appealing a decision already taken in favour of the Local Council. Should the appeal be decided in favour of the supplier the Local Council might be asked to pay a sum of between Euro 42,000 and Euro 58,000.

20 Related Parties Disclosures

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 |
| Regional Committees | No control |
| Ministry for Gozo | No control |
| Water Services Corporation | No control |

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

| | 2012 | 2011 |
|-----------------------------|----------------|----------------|
| Significant control: | | |
| Revenue | € | € |
| Annual financial allocation | <u>414,002</u> | <u>396,679</u> |

The ultimate controlling party of the Local Council 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.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

21 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.

21.1 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:

| | 2012 | 2011 |
|--|----------------|----------------|
| Class of financial assets – carrying amounts | € | € |
| Trade and other receivables | 59,290 | 73,112 |
| Cash and Cash Equivalents | <u>76,972</u> | <u>159,779</u> |
| | <u>136,262</u> | <u>232,891</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 notes 4 and 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.

21.2 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.

| | 2012 | 2011 |
|----------|----------------|----------------|
| | € | € |
| Payables | <u>288,536</u> | <u>351,150</u> |
| | <u>288,536</u> | <u>351,150</u> |

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

21.3 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:

| | 2012 | 2011 |
|--|----------------|----------------|
| | € | € |
| Current Assets | | |
| Loans and receivables: | | |
| Trade and other receivables | 59,290 | 73,112 |
| Cash and Cash Equivalents | 76,972 | 159,779 |
| | <u>136,262</u> | <u>232,891</u> |
| Non-current Liabilities | | |
| Financial liabilities measured at amortised costs: | | |
| Borrowings | 70,180 | 76,204 |
| Current Liabilities | | |
| Financial liabilities measured at amortised costs: | | |
| Payables | 279,088 | 341,702 |
| Borrowings | 9,448 | 9,448 |
| | <u>358,716</u> | <u>427,354</u> |