

Nadur Local Council

Annual Report
and
Financial Statements

1 January – 31 December 2011

Prepared by
JCA Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011

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Financial Statements for the year ended 31 December 2011

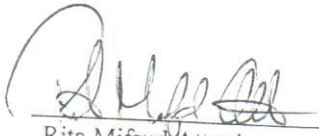
Statement of Local Council Members' and Executive Secretary's Responsibilities

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 27/4/2012 by:


Charles Said
Mayor



Rita Mifsud Attard
Executive Secretary

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	31 December 2011 €	31 December 2010 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>1,326,004</u>	<u>782,588</u>
		<u>1,326,004</u>	<u>782,588</u>
Current Assets			
Receivables	4	73,112	83,195
Cash and Cash Equivalents	5	<u>159,779</u>	<u>198,928</u>
		<u>232,891</u>	<u>282,124</u>
Total Assets		<u><u>1,558,895</u></u>	<u><u>1,064,711</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		805,802	760,805
Non-current liabilities			
Long term borrowings	6	76,204	81,996
Non-current payables: PPP Scheme	6	209,612	-
Deferred income grants	7	116,127	108,273
Current liabilities			
Payables	8	351,150	113,637
Total reserves and liabilities		<u><u>1,558,895</u></u>	<u><u>1,064,711</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 27/4/2012 and signed on its behalf by:


Charles Said
Mayor


Rita Mifsud Attard
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Notes	2011 €	2010 €
REVENUE			
Funds received from central government	9	428,852	423,036
Funds raised under Local Enforcement System	10	295	-
General Income	11	32,987	32,480
		<u>462,134</u>	<u>455,516</u>
EXPENDITURE			
Personal emoluments	12	(68,955)	(66,514)
Operations and maintenance	13	(147,341)	(166,495)
Administration and other expenditure	14	(197,746)	(173,845)
		<u>(414,042)</u>	<u>(406,854)</u>
Operating Surplus for the year		48,092	48,662
Investment income	15	561	450
Finance cost	16	(3,656)	(3,890)
Total Comprehensive Income for the year		<u>44,997</u>	<u>45,222</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Retained Funds 2011 €	Retained Funds 2010 €
At 1 January		
Total Comprehensive Income for the year	760,805 44,997	715,583 45,222
At 31 December	<u>805,802</u>	<u>760,805</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		44,997	45,223
Adjustments for:			
Depreciation		88,829	72,892
Decrease in Provision for Bad Debts		-	(2,527)
Deferred income amortised		(4,564)	-
Investment Income		(561)	(450)
Interest on loan		3,656	3,890
Operating Profit before Working Capital Changes		132,357	119,028
Decrease/(Increase) in receivables		10,084	(73,016)
Increase in payables		221,201	38,768
Net Cash inflows from from operating Activities		363,642	84,780
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(632,245)	(82,928)
New grants received		20,830	108,273
Investment Income		561	450
Interest on loan		(3,656)	(3,890)
Cash Flow used in Investing Activities		(614,510)	21,905
Cash flows from Financing Activities			
Movement in bank loan		203,820	(5,558)
Net Cash used in financing activities		203,820	(5,558)
Net (Decrease)/Increase in Cash and Cash Equivalents		(47,048)	101,126
Cash and Cash Equivalents at the Beginning of Year		195,519	94,393
Cash and Cash Equivalents at the End of Year	5	148,471	195,519

The notes on pages 8 to 21 are an integral part of the financial statements.

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

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. Nadur Local Council started to form part of the Gozo Regional Committee in September 2011.

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 year ended 31 December 2011 – continued

c. Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

d. Local Enforcement System

Nadur Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2011 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 as well as the administrative fee of 10% that is now chargeable to the Gozo Regional Committee 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	
Trees	%
Buildings	0
Office Furniture and Fittings	0
Construction Works	1
Urban Improvements (Street Furniture)	7.5
Special Projects	10
Office Equipment	10
Motor Vehicles	10
Plant and Machinery	20
Computer Equipment	20
Plants	20
Litter Bins	25
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	100
Street Lights	replacement basis
	replacement basis
	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.

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.

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

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 Income and Expenditure.

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 Income and Expenditure.

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.

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 council.