

**Local Council Birzebbuga**  
**Annual Audit Report**  
**for the year ended 31 December 2011**

Prepared by:  
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B. Accountancy (Honours) AIA, Dip. IFR, CPA, Reg Auditor



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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2011**

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a 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 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.

This statement was approved by the Council on 23 April 2012 and signed on its behalf by:



Joseph Farrugia  
Mayor



Maria Galea  
Executive Secretary

**Financial Statements for the year ended 31 December 2011**

**Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Birzebuga Local Council which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Respective responsibilities of the Local Council and Local Government auditors***

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for qualified opinion***

1. As shown in note 10 to these financial statements, the net book value of property, plant and equipment at 31 December 2011 amounted to € 1,872,051. Our audit work for the previous year had revealed a discrepancy of € 439,461 between the fixed assets register and the carrying amount of these assets at 31 December 2010.

For the year under review the Council did not provide us with the fixed asset register and consequently we could not satisfy ourselves as to whether the discrepancy identified last year has been resolved and as to the existence, completeness and valuation of the carrying amount of fixed assets at 31 December 2011 amounting to € 1,872,051.

2. The council's financial statements do not include all of the quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures. These include information about the categories of financial assets and liabilities at the end of the reporting period.
3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

**Financial Statements for the year ended 31 December 2011**

**Report of the Local Government auditor to the Auditor General (continued)**

***Qualified Opinion***

Except for the adjustment that would have been necessary had we been able to obtain sufficient audit evidence regarding the matter in paragraph 1 above, the financial statements give a true and fair view of the financial position of Birzebuga Local Council as of 31 December 2011, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 7 to 10.

Because of the matter set out in paragraph 3, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraph 2 these financial statements have not been prepared in accordance with International Financial Reporting Standards.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 4 which shows that at 31 December 2011 the Council's current liabilities, excluding deferred Income, exceeded current assets by € 138,809. The significance of this deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due and whether it can meet its contracted capital commitments which, as shown in note 16, amounted to € 451,895 at reporting date.

As explained in note 22 to these financial statements, the going concern assumption underlying these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialise the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.



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Swatar BKR 4013

23 April 2012

**Statement of Comprehensive Income  
for the year ended 31 December 2011**

		<b>2011</b>	<b>2010</b>
	<b>Notes</b>	<b>€</b>	<b>€</b>
<b>Revenue</b>			
Funds received from Central Government	3	629,452	639,108
Income raised under Local Enforcement System	4	108,209	135,264
General Income	6	32,041	82,418
		<u>769,702</u>	<u>856,790</u>
<b>Expenditure</b>			
Personal Emoluments	7	(95,062)	(95,165)
Operations and maintenance	8	(421,697)	(416,000)
Administration and other expenditure	9	(269,364)	(234,962)
		<u>(786,123)</u>	<u>(746,127)</u>
<b>Operating (loss)/profit for the year</b>		<b>(16,421)</b>	<b>110,663</b>
Finance income	5	267	418
		<u>267</u>	<u>418</u>
<b>(Loss)/Profit for the year</b>		<b>(16,154)</b>	<b>111,081</b>
		<u><u>(16,154)</u></u>	<u><u>111,081</u></u>

The notes on pages 7 to 23 form an integral part of these financial statements.

Statement of Financial Position  
as at 31 December 2011

		2011	2010
	Notes	€	€
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	1,872,051	1,228,051
		<u>1,872,051</u>	<u>1,228,051</u>
<b>Current Assets</b>			
Receivables	11	258,800	193,757
Cash and cash equivalents	12	93,737	145,764
		<u>352,537</u>	<u>339,521</u>
<b>Total Assets</b>		<u>2,224,588</u>	<u>1,567,572</u>
<b>RESERVES</b>			
Retained earnings		1,221,814	1,237,968
<b>Total reserves</b>		<u>1,221,814</u>	<u>1,237,968</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	14	221,264	-
Non-current Deferred Income	15	260,548	225,875
		<u>481,812</u>	<u>225,875</u>
<b>Current Liabilities</b>			
Trade and other payables	13	259,066	103,729
Short-term borrowings	14	261,896	-
		<u>520,962</u>	<u>103,729</u>
<b>Total Liabilities</b>		<u>1,002,774</u>	<u>329,604</u>
<b>Total reserves and liabilities</b>		<u>2,224,588</u>	<u>1,567,572</u>

These financial statements were approved by the Local Council on 23rd April 2012 and signed on its behalf by:



Joseph Farrugia  
Mayor



Maria Galea  
Executive Secretary

The notes on pages 7 to 23 form an integral part of these financial statements.

**Statement of Changes in Equity  
for the year ended 31 December 2011**

	<b>Retained Funds</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>At 1 January 2010</b>	1,126,887	1,126,887
Profit for the year	111,081	111,081
<b>At 31 December 2010</b>	<u>1,237,968</u>	<u>1,237,968</u>
<b>At 1 January 2011</b>	1,237,968	1,237,968
Loss for the year	(16,154)	(16,154)
<b>At 31 December 2011</b>	<u>1,221,814</u>	<u>1,221,814</u>



**Statement of Cash Flows**  
**for the year ended 31 December 2011**

	<b>2011</b>		<b>2010</b>	
	€	€	€	€
<b>Net (loss) / profit for the year</b>	(16,154)		111,081	
Reconciliation to cash generated from operations:				
Depreciation	130,282		110,049	
Movement in Provision for Doubtful Debts	36,827		-	
Interest receivable	(267)		(418)	
Operating surplus before working capital changes	150,688		220,712	
(Increase) / decrease in receivables	(2,279)		-	
(Increase) / decrease in other receivables	(99,591)		(126,329)	
Increase / (decrease) in payables	69,226		34,931	
Increase / (decrease) in other payables	61,408		(1,773)	
Government grant released	(15,789)		(6,591)	
Cash generated in operating activities		163,663		120,950
<b>Cash flow from Investing activities</b>				
Interest received	267		418	
Purchase of property, plant & equipment	(774,282)		(240,700)	
Grants received	75,165		215,174	
Cash used in investing activities		(698,850)		(25,108)
<b>Cash from financing activities</b>				
New long term third party borrowings	221,264		-	
New short term third party borrowings	261,896		-	
Cash generated from financing activities		483,160		-
<b>Net Decrease in cash in the year</b>		(52,027)		95,842
Cash and equivalents at beginning of year		145,764		49,922
<b>Cash and equivalents at end of year</b>		93,737		145,764

**1. General Information**

The Birzebbuga Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Dar Birzebbuga, Triq Santa Marija, Birzebbuga. These financial statements were approved for issue by the Council Members on 23 April 2012. The Local Council's company's presentation as well as functional currency is €.

**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.

***Accounting convention***

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

***New and amended standards adopted by the Local Council***

IAS 24 - Related party disclosures (effective 1 January 2011). Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.

During the year ending 31 December 2010, the Council has opted to early adopt the above changes, hence no further changes were required in the financial statements for the year ended 31 December 2011.

Apart from the above, there are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Local Council.

***New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted***

There are no new IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Local Council.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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

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 end of the reporting period. 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.

**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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

**Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**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 and 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.

**Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**Revenue**

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.

**Local Enforcement System**

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

**Government grants**

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss over the expected lives of the related assets.

**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 and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the statement of financial position.

**Profits and losses**

Only losses 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.

**Cash and equivalents**

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

**Trade payables**

Trade payables are classified with current liabilities and are stated at their nominal value.

**Other borrowings**

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceed, net of transaction costs, and the settlement of the other borrowings is recognised in profit or loss over the term of the borrowings.

**Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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.

**Capital management policies**

The Council's objectives when managing capital are:

- to safeguard the council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

**3. Funds received from central government**

	2011	2010
	€	€
In terms of section 55 of the Local Councils Act	613,163	614,516
Other Government Income	16,289	24,592
	<u>629,452</u>	<u>639,108</u>

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

**4. Local Enforcement Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Contraventions and other fines	108,209	135,264
	<u>108,209</u>	<u>135,264</u>

**5. Investment Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Bank Interest	267	418
	<u>267</u>	<u>418</u>

**6. General Income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Community Services	1,724	1,603
Cultural Events	3,737	4,210
General Income	40	1,883
Tender Documents/Info. Charges	1,425	1,210
Media Advertising	1,069	1,434
Payable write off	787	-
Twinnings	6,725	6,801
Donations	1,000	3,752
Contributions	10,750	56,800
Income from Permits	4,784	4,725
	<u>32,041</u>	<u>82,418</u>

**7. (Loss)/profit for the year**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
(Loss)/profit for the year is stated after charging:		
Staff salaries	95,062	95,165
Depreciation of non-current assets	130,282	110,049
	<u>225,344</u>	<u>205,214</u>

Note

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

**Personal Emoluments**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Mayor's Allowance	11,146	11,146
Councillors' Allowance	7,200	7,200
Executive Secretary Salary and Allowances	29,039	33,213
Employees' Salaries	41,698	38,860
Social Security Contributions	5,979	4,746
	<u>95,062</u>	<u>95,165</u>

**8. Operations and Maintenance**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Public Property	4,932	3,619
Road/Street Pavements	1,106	2,908
Walkways	-	1,447
Signs	4,641	1,881
Road Markings	525	-
Road & Street Patching	39,727	36,636
Office Furniture and Equipment	1,232	222
Plant & Equipment	-	165
Sundry Repairs	603	698
Council Property	77	950
	<u>52,843</u>	<u>48,526</u>

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

*Contractual Services:*

Waste Disposal	64,332	58,685
Refuse Collection	90,462	97,032
Bulky Refuse Collection	5,274	2,314
Cleaning Services	-	9,720
Road & Street Cleaning	35,836	28,988
Cleaning & Maint. Non-Urban	33,034	7,809
Cleaning - Public Conveniences	19,104	12,208
Cleaning - Council Premises	1,160	1,119
Other Contractual Services	61,240	81,084
Clean. & Maint. Parks & Gardens	13,775	14,507
Clean. & Maint. Beaches	-	95
Street Lighting	40,852	53,653
Experts	3,785	260
	<u>368,854</u>	<u>367,474</u>
	<u>421,697</u>	<u>416,000</u>



## 9. Administration and other expenditure

	2011	2010
	€	€
Utilities	8,325	11,019
Uniforms	1,320	-
Other repairs and upkeep	28,693	27,075
Rent	4,213	4,090
European Organisations	-	200
Other organisations	295	1,793
Participation fee - Nat. Mtg.	315	717
Office Services	14,780	15,498
Transport	21,233	21,007
Travel	-	925
Information Services	2,665	3,393
Insurance Coverage	2,535	2,666
Bank Charges	167	286
Professional Services	8,790	6,210
Entertainment	2,276	5,212
Conference Expenses	-	240
Visits - Foreign Delegations	-	16,446
Other Hospitality Costs	482	476
Annual General Meeting	-	100
Social Events	3,875	5,853
Cultural Events	614	1,690
Donations	24	-
Sundry Minor Expenses	59	17
Provision for LES receivables	36,827	-
Penalties	1,594	-
Depreciation	130,282	110,049
	<u>269,364</u>	<u>234,962</u>

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

**10. Property, plant and equipment**

	<b>Property</b>	<b>New Street Signs</b>	<b>Urban Improvements</b>	<b>Plant, machinery &amp; equipment</b>	<b>Office Furniture &amp; fittings</b>	<b>Special Programmes</b>	<b>Total</b>
<b>Cost</b>	€	€	€	€	€	€	€
At 1 January 2010	81,692	9,188	295,899	49,806	73,326	2,370,999	2,880,910
Additions	-	-	131,073	2,085	-	107,542	240,700
At 31 December 2010	81,692	9,188	426,972	51,891	73,326	2,478,541	3,121,610
<b>Depreciation &amp; Grants</b>							
At 1 January 2010	7,331	9,188	87,963	32,718	33,189	1,613,121	1,783,510
Charge for the year	740	-	23,159	3,404	2,909	79,837	110,049
At 31 December 2010	8,071	9,188	111,122	36,122	36,098	1,692,958	1,893,559
<b>Net book values</b>							
At 31 December 2010	73,621	-	315,850	15,769	37,228	785,583	1,228,051

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

<b>10. Property, plant and equipment</b>							<b>Total</b>	
	<b>Property</b>	<b>New Street Signs</b>	<b>Urban Improvements</b>	<b>Plant, machinery &amp; equipment</b>	<b>Office Furniture &amp; fittings</b>	<b>Special Programmes</b>	<b>€</b>	
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	
<b>Cost</b>								
At 1 January 2011	81,692	9,188	426,972	51,891	73,326	2,478,541	3,121,610	
Additions	-	-	211,104	125	7,134	555,919	774,282	
At 31 December 2011	81,692	9,188	638,076	52,016	80,460	3,034,460	3,895,892	
<b>Depreciation &amp; Grants</b>								
At 1 January 2011	8,071	9,188	111,122	36,122	36,098	1,692,958	1,893,559	
Charge for the year	733	-	44,101	2,939	2,831	79,678	130,282	
At 31 December 2011	8,804	9,188	155,223	39,061	38,929	1,772,636	2,023,841	
<b>Net book values</b>								
At 31 December 2011	72,888	-	482,853	12,955	41,531	1,261,824	1,872,051	

**11. Receivables**

		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
Receivables	<i>Note</i>	994	-
LES Debtors	<i>Note</i>	153,842	138,410
Other receivables		17,146	41,400
Prepayments and accrued income		86,818	13,947
		<u>258,800</u>	<u>193,757</u>

**Receivables**

General receivables are analysed as follows:

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Within credit period	994	-
Exceeded credit period but not impaired	-	-
Impaired and provided for	-	-
	<u>994</u>	<u>-</u>

**LES Debtors**

LES debtors are stated after a specific provision for doubtful debts amounting to Eur 36,827. The amount of € 153,842 (2010: € 138,410) exceeded credit period but is not impaired.

**Other receivables**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Exceeded credit period but not impaired	<u>17,146</u>	<u>41,400</u>

**12. Cash and equivalents**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Bank Balances	93,361	145,649
Cash in Hand	376	115
	<u>93,737</u>	<u>145,764</u>

**13. Payables**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Payables	130,891	61,665
Other payables	52,679	787
Accruals	45,880	19,227
Deferred income	29,616	22,050
	<u>259,066</u>	<u>103,729</u>

**14. Long-term Borrowings**

		<b>2011</b>	<b>2010</b>
		<b>€</b>	<b>€</b>
<b>Non-current</b>			
Third party borrowings	<i>Note</i>	<u>221,264</u>	<u>-</u>
<b>Current</b>			
Third party borrowings	<i>Note</i>	<u>261,896</u>	<u>-</u>
<b>Third Party Borrowings</b>			
Repayable between one and two years		55,316	-
Repayable between two and five years		82,974	-
Repayable in five years or more		82,974	-
		<u>221,264</u>	<u>-</u>

**Third party loan**

Third party borrowings represent dues to the public private partnership creditor. The Council entered into this agreement to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 7 years.

<b>15. Deferred Income</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<b>Government grants</b>		
Balance at the beginning of the year	247,925	39,342
Increase during year	75,165	215,174
Released during year	(15,789)	(6,591)
Reallocated to other payables	(17,137)	-
	<u>290,164</u>	<u>247,925</u>
Current Deferred Income	<u>29,616</u>	<u>22,050</u>
Non-Current Deferred Income	<u>260,548</u>	<u>225,875</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	24,753	39,618
Deferred between two and five years	66,843	50,535
Deferred in five years or more	168,952	135,722
	<u>260,548</u>	<u>225,875</u>

**16. Capital commitments**

	2011 €	2010 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	49,000	-
Contracted for but not provided in the financial statements	451,895	850,242
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	45,000	-
Office equipment	4,000	-
	49,000	-
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Road Resurfacing	451,895	850,242

The road resurfacing works falls under the Public Private Partnership Scheme and against such works the Council is going to receive a grant amounting to € 83,795. Such works need to be completed by the end of May 2012.

In view of the recent fraud allegations against the Council's roadworks contractor, there is a possibility that such works will not be completed by due date and hence the above grant will be lost. The Council has not accounted for such grant. Whilst, the case is still ongoing, the Council has nothing to do with the fraud and at the same it is making its utmost to find a solution.

**18. Related party transactions**

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Malta Environment & Planning Authority	No Control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control

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

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Annual Financial Allocation	<u>613,163</u>	<u>614,516</u>



**19. Financial Risk Management**

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	<b>2011</b> €	<b>2010</b> €
<b>Financial assets</b>		
Cash and bank balances	93,737	145,764
Receivables	258,800	193,757
	<u>352,537</u>	<u>352,537</u>
<b>Financial liabilities</b>		
Borrowings - current	491,346	81,679
Borrowings - long term	221,264	-
	<u>712,610</u>	<u>81,679</u>

**Credit risk**

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of receivables and cash at bank.

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

There are no amounts included in the Local Council's receivables balance that are past due at the end of the reporting period.

The general receivables amounting to € 994 (2010 : € Nil) which are current and not yet past due are not considered to be impaired.

Cash is placed with reputable banks.

*Liquidity risk*

At the end of the reporting period, the Local Council's net current liability position amounted to € 168,425 (2010 : net current asset position amounted to € 235,792). The Local Council is monitoring and managing its risk to a shortage of funds by maintaining sufficient cash and plan projects accordingly.

**20. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**21. Comparative Figures**

Certain amounts have been re-classified to conform with the current year's presentation.

**22. Going Concern**

The Statement of Financial Position on 4 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.