

**Nadur Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2010**

**Prepared by  
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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2010**

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**Financial Statements for the period 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.

**Financial Statements for the period ended 31 December 2010**

**Independent Auditor's report**

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>761,207</u>	<u>772,552</u>
		<u>761,207</u>	<u>772,552</u>
<b>Current Assets</b>			
Receivables	4	69,429	7,652
Cash and Cash Equivalents	5	<u>198,928</u>	<u>98,237</u>
		<u>268,357</u>	<u>105,889</u>
<b>Total Assets</b>		<u><u>1,029,564</u></u>	<u><u>878,441</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		771,278	715,583
<b>Long Term Liabilities</b>			
Bank loan	7	81,996	87,554
<b>Liabilities</b>			
Payables	6	176,290	75,304
<b>Total equity and liabilities</b>		<u><u>1,029,564</u></u>	<u><u>878,441</u></u>

The notes on pages 10 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	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
<b>REVENUE</b>			
Funds received from central government	8	429,915	298,557
Funds raised under Local Enforcement System	9	-	1,300
Investment income	10	450	191
General Income	11	21,990	13,597
		<u>452,355</u>	<u>313,645</u>
 <b>EXPENDITURE</b>			
Personal emoluments	12	(65,744)	(35,693)
Operations and maintenance	13	(147,236)	(97,996)
Administration and other expenditure	14	(179,789)	(149,677)
Finance cost	15	(3,890)	(4,152)
		<u>(396,659)</u>	<u>(287,518)</u>
 <b>SURPLUS FOR THE YEAR/PERIOD</b>		<u>55,695</u>	<u>26,127</u>

The notes on pages 10 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
Surplus for the period	26,127
	<hr/>
At 31 December 2009	715,583
Surplus for the year	55,695
	<hr/>
At 31 December 2010	<u>771,278</u>

The notes on pages 10 to 18 are an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
<b>Cash Flows from Operating Activities</b>			
Surplus for the year/period		55,695	26,127
Adjustments for:			
Depreciation		73,169	59,968
Decrease in Provision for Bad Debts		-	(1,280)
Investment Income		(450)	(191)
Operating Profit before Working Capital Changes		<u>128,414</u>	<u>84,624</u>
Decrease/(Increase) in Debtors		(61,777)	1,584
Increase in Creditors		<u>104,829</u>	<u>14,360</u>
Net Cash inflows from from operating Activities		<u>171,466</u>	<u>100,568</u>
<b>Cash flows from Investing Activities</b>			
Purchase of Tangible Fixed Assets		(61,823)	(44,604)
Investment Income		450	191
Cash Flow used in Investing Activities		<u>(61,373)</u>	<u>(44,413)</u>
Bank loan		(5,558)	(2,935)
Net (Decrease) / Increase in Cash and Cash Equivalents		104,535	53,220
Cash and Cash Equivalents at the Beginning of Year		94,393	41,173
Cash and Cash Equivalents at the End of Year	5	<u>198,928</u>	<u>94,393</u>

The notes on pages 10 to 18 are an integral part of the financial statements.

**SCHEDULE OF SPECIAL NEEDS FUNDS**  
AT 31 DECEMBER 2010

<b>Fund received and expended</b>	<b>Brought forward</b>	<b>Receive</b>	<b>Expended</b>	<b>Balance</b>
	€	€	€	€
Alley Off Dun Bernard Haber Street - UIF	-	18,661	-	18,661
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
<b>Total</b>	-	<b>109,371</b>	-	<b>109,371</b>

**Commitments**

	€	€	€	€
Alley Off Dun Bernard Haber Street - UIF	-	18,661	-	18,661
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
<b>Total</b>	-	<b>109,371</b>	-	<b>109,371</b>

**Capital Commitments**

	€	€	€	€
Alley Off Dun Bernard Haber Street - UIF	-	18,661	-	18,661
PPP Funds	-	80,711	-	80,711
Restoration of Historical Sites	-	10,000	-	10,000
<b>Total</b>	-	<b>109,371</b>	-	<b>109,371</b>

The notes on pages 10 to 18 are an integral part of the financial statements.

**Notes to the Financial Statements for the period 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, 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 to the requirements of International Financial Reporting Standards 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 income statement 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 period ended 31 December 2010 (cont)**

**d. Government Grants**

Government grants are accounted for on a systematic basis in the Income and Expenditure Account 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 Income and Expenditure.

**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 Income and Expenditure.

**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 EUR which is the Council's functional and present currency.

Transactions denominated in foreign currencies are translated into EUR at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange prevailing at the date of the Statement of Affairs.

**h. Profit and Losses**

Only profits that were realised at the date of the Statement of Affairs 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 Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

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

**3a Property, Plant and Equipment**

	Trees & Plants	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Total
<b>Tangible Assets</b>										
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	3,795	-	55,955	-		61,823
At 31 December 2010	5,840	28,182	16,132	27,617	419,212	13,942	1,038,533	131,415	138,150	1,819,023
<b>Grants and other reimbursements</b>										
At 1 January 2010	-	-	-	-	-	-	(229,616)	-	(68,341)	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	(229,616)	-	(68,341)	(297,957)
<b>Accumulated Depreciation</b>										
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)	-	(52,994)	(4,007)	(133)	(73,169)
At 31 December 2010	-	(14,689)	(14,432)	(24,066)	(200,685)	(13,942)	(444,810)	(43,953)	(3,282)	(759,860)
<b>Net book value</b>										
At 31 December 2010	5,840	13,494	1,700	3,551	218,527	-	364,107	87,462	66,527	761,207

**Notes to the Financial Statements for the period ended 31 December 2010 cont**

**3b Property, Plant and Equipment**

<b>Tangible Assets</b>	Property	Office Furniture /fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Total
<b>Cost</b>										
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 year	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	1,487,635
<b>Grants and other reimbursements</b>										
At 1 April 2009	-	-	-	-	-	-	(229,616)	-	(68,341)	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	-	-	(229,616)	-	(68,341)	(297,957)
<b>Accumulated Depreciation</b>										
At 1 April 2009	-	(11,437)	(13,372)	(23,246)	(173,735)	(13,942)	(351,292)	(36,651)	(3,048)	(626,723)
Additions this year	-	(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)
<b>Net book value</b>										
At 31 December 2009	5,732	14,666	2,244	2,693	227,942	-	361,146	91,469	66,660	772,552

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

	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
<b>4 Receivables</b>		
Receivables	68,323	2,572
Prepayments and accrued income	1,106	5,080
	<u>69,429</u>	<u>7,652</u>

**5 Cash and Cash Equivalents**

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

Bank Balances:	€	€
Ordinary funds	198,845	98,207
Cash in hand	83	30
Overdrawn balances	<u>(17,687)</u>	<u>(3,844)</u>
	181,241	94,393
Transfer to payables	17,687	3,844
	<u>198,928</u>	<u>98,237</u>
Cash at bank and in hand		

**6 Payables**

	€	€
Payables	34,358	26,008
Accruals	5,427	36,004
Capital creditors	109,371	-
Bank loan	9,448	9,448
Overdrawn balances	<u>17,687</u>	<u>3,844</u>
	<u>176,290</u>	<u>75,304</u>

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

**7 Bank loan**

The Council has a loan facility of Euro 112,609 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 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 16,469.

(b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372sq.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.

	1 Jan - 31 Dec 2010	1 Apr-31 Dec 2009
	€	€
Bank Loan	81,996	87,554

	1 Jan - 31 Dec 2010	1 Apr-31 Dec 2009
	(12 Months)	(9 months)
<b>8 Funds received from Central Government</b>	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	398,260	270,131
Other Government Income	31,654	28,426
	<u>429,915</u>	<u>298,557</u>

**9 Income raised from Local Enforcement System**

Income from Contraventions	-	1,300
	<u>-</u>	<u>1,300</u>

**10 Investment income**

Bank Interest Receivable	450	191
	<u>450</u>	<u>191</u>

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

	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
<b>11 General Income</b>		
Cultural activities	126	8,342
Community services	3,930	2,780
Sponsorships	5,582	1,050
Income from tender documents	961	558
Permits	11,386	864
Other	5	3
	<u>21,990</u>	<u>13,597</u>
<b>12 Personal Emoluments</b>		
Personal emoluments include, inter alia:		
Mayor's Allowance	9,224	4,500
Councillors' Allowance	6,100	-
Executive Secretary salary and allowances	26,610	17,780
Employees' Salaries	20,120	10,931
Social Security Contributions	3,690	2,482
	<u>65,744</u>	<u>35,693</u>
<b>13 Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and street pavements	10,926	6,186
Street signs and road markings	1,672	-
Public property	251	167
Other	853	1,214
Total	<u>13,701</u>	<u>7,567</u>
<b>Contractual Services:</b>		
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	11,367	12,352
Other	17,454	17,794
	<u>133,535</u>	<u>90,429</u>
Total Operations and Maintenance Expenses	<u>147,236</u>	<u>97,996</u>

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

	1 Jan - 31 Dec 2010 (12 Months)	1 Apr-31 Dec 2009 (9 months)
<b>14 Administration and other expenditure</b>	€	€
Utilities	12,399	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	77	-
Transport	2,145	2,587
Information services	14,750	5,120
Other contractual services	2,508	8,419
Professional Services	27,203	12,351
Community and Hospitality	25,642	35,559
Provision for bad and doubtful debts	-	(1,280)
Depreciation	73,169	59,968
	<u>179,789</u>	<u>149,677</u>

**15 Finance cost**

Interest on bank loan	<u>3,890</u>	<u>4,152</u>
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**16 Capital Commitments**

	1 Jan - 31 Dec 2010 (12 Months) €	1 Apr-31 Dec 2009 (9 months) €
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>
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Further analysis as follows:

Euro

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>

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

**17 Contingent Liability**

- i) The Council has a pending Court case with a contractor over a claim in respect of works carried out in the locality during 2002. The amounts to Euro 8,304 the Council disputed the claim and did not account for the whole amount.
- ii) On 1st April 2008, the Court of Magistrates held the Council and one of its contractors responsible for an accident that occurred in April 2002 at a Public Garden, Triq Madonna ta' Fatima, Nadur during construction works. The Council has been ordered to settle damages caused to a third party amounting to Euro 15,392.38. The Council has filed an appeal against this decision.

**18 Contingent gains**

The Local Council Association has asked the Council to collate all the invoices due from the Water Services Corporation in respect of new services as per agreement with the corporation which agreement has expired on the 31st December 2006. The WSC is reluctant to renew the agreement and has declined from paying the amounts due since 31st December 2006. The amounts due in respect of new services (at €50.08 per household) up to 31 December 2009. The Local Council Association has made negotiations in the name of all Local Councils with the Water Services Corporation in order to recover all the amounts due. At the end of 2009 the Council's estimate of the amounts due by WSC is €2,241; during 2010 the Council has not received any reimbursements from WSC.

**19 Comparative figures**

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