

LIMERICK CITY COUNCIL



ANNUAL FINANCIAL STATEMENT

For the Year ended 31st December 2003

*T Mackey,
City Manager*

*J. Field,
Head of Finance*

ANNUAL FINANCIAL STATEMENT 2003
CONTENTS

	Page No
Financial Review	3
Certificate of Manager\ Head of Finance	4
Audit Opinion	5
Statement of Accounting Policies	6-9

Financial Accounts

- Income and Expenditure Account
- Balance Sheet
- Notes on and forming part of the Accounts

Appendices

Financial Review

The 2003 AFS sets out the first Balance Sheet for Limerick City Council and represents a very significant milestone in the achievement of the objectives set down in 2001.

Under the new arrangements for the preparation of local authority accounts, the capital account balance no longer appears in the balance sheet. The Capital Account Balance contained a substantial number of balances and transactions that related to the following operations:

- Payments and receipts in respect of the construction and purchase of assets.
- Payments and receipts in respect of mortgage related advances and corresponding borrowings for mortgage and non-mortgage related loans.
- Other income in respect of reserves and receipts from development levies

The balances that comprised the capital account have now been de-aggregated and are shown under various assets, liabilities and reserves in the balance sheet.

The Balance Sheet presented shows that Limerick City Council has Fixed Assets of €646,342,234 and Work In Progress of €378,782,025. A full breakdown of these figures is set out in Note 3 and Note 4 respectively of the AFS.

The move to full Accrual Accounting has resulted in significant changes to the presentation of the AFS. The 2003 Income and Expenditure account incorporates a number of once off adjustments and timing differences that arise directly from the change in the basis of accounting.

Thankfully these once off adjustments have had a positive effect for Limerick City Council. The reversal of timing difference adjustments resulted in a reduction of the revenue deficit by €1,200,000. In addition a number of once off adjustments arising from the take on of opening debtors and the move to full accrual accounting on expenditure resulted in a reduction in revenue deficit of €1,262,551.

The Income and Expenditure Account for the year ended 31 December 2003 shows a surplus of €10,968. The revenue deficit at 31 December 2003 amounts to €7,291,212.

T MACKEY
CITY MANAGER

ANNUAL FINANCIAL STATEMENT 2003

Limerick City Council

**Certificate of City Manager and Head of Finance
for the year ended 31st December, 2003**

We certify that the Financial Statement of Limerick City Council for the year ended 31st December, 2003 as set out on the attached pages is in agreement with the books of account and have been prepared in accordance with the accounting requirements as directed by the Minister for the Environment and Local Government. We have also taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed: _____
City Manager

Head of Finance

Dated: _____

Audit Opinion

The Inspector of Audits has requested that the Local Government Auditor complete this only when the Audit of the Accounts of Limerick City Council for 2003 has been completed.

ANNUAL FINANCIAL STATEMENT STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Accounting Code of Practice on local authority accounting, as revised by the Department of Environment Heritage and Local Government at the 31st December 2003. Exceptions to this are stated in the Policies and Notes to the Accounts.

2. Accruals

The revenue and capital accounts have been prepared on an accrual basis in accordance with the Code of Practice.

3. Interest Charges

Loans payable can be divided into the following two categories:

- Mortgage related loans
- Non- mortgage related loans

3.1 Mortgage Related Loans

Mortgage related loans have a corresponding stream of income from long term advances (i.e. monies lent by the local authority to borrowers, for the purchase of houses). Only the interest element is charged or credited to the revenue account.

3.2 Non- Mortgage Related Loans

Non mortgage loans do not have a corresponding stream of income. The purpose of these loans is generally to acquire assets. The loan repayment cost of principal & interest is funded through the annual budget process. At the end of the financial year the funding element of the principal is transferred and offset against a loan repayment reserve. This transfer is included in the Income & Expenditure Account Statement under the heading 'Transfers to/from reserves'.

4. Pensions

Payments in respect of pensions and gratuities are charged to the revenue account in the accounting period in which the payments are made. The cost of salaries and wages in the accounts includes deductions in respect of superannuation (including Widows and Orphans) benefits. Such deductions are credited as receipts to the Revenue Account.

5. Overheads

Within the programme group structure, there are certain costs that can be attributed to more than one programme. These costs are defined as a Central Management Charge (CMC). The net expenditure of the CMC is allocated on the basis of the net expenditure of each programme group, excluding the CMC.

6. Agency and Other Services

Expenditure on services provided or carried out on behalf of other local authorities is recouped at cost or in accordance with specific agreements.

7. Insurance

Limerick City Council operates an insurance excess of €127,000.

In other respects i.e. for claims that are under the level of excess, the City Council is self insured.

8. Provision for Bad & Doubtful Debts

Provision has been made in the relevant accounts for bad & doubtful debts.

9. Fixed Assets

9.1 Commencement of Asset Accounting

Prior to 2001, asset valuations were not included as part of the AFS. In 2001, a limited form of asset accounting was introduced. It was confined to purchased assets e.g., plant & machinery, etc. As from 1/1/2003, asset accounting was extended to include all of the assets of local authorities. Assets owned by the local authority prior to 1/1/2001 are termed 'Historical Assets'.

9.2 Categories of Assets

Fixed assets are categorised into the following classes:

Operational Assets

- Land
- Local Authority Housing
- Buildings
- Plant & Machinery
- Furniture and Equipment
- Heritage
- Road Network (incl. National & Non-National Roads)
- Water & Sewerage Network

Non Operational Assets

- Investment property

9.3 Recognition

All expenditure on the acquisition or construction of fixed assets is capitalised on an accrual basis.

9.4 Measurement

All assets either purchased since 1/1/2001 and assets constructed to completion since 1/1/2003 have been included in balance sheet at historical cost, net of depreciation. In respect of Historical Assets (ref. par 9.1) the following valuation policy has been applied based on the 'Valuation Guideline' issued by the Department of Environment, Heritage & Local Government on 31 July 2003. A summary of the valuation basis applied in respect of the individual asset categories is as follows:

Asset Category	Basis of Valuation
1. Land	Depending on anticipated use it is valued at (a) Cost plus allowable rolled up charges or estimated allowable costs. (b) Market value
2. Local Authority Housing	Market value with vacant possession. On the sale of a house to a tenant the value will be subject to special discounts available under various housing schemes.
3. Buildings	Depending on the use of the building (a) Market Value (b) Current replacement cost
4. Plant & Machinery, Equipment, Furniture	Estimated current value taking account of condition
5. Road Network	Value based on the current cost of replacing the existing network
6. Water & Sewerage Network	The balance sheet reflects the net depreciated cost of a modern equivalent asset
7. Community assets – Parks	Shown as nil value for assets in existence at 1/1/2003

9.5 Revaluation

As set out in the Accounting Code of Practice it will be the policy to revalue assets, where appropriate, at intervals of not more than five years.

9.6 Disposals

In respect of disposable assets, income is credited to a specific reserve and is generally applied in the purchase of new assets. Proceeds of the sale of local authority houses are to be applied as directed by the DoEHLG.

9.7 Depreciation

Under the current method of accounting the charge for depreciation is offset by the amortisation of the source of funding the asset. This would have had a neutral impact on the revenue account and consequently the charge for depreciation and the corresponding credit from amortisation is excluded from revenue expenditure and income. All assets other than the road network, heritage and library books are depreciated.

The policies applied to assets subject to depreciation are as follows:

Asset Type	Bases	Depreciation (%) P.A
Plant & Machinery		
- Long life	SL	10
- Short life	SL	20
Equipment	SL	20
Furniture	SL	20
Heritage Assets		Nil
Library Books		Nil
Playgrounds	SL	20
Parks	SL	2
Water Assets		
- Water schemes	SL	Asset life of 70 years
- Drainage schemes	SL	Asset life of 50 years

The Council does not charge depreciation in the year of disposal and will charge a full year's depreciation in the year of acquisition.

10. Government Grants

Government grants are accounted for on an accrual basis. Revenue related grants are credited to revenue. Grants received, relating to the construction of assets, are shown as part of the income of work-in-progress. On completion of the project this income is transferred to a capitalisation account.

11. Debt Redemption

The proceeds from the early redemption of loans by borrowers, are applied in the redemption of mortgage-related borrowings from the HFA and OPW.

12. Lease Schemes

Assets acquired under lease are included in fixed assets.

13. Stock

Stocks are valued on an average cost basis.

14. Work-in-Progress & Preliminary Expenditure

Work-in progress and preliminary expenditure is the accumulated historical cost of various capital related projects. The income accrued in respect of these projects is shown in the balance sheet as WIP income.

15. Debtors and Creditors

15.1 Debtors

At the close of the financial year, debtors represent income due but not yet received.

15.2 Creditors

At the close of the financial year, creditors represent payments due in respect of goods received and services rendered but not yet paid.



LIMERICK CITY COUNCIL

ANNUAL FINANCIAL STATEMENT

FINANCIAL ACCOUNTS

For the Year Ended 31st December 2003



LIMERICK CITY COUNCIL

NOTES TO AND FORMING PART OF THE ACCOUNTS

For the Year Ended 31st December 2003

NOTES TO AND FORMING PART OF THE ACCOUNTS

1. Replacement of Capital Account

The traditional role of the capital account was to record all of the payments and receipts relating to the:

- Purchase and construction of assets
- Disposal of assets
- Income from development levies
- Payments and receipts relating loan borrowings
- Funding of assets

In the balance sheet the capital account has been de-aggregated. The balances that would have comprised the capital account have now been included under various headings in the balance sheet.

2. Balance Sheet

The Annual Financial Statement includes for the first time a balance sheet.

The balance sheet is currently in a transitional stage of development and does not reflect all of the assets of this local authority as at 31/12/2003. It does not include the water and sewerage network. It includes the following assets and liabilities:

2.1 Assets

The following assets are included:

- All assets purchased as from 1/1/2001
- Work-in progress on constructed* assets at year-end
- Preliminary expenditure on assets to be constructed at a future date
- Long term advances
- Current assets including stocks, debtors, cash & investments

* These are assets that are constructed either by the local authority or by outside contract. Relates mainly to roads, water & sewerage networks and housing.

2.1.1 Asset Categories

Fixed assets are shown in the balance sheet under the following four categories:

- **Operational**

These are assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets include buildings, plant/machinery, equipment, and furniture.

- **Infrastructural**

These are assets that are unique to local authorities. They will include road, water and sewerage networks.

- **Community**

These are assets that are held in perpetuity and have no determinable finite useful life and may have restrictions on their disposal. They will include parks, historic buildings, works of art and museum exhibits.

- **Non-Operational Assets**

These are assets held by a local authority but not directly used or consumed in the delivery of services. They could include land awaiting development, investment and surplus assets.

2.2 Long Term Debtors

This mainly consists of the principal due by borrowers to the local authority in respect of monies advanced for house purchases (see Note 5).

2.3 Liabilities

It includes the following liabilities:

- Current liabilities including loans , overdraft ,creditors and accruals
- Creditors greater than one year mainly relating to long-term borrowings.

(Note - element of long term liabilities due within the next 12 months is not included under this heading)

2.4 Reserves

This heading includes the following :

2.4.1 Capitalisation Account

All assets purchased or constructed will ultimately be reflected in this account. The analysis of this account shows the source of funding of fixed assets (See Note 12).

2.4.2 Specific Revenue Reserve

Arising from the change in the basis of accounting from cash to accrual, this reserve relates to the take-on of opening balances of net realisable debtors at 1/1/2003 and opening stock reserves. The balance in this reserve was transferred against the revenue deficit at 31/12/03.

2.4.3 General Revenue Reserve

This represents the cumulative deficit on the revenue account at 31/12/2003

2.4.4 Other Reserves

A breakdown of the type of reserves included under this heading is set out in Note 13.



LIMERICK CITY COUNCIL

ANNUAL FINANCIAL STATEMENT

For the Year Ended 31st December 2003

APPENDICES

INTEREST OF LIMERICK CITY COUNCIL IN COMPANIES

The purpose of this Statement is to identify Companies in which Limerick City Council as a corporate body or its members or officers by virtue of their office have an interest in a company. The following disclosures are made in respect of each such Company.

Company Name:	Dalemarm Ltd.
Principal activities of Company:	Commercial Developments
Beneficial Share ownership:	None
Local authority representation on Board of Company.	None

Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company.

Limerick City Council has discharged the £3.7m (€4.7m) loan as required on foot of the agreement by which the Civic Complex was developed. Limerick City Council funded in part the discharge of this £3.7m loan by way of a loan drawdown of €2.056m (£1.62m) from Allied Irish Banks Ltd in August 2001.

The extent to which the local authority has any security for moneys advanced to the Company.

Limerick City Council has not advanced any moneys to the Company.

How and where the results of the Company have been reflected in the accounts of the local authority.

The Debt outstanding on the AIB loan is included in the City Council's Statement of Capital Debt.

The interest and principal repayments made are included in the City Council's Revenue Expenditure Account.

INTEREST OF LIMERICK CITY COUNCIL IN COMPANIES

The purpose of this Statement is to identify Companies in which Limerick City Council as a corporate body or its members or officers by virtue of their office have an interest in a company. The following disclosures are made in respect of each such Company.

Company Names:	Doncove Ltd. and Berryvale Ltd.
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Principal activities of Company:	Commercial Developments
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Beneficial Share ownership:	None
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Local authority representation on Board of Company.	None
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Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company.

Limerick City Council by virtue of a Development Agreement signed in 1988 and Lease Agreements signed in 1989 and 1998 have guaranteed loan repayments to Allied Irish Banks for the development and refurbishment of the Arthur's Quay Multi Storey Car Park in Limerick City. The eventual purchase of the Car Park by the City Council is secured in the Agreements.

The extent to which the local authority has any security for moneys advanced to the Company.

Limerick City Council has not advanced any moneys to the Company.

How and where the results of the Company have been reflected in the accounts of the local authority.

The Lease Agreement commenced from 1st June 1999. The lease payments made are included in the City Council's Capital Expenditure.

APPENDIX NO. 8

INTEREST OF LIMERICK CITY COUNCIL IN COMPANIES

The purpose of this Statement is to identify Companies in which Limerick City Council as a corporate body or its members or officers by virtue of their office have an interest in a company. The following disclosures are made in respect of each such Company.

Company Name: Ltd.	1.	Southhill Community Services Board
	2.	Moyross Enterprise Centre

Principal activities of Companies: To provide community facilities / services to local residents

Beneficial Share ownership: None

Local authority representation on Board of Companies. Member of Board

Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Companies.

Limerick City Council provides an annual Grant to the Companies, the amount of the Grant is reviewed annually.

The extent to which the local authority has security for moneys advanced to the Companies.

Limerick City Council owns the land on which the Companies have their premises.

How and where the results of the Companies have been reflected in the accounts of the local authority.

Results of the Companies are not reflected in the accounts of Limerick City Council.

Company Name:	Moyross Development Company
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Principal activities of Company: To provide community facilities / services to local residents

Beneficial Share ownership: None

Local authority representation on Board of Company. Member of Board

Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company.

Limerick City Council provides an annual Grant to the Company, the amount of the Grant is reviewed annually.

The extent to which the local authority has any security for moneys advanced to the Company.

Limerick City Council provides Grant assistance only to the Company.

How and where the results of the Company have been reflected in the accounts of the local authority.

Results of the Company are not reflected in the accounts of Limerick City Council.

INTEREST OF LIMERICK CITY COUNCIL IN COMPANIES

The purpose of this Statement is to identify Companies in which Limerick City Council as a corporate body or its members or officers by virtue of their office have an interest in a company. The following disclosures are made in respect of each such Company.

Company Name: Belltable Arts Centre
Principal activities of Company: The Belltable presents a number of visual art exhibitions, film club screenings and amateur / professional plays.
Beneficial Share ownership: None
Local authority representation on Board of Company. City Manager is a Director and S. Deegan, Arts Officer is a Director.

Company Name: University Concert Hall
Principal activities of Company: The University Concert Hall is a multi purpose venue at which a wide variety of music, dance drama and comedy shows are presented to the public.
Beneficial Share ownership: None
Local authority representation on Board of Company. City Manager is a Board Member

Company Name: Hunt Museum Executive
Principal activities of Company: The Hunt Museum Executive is responsible for the management and maintenance of the Hunt Museum in the Custom House, which houses a very important collection. The Museum is a major visitor attraction in Limerick City.
Beneficial Share ownership: None
Local authority representation on Board of Company. City Manager is a Board Member

Company Name: Limerick Civic Trust
Principal activities of Company: The Limerick Civic Trust initiates and undertakes schemes for the conservation, enhancement and general improvement of Limerick City in co-operation with the local authority and other interested parties.
Beneficial Share ownership: None

Local authority representation on Board of Company. City Manager is a Patron

INTEREST OF LIMERICK CITY COUNCIL IN COMPANIES

The purpose of this Statement is to identify Companies in which Limerick City Council as a corporate body or its members or officers by virtue of their office have an interest in a company. The following disclosures are made in respect of each such Company.

Company Name:	Limerick Showcase Ltd
Principal activities of Company:	Tourist Development
Beneficial Share ownership:	None
Local authority representation on Board of Company.	Director of Services, Corporate Affairs is a Director

Company Name:	Limerick Lodis Ltd
Principal activities of Company:	Tourist Development
Beneficial Share ownership:	100%
Local authority representation on Board of Company.	Director of Services, Corporate Affairs is a Director

Company Name:	Shannon Broadband Ltd
Principal activities of Company:	Broadband Infrastructure
Beneficial Share ownership:	20%
Local authority representation on Board of Company.	Head of Finance is a Director

Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company.

Limerick City Council provides grant assistance to each of the above listed Organisations.

How and where the results of the Company have been reflected in the accounts of the local authority.

The results of the aforementioned Companies are not reflected in the accounts of Limerick City Council.

Company Name:	Limerick Enterprise Development
Partnership	

Principal activities of Company:	Development of an Industrial Park at Roxboro
Beneficial Share ownership:	None
Local authority representation on Board of Company.	City Manager is a Director ; Director of Services, Corporate Affairs is Company Secretary and Director.

Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company.

None

The extent to which the local authority has any security for moneys advanced to the Company.

Limerick City council provided a once off grant to the Company.

How and where the results of the Company are reflected in the accounts of the local authority.

Results of the Company are not reflected in the Accounts of Limerick City Council

Company Name:	Grove Island Leisure Centre Ltd.
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Principal activities of Company:	Development and Running of a Leisure Centre
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Beneficial Share ownership:	50% Ownership
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Local authority representation on Board of Company.	O O' Loughlin, Director of Services and John Field, Head of Finance.
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Amount and nature of any guarantees, underwritings, grant, loans or borrowings given by the local authority in respect of borrowings of the Company. Limerick City Council is a 50% shareholder in the Company and will guarantee 50% of any borrowings in the company.

The extent to which the local authority has any security for moneys advanced to the Company. Limerick City Council is a 50% shareholder in the Company.

How and where the results of the Company are reflected in the accounts of the local authority.

Results of the Company are not reflected in the Accounts of Limerick City Council