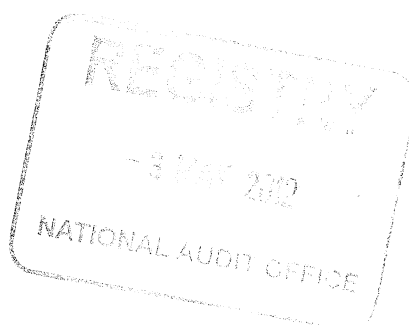




LOCAL COUNCIL BORMLA  
Report and Financial Statements  
for the year ending 31 December 2011



# **BORMLA LOCAL COUNCIL**

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## **BORMLA LOCAL COUNCIL**

### **Statement of Council Members' and Executive Secretary's Responsibilities**

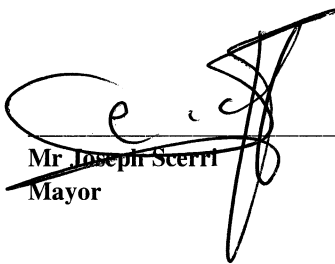
for the year ended 31 December 2011

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The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

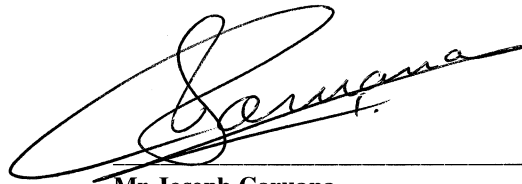
This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 26 April 2012 and signed on its behalf by:



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Mr Joseph Scerri  
Mayor



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Mr Joseph Caruana  
Executive Secretary

## BORMLA LOCAL COUNCIL

### Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 €	2010 €
<b>Revenue</b>	<b>2</b>		
Funds received from Central Government	5	406,207	406,414
Income raised from Council Bye-Laws	6	2,959	2,827
Income from Law Enforcement System	7	52,044	55,168
Investment income	8	234	272
General income	9	47,082	27,039
		<u>508,526</u>	<u>491,720</u>
<b>Expenditure</b>			
Personal emoluments	10	108,368	100,143
Operations and maintenance	11	250,141	262,840
Administrative and other expenditure	12	164,103	243,927
Finance costs	13	-	7,291
		<u>522,612</u>	<u>614,201</u>
<b>Net (Loss) for the year</b>		<u>(14,086)</u>	<u>(122,481)</u>

The notes on pages 6 to 23 form an integral part of these financial statements.

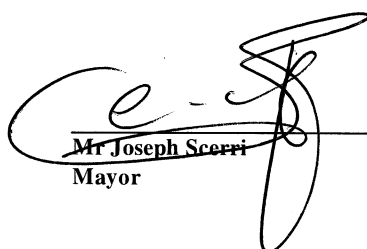
# BORMLA LOCAL COUNCIL

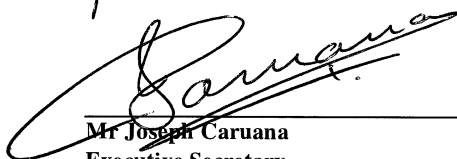
## Statement of Financial Position

at 31 December 2011

	Notes	2011 €	2010 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	401,182	419,185
<b>Current assets</b>			
Trade and other receivables	15	250,566	244,480
Cash at bank and in hand	16	16,583	32,261
		267,149	276,741
<b>Total assets</b>		668,331	695,926
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained earnings		327,415	341,501
<b>Total Reserves</b>		327,415	341,501
<b>Non-current liabilities</b>			
Deferred income	18	11,984	5,000
<b>Current liabilities</b>			
Overdrawn bank balance	17	4,758	10,272
Trade and other payables	19	324,174	339,153
		328,932	349,425
<b>Total liabilities</b>		340,916	354,425
<b>Total Reserves and liabilities</b>		668,331	695,926

The financial statements were approved by the Council on 26 April 2012 and signed on its behalf by:

  
Mr Joseph Scerri  
Mayor

  
Mr Joseph Caruana  
Executive Secretary

The notes on pages 6 to 23 form an integral part of these financial statements.

## BORMLA LOCAL COUNCIL

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

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	Retained earnings €
At 1 January 2010	463,982
Net deficit for the year	(122,481)
At 31 December 2010	341,501
Net deficit for the year	(14,086)
At 31 December 2011	327,415

# BORMLA LOCAL COUNCIL

## Statement of Cash Flows

for the year ended 31 December 2011

	2011 €	2010 €
<b>Cash flows from operating activities</b>		
Deficit for the year	(14,086)	(122,481)
Adjustments for:		
Depreciation	40,149	45,870
Government advancement deemed interest	-	(7,290)
Loss on disposal of property, plant and equipment	(379)	7,209
Interest received	(234)	(272)
Interest paid	-	7,291
Government grant released	(516)	-
	<u>24,934</u>	<u>(69,673)</u>
Working capital changes:		
(Increase) in trade and other receivables	1,414	44,964
(Decrease) in trade and other payables	(14,979)	53,147
Cash flows from operations	<u>11,369</u>	<u>28,438</u>
Interest paid	-	1
Net cash flows from operating activities	<u>11,369</u>	<u>28,439</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(21,767)	(45,405)
Interest received	234	270
Net cash flows from investing activities	<u>(21,533)</u>	<u>(45,135)</u>
<b>Cash flows from financing activities</b>		
Funds received	-	5,000
Net cash flows from financing activities	<u>-</u>	<u>5,000</u>
<b>Movement in cash and cash equivalents</b>	<u>(10,164)</u>	<u>(11,696)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Movement in cash and cash equivalents	(10,164)	(11,696)
Cash and cash equivalents at start of year	21,989	33,685
Cash and cash equivalents at end of year	<u>11,825</u>	<u>21,989</u>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	16 <u>11,825</u>	<u>21,989</u>

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2011

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### 1. General information

The Bormla Local Council is a local government set up by the Local Council Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

### 2. Accounting policies

#### *Accounting convention and basis of preparation*

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the company. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

#### *Standards and amendments to existing standards effective 1 January 2011*

The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Council.

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

IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Council's financial position or performance.



## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

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IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The application of the new standard will not have a significant impact on amounts reported in the Council's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Council.

#### *Property, plant and equipment*

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

#### *Impairment of property, plant and equipment*

At the end of each reporting period, the Council reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

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Property, plant and equipment are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

Buildings	- 1%
Furniture & fittings	- 7.5%
Construction works	- 10%
New street signs	- 100%
Urban improvements (street furniture)	- 10%
Special programmes (projects)	- 10%
Office equipment	- 10%
Motor vehicle	- 20%
Plant and machinery	- 20%
Computer equipment	- 25%
Trees	- 0%
Litter bins	- 100%
Playground equipment	- 100%
Street lighting	- 100%

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# **BORMLA LOCAL COUNCIL**

## **Notes to the Financial Statements**

for the year ended 31 December 2011

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### *Provisions*

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### *Foreign currencies*

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

### *Income recognition*

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## **BORMLA LOCAL COUNCIL**

### **Notes to the Financial Statements**

for the year ended 31 December 2011

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#### *Construction contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the state of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs, except where this would not be representative of the state of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# BORMLA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2011

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### 3. 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.

#### *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Law Enforcement System.

#### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Local Government Department, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

### 4. Going concern

The statement of financial position suggests that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds. This factor indicates that the Council may be unable to continue as a going concern, unless with the continued support of its related parties.

### 5. Funds received from Central Government

	2011	2010
	€	€
In terms of section 55 of the Local Councils Act, 1993	406,207	373,124
Interest on loan	-	7,290
Supplementary income	-	26,000
	<u>406,207</u>	<u>406,414</u>

## BORMLA LOCAL COUNCIL

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

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#### 6. Income raised from Council Bye-Laws

	2011 €	2010 €
Permits related to construction	2,872	2,827
Sponsorships	1,000	-
	<u>3,872</u>	<u>2,827</u>

#### 7. Income from Law Enforcement System

	2011 €	2010 €
Contraventions received	17,278	21,250
Contraventions accrued	34,411	33,918
LES commissions	355	-
	<u>52,044</u>	<u>55,168</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

#### 8. Investment income

	2011 €	2010 €
Bank interest	234	270
Other interest received	-	2
	<u>234</u>	<u>272</u>

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 9. General income

	2011	2010
	€	€
Discounts received	220	152
Cultural activities	1,806	1,744
Adverts in council magazine	35	140
Contributions	35,780	24,200
Tender document fees	1,820	803
Receivables - water and electricity	6,421	-
Government grants received	87	-
	<u>46,169</u>	<u>27,039</u>

#### 10. Personal emoluments

	2011	2010
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria and allowance	9,546	9,346
Council members' allowance	8,800	9,000
Executive salary and allowance	28,799	27,652
Employees' salaries	54,900	48,396
Social security costs	6,323	5,749
	<u>108,368</u>	<u>100,143</u>



## BORMLA LOCAL COUNCIL

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

#### 11. Operations and maintenance

	2011 €	2010 €
<b>Repairs and upkeep</b>		
Road and street pavements	634	373
Patching	357	308
Office furniture and equipment	967	542
Plant and equipment	92	-
Street signs	77	-
Other repairs and upkeep	1,756	143
Street markings	990	1,023
Maintenance council property	-	100
	<u>4,873</u>	<u>2,489</u>
<b>Contractual services</b>		
Waste disposal	-	3,494
Refuse collection	76,843	85,716
Bulky refuse collection	22,675	14,888
Hire of open skips	3,773	2,771
Tipping fees	37,754	36,321
Cleaning services	1,225	5,904
Road and street cleaning	36,150	35,655
Cleaning and maintenance - Public Conveniences	3,412	6,735
Cleaning council premises	5,242	4,483
Deceased animals	-	2,586
Cleaning and maintenance Soft areas	29,710	29,898
Street lighting	12,617	8,669
Law enforcement system	15,867	23,231
	<u>245,268</u>	<u>260,351</u>
<b>Total operations and maintenance expenses</b>	<u>250,141</u>	<u>262,840</u>

Tipping fees re WasteServ amounting to € 15,303 were included in above figures but are being disputed by the Local Council.

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 12. Administrative and other expenses

	2011	2010
	€	€
Utilities	16,942	16,902
Operating materials and supplies	4,081	3,369
Cleaning materials and supplies	198	297
Uniforms	1,570	637
Sundry materials and supplies	-	75
Rents	2,454	2,227
Participation fee national meetings	673	528
Printing	-	172
Stationery	3,026	2,694
Couriers	-	204
Postages	172	225
Documentation	-	51
Library expenses	302	324
Other office services	-	5,595
Maintenance of vehicles	1,657	753
Fuel	933	1,035
Transport to Gozo/Malta	1,166	128
Travelling expenses	723	1,238
Public relations expenses	-	75
E-government and web space rental	50	350
Advertising	1,197	875
Publications and newsletters	6,970	2,118
Insurance coverage	2,357	2,809
Bank charges	351	262
Librarian Services	2,460	1,449
IT Development services	2,006	2,946
Engineering services	-	300
Town planning consultancy	2,396	550
Accountancy services	7,001	5,863
Re-imbursement to council staff	466	548
Balance brought forward to next page	59,151	54,599

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 12. Administrative and other expenses

	2011 €	2010 €
Balance brought forward from previous page	59,099	54,599
Other hospitality costs	3,253	2,065
Social events	4,042	6,952
Jum il-Kunsill	2,519	3,043
Cultural events	13,054	15,942
EU projects	-	5,321
Donations	725	300
Sundry minor expenses	1,912	1,600
Asset disposal account	379	7,209
Provision for bad debts	34,803	101,026
Penalties and fines	4,874	-
Depreciation	40,149	45,870
	<u>164,051</u>	<u>243,927</u>

#### 13. Finance costs

	2011 €	2010 €
Interest on overdrawn bank balance	-	1
Interest on related party advancement	-	7,290
	<u>-</u>	<u>7,291</u>

# BORMLA LOCAL COUNCIL

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

### 14. Property, plant and equipment

	Trees €	Motor vehicles €	Office equipment €	Urban improvements €	Plant and machinery €	Furniture and fittings €	New street signs €	Construction works €	Assets not yet capitalised €	Total €
<b>Cost</b>										
At 1 January 2011	13,019	8,269	24,083	190,117	4,009	51,258	21,693	682,375	14,388	1,009,211
Additions	-	-	2,552	2,150	1,399	9,183	-	113,906	6,483	135,673
Reclassifications	-	-	-	-	-	-	-	9,424	(9,424)	-
Disposals	-	-	-	-	-	-	-	(115,245)	-	(115,245)
At 31 December 2011	13,019	8,269	26,635	192,267	5,408	60,441	21,693	690,460	11,447	1,029,639
<b>Government grants</b>										
At 1 January 2011	-	-	-	-	-	-	-	113,906	-	113,906
Disposals	-	-	-	-	-	-	-	(113,906)	-	(113,906)
At 31 December 2011	-	-	-	-	-	-	-	-	-	-
<b>Depreciation</b>										
At 1 January 2011	-	4,856	15,000	143,190	3,444	22,663	21,693	265,274	-	476,120
Charge for the year	-	662	1,630	5,114	331	2,248	-	30,164	-	40,149
On disposals	-	-	-	-	-	-	-	(1,718)	-	(1,718)
At 31 December 2011	-	5,518	16,630	148,304	3,775	24,911	21,693	293,720	-	514,551
<b>Net book value</b>										
At 31 December 2011	13,019	2,751	10,005	43,963	1,633	35,530	-	396,740	11,447	515,088

# BORMLA LOCAL COUNCIL

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

### 14. Property, plant and equipment

	Trees €	Motor vehicles €	Office equipment €	Urban improvements €	Plant and machinery €	Furniture and fittings €	New street signs €	Construction works €	Assets not yet capitalised €	Others €	Total €
<b>Cost</b>											
At 1 January 2010	10,636	8,269	24,590	179,110	4,009	41,673	21,064	659,024	27,271	12,147	987,793
Additions	-	-	2,386	2,392	-	-	629	22,801	17,197	-	45,405
Reclassifications	5,030	-	-	8,615	-	13,072	-	550	(27,267)	-	-
Disposals	(2,647)	-	(2,893)	-	-	(3,487)	-	-	(2,813)	(12,147)	(23,987)
At 31 December 2010	13,019	8,269	24,083	190,117	4,009	51,258	21,693	682,375	14,388	-	1,009,211
<b>Government grants</b>											
At 1 January/31 December 2010	-	-	-	-	-	-	-	113,906	-	-	113,906
<b>Depreciation</b>											
At 1 January 2010	-	3,996	14,489	135,212	3,302	23,536	21,064	233,282	-	12,147	447,028
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	860	2,831	7,978	142	1,438	629	31,992	-	-	45,870
On disposals	-	-	(2,320)	-	-	(2,311)	-	-	-	(12,147)	(16,778)
At 31 December 2010	-	4,856	15,000	143,190	3,444	22,663	21,693	265,274	-	-	476,120
<b>Net book value</b>											
At 31 December 2010	13,019	3,413	9,083	46,927	565	28,595	-	303,195	14,388	-	419,185
At 31 December 2009	10,636	4,273	10,101	43,898	707	18,137	-	425,742	27,271	-	87,752

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 15. Trade and other receivables

	2011 €	2010 €
Trade receivables	24,419	9,712
Provision for doubtful debts	(6,276)	(6,276)
Law enforcement system	336,113	301,702
Provision for LES doubtful debts	(257,917)	(223,115)
Amounts owed by related parties	-	3,903
Other receivables	1,875	-
Prepayments and accrued income	152,352	158,554
	<u>250,566</u>	<u>244,480</u>

#### 16. Cash at bank and in hand

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

	€	€
Cash in hand	891	659
Petty cash	152	40
Bank balances: current	8,047	17,955
Bank balances: savings	7,493	13,607
	<u>16,583</u>	<u>32,261</u>

#### 17. Borrowings

	2011 €	2010 €
Bank balance overdrawn	<u>4,758</u>	<u>10,272</u>

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 18. Deferred income

	2011 €	2010 €
At 1 January 2011	5,000	-
Increase	7,500	5,000
Released to income	(516)	-
At 31 December 2011	<u>11,984</u>	<u>5,000</u>

Deferred Income represents agreements signed with the Malta Environment and Planning Authority up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

#### 19. Trade and other payables

	2011 €	2010 €
Trade payables	173,080	138,423
Law enforcement unidentified deposits	291	990
Amounts owed to other councils	838	419
Amounts owed to related parties	<i>Note</i> 122,516	122,516
Amounts owed to other related parties	-	49,060
Other payables	429	-
Accruals and deferred income	27,020	27,745
	<u>324,174</u>	<u>339,153</u>

##### *Amounts owed to related parties*

The amount refers to an advancement of cash by the Ministry of Justice and Internal Affairs on the 17 December 2007 for the sole purpose of financing the eMed-IT project. The Council is to refund the amount when it receives the re-inbursement of expenses from the EU.

#### 20. Events after the reporting date

There were no particular important events affecting the company which occurred since the end of the reporting period.

## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

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#### 21. Risk management objectives and policies

The council is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the company is exposed to are described below.

##### *Credit risk*

The council's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 15 and 16.

The company continuously monitors defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

##### *Liquidity risk*

The council's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the council's obligations when they become due.

At 31 December 2011 and 31 December 2010, there were no contractual maturities on the financial liabilities of the council. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

##### *Foreign currency risk*

Most of the council's transactions are carried out in Euro. Exposure to currency exchange rates arises from the council's transactions in foreign currencies.

The company's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

##### *Interest rate risk*

The council's exposure to interest rate risk is limited as it does not have any borrowings bearing variable interest rates.



## BORMLA LOCAL COUNCIL

### Notes to the Financial Statements

for the year ended 31 December 2011

#### 22. Related parties

The Central Government, all the Authorities set up by Government and all the entities which are Government owned are considered to be related parties to Local Council Bormla . The Joint Committee, to which the Local Council Bormla is a member, falls also to be a related party.

*Transactions and balances with related parties :*

	2011 €	2010 €
Funds from Central Government	408,007	406,414
Services provided by Executive Management	44,574	45,998
LES cash collected by, on behalf of Council	14,189	16,302
Purchases	69,966	49,245
Invoiced to WSC for re-instatement of roads	-	9,000

The related parties exercise control on the Council as follows:

The Executive Management team (Council Members and Executive Secretary)	Total control
The Local Councils' Department	Significant control
The Fgura joint committee	Joint control
Other government departments	No control

#### 23. Capital management policies and procedures

The Council manages its capital to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2010.

## **LOCAL COUNCIL BORMLA**

### **Report of the Local Government Auditors to the Auditor General**

We have audited the accompanying financial statements of LOCAL COUNCIL BORMLA, which comprise the statement of financial position on page 3 as of 31<sup>st</sup> December 2011, and 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.

#### ***Council's Responsibility for the Financial Statements***

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Members and the Executive Secretary, 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.

The information and evidence provided by the Local Council with respect to funds receivable for the E-MED IT project amounting to €107,990 and the equivalent payable advanced by the Ministry of Justice and Internal Affairs in relation to such project was not sufficient for us to determine whether the accounting treatment of both the receivables and the equivalent payable was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards.

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

As of 31 December 2011, the Council's statement of financial position shows a net current liability position of €61,783, when the Council should maintain a positive working capital balance of not less than 10% of its annual financial allocation as is required by the Local Councils Procedures. The financial statements in their entirety, as noted in Note 4 in the financial statements, further 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 received 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 would not allow the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 24, Related Party Disclosures, IFRS 7, Financial Instruments: Disclosures, IAS 37, Provisions, Contingent Liabilities and Contingent Assets as well as they lack appropriate disclosure in relation to a prior year adjustments included in the financial statements in line with the provisions of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.


### ***Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### ***Opinion on Other Legal and Regulatory Requirements***

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by  
Neville Cutajar (Partner) on its behalf

**3a**

Certified Public Accountants  
The Penthouse, Level 3  
Palazzo Ca' Brugnara  
Valley Road  
Birkirkara BKR9024  
Malta

**Date: 30<sup>th</sup> April 2012**