



Isla  
Citta Invicta

**ISLA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2011**

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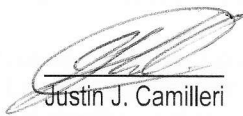
**ISLA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2011**

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**ISLA LOCAL COUNCIL  
STATEMENT OF LOCAL COUNCIL MEMBERS' AND  
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

  
Justin J. Camilleri  
Mayor

  
Arthur Perici  
Executive Secretary

Date: 1st may 2012

## LOCAL COUNCIL ISLA

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

We have audited the accompanying financial statements of LOCAL COUNCIL ISLA, which comprise the statement of financial position on page 7 as of 31<sup>st</sup> December 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement 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. 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 qualified audit opinion.

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 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 is based on reports generated by the contractor entrusted with the system by the Ministry. Based on these reports, the amount recognised in the financial statements as income raised under the Local Enforcement System is overstated by € 6,437 and receivables and profit for the year are overstated by the same amount.

The Council recognized the amount of €6,850 as receivable from the Water Services Corporation (WSC) in relation to amounts due for road re-instatement for 2011 as well as accounted for other debtors and receivables amounting to 3,344. We could not confirm that the amount recognised in the financial statements as receivables from the Water Services Corporation and we are of the opinion that other debtors and receivables are not recoverable and should be provided for. As a result, receivables are overstated by 10,194 and profit for the year is overstated by the same amount.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to certain disclosures as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, disclosures emanating from IFRS 7- Financial Instruments: Disclosure as well as lack certain disclosure requirements arising IAS 1- Presentation of Financial Statements and IAS 37, Provisions, Contingent Liabilities and Contingent Assets.



### ***Opinion***

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraph, 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, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to note 21 to the financial statements titled-Going Concern. Note 21 states that "the Statement of Financial Position 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 to be able to meet its financial obligations as they fall due without curtailing its future commitments".

### ***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: 2<sup>nd</sup> May 2012**

**ISLA LOCAL COUNCIL**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2011

	Notes	2011 Euro	2010 Euro
<b>INCOME</b>			
Funds received from Central Government	3	298,945	268,870
Income raised under Law Enforcement system	4	29,483	25,685
Income raised under Local Council Bye-Laws	5	3,751	6,200
General income	6	38,039	33,334
		<hr/>	<hr/>
		370,218	334,089
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personal emoluments	7	65,775	59,246
Operations and maintenance	8	163,448	143,625
Administration and other expenditure	9	120,386	148,973
		<hr/>	<hr/>
		349,609	351,844
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS) FOR THE YEAR</b>		€ 20,609	(€ 17,755)
Finance income	10	572	252
<b>PROFIT/(LOSS) FOR THE YEAR</b>		€ 21,181	(€ 17,503)
		<hr/>	<hr/>


The notes on page 10 to 25 form an integral part of these financial statements

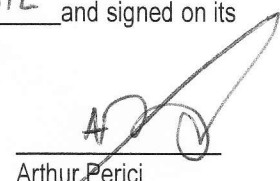
**ISLA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2011**

	Notes	31 Dec 2011 Euro	31 Dec 2010 Euro
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<u>217,179</u>	<u>233,377</u>
<b>Current Assets</b>			
Inventories	12	1,362	1,809
Trade and other receivables	13	85,004	75,937
Cash and cash equivalents	14	<u>57,932</u>	<u>41,390</u>
<b>Total Current Assets</b>		<u>144,298</u>	<u>119,136</u>
<b>TOTAL ASSETS</b>		<u>€ 361,477</u>	<u>€ 352,513</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>248,127</u>	<u>226,946</u>
<b>Non-Current Liabilities</b>			
Deferred Income	15	<u>29,879</u>	<u>30,996</u>
<b>Current Liabilities</b>			
Trade and other payables	16	<u>83,471</u>	<u>94,571</u>
<b>Total Current Liabilities</b>		<u>83,471</u>	<u>94,571</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>€ 361,477</u>	<u>€ 352,513</u>

The notes on page 10 to 25 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 1st may 2012 and signed on its behalf by:

  
Justin J. Camilleri  
Mayor

  
Arthur Perici  
Executive Secretary

**ISLA LOCAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY**  
For the period 1 January to 31 December 2011

	Retained Funds Euro
<b>At 1 January 2010</b>	<b>244,449</b>
Loss for the year	<u>(17,503)</u>
<b>At 31 December 2010</b>	<b><u>226,946</u></b>
<b>At 1 January 2011</b>	<b>226,946</b>
Profit for the year	<u>21,181</u>
<b>At 31 December 2011</b>	<b><u>248,127</u></b>
<b>Reserved Funds</b>	<b><u>€ 248,127</u></b>

**ISLA LOCAL COUNCIL**  
**CASH FLOW STATEMENT**  
For the period 1 January to 31 December 2011

	Notes	1 Jan 2011- 31 Dec 2011 Euro	1 Jan 2010- 31 Dec 2010 Euro
<b>Operating Activities</b>			
Profit/(Loss) for the year		21,181	(17,503)
<b>Adjustments for:</b>			
Depreciation		22,870	24,161
Increase in Provision for Bad Debts		12,790	23,120
Interest receivable		<u>(572)</u>	<u>(252)</u>
<b>Operating Profit before Working Capital changes</b>		<u>56,269</u>	<u>29,526</u>
<b>Movement in working capital</b>			
(Increase)/Decrease in Inventories		447	(1,331)
(Increase) in receivables		(21,857)	(8,277)
Increase/(Decrease) in payables		(10,822)	(5,872)
Government Grant released		<u>(1,396)</u>	<u>(922)</u>
<b>Net cash inflow from operating activities</b>		22,642	13,124
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(6,672)	(21,506)
Grants received		0	33,314
Interest received		<u>572</u>	<u>252</u>
<b>Net cash used in/inflow from investing activities</b>		(6,100)	12,060
<b>Net increase/(decrease) in cash and cash equivalents</b>		16,542	25,184
Cash and cash equivalents at beginning of the year		41,390	16,206
<b>Cash and cash equivalents at end of year</b>	14	<u>57,932</u>	<u>41,390</u>

The notes on page 10 to 25 form an integral part of these financial statements

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period 1 January to 31 December 2011**

**1. GENERAL INFORMATION**

Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act 1993. The office of the Council is at 2, St. Joseph Street, Isla.

The financial statements were authorised for issue by the Council on the 1st May 2012.

**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**

The Council has adopted the following new and amended standards as of 1 January 2011:

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

- 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.
- IFRIC 13 – Customer loyalties programmes (effective 1 January 2011). Amendments relating to fair value of credits.

**New important standards and amendments not yet adopted**

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures-Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The amendments are applicable for annual periods beginning on or after 1 July 2011.

**New important standards and amendments not yet adopted by EU**

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard has not yet been adopted by the EU at the date of authorisation of these financial statements.
- IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Local Councils to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

***Property, plant and equipment***

Property, plant and equipment are 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0



**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council 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.

***Related parties***

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

***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 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 recognized initially at fair value and subsequently measured at amortized 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 receivable. 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 recognized in the Statement of Comprehensive Income.

***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.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

***Payables and Borrowings***

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is release in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

***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 income statemt 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.

***Inventory***

Inventory is calculated at lower of cost and net realisable value.

***Surpluses and deficits***

Only surpluses 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.

***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.

***Local Enforcement System***

Isla Local Council forms part of the Fgura 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. As from September 2011, the Isla Local Council now forms part of the South Eastern Region for Local Enforcement. Income from LES now comprises a 10% administration fee on contraventions paid at Isla Local Council.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

***Critical Estimates and Judgements***

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The judgements made in applying the Local Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about 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, are disclosed in the remaining notes to the financial statements.

***Capital Management Policies and Procedures***

The Isla Local Council's objective is to continue as a going concern and to ensure that the Financial Statements' Indicator, that is the Net Asset Position of the Local Council, is above the 10% of the Annual Government Allocation, as stipulated by the Department of Local Government. This indicator is being monitored on a quarterly basis by the Council.

**3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	2011 Euro	2010 Euro
In terms of Section 55 of the Local Councils Act, 1993	256,585	246,756
Other Government Income	<u>42,360</u>	<u>22,114</u>
	<u>298,945</u>	<u>268,870</u>

**4. LOCAL ENFORCEMENT INCOME**

	2011 Euro	2010 Euro
Fines and penalties	<u>29,483</u>	<u>25,685</u>

**5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS**

	2011 Euro	2010 Euro
Income from hire of skips	175	128
Rent Receivable	<u>3,576</u>	<u>6,072</u>
	<u>€ 3,751</u>	<u>€ 6,200</u>

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. GENERAL INCOME**

	2011 Euro	2010 Euro
Income from Water Services	6,200	(1,521)
Income from use of crane	943	832
Income from Kiosk	1,173	671
Income from use of roads	2,291	738
Income from Go bills	111	89
Income from Courses	225	0
Library Services	466	466
EU Programs	2,365	1,506
Admin. Fee 10% LES Regjuni	186	0
Cultural Events	0	119
Tender Documents	2,593	1,674
Advertising	555	992
Other Income	6,098	2,281
Contributions	4,707	9,102
Donations & Sponsorships	10,126	16,385
	<u>€ 38,039</u>	<u>€ 33,334</u>

**7. PERSONAL EMOLUMENTS**

	2011 Euro	2010 Euro
Mayor's Honoraria	6,364	6,364
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	25,011	24,945
Employees' Salaries	24,277	18,289
Social Security Contributions	3,723	3,248
	<u>€ 65,775</u>	<u>€ 59,246</u>

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2011 Euro	2010 Euro
<b>8. OPERATIONS AND MAINTENANCE EXPENSES</b>		
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Roads and street maintenance	17,335	8,675
Roads and street pavements	0	3,186
Plant & Equipment	99	0
Office furniture & equipment	703	584
Other repairs & upkeep	1,848	4,376
	<u>€ 19,985</u>	<u>€ 16,821</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	39,287	23,787
Bring In Sites	0	3,494
Bulky refuse collection	6,171	6,099
Hire of skips	1,217	14,738
Waste disposal	20,459	19,737
Road and street cleaning	20,476	20,613
Cleaning and maintenance parks and gardens	5,588	5,605
Cleaning and maintenance public conveniences	6,785	7,646
Cleaning and maintenance council premises	1,542	1,656
Housing Authority Works	23,960	0
Staff Support Services	0	4,479
Other Contractual services	3,734	4,271
Street Lighting devolution	7,136	5,732
LES related expenditure	7,108	8,947
	<u>€ 143,463</u>	<u>€ 126,804</u>
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<u>€ 163,448</u>	<u>€143,625</u>

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2011 Euro	2010 Euro
<b>9. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	22,870	24,161
Water & Electricity	4,187	6,340
Telecommunications	5,058	5,388
National and International memberships	5,660	1,044
Meetings and conventions	7,086	7,621
Rent	3,642	3,790
Printing & Stationery	7,003	6,743
Postages	518	689
Subscriptions	41	36
Publications	0	48
Library Expenses	1,364	1,735
Penalties – DLG	0	154
Provision for Bad Debts (LES)	12,790	23,120
Advertising	1,351	1,218
Office services	723	1,544
Staff training	0	863
Sundry Minor Expenses	3	0
Professional services	10,131	18,601
Transport Expenses	3,610	2,033
Community and hospitality	34,349	43,845
	<hr/>	<hr/>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>€ 120,386</b>	<b>€ 148,973</b>

**10. FINANCE INCOME**

	2011 Euro	2010 Euro
Bank interests	<hr/> € 572	<hr/> € 252

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Football Ground €	Trees €	Plant & Machinery €	Assets under Construction €	Total • €
<b>Cost</b>												
At 1 January 2011	65,091	18,394	12,569	9,209	143,836	105,659	348,597	56,076	4,113	2,103	4,063	769,710
Additions	0	0	0	0	1,899	0	0	2,760	0	0	2,013	6,672
At 31st December 2011	65,091	18,394	12,569	9,209	145,735	105,659	348,597	58,836	4,113	2,103	6,076	776,382
<b>Grants</b>												
At 1 January 2011	0	0	0	0	0	0	246,714	0	0	0	0	246,714
Transferred during the year	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	0	0	0	0	0	0	246,714	0	0	0	0	246,714
<b>Depreciation</b>												
At 1 January 2011	33,294	9,045	10,499	9,209	92,344	84,194	49,416	0	0	1,618	0	289,619
Charge for the period	2,385	1,870	517	0	4,933	7,754	5,314		0	97	0	22,870
At 31st December 2011	35,679	10,915	11,016	9,209	97,277	91,948	54,730	0	0	1,715	0	312,489
<b>Net Book Value</b>												
At 31st December 2011	29,412	7,479	1,553	0	48,458	13,711	47,153	58,836	4,113	388	6,076	217,179

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Football Ground €	Trees €	Plant & Machinery €	Assets under Construction €	*Total €
<b>Cost</b>												
At 1 January 2010	64,023	9,686	12,263	9,209	143,836	105,659	348,597	48,715	4,113	2,103	0	748,204
Additions	1,068	8,708	306	0	0	0	0	7,361	0	0	4,063	21,506
At 31st December 2010	65,091	18,394	12,569	9,209	143,836	105,659	348,597	56,076	4,113	2,103	4,063	769,710
<b>Grants</b>												
At 1 January 2010	0	0	0	0	0	0	246,714	0	0	0	0	246,714
Transferred during the year	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2010	0	0	0	0	0	0	246,714	0	0	0	0	246,714
<b>Depreciation</b>												
At 1 January 2010	30,774	7,615	9,826	9,209	86,976	76,050	43,511	0	0	1,497	0	265,458
Charge for the period	2,520	1,430	673	0	5,368	8,144	5,905		0	121	0	24,161
At 31st December 2010	33,294	9,045	10,499	9,209	92,344	84,194	49,416	0	0	1,618	0	289,619
<b>Net Book Value</b>												
At 31st December 2010	31,797	9,349	2,070	0	51,492	21,465	52,467	56,076	4,113	485	4,063	233,377



**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. INVENTORIES**

	2011	2010
	€	€
Inventories – Books held for resale	<u>1,362</u>	<u>1,809</u>

**13. TRADE AND OTHER RECEIVABLES**

	2011	2010
	Euro	Euro
Amount invoiced but not yet settled	11,916	9,112
Prepayments and Accrued income	35,624	25,643
LES Debtors	129,470	109,328
Other Debtors	1,215	7,497
Deposit Payments	173	4,961
Provision for Bad LES Debts	<u>(93,394)</u>	<u>(80,604)</u>
	<u>85,004</u>	<u>75,937</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	567	3,112
Exceeded credit period(past due) but not impaired	<u>11,349</u>	<u>6,000</u>
	<u>11,916</u>	<u>9,112</u>

Prepayments include prepayments of telephone rent, Local Council property rental and insurance premium.

**14. CASH AND CASH EQUIVALENT**

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

	2011	2010
	Euro	Euro
Cash in hand	300	758
Bank balances		
-Ordinary Funds	<u>57,632</u>	<u>40,632</u>
	<u>€ 57,932</u>	<u>€ 41,390</u>

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. DEFERRED INCOME**

	2011 €	2010 €
<b>Govenment grants</b>		
At beginning of year	32,392	-
Increase in period	<u>0</u>	<u>33,314</u>
	32,392	33,314
Released in period	<u>(1,396)</u>	<u>(922)</u>
At end of year	30,996	32,392
Current Deferred Income	<u>1,117</u>	<u>1,396</u>
Non-Current Deferred Income	<u>29,879</u>	<u>30,996</u>
Repayable between one and two years	893	2,009
Repayable between two and five years	1,744	1,744
Repayable in five years or more	<u>27,242</u>	<u>27,243</u>
	<u>29,879</u>	<u>30,996</u>

**16. TRADE AND OTHER PAYABLES**

	2011 Euro	2010 Euro
Trade creditors	34,315	69,432
Other creditors	699	466
Accruals and deferred income	<u>48,457</u>	<u>24,673</u>
	<u>83,471</u>	<u>94,571</u>

Provisions include estimates for goods and services received prior to 31 December 2011 and for which invoices have not yet been received by the Local Council.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**17. CONTINGENT LIABILITIES**

The Council has a bank guarantee of € 1,165 in favour of the Local Enforcement Joint Committee of which the Council is a member. There are a number of invoices that are being disputed by the Council.

**18. CONTINGENT GAIN**

The Council has a potential gain which is still being disputed over Water Services Reinstatement works for 2009 for the amount of € 3,250.

**19. CAPITAL COMMITMENTS**

	2011 Euro	2010 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	16,281	173,708
- Capital expenditure that has been approved but not yet contracted for	253,528	2,500
i. The Capital expenditure that has been contracted but not provided for in the financial statements, represents works in Triq il-Kappillan Franġisk Azzopardi, against which Central Government is granting €13,800.		
ii. The Capital expenditure that has been approved but not contracted for, represents water servicing and road resurfacing works on 5 roads within the PPP Scheme. Central Government is granting € 67,257 for this project. It also includes lights at Gardjola Gardens amounting to €4,820, out of which €4,320 are to be recovered out of MEPA's UIF funds and works at Triq il-Miġja tal-Papa amounting to €75,000 which are to be granted by the Housing Authority.		

**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. GOING CONCERN**

The Statement of Affairs 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 to be able to meet its financial obligations as they fall due without curtailing its future commitments.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**22. RELATED PARTY TRANSACTIONS**

The Isla Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Fgura Joint Committee for Local Enforcement and South Regional Committee for Local Enforcement
- iii. No Control – Water Services Corporation, Enemalta Corporation, Malta Environment and Planning Authority, Inland Revenue Department, Director General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Bank of Valletta plc. and the Department of Lands.

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

	<b>2011</b>	<b>2010</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	256,585	246,756

**23. FINANCIAL RISK MANAGEMENT**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, and liquidity risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

*Market Risk*

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long term borrowings.. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

*Credit Risk*

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

**ISLA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	<b>2011</b> Euro	<b>2010</b> Euro
Amount invoiced not yet settled by class:		
Government Owned entities	7,766	1,825
Private entities	<u>4,150</u>	<u>7,287</u>
	<u>11,916</u>	<u>9,112</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	<b>2011</b> Euro	<b>2010</b> Euro
31-60 days	4,800	3,085
61-90 days	628	27
91-180 days	6,488	6,000
181-365 days	0	0
Over 365 days	<u>0</u>	<u>0</u>
	<u>11,916</u>	<u>9,112</u>

*Currency Risk*

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

*Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

*Liquidity Risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.