

LOCAL COUNCIL MARSA  
Report and Financial Statements  
for the year ended 31 December 2011

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

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MARSA LOCAL COUNCIL  
STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S  
RESPONSIBILITIES  
For the year ended 31 December 2011

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 25 April 2012 and signed on its behalf by:



Christopher Spiteri  
Mayor



Adrian Attard  
Executive Secretary

## **LOCAL COUNCIL MARSA**

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

We have audited the accompanying financial statements of LOCAL COUNCIL MARSA, which comprise the statement of financial position on page 4 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 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.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack certain disclosure requirements arising from IFRS 7: Financial Instruments Disclosure as well as IAS 39-Recognition and Measurement in relation to disclosure of the liability accounted for using amortised cost in relation to the PPP scheme.

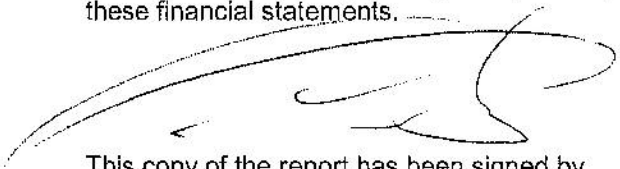
#### ***Opinion***

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 Local Council Marsa as at 31<sup>st</sup> 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**

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

	Notes	2011 €	2010 €
REVENUE			
Funds received from Central Government	3	503,357	523,084
Income raised under Local Enforcement System	4	77,957	108,931
General income	5	21,079	19,197
		<hr/>	<hr/>
		602,393	651,212
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	6	(75,819)	(80,194)
Operations and maintenance costs	7	(315,926)	(322,360)
Administration and other expenses	8	(176,190)	(116,674)
		<hr/>	<hr/>
		(567,935)	(519,228)
		<hr/>	<hr/>
OPERATING PROFIT FOR THE YEAR		34,458	131,984
Finance income	9	380	208
Asset impairment losses		(193)	-
		<hr/>	<hr/>
PROFIT FOR THE YEAR	6	€ 34,645	€ 132,192
		<hr/>	<hr/>


The notes on pages 7 to 28 form an integral part of these financial statements.


MARSA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
As at 31 December 2011

	Notes	2011 €	2010 €
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	822,604	624,431
CURRENT ASSETS			
Inventories	11	440	445
Receivables	12	109,702	132,236
Cash and cash equivalents	13	246,666	292,470
		356,808	425,151
TOTAL ASSETS		€ 1,179,412	€ 1,049,582
EQUITY			
RESERVES			
Retained earnings		933,821	899,176
NON-CURRENT LIABILITIES			
Long-term third party loan	15	63,195	-
Deferred income	16	79,835	67,968
		143,030	67,968
CURRENT LIABILITIES			
Payables	14	60,869	82,438
Short-term third party loan	15	41,692	-
		102,561	82,438
TOTAL LIABILITIES		245,591	150,406
RESERVES AND LIABILITIES		€ 1,179,412	€ 1,049,582

The notes on pages 7 to 28 form an integral part of these financial statements.

These financial statements were approved and signed by the Council on 25 April 2012.

  
Christopher Spiteri  
Mayor

  
Adrian Attard  
Executive Secretary

MARSA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2011

	Retained funds €
At 1 January 2010	766,984
Profit for the year	132,192
	<hr/>
At 31 December 2010	€ 899,176
	<hr/>
At 1 January 2011	899,176
Profit for the year	34,645
	<hr/>
At 31 December 2011	€ 933,821
	<hr/>
	€ 933,821
	<hr/>



MARSA LOCAL COUNCIL  
STATEMENT OF CASH FLOWS  
For the year ended 31 December 2011

	Note	2011 €	2010 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the year		34,645	132,192
Reconciliation to cash generated from operations:			
Depreciation		74,553	63,933
Impairment losses		193	-
Movements in provision for doubtful debts		26,327	(2,425)
Interest receivable		(380)	(208)
		<hr/>	<hr/>
Operating profit before working capital changes		135,338	193,492
Decrease in inventories		5	2
Increase in receivables		(3,793)	(76,419)
Increase in payables		79,709	13,635
Government grant released		(6,834)	(4,749)
		<hr/>	<hr/>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>204,425</b>	<b>125,961</b>
		<hr/>	<hr/>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(272,919)	(51,011)
Interest received		380	208
Receipt of grant		22,310	27,310
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(250,229)</b>	<b>(23,493)</b>
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(45,804)</b>	<b>102,468</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>292,470</b>	<b>190,002</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	13	<b>€ 246,666</b>	<b>€ 292,470</b>
		<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2011

1 GENERAL INFORMATION

Marsa Local Council is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at 173, Balbi Street, Marsa. These financial statements were approved for issue by the Council Members on 25 April 2012. The Local Council's presentation as well as functional currency are dominated in €.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

ACCOUNTING COVENTION

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

NEW AND AMENDED STANDARDS APPLIED 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.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW AND AMENDED STANDARDS APPLIED BY THE LOCAL COUNCIL  
(continued)

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:

- 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.

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.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET  
ADOPTED BY EU (continued)

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 had not yet been adopted by the EU at the date of authorisation of these financial statements.

- 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.
- 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.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET  
ADOPTED BY EU (continued)

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.

REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

LOCAL ENFORCEMENT SYSTEM

Marsa Local Council formed part of Valletta Joint Committee up to 31 August 2011. 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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

INTANGIBLE FIXED ASSETS

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban improvements (street furniture)	10
Special projects	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	Replacement basis
Playground furniture	100
Traffic signs	Replacement basis
Road signs	Replacement basis
Street mirrors	Replacement basis
Street lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each balance sheet 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of income and expenditure.

LEASES

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

AMOUNTS RECEIVABLE

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of income and expenditure.

RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard number 24.

During the year under review the Local Council has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.



2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 statement over the expected lives of the related assets.

FOREIGN CURRENCIES

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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

SURPLUSES AND DEFICITS

Only surpluses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and balances held with banks.



2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – ‘Presentation of Financial Statements’.

CAPITAL MANAGEMENT

The Council’s capital consists of its net assets, including working capital, represented by its retained funds. The Council’s management objectives are to ensure:

- that the Council’s ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

FINANCIAL ASSETS

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

FINANCIAL LIABILITIES

The Council's financial liabilities include other payables and third party loan. These are stated at their nominal amount which is a reasonable approximation of fair value.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2011 €	2010 €
In terms of section 55 of the Local Councils Act	458,539	460,287
Other Government income	44,818	62,797
	<hr/>	<hr/>
	€ 503,357	€ 523,084
	<hr/>	<hr/>

4 LOCAL ENFORCEMENT SYSTEM

	2011	2010
Contraventions and other fines	€ 77,957	€ 108,931
	<hr/>	<hr/>

5 GENERAL INCOME

	2011 €	2010 €
Community services	1,399	680
Sponsorships	1,850	-
Document and information charges	1,389	2,237
Contributions	5,303	5,580
Urban improvement funds	6,834	4,782
Refund of expenses	3,072	-
Income from permits	1,232	5,918
	<hr/>	<hr/>
	€ 21,079	€ 19,197
	<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 SURPLUS FOR THE YEAR

	2011	2010
	€	€
Surplus for the year is stated after charging:		
Staff salaries (note)	75,819	80,194
Depreciation on tangible assets	74,553	63,933
Loss on impairment of property, plant and equipment (note)	193	-
	<hr/>	<hr/>
	2011	2010
	€	€
Staff salaries		
Personal emoluments include, inter alia:		
Mayor's remuneration	9,546	10,709
Councillors' allowances	7,600	8,800
Executive secretary salary and allowances	27,670	26,337
Employee's salaries	26,901	30,258
Social security contributions	4,102	4,090
	<hr/>	<hr/>
	€ 75,819	€ 80,194
	<hr/>	<hr/>

Loss on impairment of property, plant and equipment

The Council has updated a physical reconciliation of its items of property, plant and equipment with the plant register. The impairment loss represents the net book value of assets which were identified as no longer usable or which their economic useful life has expired.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

7 OPERATIONS AND MAINTENANCE

	2011 €	2010 €
Repair and upkeep:		
Road and street pavements (patching works)	6,710	1,721
Street signs	5,581	2,353
Road markings	7,070	949
Office furniture and equipment	650	893
Other repairs and upkeep	1,881	12,438
	<hr/>	<hr/>
	€ 21,892	€ 18,354
	<hr/>	<hr/>
Contractual services:		
Refuse collection	110,388	105,733
Bulky refuse collection	5,085	3,810
Road and street cleaning	55,404	49,816
Cleaning and maintenance of public conveniences	24,813	20,514
Cleaning and maintenance of parks and gardens	14,114	16,981
Cleaning and maintenance of verges/non-urban	45,627	48,234
Authorised officer expenses	5,190	5,207
Local warden service expenses	22,503	42,769
Other contractual services	10,910	10,942
	<hr/>	<hr/>
	€ 294,034	€ 304,006
	<hr/>	<hr/>
Total	€ 315,926	€ 322,360
	<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

8 ADMINISTRATION AND OTHER EXPENSES

	2011	2010
	€	€
Utilities	16,907	5,363
Office services	9,565	6,896
Transport	954	1,277
Information services	2,152	2,569
Other contractual services	8,784	11,720
Staff uniforms	-	15
Professional services	1,470	1,739
Penalties	2,293	-
Provision for doubtful debtors	26,327	(2,425)
Rent	(30)	555
Community and hospitality	31,845	25,032
Bad debts written off	1,370	-
Depreciation	74,553	63,933
	<hr/>	<hr/>
	€ 176,190	€ 116,674
	<hr/>	<hr/>

9 FINANCE INCOME

	2011	2010
	€	€
Bank interest receivable	380	208
	<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROPERTY, PLANT AND EQUIPMENT

ASSET	Assets under construction €	Office furniture & fittings €	New street signs €	Office equipment €	Computer equipment €	Plant & machinery €	Urban improvements & construction €	Special programmes €	Total €
<b>COST</b>									
As at 1 January 2010	8,201	17,861	14,302	13,710	8,379	389	683,644	744,738	1,491,224
Additions	18,040	-	76	-	1,006	-	31,889	-	51,011
As at 31 December 2010	26,241	17,861	14,378	13,710	9,385	389	715,533	744,738	1,542,235
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>									
As at 1 January 2010	-	-	-	-	-	-	-	337,755	337,755
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2010	-	-	-	-	-	-	-	337,755	337,755
<b>ACCUMULATED DEPRECIATION</b>									
As at 1 January 2010	-	7,879	14,302	9,281	5,984	342	280,206	198,122	516,116
Charge for the year	-	723	76	808	602	7	41,852	19,865	63,933
As at 31 December 2010	-	8,602	14,378	10,089	6,586	349	322,058	217,987	580,049
<b>NET BOOK VALUE</b>									
As at 31 December 2010	26,241	9,259	-	3,621	2,799	40	393,475	188,996	624,431

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROPERTY, PLANT AND EQUIPMENT

ASSET	Assets under construction €	Office furniture & fittings €	New street signs €	Office equipment €	Computer equipment €	Plant & machinery €	Urban improvements & construction €	Special programmes €	Total €
<b>COST</b>									
As at 1 January 2011	26,241	17,861	14,378	13,710	9,385	389	715,533	744,738	1,542,235
Additions	55,137	589	-	637	520	-	16,024	200,012	272,919
Assets capitalized	(3,500)	-	-	-	-	-	3,500	-	-
Impairment	-	-	-	(755)	(3,953)	-	-	-	(4,708)
As at 31 December 2011	77,878	18,450	14,378	13,592	5,952	389	735,057	944,750	1,810,446
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>									
As at 1 January 2011	-	-	-	-	-	-	-	337,755	337,755
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	-	-	-	337,755	337,755
<b>ACCUMULATED DEPRECIATION</b>									
As at 1 January 2011	-	8,602	14,378	10,089	6,586	349	322,058	217,987	580,049
On impairment	-	-	-	(701)	(3,814)	-	-	-	(4,515)
Charge for the year	-	710	-	751	705	7	43,033	29,347	74,553
As at 31 December 2011	-	9,312	14,378	10,139	3,477	356	365,091	247,334	650,087
<b>NET BOOK VALUE</b>									
As at 31 December 2011	77,878	9,138	-	3,453	2,475	33	369,966	359,661	822,604



MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

11 INVENTORIES

	2011	2010
	€	€
Lapel badges/sets for resale	440	445

12 RECEIVABLES

	2011	2010
	€	€
Receivables (note 1)	20,547	35,446
LES debtors (note 2)	59,712	81,227
Other receivables	210	-
Prepayments and accrued income	29,233	15,563
	<u>€ 109,702</u>	<u>€ 132,236</u>

Note 1: General receivables are analysed as follows:

	2011	2010
	€	€
Within credit period	14,547	24,716
Exceeded credit period but not impaired	6,000	10,730
Impaired and provided for	6,422	8,086
Provision for doubtful debts	(6,422)	(8,086)
	<u>€ 20,547</u>	<u>€ 35,446</u>

Note 2:

LES debtors are stated after a specific provision for doubtful debts amounting to €28,910 (2010 - €919).

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

15 THIRD PARTY LOAN (continued)

The third party loan falls under the PPP scheme utilised for the construction of two major roads in the locality. The loan is unsecured and is repayable by annual installments in line with the scheme for a period of eight years.

16 DEFERRED INCOME

	2011 €	2010 €
Government grants		
At 1 January	72,263	49,702
Increase in year	22,310	27,310
	<hr/>	<hr/>
	94,573	77,012
Released in year	(6,834)	(4,749)
	<hr/>	<hr/>
At 31 December	87,739	72,263
	<hr/>	<hr/>
Current deferred income	€ 7,904	€ 4,295
	<hr/>	<hr/>
Non-current deferred income	€ 79,835	€ 67,968
	<hr/>	<hr/>
Deferred Government grants:		
Deferred between one and two years	7,105	3,885
Deferred between two and five years	17,606	9,565
Deferred in five years or more	55,124	54,518
	<hr/>	<hr/>
	€ 79,835	€ 67,968
	<hr/>	<hr/>
Deferred after five years or more:		
Government grants	€ 55,124	€ 54,518
	<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2011 €	2010 €
Bank balances:		
Ordinary funds	245,913	291,850
Cash in hand	753	620
	<hr/>	<hr/>
	€ 246,666	€ 292,470
	<hr/>	<hr/>

14 PAYABLES

	2011 €	2010 €
Payables	39,478	49,307
Other payables	-	4,136
Accruals and deferred income	21,391	28,995
	<hr/>	<hr/>
	€ 60,869	€ 82,438
	<hr/>	<hr/>

15 THIRD PARTY LOAN

	2011 €	2010 €
Non-current third party loan	€ 63,195	€ -
	<hr/>	<hr/>
Current third party loan	€ 41,692	€ -
	<hr/>	<hr/>
Repayable between one and two years	19,235	-
Repayable between two and five years	31,591	-
Repayable in five years or more	12,369	-
	<hr/>	<hr/>
	€ 63,195	€ -
	<hr/>	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

17 CAPITAL COMMITMENTS

	2011	2010
Details of capital commitments at 31 December 2011 are as follows;		
Approved but not yet contracted for	€ 443,436	€ 186,724
	<hr/>	<hr/>
These could be analysed further as follows:		
Approved but not yet contracted for:		
New council premises	443,436	118,000
Street paving/UIF projects	-	58,724
Embellishment of monument/public garden	-	10,000
	<hr/>	<hr/>
	€ 443,436	€ 186,724
	<hr/>	<hr/>

18 RELATED PARTY TRANSACTIONS

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
Valletta Joint Committee	Joint control
South Eastern Regional Committee	Joint control
Police General Head Quarters	No control
Central Regional Committee	No control
South Regional Committee	No control
Gozo Regional Committee	No control
North Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Department of Lands	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

18 RELATED PARTY TRANSACTIONS (continued)

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

	2011	2010
Annual financial allocation	€ 458,539	€ 460,287

19 CONTINGENT ASSET

	2011	2010
Claim for reimbursement of refuse collection expenses from Marsa Racecourse area (note a)	€ 60,915	€ 60,915
Repayment of balance due from Water Services Corporation (note b)	€ 6,422	€ 7,978

- a. The Council was placed under an obligation by means of a court order dated 15 July 2005 to continue co-ordinating the collection of refuse from the Marsa Racecourse area. The same order entitled the Council to claim a refund from central Government equal to the expense involved. Since the collection of refuse has been ongoing since 1999, the Council has initiated legal proceedings against central Government to recover the payments made in previous years on the principle that it should be reimbursed even retroactively. As at the date of the statement of affairs, it could not be determined with any degree of probability whether these funds would be due to the Council and for this reason the amount of €60,915 is being merely as a note to the financial statements in accordance with IFRS 37.
- b. The Local Councils Association has reached a preliminary agreement with the Water Services Corporation regarding the settlement of the pending balances, in respect of new services as per agreement with the Corporation of which agreement has expired on the 31 December 2006. After the Corporation agrees with the balances due to the respective Local Councils the pending balances will be settled within a period of three years.

The amount due for reinstatement fees to Marsa Local Council as at 31 December 2011, for the period August 2010 to June 2011, amounted to €6,422. In view of the fact that no acknowledgement of the said balance from the Corporation has been reached at the time of the compilation of these financial statements, this amount has been provided for in these financial statements. Marsa Local Council will continue to make its utmost in order to recover all the amount due from the Corporation.

20 FINANCIAL RISK MANAGEMENT

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

CREDIT RISK

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one 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. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

LIQUIDITY RISK

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €246,666. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €933,821 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

FOREIGN 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 currencies.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)

20 FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE RISK

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

21 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.

22 COMPARATIVE FIGURES

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