



LOCAL COUNCIL MARSASKALA
Report and Financial Statements
for the year ending 31 December 2010



MARSASKALA LOCAL COUNCIL

Table of Contents

Section	Page
Statement of Council Members' and Executive Secretary's Responsibilities	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 36
Local Government Auditors' Report on the Financial Statements	37

Financial Statements for the year ended 31 December 2010

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

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.

This statement was approved by the Council on 19th April 2011 and signed on its behalf by:


Mario Calleja
Mayor


Joseph Grech
Executive Secretary

MARSASKALA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2010

		For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Notes				
Income				
Funds received from Central Government	4	711,619	511,621	502,840
Income raised under Council Bye-Laws	5	12,205	6,960	-
Income from Law Enforcement System	6	137,527	108,453	108,453
Investment income	7	3,261	2,701	2,701
General Income	8	131,256	40,991	61,713
		<u>995,868</u>	<u>670,726</u>	<u>675,707</u>
Expenditure				
Personal emoluments	9	130,438	57,410	57,410
Operations and maintenance	10	427,454	255,989	251,722
Administrative and other expenditure	11	165,203	189,602	195,728
Depreciation and Amortisation	11	152,656	77,259	62,167
		<u>875,751</u>	<u>580,260</u>	<u>567,027</u>
Total Comprehensive Income		<u>120,117</u>	<u>90,466</u>	<u>108,680</u>


The notes on pages 7 to 36 form an integral part of these financial statements.

MARSASKALA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION as at 31 December 2010

		31/12/10 (12 months) €	31/12/09 (9 months) € <i>As re-stated</i>	31/12/09 (9 months) € <i>As previously stated</i>
Assets	Notes			
<i>Non-current assets</i>				
Property, plant and equipment	12	956,179	875,111	827,894
<i>Current assets</i>				
General and other receivables	13	297,472	74,954	78,711
Cash and bank balance	14	570,381	544,879	544,878
Total current assets		867,853	619,833	623,589
Total assets		1,824,032	1,494,944	1,451,483
Equity and liabilities				
<i>Capital and Reserves</i>				
Retained Earnings		1,438,612	1,318,495	1,254,659
Total equity		1,438,612	1,318,495	1,254,659
<i>Non-current liabilities</i>				
Deferred revenue		253,193	105,537	-
Total non-current liabilities		253,193	105,537	-
<i>Current liabilities</i>				
Overdrawn Bank balance	16	1,645	15,888	14,966
Trade and other payables	16	130,582	55,024	181,858
Total current liabilities		132,227	70,912	196,824
Total liabilities		385,420	176,449	196,824
Total equity and liabilities		1,824,032	1,494,944	1,451,483

The financial statements were approved by the Council on 19th April 2011 and signed on its behalf


Mario Calleja
Mayor


Josef Grech
Executive Secretary

MARSASKALA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2010

*As re-stated As previously
stated*

	Retained Earnings €	Retained Earnings €
At 1 April 2009 as previously stated	1,249,721	1,249,721
Prior year adjustment	(21,692)	(103,742)
At 1 April 2009 as re-stated	1,228,029	1,145,979
Total Comprehensive Income for the period as re-stated	90,466	108,680
At 31 December 2009	1,318,495	1,254,659
Total Comprehensive Income for the year	120,117	90,466
At 31 December 2010	<u>1,438,612</u>	<u>1,345,125</u>

MARSASKALA LOCAL COUNCIL

Statement of Cash Flows

for the year ended 31 December 2010

	2010 (12 months) €	2009 (9 months) € <i>As re-stated</i>	2009 (9 months) € <i>As previously stated</i>
Cash flows from operating activities			
Surplus for the year	120,117	90,467	108,680
Adjustments for:			
Depreciation	152,656	77,259	62,167
Urban improvement funds released to income	(13,598)	(8,781)	-
Investment income	(3,261)	(2,701)	(2,701)
	<u>255,914</u>	<u>156,244</u>	<u>168,146</u>
Movements in working capital:			
(Increase) in receivables	(226,351)	(44,413)	(44,188)
Increase in provisions	8,896	90,271	90,271
Increase / (Decrease) in payables	<u>154,760</u>	<u>(5,491)</u>	<u>(23,721)</u>
 Net cash generated by operating activities	 <u>193,219</u>	 <u>196,611</u>	 <u>190,508</u>
 Cash flows from investing activities			
Purchase of property, plant and equipment	(226,117)	(68,801)	(62,699)
Interest received	<u>3,261</u>	<u>2,701</u>	<u>2,701</u>
Net cash used in investing activities	<u>(222,856)</u>	<u>(66,100)</u>	<u>(59,998)</u>
 Cash flows from financing activities			
Urban Improvement Funds received	69,335	-	-
 Net cash generated from financing activities	 <u>69,335</u>	 <u>-</u>	 <u>-</u>
 Net Increase in cash in the year / period	 39,698	 130,511	 130,510
 Cash and cash equivalents at beginning of year / period	 528,991	 399,402	 399,402
 Cash and equivalents at end of year / period	 <u>568,689</u>	 <u>529,913</u>	 <u>529,912</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

1. General Information

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

2. General Information

The following new and revised IFRSs as adopted by the EU have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs as adopted by the EU applied in these financial statements that have had no material effect on the financial statements.

2.1 Application of an International Financial Reporting Standard, as adopted by the EU

The revised (in 2008) International Financial Reporting Standard 3 is applied to Business Combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 July 2009. The standard does not apply to the Local Council Marsaskala.

2.2 International Financial Reporting Standards, as adopted by the EU, in issue but not yet effective

The Council Members anticipate that the adoption of IFRS, as adopted by the EU, 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 of the Council in the period of initial application.

2.3 Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

2.4 Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner 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 in prior periods.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

2.5 General Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

2.6 Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 19, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

The principal accounting policies are set out below.

3.3 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. The Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.4 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.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.5 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 probable.

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.

3.6 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.7 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.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.9 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Council's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Freehold land is not depreciated.

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

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

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.

3. 10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. 11 Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.9 above).

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

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 profit or loss, 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 (see 3.9 above).

Tangible fixed assets 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:

	Rates in %
Buildings	1.0
Office Furniture & Fittings	7.5
Construction Works	10.0
New Street Signs	100.0
Urban Improvements (Street Furniture)	10.0
Special Programmes (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Trees	0
Litter Bins	100.0
Playground Equipment	100.0
Street Lighting	100.0

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.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3. 12 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.

3. 13 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

4. Funds Received from Central Government

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
In terms of section 55 of the Local Councils Act, 1993	678,785	461,463	461,463
Supplementary Income	13,598	8,781	41,377
Urban Improvement Funds released to income	19,236	41,377	-
Delegation of responsibilities	-	-	-
	<u>711,619</u>	<u>511,621</u>	<u>502,840</u>

5. Income raised under Council Bye-Laws

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Advertising on Street Furniture	512	-	-
Permits/Renewal of Trading Licences	11,693	6,960	6,960
	<u>12,205</u>	<u>6,960</u>	<u>6,960</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

6. Income raised under Law Enforcement System

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Contraventions Received	106,456	108,453	108,453
Contraventions Accrued	31,071	-	-
	<u>137,527</u>	<u>108,453</u>	<u>108,453</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.

7. Investment income

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Bank interests	3,261	2,701	2,701
	<u>3,261</u>	<u>2,701</u>	<u>2,701</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

8. General Income

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
W.S.C. Agreement	108,000	1,782	1,782
Sponsorships & Donations	357	7,099	7,099
General Income	17,555	920	920
Tender Document Fees	2,650	783	783
Discounts Received	2,694	30,407	30,407
	<u>131,256</u>	<u>40,991</u>	<u>40,991</u>

9. Personal emoluments

Personal emoluments include, inter alia:	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Mayor's Honoraria & Allowance	14,986	4,500	4,500
Council Members' Allowance	9,600	-	-
Executive Salary and Allowance	30,018	20,635	20,635
Employees' Salaries	66,342	28,354	28,354
Social Security Contributions - Employer's Share	9,492	3,921	3,921
	<u>130,438</u>	<u>57,410</u>	<u>57,410</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:	For the	For the	For the
	Year	Period	Period
	ended	01 Apr' 09	01 Apr' 09
	31 Dec '10	to	to
	(12 months)	31 Dec '09	31 Dec '09
	€	(9 months)	(9 months)
		€	€
		<i>As re-stated</i>	<i>As previously stated</i>
Repairs and Upkeep:			
Road and Street Pavements	8,897	7,467	7,467
Office Furniture & Equipment	1,388	109	109
Other Repairs & Upkeep	15,998	12,107	12,107
Street Markings	27,445	9,557	9,557
	<u>53,728</u>	<u>29,240</u>	<u>29,240</u>
Contractual Services:			
Lease of Equipment	910	637	637
Waste Disposal	66,271	15,227	15,227
Refuse Collection	120,397	75,006	75,006
Bulky Refuse Collection	14,225	9,474	9,474
Hire of Open Skips	794	2,534	2,534
Grass Cutting	1,700	3,684	3,684
Cleaning Services	1,173	1,980	1,980
Road & Street Cleaning	51,740	37,010	37,010
Cleaning and Maintenance of Non-Urban Roads	5,663	401	401
Clean. & Maint. - Public Conveniences	13,289	7,054	7,054
Cleaning Council Premises	693	933	933
Other Contractual Services	1,362	4,268	-
Clean. & Maint. of Parks & Gardens	18,680	5,518	5,518
Street Lighting	20,383	22,422	22,422
Librarian Services	1,595	-	-
Law Enforcement System	54,851	40,601	40,601
	<u>373,726</u>	<u>226,749</u>	<u>222,481</u>
Total Operations and Maintenance expenses	<u>427,454</u>	<u>255,989</u>	<u>251,721</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

11. Administration and Other Expenses

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) €
		As re-stated	As previously stated
Utilities	20,540	13,127	14,981
Fuel (other than transport)	72	-	-
Operating Materials & Supplies	1,200	3,584	3,584
Cleaning Materials & Supplies	116	197	197
Uniforms	2,081	1,113	1,113
Sundry Materials & Supplies	-	227	227
Rents	11,587	9,163	9,163
National/International Memberships	1,857	-	-
Participation fee National Meetings	1,876	730	730
Printing	7,232	450	450
Stationery	12,240	7,720	7,720
Subscriptions	5	861	861
Postages	2,476	689	689
Library Books	1,018	756	756
Other Office Services	1,163	15,243	15,243
Hire of Transport	1,270	382	382
Fuel	1,148	1,632	1,632
Europe for Citizens project (EU)	9,766	-	-
Re-imbursement of Personal Vehicles	163	-	-
Transportation of Goods	1,693	-	-
Transport to Gozo/Malta	47	1,000	1,000
Travelling Expenses	6,521	3,498	3,498
Public Relations Expenses	947	-	-
Advertising	3,302	3,422	3,422
Publications and newsletters	374	6,662	6,662
Insurance Coverage	2,869	4,269	4,269
Bank Charges	669	286	286
IT Development Services	2,367	1,562	1,562
Balance carried forward to next page	94,599	76,573	78,427

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

11. Administration and Other Expenses (cont.)

	For the Year ended 31 Dec '10 (12 months) €	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As re-stated</i>	For the Period 01 Apr' 09 to 31 Dec '09 (9 months) € <i>As previously stated</i>
Balance brought forward from previous page	94,599	76,573	78,427
Engineering Services	7,830	-	4,268
Legal Services	869	-	-
Medical Services	25	-	-
Accountancy Services	13,730	1,038	1,038
Clerk/Reception Service	4,147	-	-
Religious Services	114	-	-
Other Support Services	4,008	-	-
Councillors' Expenses	150	-	-
Course fees - Local Training	2,814	-	-
Entertainment	2,656	540	540
Visits-Foreign Delegations	200	-	-
Other Hospitality Costs	1,289	-	-
Annual General Meeting Expenses	41	340	396
Social Events	3,502	5,850	5,850
Cultural Events	10,826	5,372	5,372
Community Services	4,911	3,733	3,733
Donations	235	148	148
Sundry Minor Expenses	2,606	608	556
Provision for DD Les Debtors	9,364	90,271	90,271
Twinning Expenses	1,287	5,129	5,129
Depreciation Expense	152,656	77,259	62,167
	<u>317,859</u>	<u>266,861</u>	<u>257,895</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

12. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Special Programmes €	Assets Not yet Capitalised €	Total €
At 1 January 2010	43,245	1,475,631	23,076	55,232	233,963	21,455	1,039	11,006	-	-	1,864,647
Additions	-	100,408	1,406	4,938	57,859	5,120	545	-	-	63,449	233,725
At 31 December 2010	43,245	1,576,039	24,482	60,170	291,822	26,575	1,584	11,006	-	63,449	2,098,372
Government Grants											
At 1 January & 31 December 2010	-	157,421	-	-	25,102	-	-	-	-	-	182,523
Depreciation											
At 1 January 2010	-	517,714	11,029	55,232	200,595	16,219	607	5,618	-	-	807,014
Current charge	-	84,594	965	4,938	58,752	2,134	195	1,078	-	-	152,656
At 31 December 2010	-	602,308	11,994	60,170	259,347	18,353	802	6,696	-	-	959,670
N.B.V. at 31 December 2010	43,245	816,310	12,488	-	7,373	8,222	782	4,310	-	63,449	956,179

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2010

..... continued

12. Property, plant and equipment		As re-stated									
Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Special Programmes €	Assets Not yet Capitalised €	Total €
At 1 April 2009	43,245	1,422,355	19,886	53,037	224,296	21,272	748	11,006	-	-	1,795,845
Additions	-	53,276	3,190	2,195	9,666	183	291	-	-	-	68,801
At 31 December 2009	43,245	1,475,631	23,076	55,232	233,962	21,455	1,039	11,006	-	-	1,864,646
Government Grants											
At 1 April & 31 December 2009	-	157,421	-	-	25,102	-	-	-	-	-	182,523
Depreciation											
At 1 April 2009	-	455,569	10,360	53,037	190,500	15,089	531	4,667	-	-	729,753
Current charge	-	62,146	668	2,195	10,094	1,129	76	951	-	-	77,259
At 31 December 2009	-	517,715	11,028	55,232	200,594	16,218	607	5,618	-	-	807,012
N.B.V. at 31 December 2009	43,245	800,495	12,048	-	8,266	5,237	432	5,388	-	-	875,111

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

12. Property, plant and equipment As previously stated

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Special Programmes €	Assets Not yet Capitalised €	Total €
At 1 April 2009	26,530	1,092,114	20,322	60,652	117,418	17,851	1,011	11,006	182,523	-	1,529,427
Additions	-	51,590	1,198	-	8,464	1,447	-	-	-	-	62,699
At 31 December 2009	26,530	1,143,704	21,520	60,652	125,882	19,298	1,011	11,006	182,523	-	1,592,126
Government Grants											
At 1 April & 31 December 2009	-	-	-	-	-	-	-	-	182,523	-	182,523
Depreciation											
At 1 April 2009	-	375,048	11,357	60,652	53,026	13,251	838	5,370	-	-	519,542
Current charge	-	54,897	529	-	5,055	530	311	845	-	-	62,167
At 31 December 2009	-	429,945	11,886	60,652	58,081	13,781	1,149	6,215	-	-	581,709
N.B.V. at 31 December 2009	26,530	713,759	9,634	-	67,801	5,517	(138)	4,791	-	-	827,894

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

13. Receivables	2010 € (12 months)	2009 € (9 months) As re-stated	2009 € (9 months) As previously stated
Falling due within One Year			
Trade Receivables	885	1,181	5,164
Law Enforcement System	338,625	298,861	69,352
Provision for LES doubtful debts	(238,404)	(229,508)	-
Other receivables	10,011	1,165	1,165
Prepayments and accrued income	186,355	3,255	3,030
	<u>297,472</u>	<u>74,954</u>	<u>78,711</u>

Accrued income also includes Urban Improvement Funds receivable from the Malta Environment & Planning Authority on approved projects that were completed by the end and/or will be completed within the next accounting period as detailed below:

13.1 Urban Improvement Funds Receivable	2010 € (12 months)	2009 € (9 months)	2009 € (9 months)
Balance at the beginning of the year/period	-	10,305	-
Increase	170,186	39,004	-
Received	(69,335)	-	-
Forfeited	-	(49,309)	-
	<u>100,851</u>	<u>-</u>	<u>-</u>
Balance at the end of the year/period	<u>100,851</u>	<u>-</u>	<u>-</u>
Amount Receivable within one year	<u>100,851</u>	<u>-</u>	<u>-</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

14. Cash and Cash Equivalents

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.

	2010 € (12 months)	2009 € (9 months) <i>As re-stated</i>	2009 € (9 months) <i>As previously stated</i>
Cash in hand	854	313	313
Bank balances: Current accounts	198,867	339,066	(14,966)
Bank balances: Savings accounts	369,015	189,612	544,565
	<u>568,736</u>	<u>528,991</u>	<u>529,912</u>
Transfer to payables	1,645	15,888	14,966
	<u>570,381</u>	<u>544,879</u>	<u>544,878</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

15. Deferred Urban Improvement Funds Income	2010 € (12 months)	2009 € (9 months) <i>As re-stated</i>	2009 € (9 months) <i>As previously stated</i>
Balance at the beginning of the year/period	119,134	127,916	-
Increase	170,186	39,004	-
Released to income	(13,598)	(8,781)	-
Forgone	-	(39,004)	-
Balance at the end of the year/period	275,722	119,135	-
Amount to be released within one year	(22,529)	(13,598)	-
	<u>253,193</u>	<u>105,537</u>	
Amount to be released between one and two years	<u>9,476</u>	<u>10,529</u>	-
Amount to be released between two and five years	<u>23,112</u>	<u>25,681</u>	-
Amount to be released after more than five years	<u>220,605</u>	<u>69,327</u>	-

Deferred Urban Improvement Funds represents agreements signed with the Malta Environment & 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.

16. Trade and Other Payables	2010 € (12 months)	2009 € (9 months) <i>As re-stated</i>	2009 € (9 months) <i>As previously stated</i>
Falling due within One Year			
Bank overdrawn balance	1,645	15,888	14,966
Payables	91,937	32,561	38,398
Law Enforcement Unidentified deposits	801	-	-
Accruals and deferred income	37,844	22,463	143,460
	<u>132,227</u>	<u>70,912</u>	<u>196,824</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

17. Capital commitments

	2010 € (12 months)	2009 € (9 months)
Details of capital commitments at the accounting date are as follows:		
Capital expenditure that has been approved but not yet contracted for	342,835	340,000
Contracted for but not provided in the financial statements	158,165	-
These can be analysed further as follows:		
Contracted for but not provided in the financial statements:		
- Machinery and Equipment	1,165	-
- Special Programmes	7,000	-
- Urban Improvements	150,000	-
	158,165	-
Capital expenditure that has been approved but not yet contracted for:		
- Machinery and Equipment	2,835	-
- Construction of Council Premises	340,000	340,000
	342,835	340,000

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements.

18. Contingent liabilities

The Council has a bank guarantee of € 1,164 (31 December 2009 - € 1,164) in favour of the Local Enforcement Joint Committee of which the Council is a member.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

19. Post Balance Sheet events

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

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

20. Financial Instruments

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 2009.

20.1	Categories of financial instruments	2010	2009
		€	€
	<i>Financial Assets</i>	<i>(12 months)</i>	<i>(9 months)</i>
	Cash and bank balances (including cash and bank balances)	568,736	528,991
	<i>Financial Liabilities</i>		
	Bank Guarantees in favour of the Joint Committee	1,165	1,165

20.2 Financial risk management objectives

The Council does not have a risk management policy.

20.3 Market risk

The Council does not have a market risk management policy.

20.4 Foreign risk

The Council does not have a foreign currency risk management policy.

20.5 Interest rate risk

The Council does not have an interest rate risk management policy.

20.6 Credit risk management

The Council does not have a credit risk management policy.

20.7 Liquidity risk management

The Council does not have a liquidity risk management policy.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

21. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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 Marsascala . The Joint Committee, to which the Local Council Marsascala is a member, falls also to be a related party.

	Year ended 31 Dec '10 (12 months) €	Period from 01 Apr '09 to 31 Dec '09 (9 months) €
Transactions with related parties:		
Income from Central Government	(711,619)	(511,621)
Services Provided by	(63,475)	(30,301)
Services Provided to	1,934	1,782
Payments to	68,206	25,628
Receipts from	(2,831)	(1,060)
Paid to - deposit for share of expenses with	-	3,983
Balances written of for services provided to	-	(104,988)
Adjustment to opening balance on services provided to	601	-
Balances with related parties	2010	2009
Suppliers' Balance at 1 January 2010 / 1 April 2009	(10,337)	(5,665)
Customers' Balances at 1 January 2010 / 1 April 2009	1,181	105,447
Balance on share of expenses	3,982	-
Net Transactions during the year / period	4,435	(104,956)
Suppliers' Balance at 31 December	(5,606)	(10,337)
Customers' Balances at 31 December	885	1,181
Balance on share of expenses	3,982	3,982
	<u>(739)</u>	<u>(5,174)</u>

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

22. Financial Risk Management

The exposure to risk and the way risks arise, together with the Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially expose the Council to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash at bank is placed with reliable financial institutions.

Receivables are presented net of an allowance for doubtful debts as disclosed below which is included with the administrative expenses. Credit risk with respect to receivables is limited due to credit control procedures in place and the number of customers comprising the Council's debtors base.

Included in the Council's receivables balance there are no amounts which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 21. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

Liquidity risk

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. Members do not consider the Council as significantly exposed to liquidity risk.

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

23. Prior Year Adjustment

The prior year adjustment in the comparative column refers to the following items:

	2009 €	2009 €
Opening Retained Earnings as previously stated		1,249,721
Opening Depreciation Provision as previously stated	519,542	
Opening Depreciation Provision as re-stated	(729,753)	(210,211)
Opening Cost of PPE as previously stated	(1,529,427)	
Opening Cost of PPE as re-stated	1,795,845	266,418
Additions to Cost of PPE as previously stated	(62,699)	
Additions to Cost of PPE as re-stated	68,801	6,102
Deferred Urban Improvement Funds as previously stated	133,899	
Deferred Urban Improvement Funds as re-stated	(119,135)	14,764
General Payables balance as previously stated	38,398	
General Payables balance as re-stated	(32,561)	5,837
General Receivables balance as previously stated	(5,164)	
General Receivables balance as re-stated	1,181	(3,983)
Accrued Income balance as previously stated	(3,030)	
Accrued Income balance as re-stated	3,255	225
Credit Bank balance as previously stated	14,966	
Credit Bank balance as re-stated	(15,887)	(921)
Prior year adjustment as previously stated		(103,742)
Other minor errors		3,819
		<hr/>
Opening Retained Earnings as re-stated		1,228,029
		<hr/>
Total Comprehensive Income as previously stated	108,680	
Depreciation charge for 2009 as previously stated	62,167	
Depreciation charge for 2009 as re-stated	(77,259)	
Urban improvement funds released - as previously stated	(13,763)	
Urban improvement funds released as re-stated	8,781	
Utilities cost as previously stated	14,981	
Utilities cost as re-stated	(13,127)	
Other minor errors	6	
		<hr/>
		90,466
		<hr/>
Closing Retained Earnings at 31 Dec 09 as re-stated		1,318,495

MARSASKALA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

24. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.