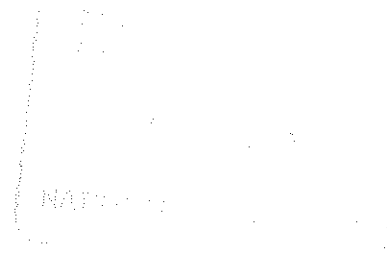


MARSASKALA LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2011



Prepared by:
Darmanin Cauchi & Co
DACA Accountants
Vjal Kottoner
Fgura FGR 1382

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 - 31
Local Government Auditors' Report on the Financial Statements	32

Financial Statements for the year ended 31 December 2011

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 statement of comprehensive income 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 28th April 2012 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 2011

	Notes	2011 €	2010 €
Revenue			
Funds received from Central Government	4	744,734	723,527
Income raised under Council Bye-Laws	5	12,448	12,205
Income from Law Enforcement System	6	130,419	137,527
General Income	7	55,569	131,256
		<u>943,170</u>	<u>1,004,515</u>
Expenditure			
Personal emoluments	9	(148,330)	(130,438)
Operations and maintenance	10	(499,425)	(427,453)
Administrative and other expenditure	11	(323,323)	(317,861)
		<u>(971,078)</u>	<u>(875,752)</u>
Operating surplus for the year		(27,908)	128,763
Finance Income	12	2,604	3,261
(Deficit)/Surplus for the year		<u>(25,304)</u>	<u>132,024</u>

The notes on pages 7 to 31 form an integral part of these financial statements.


MARSASKALA LOCAL COUNCIL

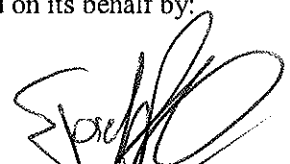
STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

		2011 €	2010 €
Assets	Notes		
<i>Non-current assets</i>			
Property, plant and equipment	13	955,355	956,179
<i>Current assets</i>			
Receivables	14	268,379	297,472
Cash and bank balance	15	618,737	570,381
Total current assets		887,116	867,853
Total assets		1,842,471	1,824,032
Equity and liabilities			
<i>Reserves</i>			
Retained Earnings		1,474,026	1,493,784
Total equity		1,474,026	1,493,784
<i>Non-current liabilities</i>			
Deferred revenue	17	145,875	198,020
Total non-current liabilities		145,875	198,020
<i>Current liabilities</i>			
Overdrawn Bank balance	16	2,361	1,645
Payables	16	220,209	130,583
Total current liabilities		222,570	132,228
Total liabilities		368,445	330,248
Total equity and liabilities		1,842,471	1,824,032

The financial statements were approved by the Council on 28th April 2012 and signed on its behalf by:


Mario Calleja
Mayor


Joseph Grech
Executive Secretary

The notes on pages 7 to 31 form an integral part of these financial statements.

MARSASKALA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2011

	Retained Funds €
At 1 January 2010	1,318,495
Prior year adjustment	43,265
Total Surplus for the year	<u>132,024</u>
Balance at 31 December 2010	<u>1,493,784</u>
At 1 January 2011	1,493,784
Prior year adjustment	5,546
Total Deficit for the year	<u>(25,304)</u>
At 31 December 2011	<u><u>1,474,026</u></u>

The notes on pages 7 to 31 form an integral part of these financial statements.

MARSASKALA LOCAL COUNCIL

Statement Cash Flows for the year ended 31 December 2011

	2011 €	2010 €
Cash flows from operating activities		
Surplus for the year	(25,304)	132,024
Adjustments for:		
Depreciation	120,247	152,656
Loss on disposal of assets	10,504	-
Urban improvement funds released to income	(38,452)	(25,506)
Investment income	(2,604)	(3,261)
	<u>64,391</u>	<u>255,913</u>
Movements in working capital:		
Decrease/(Increase) in receivables	55,934	(226,351)
Increase in provisions	37,431	8,896
Increase in payables	<u>85,667</u>	<u>154,760</u>
Net cash generated by operating activities	<u>243,423</u>	<u>193,218</u>
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(99,482)	(226,117)
Interest received	<u>2,585</u>	<u>3,261</u>
Net cash used in investing activities	<u>(96,897)</u>	<u>(222,856)</u>
Cash flows from financing activities		
Government Grants received	<u>101,626</u>	<u>69,335</u>
Net cash generated from financing activities	<u>101,626</u>	<u>69,335</u>
Net (Decrease)/ Increase in cash and cash equivalents in the year	248,152	39,697
Cash and cash equivalents at beginning of year	368,224	529,039
Cash and equivalents at end of year	<u>616,376</u>	<u>568,736</u>

The notes on pages 7 to 31 form an integral part of these financial statements.

MARSASKALA LOCAL COUNCIL

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

1. General Information

The Marsaskala Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Member on the 28th April 2012. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

MARSASKALA LOCAL COUNCIL

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

..... continued

2. Accounting Policies and Reporting Procedures

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

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act, 1993 (Chap. 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards, as adopted by the EU.

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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IFRS 2 (amendment) - Group Cash-Settled and Share-Based payment transactions (effective from 1 January 2010).
- IFRS 7 (amendments) - Financial Instruments (effective from 1 January 2011).
- IAS 24 - Related party disclosures (effective 1 January 2011). Amendments simplified the definition of 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.

MARSASKALA LOCAL COUNCIL

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

..... continued

New Relevant Standards and early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has early adopted them:

- IAS 24 - Related party disclosures (effective 1 January 2011). Amendments simplified the definition of 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 Relevant Standards and not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

MARSASKALA LOCAL COUNCIL

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

..... continued

Property, plant and equipment

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

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement during the financial year in which they are incurred.

MARSASKALA LOCAL COUNCIL

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

..... continued

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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.

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.

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.

MARSASKALA LOCAL COUNCIL

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

..... continued

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.

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.

MARSASKALA LOCAL COUNCIL

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

..... continued

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

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.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

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 2011

..... continued

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.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

MARSASKALA LOCAL COUNCIL

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

..... continued

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.

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 21 , 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

MARSASKALA LOCAL COUNCIL

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

..... continued

3. Financial Risk Management

The Council's activities expose it to a variety of financial risks, that include market risks, credit risk, liquidity risk and interest 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.

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 subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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. The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
	€	€
General and other receivables	57,164	5,833
Cash and cash equivalents (Note 15)	616,376	568,736
	<u>673,540</u>	<u>574,569</u>

The maximum exposure to credit risk at the reporting date in respect of the carrying amount of financial assets, credit exposures to customers and cash and cash equivalents is disclosed in the respective notes to the financial statements.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Council does not expect any material losses from non-performance by these customers.

MARSASKALA LOCAL COUNCIL

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

..... continued

The Council is exposed to a concentration of credit risk with 80% of its general receivables being due from Water Services Corporation. The Council takes cognisance of the relationship with this entity and it does not expect any losses from non-performance or default.

Impairment losses

The Council does not have any impairment provisions.

MARSASKALA LOCAL COUNCIL

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

..... continued

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk. The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally payables (Notes 16). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Council's obligations.

The carrying amounts of the Council's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The following table analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	2011	2010
General and other payables (excluding grants short term) (Note 16)	€	€
Carrying amount	185,570	109,698
Contractual cash flows	185,570	109,698
Within one year	185,570	109,698
Two to five years	—	—
Beyond five years	—	—

Interest Rate risk

The Council's interest rate risk arises from the long term bank loan. Borrowing issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial in view of the nature of the assets and liabilities.

MARSASKALA LOCAL COUNCIL

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

..... continued

4. Funds Received from Central Government

	2011 €	2010 €
In terms of section 55 of the Local Councils Act, 1993	676,106	678,785
Supplementary Income	38,452	25,506
Urban Improvement Funds released to income	30,176	19,236
	<u>744,734</u>	<u>723,527</u>

5. Income raised under Council Bye-Laws

	2011 €	2010 €
Cultural Activities	1,233	-
Advertising on Street Furniture	-	512
Permits/Renewal of Trading Licences	11,215	11,693
	<u>12,448</u>	<u>12,205</u>

6. Income raised under Law Enforcement System

	2011 €	2010 €
Contraventions Received	88,106	106,456
Contraventions Accrued	41,481	31,071
Commissions from regions	832	-
	<u>130,419</u>	<u>137,527</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.

MARSASKALA LOCAL COUNCIL

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

..... continued

7. General Income

	2011	2010
	€	€
W.S.C. Agreement	38,200	108,000
Community Services	1,511	-
Library Services	466	-
Sponsorships & Donations	2,691	357
Vodafone agreement	2,500	-
General Income	5,534	17,555
Media Charges	2,050	-
Maltacom commissions	47	-
Tender Document Fees	2,570	2,650
Discounts Received	-	2,694
	<u>55,569</u>	<u>131,256</u>

8. Surplus for the year

	Note	2011	2010
		€	€
Surplus for the year is stated after charging:			
Personal Emoluments	9	148,330	130,438
Depreciation on property, plant and equipment	11	120,247	152,656
Loss on disposal of property, plant and equipment	11	10,504	-
Movement in provision for LES doubtful debts	11	37,430	9,364
		<u>148,330</u>	<u>130,438</u>

9. Personal emoluments

Personal emoluments include, inter alia:

	2011	2010
	€	€
Mayor's Honoraria & Allowance	9,546	14,986
Council Members' Allowance	11,200	9,600
Executive Salary and Allowance	29,120	30,018
Employees' Salaries	85,922	66,342
Social Security Contributions - Employer's Share	12,542	9,492
	<u>148,330</u>	<u>130,438</u>

MARSASKALA LOCAL COUNCIL

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

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2011 €	2010 €
Repairs and Upkeep:		
Repair & Upkeep Roads	21,815	-
Road and Street Pavements	27,928	8,897
Office Furniture & Equipment	690	1,388
Restoration of niches	7,784	-
Maintenance of Motor Vehicle	51	-
Other Repairs & Upkeep	23,833	15,998
Street Markings	24,061	27,445
	<u>106,162</u>	<u>53,728</u>
Contractual Services:		
Lease of Equipment	570	910
Waste Disposal	70,143	66,271
Refuse Collection	119,023	120,397
Bulky Refuse Collection	15,563	14,225
Hire of Open Skips	2,210	794
Hire of bins	44	-
Cleaning Services	2,107	1,173
Road & Street Cleaning and grass cutting	53,822	53,439
Cleaning and Maintenance of Non-Urban Roads	6,332	5,663
Clean. & Maint. - Public Conveniences	11,236	13,289
Cleaning Council Premises	1,403	693
Other Contractual Services	3,510	1,362
Clean. & Maint. of Parks & Gardens	22,077	18,680
Street Lighting	23,854	20,383
Librarian Services	1,897	1,595
Law Enforcement System	59,472	54,851
	<u>393,263</u>	<u>373,725</u>
Total Operations and Maintenance expenses	<u>499,425</u>	<u>427,453</u>

MARSASKALA LOCAL COUNCIL

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

..... continued

11. Administration and Other Expenses

	2011	2010
	€	€
Utilities	18,041	20,540
Fuel (other than transport)	20	72
Operating Materials & Supplies	1,798	1,200
Cleaning Materials & Supplies	344	116
Uniforms	407	2,081
Sundry Materials & Supplies	1,122	-
Rents	11,996	11,587
National/International Memberships	1,134	1,857
Participation fee National Meetings	9,450	1,876
Printing	12,389	7,232
Stationery	12,424	12,240
Subscriptions	175	5
Postages	430	2,476
Library Books	1,337	1,018
Other Office Services	4,246	1,163
Hire of Transport	752	1,270
Fuel	1,929	1,148
Europe for Citizens project (EU)	404	9,766
Re-imbursement of Personal Vehicles	60	163
Transportation of Goods	80	1,693
Transport to Gozo/Malta	279	47
Travelling Expenses	5,904	6,521
Public Relations Expenses	1,682	947
Advertising	4,017	3,302
Publications and newsletters	574	374
Insurance Coverage	952	2,869
Bank Charges	571	669
IT Development Services	4,341	2,367
Balance carried forward to next page	96,858	94,599

MARSASKALA LOCAL COUNCIL

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

..... continued

11. Administration and Other Expenses (cont.)

	2011	2010
	€	€
Balance brought forward from previous page	96,858	94,599
Engineering Services	6,286	7,830
Legal Services	242	869
Medical Services	-	25
Accountancy Services	6,386	13,730
Clerk/Reception Service	-	4,147
Religious Services	188	114
Other Support Services	7,516	4,008
Councillors' Expenses	150	150
Course fees - Local Training	4,633	2,814
Entertainment	1,367	2,656
Visits-Foreign Delegations	414	200
Other Hospitality Costs	1,901	1,289
Annual General Meeting Expenses	-	41
Social Events	13,026	3,502
Cultural Events	7,228	10,826
Community Services	756	4,911
Donations	1,216	235
Sundry Minor Expenses	282	2,608
Penalty inflicted by DLG	6,693	-
Asset Disposals account	10,504	-
Provision for DD Les Debtors	37,430	9,364
Twinning Expenses	-	1,287
Depreciation Expense	120,247	152,656
	<u>323,323</u>	<u>317,861</u>

12. Investment income

	2011	2010
	€	€
Bank interests	2,604	3,261
	<u>2,604</u>	<u>3,261</u>

MARSASKALA LOCAL COUNCIL

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

..... continued

13. Property, plant and equipment

	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Assets Not yet Capitalised €	Total €
Cost										
At 1 January 2011	43,245	1,576,039	24,483	60,170	291,822	26,574	1,584	11,006	63,449	2,098,372
Reclassifications	-	49,671	-	-	7,819	-	-	-	(57,490)	-
Additions	345	27,963	799	-	80,976	1,331	2,437	-	16,077	129,928
Disposals	(738)	(9,161)	(9,223)	(626)	(43,532)	(9,398)	(612)	-	-	(73,290)
At 31 December 2011	42,852	1,644,512	16,059	59,544	337,085	18,507	3,409	11,006	22,036	2,155,010
Government Grants										
At 1 January 2011	-	156,705	-	-	25,102	-	-	-	-	181,807
Adj	-	716	-	-	-	-	-	-	-	716
At 1 January & 31 December 2011	-	157,421	-	-	25,102	-	-	-	-	182,523
Depreciation										
At 1 January 2011	-	602,308	11,994	60,170	259,347	18,353	802	6,696	-	959,670
Current charge	-	84,661	697	-	31,701	1,819	539	830	-	120,247
Eliminated on Disposals	-	(4,186)	(5,771)	(626)	(42,974)	(8,700)	(528)	-	-	(62,785)
At 31 December 2011	-	682,783	6,920	59,544	248,074	11,472	813	7,526	-	1,017,132
N.B.V. at 31 December 2011	42,852	804,308	9,139	-	63,909	7,035	2,596	3,480	22,036	955,355

MARSASKALA LOCAL COUNCIL

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

..... continued

13. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	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 2011

..... continued

14. Receivables		2011	2010
		€	€
Falling due within One Year			
Receivables	14. 1	43,075	885
Law Enforcement System		104,271	91,528
		<u>147,346</u>	<u>92,413</u>
Other receivables		105,261	18,704
Grants receivable		-	100,851
Prepayments, accrued income and deferred expenditure	14. 2	15,771	85,504
		<u>268,378</u>	<u>297,472</u>
		2011	2010
		€	€
14. 1 Credit period analysis:			
Within credit period		1,933	86
Exceeded credit period but not impaired		41,142	799
		<u>43,075</u>	<u>885</u>
		2011	2010
		€	€
14. 2 Government Grants:			
Balance at the beginning of the year		100,851	-
Increase		18,753	170,186
Received		(101,626)	(69,335)
Forefeited		(17,978)	-
		<u>-</u>	<u>100,851</u>
Amount receivable within one year		<u>-</u>	<u>100,851</u>

MARSASKALA LOCAL COUNCIL

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

..... continued

15. 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.

	2011 €	2010 €
Cash in hand	544	854
Bank balances: Current accounts	245,617	198,867
Bank balances: Savings accounts	370,215	369,015
	<u>616,376</u>	<u>568,736</u>
Transfer to payables	2,361	1,645
	<u>618,737</u>	<u>570,381</u>

16. Trade and Other Payables

Falling due within One Year

	2011 €	2010 €
Bank overdrawn balance	2,361	1,645
Payables	142,588	91,937
Law Enforcement Unidentified deposits	848	801
Accruals and deferred income	76,773	37,845
	<u>222,570</u>	<u>132,228</u>

MARSASKALA LOCAL COUNCIL

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

..... continued

17. Deferred Urban Improvement Funds Income	2011	2010
	€	€
Balance at the beginning of the year/period	220,550	87,870
Increase	18,754	158,186
Released to income	(38,452)	(25,506)
Forgone	(17,977)	-
	<u>182,875</u>	<u>220,550</u>
Amount to be released within one year	<u>37,000</u>	<u>22,530</u>
Amount to be released between one and two years	<u>32,000</u>	<u>37,000</u>
Amount to be released between two and five years	<u>30,000</u>	<u>32,000</u>
Amount to be released after more than five years	<u>83,875</u>	<u>129,020</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.

MARSASKALA LOCAL COUNCIL

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

..... continued

18. Capital commitments

	2011 €	2010 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>2,835</u>	<u>342,835</u>
Contracted for but not provided in the financial statements	<u>328,165</u>	<u>158,165</u>
These can be analysed further as follows:		
Contracted for but not provided in the financial statements:		
- Machinery and Equipment	1,165	1,165
- Special Programmes	7,000	7,000
- Urban Improvements	<u>320,000</u>	<u>150,000</u>
	<u>328,165</u>	<u>158,165</u>
Approved but not yet contracted for:		
- Construction		-
- Machinery and Equipment	2,835	2,835
- Construction of Council Premises	<u>-</u>	<u>340,000</u>
	<u>2,835</u>	<u>342,835</u>

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

19. Contingent liabilities

The Council has various bank guarantees with respect to works to be carried out in 2012 amounting to € 7,999.

MARSASKALA LOCAL COUNCIL

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

..... continued

20. Financial Instruments

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

21. 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 2011

..... continued

22. 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 ultimate controlling party of the Local Council Marsascala is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Local Council Marsascala but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be a related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant Control
Fgura Joint Committee - Local Law Enforcement	Joint Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Kunsill Malti għall-Isport	No Control
Local Councils Association	No Control
Other Local Councils	No Control
Police Commissioner	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2011	2010
	€	€
Income - Annual Financial Allocation	<u>676,106</u>	<u>678,785</u>

23. Comparative Figures

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

LOCAL COUNCIL MARSASKALA

Report of the Local Government Auditors to the Auditor General

We were engaged to audit the accompanying financial statements of LOCAL COUNCIL MARSASKALA, which comprise the statement of financial position on page 4 as of 31st 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 information.

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 conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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.

Basis for Disclaimer of Opinion

The Council recognised in the Comprehensive Income Statement, € 8,000 as part of the supplementary government income and € 21,815 in respect of repairs and upkeep expenditure. The information and evidence provided by the Local Council with respect to this income and expenditure was not sufficient for us to determine whether the accounting treatment and recognition of this income and expenditure was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards.

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Furthermore, the net book value of fixed assets as per financial statements does not agree with that on the fixed asset register by € 7,825. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

As at 31st December 2011, the Council has recognised as part of its receivables € 97,881 in relation to other receivables amounting to € 13,892 and other LES receivables amounting to € 83,989. The information and evidence provided by the Council with respect to these receivables was not sufficient for us to determine whether the recognition of these receivables was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards.

The Council recognised the sum of Euro 38,452 as UIF Grants Released to income in its financial statements. Furthermore, it has recognised an amount of Euro 182,875, as long-term deferred income in its financial statements in respect of UIF Grants provided to finance capital expenditure undertaken by the Council. Due to the lack of appropriate workings and documentation provided throughout the course of our audit, there were no practical acceptable audit procedures we could perform to obtain reasonable assurance on the amount of UIF Grants released to income and UIF Grants accounted for as long term deferred income.

Throughout our testing of the trade payables of the Council, which amount to Euro 368,445, we encountered a significant number of misstatements arising out of the lack of proper accounting and recording of payables, including accruals. Furthermore, the creditors list provided by the Council differed from the amount of trade payables recognized in the Financial Statements by € 58,814. There were no practical acceptable audit procedures we could perform to obtain reasonable assurance whether the trade payables not tested through our substantive testing was not materially misstated.

As at 31st December 2011, the Council has undertaken a prior year adjustment for € 43,265. The information and evidence provided by the Local Council with respect to this prior year adjustment was not sufficient for us to determine whether the accounting treatment of this prior year adjustment was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards.

The Council has recognized prepayments and accrued income amounting to € 15,771. Whilst we were not provided with any information and evidence in relation to these prepayments and accrued income, from our audit testing the Council should have recognized at least € 77,592 in prepayments and accrued income. Therefore, receivables are understated by € 61,821 and surplus for the year understated by the same amount.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1, Presentation of Financial Statements and certain disclosure requirements arising from IAS 24, Related Party Disclosures, IAS 37 Provisions, Contingent Assets and Contingent Liabilities and IAS 8- Accounting policies, Changes in Accounting Estimates and Correction of Errors.

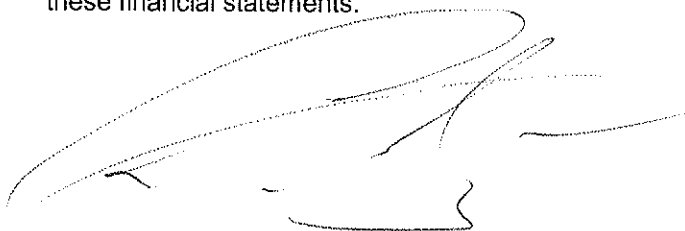
Opinion

Because of the significance of the matters referred to in the preceding paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion whether the financial statements give a true and fair view of the financial position of the Local Council Marsaskala as of 31st December 2011 and of its financial performance and its cash flows for the period then ended. Accordingly, we do not express an opinion on the financial statements.

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: 30th April 2012