



**MELLIEHA**

**LOCAL COUNCIL MELLIEHA**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2012**

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**

**REGISTRY**

**2 MAY 2013**

**NATIONAL AUDIT OFFICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

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## LOCAL COUNCIL MELLIEHA

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

We have audited the accompanying financial statements of LOCAL COUNCIL MELLIEHA, which comprise the statement of financial position on page 7 as of 31<sup>st</sup> December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### **Basis for Qualified Opinion**

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local Councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which was nil for the year under review, that has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council has not capitalised and depreciated the amount of € 677,504 in relation to Misrah Zjara tal-Papa Project as well as Xehda Ghasel Open Space Project in line with the requirements of IAS 16-Property, Plant & Equipment. This amount is still being recognised as Assets Not Yet Capitalised within the financial statements.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IFRS 7- Financial Instruments: Disclosures and IAS 39-Financial Instruments: Recognition & Measurement.

### ***Qualified Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Local Council Mellieha as at 31<sup>st</sup> December, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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



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

**3a**

Certified Public Accountants

Level 2

Palazzo Ca' Brugnera

Valley Road

Birkirkara BKR9024

Malta

**Date 17<sup>th</sup> April 2013**



**Statement of Local Council Members' and Executive Secretary's Responsibilities**  
**for the year ended 31 December 2012**

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

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

This statement was approved by the Local Council on the 17 April 2013 and signed on its behalf by



John Buttigieg  
Mayor



Carmel Debono  
Executive Secretary

## MELLIEHA LOCAL COUNCIL

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Report of the Local government Auditors to the Auditor General



**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2012

		2012 €	2011 €
	Note		
<b>INCOME</b>			
Funds received from Central Government	3	1,134,218	1,073,282
Income raised under Local Council Bye-Laws	4	17,537	18,640
Income raised under Local Enforcement System	5	5,510	25,325
General Income	6	17,815	24,079
		<u>1,175,080</u>	<u>1,141,326</u>
<b>EXPENDITURE</b>			
Personal emoluments	7	(113,945)	(102,761)
Operations and maintenance	8	(411,511)	(412,991)
Administration and other expenditure	9	(413,674)	(495,896)
		<u>(928,891)</u>	<u>(1,011,648)</u>
<b>Operating surplus for the year</b>		235,950	129,678
Finance income	10	<u>9,973</u>	<u>10,535</u>
		245,923	140,213
Loss on write off of assets	7	(2,999)	(1,784)
<b>SURPLUS FOR THE YEAR</b>	7	<u><u>242,924</u></u>	<u><u>138,429</u></u>

The notes on pages 10 to 28 form an integral part of these financial statements



**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2012

		2012 €	2011 €
<b>ASSETS</b>	Notes		
<b>Non-Current Assets</b>			
Property, plant and equipment	11	5,205,404	3,220,054
		<u>5,205,404</u>	<u>3,220,054</u>
<b>Current Assets</b>			
Inventories	12	10,795	13,700
Receivables	13	189,987	124,365
Cash and Cash Equivalents	14	959,924	1,178,069
		<u>1,160,706</u>	<u>1,316,134</u>
<b>Total Assets</b>		<u><b>6,366,110</b></u>	<u><b>4,536,188</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		3,994,667	3,751,743
		<u>3,994,667</u>	<u>3,751,743</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	16	224,781	111,512
Deferred income	17	1,643,564	420,050
		<u>1,868,345</u>	<u>531,562</u>
<b>Current Liabilities</b>			
Payables	15	503,098	252,883
		<u>503,098</u>	<u>252,883</u>
<b>Total Equity and Liabilities</b>		<u><b>6,366,110</b></u>	<u><b>4,536,188</b></u>

These financial statements were approved by the Local Council on 17th April 2013 and signed on its behalf by:

  
 John Buttigieg  
 Mayor

  
 Carmel Debono  
 Executive Secretary

The notes on pages 10 to 28 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2012

	<b>Retained Funds</b>
	€
At 1 January 2011	3,613,314
Surplus for the year	138,429
	<hr/>
<b>At 31 December 2011</b>	<b>3,751,743</b>
	<hr/>
At 1 January 2012	3,751,743
Surplus for the year	242,924
	<hr/>
<b>At 31 December 2012</b>	<b>3,994,667</b>
	<hr/>

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2012

	2012 €	2011 €
Note		
<b>Cash flows from Operating Activities</b>		
<b>Surplus for the year</b>	242,924	138,429
Reconciliation to cash generated from operations:		
Depreciation	202,881	270,509
Deficit on disposal of asset	2,999	1,784
Bad Debts written off	-	826
Provision for Doubtful Debtors	-	(826)
Interest receivable	(9,973)	(10,535)
Operating Profit before Working Capital Changes	438,831	400,187
Movement in inventories	2,905	(2,407)
Movement in receivables	4,671	(14,648)
Movement in other receivables	(70,293)	(1,715)
Movement in payables	154,400	(7,630)
Movement in other payables	121,460	(79,778)
Grant released	(34,990)	(10,461)
<b>Cash generated from operating activities</b>	<b>616,984</b>	<b>283,548</b>
<b>Cash flows from Investing Activities</b>		
Interest received	9,963	9,007
Purchase of property, plant & equipment	(1,438,069)	(764,651)
Receipt of grant	505,352	243,062
<b>Cash generated from investing activities</b>	<b>(922,754)</b>	<b>(512,582)</b>
<b>Cash flows from Financing Activities</b>		
<b>Movement in long term third party borrowings</b>	<b>87,624</b>	<b>102,088</b>
<b>Net change in Cash and Cash Equivalents</b>	<b>(218,145)</b>	<b>(126,946)</b>
Cash and Cash Equivalents at the Beginning of the year	1,178,069	1,305,015
<b>Cash and Cash Equivalents at the End of the year</b>	<b>959,924</b>	<b>1,178,069</b>

**Notes to the Financial Statements for the period ended 31 December 2012**

**1. General Information**

The Mellieha Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 126, New Mill Street, Mellieha, MLH 1107. These financial statements were approved for issue by the Council Members on 17 April 2013. The Local Council's presentation as well as functional currency is denominated in €.

**2. Accounting Policies and Reporting Procedures**

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

*Accounting convention*

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

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

*New and amended standards adopted by the Council*

The Council has adopted the following new and amended standards as of 1 January 2012:

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

*New important standards and amendments not yet adopted by the Council*

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

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard had not yet been adopted by the EU at the date of authorisation of these financial statements.



**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

- On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. At the same time, the IASB issued a revised version of IAS 27 Separate Financial Statements and a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Regional Committees to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

- On 16 June 2011, the IASB issued an amended version of IAS19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted.

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

*Intangible Fixed Assets*

**Computer Software**

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

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****Accounting Policies and Reporting Procedures (cont.)***Property, plant and equipment*

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

*Leases*

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

*Impairment of Assets*

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



**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**Accounting Policies and Reporting Procedures (cont.).**

*Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

*Amounts receivable*

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

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Trade and other payables*

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

*Financial instruments*

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

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

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

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

*Financial assets*

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

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

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

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

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

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

*Financial liabilities*

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

All interest-related charges are included within 'finance costs'.

*Related parties*

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

*Revenue*

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

*Local Enforcement System*

The Mellieha Local Council formed part of the North Joint Committee until August. The amount disclosed in the financial statements under Local Enforcement Income represents the share of gain derived until August from the Joint Committee after deducting the related expenses from the income. As from September the income recognised was derived from the five Regional Committees.

*Government grants*

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.



**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Foreign currencies*

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

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

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred.

*Profits and losses*

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

*Cash and cash equivalents*

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

*Critical Accounting Estimates and Judgements*

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

*Capital Management*

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

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

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

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****3. Funds received from central government**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act	995,309	952,923
Supplementary Government Income	-	14,903
EU funding	28,692	23,081
Other Government Income	75,227	71,914
Grants Released	34,990	10,461
	<u>1,134,218</u>	<u>1,073,282</u>

*Note*

The Council has received additional funds through the submission of various applications including Scheme for Sustainable Localities, Scheme for Inizjattivi ta' Attivitajiet, Scheme EGOV4U, Library Scheme, Green Challenge & Community Involvement Award and Scheme for Lokalitajiet Indaf.

**4. Income raised from Bye-Laws**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Bye-Law - Use of Facilities	-	3,674
Bye-Law - Attivitajiet fil-Beraħ	5,913	-
Bye-Law - Organisation of Courses	11,021	14,531
Bye-Law - Skips	603	435
	<u>17,537</u>	<u>18,640</u>

**5. Local Enforcement system**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Contraventions and other fines	5,510	25,325
	<u>5,510</u>	<u>25,325</u>

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****6. General Income**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Cultural Events & sponsorships from NGOs	4,820	8,190
Sale of books and other merchandise	433	1,633
Tree Planting Contributions	-	388
Rent Receivable	(233)	(233)
General Income	157	283
Tender Documents/Info Charges	4,310	1,490
Contributions	(800)	950
Income from Permits	8,828	11,378
	<u>17,815</u>	<u>24,079</u>

**7. Surplus for the year**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Surplus for the year is stated after charging:		
Staff salaries	113,945	102,761
Depreciation of tangible assets	202,881	270,509
Deficit on write off of tangible fixed assets	<u>2,999</u>	<u>1,784</u>

**Staff salaries**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Mayor's Remuneration	8,905	9,561
Councillors' Allowances	8,800	8,800
Executive Secretary Salary and Allowances	27,581	26,901
Employees' Salaries	61,055	51,198
Social Security Contributions	<u>7,604</u>	<u>6,301</u>
	<u>113,945</u>	<u>102,761</u>

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****8. Operations and Maintenance**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	74,538	35,800
Signs	14,209	25,998
Road Markings	8,136	25,251
Other repairs and Upkeep	4,863	103
Council Property	869	2,531
Repairs and maintenance - litter bins	469	4,944
	<u>103,084</u>	<u>94,627</u>
	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
<i>Contractual Services:</i>		
Refuse Collection	120,048	117,415
Bulky Refuse Collection	21,080	19,527
Open Skips & Bring-In Sites	1,983	1,418
Road & Street Cleaning	40,840	42,960
Cleaning & Maintaining Non-Urban	27,246	38,402
Cleaning - Public Conveniences	36,402	31,418
Cleaning - Council Premises	3,127	3,418
Cleaning & Maintaining Parks & Gardens	35,938	29,577
Cleaning & Maintaining Beaches	166	427
Street Lighting	12,979	10,345
Studies & Consultations	6,177	21,599
Share of loss from Joint Committee	2,441	1,858
	<u>308,427</u>	<u>318,364</u>
 Total Operations and Maintenance Costs	 <u>411,511</u>	 <u>412,991</u>



**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****9. Administration and other expenditure**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Utilities	18,530	20,643
Other repairs and upkeep	4,326	2,209
Rent	2,207	1,125
National and International Memberships	344	552
Office Services	6,335	4,374
Transport	3,612	3,171
Travel	821	1,549
Information Services	19,581	13,536
Lease of Equipment	3,531	3,286
Insurance Coverage	3,151	2,398
Bank Charges	201	518
Professional Services	15,841	18,453
EU Projects Expenses	30,430	10,218
Tuition for courses and expenses	15,636	24,101
Entertainment	2,253	2,443
Conference Expenses	9,761	26,937
Cultural Events	63,986	65,853
Community Services	3,503	6,810
Sundry Minor Expenses	2,993	3,269
Provision for Doubtful Debtors	-	(826)
Bad Debts written off	-	826
General and administrative expenses	(984)	455
Twinning expenses	4,733	4,433
Penalties	-	9,053
Depreciation	202,881	270,509
	<u>413,674</u>	<u>495,896</u>

**10. Finance Income**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Bank Interest Receivable	9,973	10,535
	<u>9,973</u>	<u>10,535</u>

MELLIEHA LOCAL COUNCIL

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & Equipment	Office Furniture & fittings	Special Programs	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2011	338,425	348,216	73,322	118,266	28,948	46,467	4,677,875	5,631,519
Additions	-	678,895	-	75,975	2,047	6,262	1,472	764,651
Disposals	-	-	-	-	-	-	(1,784)	(1,784)
At 31 December 2011	338,425	1,027,111	73,322	194,241	30,995	52,729	4,677,563	6,394,386
<b>Depreciation</b>								
At 1 January 2011	5,492	-	73,322	113,531	24,633	19,119	1,315,828	1,551,925
Charge for the year	883	-	-	77,413	1,823	2,466	187,924	78,296
At 31 December 2011	6,375	-	73,322	190,944	26,456	21,585	1,503,752	1,822,434
<b>Grants</b>								
At 1 January 2011	-	-	-	-	-	-	1,351,898	1,351,898
At 31 December 2011	-	-	-	-	-	-	-	-
<b>Net Book values</b>								
At 31 December 2011	332,050	1,027,111	-	3,297	4,539	31,144	1,821,913	3,220,054

MELLIEHA LOCAL COUNCIL

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

11. Property, plant and equipment (cont.)

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & Equipment	Office Furniture & fittings	Special Programs	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2012	338,425	1,027,111	73,322	194,241	30,995	52,729	4,677,563	6,394,386
Additions	-	2,022,849	-	3,865	1,144	1,581	161,794	2,191,233
Disposals	-	-	-	-	-	-	(4,678)	(4,678)
At 31 December 2012	338,425	3,049,960	73,322	198,106	32,139	54,310	4,834,679	8,580,941
<b>Depreciation</b>								
At 1 January 2012	6,375	-	73,322	190,944	26,456	21,585	1,503,752	1,822,434
Charge for the year	875	-	-	2,790	1,821	2,405	194,989	202,880
On disposal	-	-	-	-	-	-	(1,675)	(1,675)
At 31 December 2012	7,250	-	73,322	193,734	28,277	23,990	1,697,066	2,023,639
<b>Grants</b>								
At 1 January 2012	-	-	-	-	-	-	1,351,898	1,351,898
At 31 December 2012	-	-	-	-	-	-	-	-
<b>Net Book values</b>								
At 31 December 2012	331,175	3,049,960	-	4,372	3,862	30,320	1,785,715	5,205,404

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****12. Inventories**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Books and other publications	<u>10,795</u>	<u>13,700</u>

**13. Receivables**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Receivables	21,800	26,471
Other receivables	1,165	16,729
Prepayments and accrued income	167,022	81,165
	<u>189,987</u>	<u>124,365</u>

*Receivables*

General receivables are analysed as follows:

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Within credit period	11,981	3,225
Exceeded credit period but not impaired	9,819	23,246
Impaired and provided for	-	-
Provision for doubtful debts	-	-
	<u>21,800</u>	<u>26,471</u>

*Local Enforcement System (LES) Debtors*

LES Debtors are stated after a specific provision for doubtful debts amounting to €16,781 (2011 - €16,781).

**14. Cash & cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Cash at Bank	959,692	1,177,838
Cash in Hand	232	231
	<u>959,924</u>	<u>1,178,069</u>

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****15. Payables**

	<b>2012</b>	<b>2011</b>
	€	€
Payables	345,078	190,678
Accruals and deferred income	158,020	62,205
	<u>503,098</u>	<u>252,883</u>

**16. Borrowings**

	<b>2012</b>	<b>2011</b>
	€	€
<b>Non-current</b>		
Third party borrowings	<u>224,781</u>	<u>111,512</u>
<b>Borrowings</b>		
Repayable between one and two years	37,935	27,445
Repayable between two and five years	77,860	36,987
Repayable in five years or more	108,986	47,080
	<u>224,781</u>	<u>111,512</u>

*Third party loan*

is payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. It is repayable over a period of 7 years, 2013 to 2019 (Phase 1) and 2014 to 2020 (Phase 2).

Long term amount payable under the scheme, inclusive of interest is €249,751

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****17. Deferred income**

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
<b>Government grants</b>		
At 1 January	429,475	196,874
Increase in the year	<u>1,473,860</u>	<u>243,062</u>
	1,769,060	439,936
Released in the year	<u>(34,990)</u>	<u>(10,461)</u>
At 31 December	<u>1,868,345</u>	<u>429,475</u>
 <b>Current Deferred Income</b>	 <u>35,069</u>	 <u>9,424</u>
 <b>Non-Current Deferred Income</b>	 <u>1,833,276</u>	 <u>420,050</u>
 <b>Deferred Government Grants</b>		
Deferred between one and two years	49,467	8,491
Deferred between two and five years	84,611	20,751
Deferred in five years or more	<u>1,699,198</u>	<u>390,808</u>
	<u>1,833,276</u>	<u>420,050</u>
 <b>Deferred after five years or more</b>	 <u>1,699,198</u>	 <u>390,808</u>



**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****18. Capital commitments**

	2012	2011
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	141,400	898,677
- Contracted for but not provided in the financial statements	<u>709,970</u>	<u>1,047,564</u>
(i) Approved but not yet contracted for:		
Office Improvements	-	58,000
Urban Improvements	-	41,000
Office Equipment & Computer Equipment	2,400	3,000
Torri l-Abjad Project	26,000	40,000
Tunnara Project	5,000	10,000
Misrah il-Parrocca Manikata Embellishment	90,000	90,000
Misrah iz-Zjara tal-Papa Embellishment	-	407,677
Improvements to coastal areas	3,000	5,000
Triq l-Erwieh Playing Field Improvement	-	100,000
Gnien Dun Anton Debono Improvement	-	75,000
Selmun and Imgiebah Heritage Trail	15,000	15,000
Gnien il-Qieghan Improvement	-	50,000
Country Park Facilities	-	4,000
	<u>141,400</u>	<u>898,677</u>
(ii) Contracted for but not provided in the Financial Statements:		
New Street Lamps	46,000	-
Road Resurfacing	106,483	263,864
Ta' Brag Family Park Project	195,000	460,000
Open Spaces and Public Gardens	-	12,000
Acquisition of Property	78,750	118,700
Churches and Area Floodlighting	6,000	6,000
Triq Qasam Barrani Embellishment & Traffic Mgt	6,000	117,000
Qasam ta' Pennellu Improvements	-	70,000
Office Improvements	123,000	-
Triq l-Erwieh Playing Field Improvement	4,000	-
Manikata Heritage Trail	39,000	-
Gnien Hidmet il-Volontarjat	7,500	-
Misrah iz-Zjara tal-Papa Embellishment	72,000	-
Gnien il-Qieghan Improvements	27,000	-
	<u>710,733</u>	<u>1,047,564</u>

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**19. Contingent liabilities**

The Council is involved in a court case filed by 2 individuals which involves the road levels following road resurfacing. Although the outcome of this decision is uncertain, the Council does not anticipate that should there be involved any expenses these will exceed € 40,000.

**20. Financial Risk Management**

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

*Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

- Receivables from Related Parties: € 21,800

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 1,178,069. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 1,063,251 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*Foreign Currency Risk*

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

*Interest Rate Risk*

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

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**

**20. Financial Risk Management (cont.)**

*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Council's current discount rate in respect of the third party loan is 8.38%, with cash flows amounting to €360,105 over the next 8 years.

*Other risks*

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

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

**Notes to the Financial Statements for the period ended 31 December 2012 (cont.)****21. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Joint Committee (Local Enforcement)	Joint Control
Street Lightening Joint Committee	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

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

	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
Annual Financial Allocation	<u>995,309</u>	<u>952,923</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 7.

**22. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values; otherwise, these have been adjusted to approximate their fair values.