



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

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.  
Certified Public Accountant  
16, Triq San Ġwann,  
Mosta MST 3603*

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

<b>CONTENTS</b>	<b>PAGE</b>
<b>Statement of Local Council Members' and Executive Secretary's Responsibilities</b>	<b>3</b>
<b>Report of the Local Government Auditors on the Financial Statements</b>	<b>4 - 5</b>
<b>Statement of Comprehensive Income</b>	<b>6</b>
<b>Statement of Financial Position at 31/12/2011</b>	<b>7</b>
<b>Statement of Financial Position at 31/12/2010</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Statement of Cash Flows</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11 - 26</b>

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

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

---

Clifton Grima  
Mayor

---

Matthew Dimech  
Executive Secretary

Date:\_\_\_\_\_





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

	Notes	2011 Euro	2010 (As restated) Euro
<b>INCOME</b>			
Funds received from Government	3	443,548	445,546
Income raised under Law Enforcement system	4	178,364	223,545
Income raised under Local Council Bye-Laws	5	14,908	22,609
General income	6	18,316	12,857
		<hr/>	<hr/>
		655,136	704,557
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personnel emoluments	7	101,268	83,588
Operations and maintenance	8	353,738	378,114
Administration and other expenditure	9	180,026	160,703
		<hr/>	<hr/>
		635,032	622,405
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>		€20,104	€82,152
Finance Cost	10	(9,145)	(9,716)
Finance Income	11	220	136
<b>SURPLUS FOR THE YEAR</b>		€ 11,179	€ 72,572
		<hr/>	<hr/>

The notes on page 11 to 26 form an integral part of these financial statements

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

	Notes	31 December 2011  Euro	31 December 2010 (As restated) Euro
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	<u>869,865</u>	<u>816,779</u>
<b>Current Assets</b>			
Trade and other receivables	13	418,011	222,389
Cash and cash equivalents	14	<u>29,926</u>	<u>65,446</u>
<b>Total Current Assets</b>		<u>447,937</u>	<u>287,835</u>
<b>TOTAL ASSETS</b>		<u>€ 1,317,802</u>	<u>€ 1,104,614</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>639,879</u>	<u>628,700</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	15	195,823	210,274
Deferred Income	16	<u>200,839</u>	<u>45,771</u>
		<u>396,662</u>	<u>256,045</u>
<b>Current Liabilities</b>			
Short-term borrowings	15	23,550	23,550
Trade and other payables	17	<u>257,711</u>	<u>196,319</u>
<b>Total Current Liabilities</b>		<u>281,261</u>	<u>219,869</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>€ 1,317,802</u>	<u>€ 1,104,614</u>

The notes on pages 11 to 26 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on \_\_\_\_\_ and  
signed on its behalf by:

\_\_\_\_\_  
Clifton Grima  
Mayor

\_\_\_\_\_  
Matthew Dimech  
Executive Secretary

**MSIDA LOCAL COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2010**

	2010 (As originally reported) Euro	2009  Euro
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	<u>816,779</u>	<u>778,811</u>
<b>Current Assets</b>		
Inventories	0	700
Trade and other receivables	222,389	171,335
Cash and cash equivalents	<u>65,446</u>	<u>39,328</u>
<b>Total Current Assets</b>	<u>287,835</u>	<u>211,363</u>
<b>TOTAL ASSETS</b>	<u>€ 1,104,614</u>	<u>€ 990,174</u>
<b>RESERVES AND LIABILITIES</b>		
<b>Reserves</b>		
Retained funds	<u>636,700</u>	<u>556,128</u>
<b>Non-Current Liabilities</b>		
Long-term borrowings	210,274	224,156
Deferred Income	<u>45,771</u>	<u>0</u>
	<u>256,045</u>	<u>224,156</u>
<b>Current Liabilities</b>		
Short-term borrowings	23,550	23,550
Trade and other payables	<u>188,319</u>	<u>186,340</u>
<b>Total Current Liabilities</b>	<u>211,869</u>	<u>209,890</u>
<b>TOTAL RESERVES AND LIABILITIES</b>	<u>€ 1,104,614</u>	<u>€ 990,174</u>



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

	Retained Funds Euro
At 1 January 2010	556,128
Profit for the Year	<u>80,572</u>
At 31 December 2010	<u>636,700</u>
At 1 January 2011 as previously stated	636,700
Prior Year Adjustment – Note 18	<u>(8,000)</u>
At 1 January 2011 as restated	628,700
Profit for the year	<u>11,179</u>
At 31 December 2011	<u>639,879</u>
Equity interest	<u>€ 639,879</u>

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

	Notes	Year 2011 Euro	Year 2010 Euro (As restated)
<b>Profit for the year</b>		11,179	72,572
<b>Adjustments for:</b>			
Depreciation		58,896	52,573
Provision for Bad Debts		42,926	0
Interest receivable		(220)	(136)
Interest payable		<u>9,145</u>	<u>9,716</u>
<b>Operating Profit before Working Capital changes</b>		121,926	134,725
<b>Movement in working capital</b>			
Decrease/(Increase) in Inventories		0	700
(Increase)/Decrease in Trade and other receivables		(238,548)	(47,389)
Increase/(Decrease) in Trade and Other Payables		51,206	26,387
Government Grant Released		<u>(4,371)</u>	<u>(4,682)</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<u>(69,787)</u>	<u>109,741</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(111,982)	(90,541)
Grants received		160,295	45,167
Interest received		<u>220</u>	<u>136</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>48,533</u>	<u>(45,238)</u>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings		(14,451)	(15,577)
Interest paid		<u>(9,145)</u>	<u>(8,021)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(23,596)</u>	<u>(23,598)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(44,850)	40,905
Cash and cash equivalents at beginning of year		57,523	16,618
<b>Cash and cash equivalents at end of year</b>	14	<u>12,673</u>	<u>57,523</u>

The notes on page 11 to 26 form an integral part of these financial statements

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

**1. GENERAL INFORMATION**

Msida Local Council is the local authority of Msida incorporated in accordance with the Local Councils Act 1993. The office of the Council is at Msida Civic Centre, Pjazza Menqa, Msida.

The financial statements were authorised for issue by the Council on the \_\_\_\_\_.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

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

**New and amended standards adopted by the Local Council**

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

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

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

- IAS 24 – Related party disclosures (effective 1 January 2011). Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.
- IFRIC 13 – Customer loyalty programmes (effective 1 January 2011). Amendments relating to fair value of credits.

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

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

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

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

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

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

- IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Local Councils to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

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

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

***Property, plant and equipment***

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

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

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.

***Inventory***

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

***Related parties***

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

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

***Impairment of Assets***

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

***Amounts Receivable***

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

***Revenue recognition***

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

***Payables and Borrowings***

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

***Government Grants***

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

***Foreign Currencies***

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

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

***Surpluses and deficits***

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

***Cash and Equivalents***

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

***Local Enforcement System***

Msida Local Council formed part of the Central Joint Committee from September 2002 until August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, together with penalties issued for Pre-Pooling Debtors. As from September 2011, the Msida Local Council now forms part of the Central Region for Local Enforcement.

***Critical Estimates and Judgements***

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The judgements made in applying the Local Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in the remaining notes to the financial statements.

***Capital Management Policies and Procedures***

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

**3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	1 Jan 2011- 31 Dec 2011	1 Jan 2010- 31 Dec 2010
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	€ 439,177	€ 440,864
Other Government Income	<u>€4,371</u>	<u>€4,682</u>
	<u>€ 443,548</u>	<u>€ 445,546</u>



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

**4. LOCAL ENFORCEMENT INCOME**

		1 Jan 2011 - 31 Dec 2011	1 Jan 2010 - 31 Dec 2010
		Euro	Euro
Fines and penalties	Received	158,323	170,584
	Accrued	<u>20,041</u>	<u>52,961</u>
		<u>€ 178,364</u>	<u>€ 223,545</u>

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

	1 Jan 2011 - 31 Dec 2011	1 Jan 2010 - 31 Dec 2010
	Euro	Euro
Income from use of crane	4,234	6,240
Income from building materials	140	965
Income from Kiosk	769	792
Income from chairs/tables permits	447	657
Income from functions	5,230	4,968
Income from hire of skips	427	240
Income from trenching	3,661	8,747
	<u>€ 14,908</u>	<u>€ 22,609</u>

**6. GENERAL INCOME**

	1 Jan 2011-31 Dec 2011	1 Jan 2010-31 Dec 2010
	Euro	Euro
Additional Funding	7,500	15,000
Local Library	702	0
Tender Documents	1,950	580
Advertising	3,844	(3,151)
Insurance Claims	552	0
Administration Fee Regional Committees	1,616	0
Rental income	2,152	0
General Income	0	428
	<u>€ 18,316</u>	<u>€ 12,857</u>

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

**7. PERSONNEL EMOLUMENTS**

	Year ended 2011	Year ended 2010
	<b>Euro</b>	<b>Euro</b>
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	9,546	9,545
Mayor's and Councillors' Allowances	8,800	8,800
Executive Secretary Salary and Allowances	26,900	26,235
Employees' Salaries	49,717	34,254
Social Security Contributions	6,305	4,754
	<u>€ 101,268</u>	<u>€ 83,588</u>

**8. OPERATIONS AND MAINTENANCE EXPENSES**

	Year ended 2011	Year ended 2010
	<b>Euro</b>	<b>Euro</b>
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Patching	939	3,258
Operating materials and supplies	2,589	4,652
Road/Street Pavements	0	2,895
Road signs and markings	3,253	4,161
Council property	481	220
Office furniture & equipment	626	1,495
Other repairs and upkeep	<u>5,405</u>	<u>6,643</u>
	<u>13,293</u>	<u>23,324</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	66,011	73,934
Tipping Fees	52,784	54,166
Bring In Sites	0	3,494
Bulky refuse collection	11,272	10,351
Road and street cleaning	66,003	53,189
Cleaning and maintenance public conveniences	8,986	8,326
Cleaning and maintenance parks and gardens	19,419	19,337
Cleaning and maintenance council premises	6,255	5,947
LES related expenditure	87,704	103,784
Contract Management Services	7,383	2,899
Street Lighting and security	<u>14,628</u>	<u>19,363</u>
	<u>340,445</u>	<u>354,790</u>
<b>TOTAL OPERATIONS &amp; MAINTENANCE EXPENSES</b>	<u>353,738</u>	<u>378,114</u>

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

	<b>Year ended 2011 Euro</b>	<b>Year ended 2010 Euro</b>
<b>9. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	58,896	52,573
Accountancy services	2,375	1,800
Advertising and public relations expenses	2,857	3,871
Bank charges	558	104
Other office services	10,637	10,175
Community services	16,029	33,393
Conference and participation expenses	574	355
Documentation	120	1,182
Insurance	2,282	3,045
Engineering services	7,502	11,918
Other support service	9,440	8,335
Penalties - DLG	1,581	150
Postages	554	76
Printing and stationery	7,181	12,719
Rent	4,231	4,465
Provision for Bad LES debts	42,926	0
Staff Training and Uniforms	967	535
Sundry minor expenses	850	469
Telecommunications	4,933	7,201
Transport expenses	1,559	1,124
Water and Electricity	3,974	7,213
<b>TOTAL ADMINISTRATIVE AND OTHER EXPENSES</b>	<b><u>180,026</u></b>	<b><u>160,703</u></b>
	<b>Year ended 2011 Euro</b>	<b>Year ended 2010 Euro</b>
<b>10. FINANCE COST</b>		
Bank interest	<u>9,145</u>	<u>9,716</u>
	<u>9,145</u>	<u>9,716</u>
<b>11. FINANCE INCOME</b>		
Bank Interest	<u>220</u>	<u>136</u>
	<u>220</u>	<u>136</u>

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

**12a. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Office Furniture & Fittings		Computer & Office Equipment	Urban Improvements		Plant & Machinery	Motor Vehicles	Street Signs, Mirrors & Lights		Construction Works	Building	Assets not yet utilised		Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>														
At 1st January 2011	12,407	60,377	35,471	169,631	781	13,860	45,055	954,983	448,639	15,522	1,756,726			
Additions	1,146	7,456	4,077	1,096	0	0	5,385	18,819	17,196	56,807	111,982			
At 31st December 2011	13,553	67,833	39,548	170,727	781	13,860	50,440	973,802	465,835	72,329	1,868,708			
<b>Grants</b>														
At 1st January 2011	0	28,411	0	0	0	0	0	439,985	0	0	468,396			
Transferred during year	0	0	0	0	0	0	0	0	0	0	0			
At 31st December 2011	0	28,411	0	0	0	0	0	439,985	0	0	468,396			
<b>Depreciation</b>														
At 1st January 2011	0	14,423	28,344	88,624	630	8,277	41,831	275,714	13,708	0	471,551			
Charge for the year	0	1,644	2,334	8,269	30	1,117	5,438	24,799	15,265	0	58,896			
At 31st December 2011	0	16,067	30,678	96,893	660	9,394	47,269	300,513	28,973	0	530,447			
<b>Net Book Value</b>														
At 31st December 2011	13,553	23,355	8,870	73,834	121	4,466	3,171	233,304	436,862	72,329	869,865			
At 31st December 2010	12,407	17,543	7,127	81,007	151	5,583	3,224	239,284	434,931	15,522	816,779			

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

**12b. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Office Furniture & Fittings		Computer & Office Equipment	Urban Improvements	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Building	Assets not yet utilized	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
At 1st January 2010	12,063	57,037	34,048	163,166	670	13,860	39,823	889,472	448,639	7,407	1,666,185
Additions	344	3,340	1,423	6,465	111	0	5,232	65,511	0	8,115	90,541
At 31st December 2010	12,407	60,377	35,471	169,631	781	13,860	45,055	954,983	448,639	15,522	1,756,726
<b>Grants</b>											
At 1st January 2010	0	28,411	0	0	0	0	0	439,985	0	0	468,396
Transferred during year	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2010	0	28,411	0	0	0	0	0	439,985	0	0	468,396
<b>Depreciation</b>											
At 1st January 2010	0	13,195	26,486	77,998	594	6,881	39,728	254,096	0	0	418,978
Charge for the year	0	1,228	1,858	10,626	36	1,396	2,103	21,618	13,708	0	52,573
At 31st December 2010	0	14,423	28,344	88,624	630	8,277	41,831	275,714	13,708	0	471,551
<b>Net Book Value</b>											
At 31st December 2010	12,407	17,543	7,127	81,007	151	5,583	3,224	239,284	434,931	15,522	816,779

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

**13. TRADE AND OTHER RECEIVABLES**

	<b>2011</b> <b>Euro</b>	<b>2010</b> <b>Euro</b>
Trade debtors	17,982	30,651
Law Enforcement System Debtors	435,529	415,488
Provision for Bad LES Debts	(327,926)	(285,000)
Deposit Payments	24,000	0
Other debtors	1,000	186
Due from other local councils and LTD	17,897	55,839
Prepayments and accrued income	249,529	5,225
	<u>418,011</u>	<u>222,389</u>

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

Trade debtors are analysed as follows:

Within credit period	4,732	6,451
Exceeded credit period(past due) but not impaired	13,250	24,200
	<u>17,982</u>	<u>30,651</u>

**14. CASH AND CASH EQUIVALENT**

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

	<b>2011</b> <b>Euro</b>	<b>2010</b> <b>Euro</b>
Petty cash	234	234
Bank balances		
- BOV Grants account	12,117	41,015
- BOV Reserve account	341	4,652
- BOV LES account	215	374
- BOV savings accounts	17,019	19,171
<b>Cash and Cash Equivalent in Statement of Financial Position</b>	<b>29,926</b>	<b>65,446</b>
Less Bank Balance Overdrawn	(17,253)	(7,923)
<b>Cash and Cash Equivalent in Statement of Cash Flows</b>	<b>12,673</b>	<b>57,523</b>

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

**15. BORROWINGS**

	2011	2010
	€	€
<b>Borrowings</b>		
<b>Non-current</b>		
Bank borrowings	<u>195,823</u>	<u>210,274</u>
<b>Current</b>		
Bank borrowings	<u>23,550</u>	<u>23,550</u>
<b>Borrowings</b>		
Repayable between one and two years	47,100	47,100
Repayable between two and five years	70,650	70,650
Repayable in five years or more	<u>78,073</u>	<u>92,524</u>
	<u>195,823</u>	<u>210,274</u>
<b>Repayable after five years or more:</b>		
Bank loan	<u>78,073</u>	<u>92,524</u>

Note: The bank loan is secured by a General Hypothec on the Msida Local Council premises at Pjazza Menqa, Msida, through an account opened with Bank of Valletta plc. The loan bears interest at MIBOR plus 1.5% per annum and is repayable by monthly instalments of €1,962.50 inclusive of interest and will be cleared within 20 years from drawdown.

**16. DEFERRED INCOME**

	2011	2010
	€	€
<b>Government Grants</b>		
At beginning of year	50,449	18,481
Increase in period	<u>160,295</u>	<u>36,650</u>
	210,744	55,131
Released in period	<u>(4,371)</u>	<u>(4,682)</u>
At end of year	<u>206,373</u>	<u>50,449</u>
<b>Current Deferred Income</b>	<u>5,534</u>	<u>4,678</u>
<b>Non-Current Deferred Income</b>	<u>200,839</u>	<u>45,771</u>

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

**17. TRADE AND OTHER PAYABLES**

	<b>2011</b>	<b>2010</b>
	<b>Euro</b>	<b>Euro</b>
Bank Balance Overdrawn	17,253	7,923
Payables	89,659	102,119
Grants not yet utilized	12,182	20,182
Other creditors	2,556	27,308
Accruals and deferred income	136,061	38,787
	<u>257,711</u>	<u>196,319</u>

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

<b>Payable after more than one year:</b>	<b>2011</b>	<b>2010</b>
	<b>Euro</b>	<b>Euro</b>
Payables (PPP Scheme)	<u>62,039</u>	<u>0</u>

**18. PRIOR YEAR ADJUSTMENT**

The prior year adjustment consists of a government grant which had been included with other income.

The effect of the restatement on each financial statement line item affected is summarised below:

	<b>31 Dec 2010</b>		<b>31 Dec 2010</b>
	<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
	<b>€</b>	<b>€</b>	<b>€</b>
Other Income	20,857	(8,000)	12,857
Surplus for the year	80,572	(8,000)	72,572
Trade and Other payables	188,319	8,000	196,319
Net Assets and Equity Interests	636,700	(8,000)	628,700



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

**19. CONTINGENT LIABILITIES**

The Council has no Contingent Liabilities as at 31<sup>st</sup> December 2011.

**20. CAPITAL COMMITMENTS**

	1 Jan 2011- 31 Dec 2011	1 Jan 2010- 31 Dec 2010
	Euro	Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	223,625	134,316
ii- Capital expenditure that has been approved but not yet contracted for.	0	0

- i. The Capital expenditure that has been contracted for, but not included in these financial statements represents:
  - a. Water servicing and Road Resurfacing works in Triq il-Punent within the PPP Scheme(€23,255). The Government has already granted €12,182, included with unutilised grants in these financial statements
  - b. Traffic management system and Resurfacing in Victor Denaro Street (€120,000) out of which €60,000 are to be financed from Urban Improvment Funds.
  - c. Further expenditure of €13,700 on the Swatar 5 A-Side Football Ground (€16,000 in cost and government grant have already been included in these financial statements)
  - d. Garden Bocci Club estimated to cost €66,670 which is to be financed from Urban Improvment Funds.

**21. FAIR VALUES ESTIMATION**

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

**22. GOING CONCERN**

The Statement of Affairs and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

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

**23. RELATED PARTY TRANSACTIONS**

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

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Joint Committee for Local Enforcement, Central Regional Committee for Local Enforcement
- iii. No Control – Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters and WasteServ Malta Limited.

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

	<b>2011</b>	<b>2010</b>
	Euro	Euro
Annual Financial Allocation	439,177	440,864

**24. FINANCIAL RISK MANAGEMENT**

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

*Market Risk*

The Council's interest rate risk arises from 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.

*Credit Risk*

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with 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.

*Liquidity Risk*

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