



MSIDA

**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2012**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
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REGISTRY

2 MAY 2013

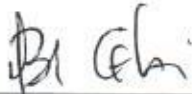
**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2012**

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**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.



Margaret Baldacchino Cefai
Mayor



Marita Portelli
Executive Secretary

Date: 29th April 2013

Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Msida Local Council which comprise the statement of financial position as at 31 December 2012, 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.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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 of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

1. The council's financial statements do not include the quantitative disclosures required by IFRS 7, *Financial Instruments: Disclosures*. These include information about the contractual maturities of liabilities, and categories of financial assets and liabilities at the end of the reporting period.
2. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

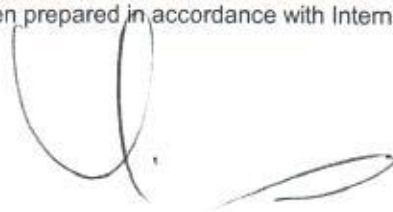
Financial Statements for the year ended 31 December 2012

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion the financial statements give a true and fair view of the financial position of Msida Local Council as at 31 December 2012, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 10 to 16.

Because of the matter set out in paragraph 2 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraph 1 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
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Grant Thornton
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Tower Street
Swatar BKR 4013

23 April 2013

MSIDA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

		2012	2011
	Notes	Euro	Euro
INCOME			
Funds received from Government	3	480,271	443,548
Income raised under Law Enforcement system	4	9,608	178,364
Income raised under Local Council Bye-Laws	5	8,563	14,908
General income	6	23,412	18,316
		<hr/>	<hr/>
		521,854	655,136
		<hr/>	<hr/>
EXPENDITURE			
Personnel emoluments	7	103,475	101,268
Operations and maintenance	8	275,962	353,738
Administration and other expenditure	9	183,147	180,026
		<hr/>	<hr/>
		562,584	635,032
		<hr/>	<hr/>
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		(€ 40,730)	€ 20,104
Finance Cost	10	(8,578)	(9,145)
Finance Income	11	221	220
(DEFICIT)/SURPLUS FOR THE YEAR		<hr/> (€ 49,087) <hr/>	<hr/> € 11,179 <hr/>

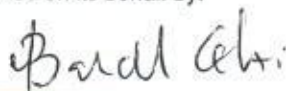
The notes on page 10 to 27 form an integral part of these financial statements

**MSIDA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2012**

	Notes	31 December 2012	31 December 2011
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>1,124,766</u>	<u>869,865</u>
Current Assets			
Trade and other receivables	13	198,746	418,011
Cash and cash equivalents	14	<u>32,784</u>	<u>29,926</u>
Total Current Assets		<u>231,530</u>	<u>447,937</u>
TOTAL ASSETS		<u>€ 1,356,296</u>	<u>€ 1,317,802</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>590,792</u>	<u>639,879</u>
Non-Current Liabilities			
Long-term borrowings	15	188,596	195,823
Trade and other payables	17	45,819	0
Deferred Income	16	<u>282,057</u>	<u>200,839</u>
		<u>516,472</u>	<u>396,662</u>
Current Liabilities			
Short-term borrowings	15	15,763	23,550
Trade and other payables	17	<u>233,269</u>	<u>257,711</u>
Total Current Liabilities		<u>249,032</u>	<u>281,261</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 1,356,296</u>	<u>€ 1,317,802</u>

The notes on pages 10 to 27 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 23-04-2013 and signed on its behalf by:



Margaret Baldacchino Cefai
Mayor



Marita Portelli
Executive Secretary

MSIDA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Retained Funds Euro
At 1 January 2011	628,700
Surplus for the Year	<u>11,179</u>
At 31 December 2011	<u>639,879</u>
At 1 January 2012 as previously stated	639,879
Deficit for the year	<u>(49,087)</u>
At 31 December 2012	<u>590,792</u>
Equity interest	<u>€ 590,792</u>

MSIDA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	Year 2012 Euro	Year 2011 Euro
(Deficit)/Surplus for the year		(49,087)	11,179
Adjustments for:			
Depreciation		74,228	58,896
Provision for Bad Debts		42,858	42,926
Interest receivable		(221)	(220)
Interest payable		<u>8,578</u>	<u>9,145</u>
Operating Profit before Working Capital changes		76,356	121,926
Movement in working capital			
Decrease/(Increase) in Inventories		0	0
(Increase)/Decrease in Trade and other receivables		86,933	(238,548)
Increase/(Decrease) in Trade and Other Payables		15,841	51,206
Government Grant Released		<u>(18,751)</u>	<u>(4,371)</u>
Net cash inflow/(outflow) from operating activities		<u>160,379</u>	<u>(69,787)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(221,347)	(111,982)
Interest received		<u>221</u>	<u>220</u>
Net cash (outflow)/inflow from investing activities		<u>(221,126)</u>	<u>(111,762)</u>
Cash flows from financing activities			
Grants received		89,474	160,295
Repayment of bank borrowings		(15,014)	(14,451)
Interest paid		<u>(8,578)</u>	<u>(9,145)</u>
Net cash inflow/(outflow) from financing activities		<u>65,882</u>	<u>136,699</u>
Net increase/(decrease) in cash and cash equivalents		5,135	(44,850)
Cash and cash equivalents at beginning of year		12,673	57,523
Cash and cash equivalents at end of year	14	<u>17,808</u>	<u>12,673</u>

The notes on page 10 to 27 form an integral part of these financial statements

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 23-04-2013.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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 Local Council

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

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.

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.
- 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.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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.

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.

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

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

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.

Leases

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

Amounts Receivable

Amounts receivable are 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.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 statemnt 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.

Inventory

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

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

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction 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:

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.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	1 Jan 2012- 31 Dec 2012	1 Jan 2011- 31 Dec 2011
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	€ 461,520	€ 439,177
Other Government Income	<u>€18,751</u>	<u>€4,371</u>
	<u>€ 480,271</u>	<u>€ 443,548</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. LOCAL ENFORCEMENT INCOME

		1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
		Euro	Euro
Fines and penalties	Received	9,608	158,323
	Accrued	<u>0</u>	<u>20,041</u>
		<u>€ 9,608</u>	<u>€ 178,364</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
	Euro	Euro
Income from use of crane	5,328	4,234
Income from building materials	5	140
Income from Kiosk	862	769
Income from chairs/tables permits	323	447
Income from functions	1,528	5,230
Income from hire of skips	468	427
Income from trenching	49	3,661
	<u>€ 8,563</u>	<u>€ 14,908</u>

6. GENERAL INCOME

	1 Jan 2012-31 Dec 2012	1 Jan 2011-31 Dec 2011
	Euro	Euro
Additional Funding	0	7,500
Local Library	0	702
Tender Documents	225	1,950
Advertising	0	3,844
Insurance Claims	0	552
Administration Fee Regional Committees	10,963	1,616
Administration Fee & Extra Tonnage Recycling waste	10,290	0
Rental income	1,614	2,152
General Income	320	0
	<u>€ 23,412</u>	<u>€ 18,316</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONNEL EMOLUMENTS

	Year ended 2012 Euro	Year ended 2011 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	9,811	9,546
Mayor's and Councillors' Allowances	8,800	8,800
Executive Secretary Salary and Allowances	22,570	26,900
Employees' Salaries	55,729	49,717
Social Security Contributions	6,565	6,305
	<u>€ 103,475</u>	<u>€ 101,268</u>

8. OPERATIONS AND MAINTENANCE EXPENSES

	Year ended 2012 Euro	Year ended 2011 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Patching	1,430	939
Operating materials and supplies	3,337	2,589
Road/Street Pavements	200	0
Road signs and markings	3,500	3,253
Council property	29	481
Office furniture & equipment	2,529	626
Other repairs and upkeep	<u>4,749</u>	<u>5,405</u>
	<u>15,774</u>	<u>13,293</u>
CONTRACTUAL SERVICES		
Refuse collection	71,976	66,011
Tipping Fees	52,784	52,784
Bulky refuse collection	11,595	11,272
Road and street cleaning	50,889	66,003
Cleaning and maintenance public conveniences	8,902	8,986
Cleaning and maintenance parks and gardens	18,897	19,419
Cleaning and maintenance council premises	6,607	6,255
LES related expenditure	7,160	87,704
Contract Management Services	7,532	7,383
Other Contractual service	2,037	0
Street Lighting and security	<u>21,809</u>	<u>14,628</u>
	<u>260,188</u>	<u>340,445</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>275,962</u>	<u>353,738</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Year ended 2012 Euro	Year ended 2011 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	74,228	58,896
Accountancy services	3,150	2,375
Advertising and public relations expenses	2,536	2,857
Bank charges	160	558
Other office services	9,996	10,637
Community services	12,102	16,029
Conference and participation expenses	172	574
Documentation	120	120
Insurance	3,577	2,282
Engineering services	1,702	7,502
Other support service	8,193	9,440
Penalties - DLG	2,308	1,581
Postages	623	554
Printing and stationery	4,756	7,181
Rent	4,309	4,231
Provision for bad LES debts	41,577	42,926
Provision for general bad debts	1,281	0
Staff Training and Uniforms	392	967
Sundry minor expenses	1,131	850
Telecommunications	5,239	4,933
Transport expenses	981	1,559
Water and Electricity	4,614	3,974
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	183,147	180,026
	Year ended 2012 Euro	Year ended 2011 Euro
10. FINANCE COST		
Bank interest	8,578	9,145
	<u>8,578</u>	<u>9,145</u>
11. FINANCE INCOME		
Bank Interest	221	220
	<u>221</u>	<u>220</u>

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

12a. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
At 1st January 2012	13,553	67,833	39,548	170,727	781	13,860	50,440	973,802	465,835	72,329	1,868,706
Additions	174	677	1,854	2,748	0	0	0	379,138	0	0	384,591
Transferred during the year										(55,458)	(55,458)
At 31st December 2012	13,727	68,510	41,400	173,475	781	13,860	50,440	1,352,940	465,835	16,871	2,197,839
Grants											
At 1st January 2012	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 2012	0	28,411	0	0	0	0	0	439,985	0	0	468,396
Depreciation											
At 1st January 2012	0	16,067	30,679	96,893	661	9,394	47,269	300,513	28,373	0	530,449
Charge for the year	0	1,767	2,253	7,573	24	893	3,171	43,019	15,528	0	74,228
At 31st December 2012	0	17,834	32,932	104,466	685	10,287	50,440	343,532	44,501	0	604,677
Net Book Value											
At 31st December 2012	13,727	22,265	8,468	69,009	96	3,573	0	569,423	421,334	16,871	1,124,766

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

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

	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Assets not yet utilised €	Total €
Cost											
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
Grants											
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
Depreciation											
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
Net Book Value											
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

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	2012 Euro	2011 Euro
Trade debtors	28,271	17,982
Provision for Bad Debts (General)	(1,281)	0
Law Enforcement System Debtors	412,030	435,529
Provision for Bad LES Debts	(369,503)	(327,926)
Deposit Payments	0	24,000
Other debtors	1,000	1,000
Due from other local councils and LTD	14,246	17,897
Prepayments and accrued income	113,983	249,529
	<u>198,746</u>	<u>418,011</u>

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

Trade debtors are analysed as follows:

Within credit period	510	4,732
Exceeded credit period(past due) but not impaired	26,480	13,250
Exceeded credit period(past due) and impaired	1,281	0
	<u>28,271</u>	<u>17,982</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:

	2012 Euro	2011 Euro
Petty cash	93	234
Bank balances		
- BOV Grants account	13,784	12,117
- BOV Reserve account	1,057	341
- BOV LES account	4,085	215
- BOV savings accounts	13,765	17,019
Cash and Cash Equivalent in Statement of Financial Position	<u>32,784</u>	<u>29,926</u>
Less Bank Balance Overdrawn	(14,976)	(17,253)
Cash and Cash Equivalent in Statement of Cash Flows	<u>17,808</u>	<u>12,673</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. BORROWINGS

	2012	2011
	€	€
Borrowings		
Non-current		
Bank borrowings	<u>188,596</u>	<u>195,823</u>
Current		
Bank borrowings	<u>15,763</u>	<u>23,550</u>
Borrowings		
Repayable between one and two years	31,526	47,100
Repayable between two and five years	47,289	70,650
Repayable in five years or more	<u>109,781</u>	<u>78,073</u>
	<u>188,596</u>	<u>195,823</u>
Repayable after five years or more:		
Bank loan	<u>109,781</u>	<u>78,073</u>

Note: The bank loan is secured by channelling through account of all and any funds which are received by the council from the Government of Malta. 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

	2012	2011
	€	€
Government Grants		
At beginning of year	206,373	50,449
Increase in period	<u>122,944</u>	<u>160,295</u>
	329,317	210,744
Released in period	<u>(18,751)</u>	<u>(4,371)</u>
At end of year	<u>310,566</u>	<u>206,373</u>
Current Deferred Income	<u>28,509</u>	<u>5,534</u>
Non-Current Deferred Income	<u>282,057</u>	<u>200,839</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES

	2012 Euro	2011 Euro
Bank Balance Overdrawn	14,976	17,253
Payables	177,468	89,659
Grants not yet utilized	0	12,182
Other creditors	406	2,556
Accruals and deferred income	40,419	136,061
	<u>233,269</u>	<u>257,711</u>

Provisions include estimates for goods and services received prior to 31 December 2012 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2012 Euro
Payables (PPP Scheme)	<u>45,819</u>

18. CONTINGENT LIABILITIES

The Council has no Contingent Liabilities as at 31st December 2012.

19. CAPITAL COMMITMENTS

	1 Jan 2012- 31 Dec 2012	1 Jan 2011- 31 Dec 2011
	Euro	Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	290,472	223,625
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. Embellishment works in Gnien Ellul Mercer in Misrah San Guzepp estimated to cost €290,472 which is to be financed from Urban Improvment Funds.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. 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.

21. 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.

22. 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:

	2012	2011
	Euro	Euro
Annual Financial Allocation	461,520	439,177

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. 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.

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

	2012	2011
	Euro	Euro
Amount invoiced not yet settled by class:		
Government Owned entities	16,700	16,700
Private entities	<u>11,571</u>	<u>1,282</u>
	<u>28,271</u>	<u>17,982</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2012	2011
	Euro	Euro
31-60 days	0	0
61-90 days	390	0
91-180 days	120	0
181-365 days	9,780	0
Over 365 days	<u>17,981</u>	<u>17,982</u>
	<u>28,271</u>	<u>17,982</u>

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.