



MSIDA

**MSIDA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2015**

*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 2015**

CONTENTS	PAGE
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Independent Local Government Auditors on the Financial Statements	4 - 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 28

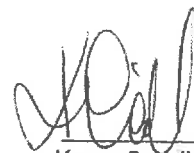
**MSIDA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

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



Karen Camilleri
Acting Executive Secretary

Date: 27/5/16

Financial statements for the year ended 31 December 2015

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 2015, 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 qualified audit opinion.

Basis for qualified opinion

1. The financial statements do not disclose the relevant lease commitments arising on leased areas as required by IAS 17 *Leases*.
2. The council's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.

Financial statements for the year ended 31 December 2015**Report of the Local Government auditor to the Auditor General (continued)*****Basis for qualified opinion (continued)***

3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.
4. The council has a negative FSI index which is lower than the minimum positive balance of 10% of the annual Government allocation allowed by the Local Councils (Financial) Procedures.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 above, the financial statements give a true and fair view of the financial position of Msida Local Council as of 31 December 2015 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 3 and 4 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 matters set out in paragraphs 1 and 2 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 7 which shows that at 31 December 2015, the Council's current liabilities exceeded current assets by EUR83,551. The significance of this deficiency casts doubts as to whether the Council will be able to meet its liabilities as they fall due.



*This copy of the audit report has been signed by
Ernestino Riolo (Partner) for and on behalf of*

Mazars Malta
Certified Public Accountants
Attard

27 May 2016

MSIDA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

		2015	2014
	Notes	Euro	Euro
INCOME			
Funds received from Government	3	591,002	557,960
Income raised under Law Enforcement system	4	977	9,979
Income raised under Local Council Bye-Laws	5	22,545	12,124
General income	6	27,426	16,504
		<hr/>	<hr/>
		641,950	596,567
		<hr/>	<hr/>
EXPENDITURE			
Personnel emoluments	7	135,160	129,772
Operations and maintenance	8	361,831	288,166
Administration and other expenditure	9	188,521	169,793
		<hr/>	<hr/>
		685,512	587,731
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(43,562)	8,836
Finance Cost	10	(6,116)	(6,836)
Finance Income	11	108	114
(LOSS)/PROFIT FOR THE YEAR		<hr/> (49,570) <hr/>	<hr/> 2,114 <hr/>

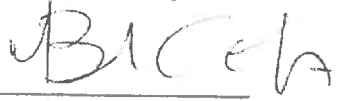
The notes on page 10 to 28 form an integral part of these financial statements

**MSIDA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2015**

	Notes	31 December 2015	31 December 2014
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>1,293,996</u>	<u>1,311,818</u>
Current Assets			
Trade and other receivables	13	<u>92,902</u>	<u>41,462</u>
Cash and cash equivalents	14	<u>113,941</u>	<u>96,830</u>
Total Current Assets		<u>206,343</u>	<u>138,292</u>
TOTAL ASSETS		<u>1,500,839</u>	<u>1,450,110</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>453,836</u>	<u>503,406</u>
Non-Current Liabilities			
Long-term borrowings	15	<u>136,484</u>	<u>154,643</u>
Trade and other payables	17	<u>22,910</u>	<u>28,637</u>
Deferred Income	16	<u>597,715</u>	<u>492,978</u>
		<u>757,109</u>	<u>676,258</u>
Current Liabilities			
Short-term borrowings	15	<u>17,985</u>	<u>17,308</u>
Trade and other payables	17	<u>216,918</u>	<u>158,922</u>
Deferred Income	16	<u>54,991</u>	<u>94,216</u>
Total Current Liabilities		<u>289,894</u>	<u>270,446</u>
TOTAL RESERVES AND LIABILITIES		<u>1,500,839</u>	<u>1,450,110</u>

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

These Financial Statements were approved by the Local Council on 17/5/16 and signed on its behalf by:


Margaret Baldacchino Cefai
Mayor


Karen Camilleri
Acting Executive Secretary

MSIDA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Retained Funds Euro
At 1 January 2014	501,292
Profit for the year	<u>2,114</u>
At 31 December 2014	<u>503,406</u>
At 1 January 2015	503,406
(Loss) for the Year	<u>(49,570)</u>
At 31 December 2015	<u>453,836</u>

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

MSIDA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	Year 2015 Euro	Year 2014 Euro
(Loss)/Profit for the year		(49,570)	2,114
Adjustments for:			
Depreciation		110,072	114,068
Provision for Bad Debts		(2,096)	2,295
Interest receivable		(108)	(114)
Interest payable		6,116	6,836
Government Grant Released		<u>(54,362)</u>	<u>(54,776)</u>
Operating Profit before Working Capital changes		10,052	70,423
Movement in working capital			
(Increase)/Decrease in Trade and other receivables		(17,447)	41,199
Increase/(Decrease) in Trade and Other Payables		<u>55,703</u>	<u>184,401</u>
Net cash inflow from operating activities		<u>48,308</u>	<u>27,221</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(97,977)	(50,631)
Interest received		<u>108</u>	<u>114</u>
Net cash (outflow) from investing activities		<u>(97,869)</u>	<u>(50,517)</u>
Cash flows from financing activities			
Grants received		87,977	57,145
Repayment of bank borrowings		(17,482)	(16,721)
Interest paid		<u>(6,116)</u>	<u>(6,836)</u>
Net cash inflow from financing activities		<u>64,379</u>	<u>33,588</u>
Net increase in cash and cash equivalents		14,818	10,292
Cash and cash equivalents at beginning of year		49,790	39,498
Cash and cash equivalents at end of year	14	<u>64,608</u>	<u>49,790</u>

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

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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 Local Council's presentation as well as functional currency are denominated in €.

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

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 Local Council

During the year the Council has applied the following International Financial Reporting Standards as adopted by the EU which have become mandatorily effective for the year ending 31 December 2015:

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issue applicable to the Council included in this cycle is: Meaning of effective IFRSs (IFRS 1). The amendments were effective for annual periods beginning on or after 1 July 2014.

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

New and revised IFRSs adopted by the EU that are not mandatorily effective for the year ending 31 December 2015:

Below is a list of amendments to IFRSs adopted by the EU and applicable for the Council that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2015. The list below reflects a cut-off date of 31 December 2015:

- Amendments to IAS 1 Disclosure Initiative (effective in the EU for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective in the EU for annual periods beginning on or after 1 January 2016);
- Annual Improvements to IFRSs 2010-2012 Cycle (effective in the EU for annual periods beginning on or after 1 February 2015);
- Annual Improvements to IFRSs 2012-2014 Cycle (effective in the EU for annual periods beginning on or after 1 January 2016).

Standards and Interpretations issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2015 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- IFRS 9 Financial Instruments (issued in July 2014)
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014);

The Councillors 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 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)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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	3.33% (over term of lease)
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)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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. The Buildings of the Msida Local Council premises are leased for a period of 30 years.

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,

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Income and Expenditure.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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 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.

Inventory

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

Profits and Losses

Only profits 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 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.

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 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 Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

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:

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 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 2015- 31 Dec 2015	1 Jan 2014- 31 Dec 2014
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	496,540	480,444
Other Supplementary Government Income	40,100	22,740
Other Government Income	<u>54,362</u>	<u>54,776</u>
	<u>591,002</u>	<u>557,960</u>

4. LOCAL ENFORCEMENT INCOME

	1 Jan 2015 - 31 Dec 2015	1 Jan 2014 - 31 Dec 2014
	Euro	Euro
Fines and penalties	977	9,979
Accrued	<u>977</u>	<u>9,979</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 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 2015- 31 Dec 2015	1 Jan 2014- 31 Dec 2014
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	496,540	480,444
Other Supplementary Government Income	40,100	22,740
Other Government Income	<u>54,362</u>	<u>54,776</u>
	<u>591,002</u>	<u>557,960</u>

4. LOCAL ENFORCEMENT INCOME

	1 Jan 2015 - 31 Dec 2015	1 Jan 2014 - 31 Dec 2014
	Euro	Euro
Fines and penalties	977	9,979
Accrued	<u>977</u>	<u>9,979</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan 2015 - 31 Dec 2015 Euro	1 Jan 2014 - 31 Dec 2014 Euro
Income from use of crane	18,124	7,420
Income from building materials	956	618
Income from Kiosk	1,777	1,025
Income from chairs/tables permits	0	1,333
Income from functions	925	1,177
Income from hire of skips	476	509
Income from trenching	287	42
	<u>22,545</u>	<u>12,124</u>

6. GENERAL INCOME

	1 Jan 2015-31 Dec 2015 Euro	1 Jan 2014-31 Dec 2014 Euro
Local Library	600	550
Tender Documents	560	900
Advertising	11,756	821
Administration Fee Regional Committees	11,457	10,874
Administration Fee & Extra Tonnage Recycling waste	0	1,400
Administrative Committee	199	1,089
General Income	2,854	870
	<u>27,426</u>	<u>16,504</u>

7. PERSONNEL EMOLUMENTS

	Year ended 2015 Euro	Year ended 2014 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	10,572	10,302
Mayor's and Councillors' Allowances	11,200	11,200
Executive Secretary Salary and Allowances	26,266	30,670
Employees' Salaries	79,515	69,398
Social Security Contributions	7,607	8,202
	<u>135,160</u>	<u>129,772</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATIONS AND MAINTENANCE EXPENSES

	Year ended 2015 Euro	Year ended 2014 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Patching	3,059	5,706
Operating materials and supplies	5,761	1,846
Road/Street Pavements	7,340	774
Road signs and markings	8,724	4,001
Council property	1,607	6,578
Office furniture & equipment	1,253	2,346
Bins	2,086	1,165
Other repairs and upkeep	11,633	5,700
	<u>41,463</u>	<u>28,116</u>
CONTRACTUAL SERVICES		
Refuse collection	108,906	80,887
Tipping Fees	66,001	60,924
Bulky refuse collection	14,440	13,191
Road and street cleaning	48,592	49,367
Cleaning and maintenance public conveniences	8,591	8,609
Cleaning and maintenance parks and gardens	19,465	17,634
Cleaning and maintenance council premises	6,420	6,400
LES related expenditure	349	657
Contract Management Services	7,749	7,523
Street Lighting and security	39,855	14,858
	<u>320,368</u>	<u>260,050</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>361,831</u>	<u>288,166</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Year ended 2015 Euro	Year ended 2014 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	110,072	114,068
Accountancy services	3,540	3,540
Advertising and public relations expenses	4,086	4,265
Bank charges	70	134
Other office services	3,158	780
Community services	21,654	18,744
Conference and participation expenses	403	300
Documentation	120	658
Insurance	2,200	2,320
Engineering services	8,465	(9,258)
Other support service	2,966	7,553
Postages	578	793
Printing and stationery	7,910	5,870
Rent	4,445	4,212
Provision for bad LES debts	0	(421,017)
Provision for bad debts (others)	(2,096)	0
Bad debts written off	0	423,312
Staff Training and Uniforms	1,418	0
Sundry minor expenses	3,830	2,800
Telecommunications	6,150	4,741
Transport expenses	5,696	1,406
Water and Electricity	3,856	4,572
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	188,521	169,793
	Year ended 2015 Euro	Year ended 2014 Euro
10. FINANCE COST		
Bank interest	<u>6,116</u>	<u>6,836</u>
	<u>6,116</u>	<u>6,836</u>
11. FINANCE INCOME		
Bank Interest	<u>108</u>	<u>114</u>
	<u>108</u>	<u>114</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 €	Total €
Cost										
At 1st January 2015	20,417	72,286	48,758	185,162	2,798	13,860	50,440	1,730,174	465,835	2,589,730
Additions	-	-	3,815	528	-	-	-	87,907	-	92,250
At 31st December 2015	20,417	72,286	52,573	185,690	2,798	13,860	50,440	1,818,081	465,835	2,681,980
Grants										
At 1st January 2015	-	28,411	-	-	-	-	-	439,985	-	468,396
At 31st December 2015	-	28,411	-	-	-	-	-	439,985	-	468,396
Depreciation										
At 1st January 2015	-	21,358	36,482	115,046	1,195	11,573	50,440	497,865	75,557	809,516
Charge for the year	-	1,689	2,380	7,807	321	457	-	81,890	15,528	110,072
At 31st December 2015	-	23,047	38,862	122,853	1,516	12,030	50,440	579,755	91,085	919,588
Net Book Value										
At 31st December 2015	20,417	20,828	13,711	62,837	1,282	1,830	-	798,341	374,750	1,293,996

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
12b. PROPERTY, PLANT AND EQUIPMENT (cont...)

Cost	Trees €	Office Furniture & Fittings €	Computer & Office Equipment €	Urban Improvements €	Plant & Machinery €	Motor Vehicles €	Street Signs, Mirrors & Lights €	Construction Works €	Building €	Total €
At 1st January 2014	13,727	71,342	41,400	173,587	2,798	13,860	50,440	1,714,535	465,835	2,547,524
Additions	6,690	944	7,358	14,272	-	-	-	15,639	-	44,903
Disposals during year	-	-	-	(2,697)	-	-	-	-	-	(2,697)
At 31st December 2014	20,417	72,286	48,758	185,162	2,798	13,860	50,440	1,730,174	465,835	2,589,730
Grants										
At 1st January 2014	-	28,411	-	-	-	-	-	439,985	-	468,396
At 31st December 2014	-	28,411	-	-	-	-	-	439,985	-	468,396
Depreciation										
At 1st January 2014	-	19,602	34,802	111,372	794	11,001	50,440	410,105	60,029	698,145
Charge for the year	-	1,756	1,680	6,371	401	572	-	87,760	15,528	114,068
Released on Disposal	-	-	-	(2,697)	-	-	-	-	-	(2,697)
At 31st December 2014	-	21,358	36,482	115,046	1,195	11,573	50,440	497,865	75,557	809,516
Net Book Value										
At 31st December 2014	20,417	22,517	12,276	70,116	1,603	2,287	-	792,324	390,278	1,311,818

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	2015 Euro	2014 Euro
Trade debtors	12,230	15,226
Provision for Bad Debts (General)	(9,330)	(11,426)
Law Enforcement System Debtors	0	0
Provision for Bad LES Debts	0	0
Other debtors	1,000	1,000
Due from other local councils and LTD	17,770	17,403
Prepayments	1,633	2,024
Accrued income	69,599	17,235
	<u>92,902</u>	<u>41,462</u>

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

Trade debtors are analysed as follows:

Within credit period	0	3,800
Exceeded credit period(past due) but not impaired	2,900	0
Exceeded credit period(past due) and impaired	9,330	11,426
	<u>12,230</u>	<u>15,226</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:

	2015 Euro	2014 Euro
Petty cash and cash in hand	415	235
Bank balances		
- BOV Grants account	102	102
- BOV Reserve account	1,582	5,936
- BOV LES account	8,163	7,458
- BOV savings accounts	103,679	83,099
Cash and Cash Equivalent in Statement of Financial Position	113,941	96,830
Less Bank Balance Overdrawn	(49,333)	(47,040)
Cash and Cash Equivalent in Statement of Cash Flows	64,608	49,790

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. BORROWINGS

	2015	2014
	€	€
Borrowings		
Non-current		
Bank borrowings	<u>136,484</u>	<u>154,643</u>
Current		
Bank borrowings	<u>17,985</u>	<u>17,308</u>
Borrowings		
Repayable between one and two years	35,970	34,616
Repayable between two and five years	53,955	51,924
Repayable in five years or more	<u>46,559</u>	<u>68,103</u>
	<u>136,484</u>	<u>154,643</u>
Repayable after five years or more:		
Bank loan	<u>46,559</u>	<u>68,103</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 (3.65%) and is repayable by monthly instalments of €1,962.50 inclusive of interest and will be cleared within 20 years from drawdown, ie 30/05/2027.

16. DEFERRED INCOME

	2015	2014
	€	€
Government Grants		
At beginning of year	587,194	570,440
Reversal of deferred income	(2,300)	0
Increase in period	<u>122,174</u>	<u>71,530</u>
	707,068	641,970
Released in period	<u>(54,362)</u>	<u>(54,776)</u>
At end of year	<u>652,706</u>	<u>587,194</u>
Current Deferred Income	<u>54,991</u>	<u>94,216</u>
Non-Current Deferred Income	<u>597,715</u>	<u>492,978</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

DEFERRED INCOME (continued)

Maturity Analysis of Non-Current Deferred Income

Between one and two years	49,707	47,100
Between two and five years	122,277	115,978
In five years or more	<u>425,731</u>	<u>329,900</u>
	<u>597,715</u>	<u>492,978</u>

17. TRADE AND OTHER PAYABLES

	2015 Euro	2014 Euro
Bank Balance Overdrawn	49,333	47,040
Payables	144,919	90,072
Accruals	<u>22,666</u>	<u>21,810</u>
	<u>216,918</u>	<u>158,922</u>

Provisions include estimates for goods and services received prior to 31 December 2015 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2015 Euro	2014 Euro
Payables (PPP Scheme)	<u>22,910</u>	<u>28,637</u>

18. CONTINGENT LIABILITIES

The Council has a guarantee facility of €1,100 and garnishee order of €1,470.84 as at 31st December 2015.

19. CAPITAL COMMITMENTS

	1 Jan 2015- 31 Dec 2015 Euro	1 Jan 2014- 31 Dec 2014 Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	0	0
ii- Capital expenditure that has been approved but not yet contracted for.	31,712	40,000

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 Financial Position and the notes thereto, 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 – Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, 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:

	2015	2014
	Euro	Euro
Annual Financial Allocation	496,540	480,444
<u>Key Management Emoluments</u>		
Executive Secretary	27,144	32,813
Mayor's Honoraria	10,572	10,302
Mayor & Councillors' Allowances	11,200	11,200

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, liquidity risk and interest rate 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 its deposits with financial institutions. The Council does not have any long term borrowings. 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 a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2015 €	2014 €
Classes of financial assets - carrying amounts		
Trade and other receivables	91,269	39,438
Cash and cash equivalents	<u>113,941</u>	<u>96,830</u>
	<u>205,210</u>	<u>136,268</u>

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT (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 is a balance of €16,621 which is past due and which has been provided for.

	2015	2014
	Euro	Euro
0-30 days	2,323	1,802
31-60 days	747	4,000
61-90 days	979	792
91-120 days	626	582
121-365 days	6,557	2,676
Over 365 days	<u>9,438</u>	<u>11,341</u>
	<u>20,670</u>	<u>21,193</u>

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

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

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.

At 31 December 2015, the Council's financial liabilities have contractual maturities which are summarised below:

MSIDA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. FINANCIAL RISK MANAGEMENT (continued)

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	144,919	22,910	0
Bank Balance overdrawn	49,333	-	-
Borrowings	17,985	89,925	46,559
Accruals	<u>22,666</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current Within 1 year €	Non-Current 1 to 5 Years €	Non-Current later than 5 years €
Payables	90,072	22,910	5,727
Bank Balance overdrawn	47,040	-	-
Borrowings	17,308	86,540	68,103
Accruals	<u>21,810</u>	<u>-</u>	<u>-</u>

24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2015 €	2014 €
Current assets		
Loans and receivables:		
Trade and other receivables	91,269	39,438
Cash and cash equivalents	<u>113,941</u>	<u>96,830</u>
	<u>205,210</u>	<u>136,268</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	167,829	118,709
Bank Balance overdrawn	49,333	47,040
Borrowings	154,469	171,951
Accruals	<u>22,666</u>	<u>21,810</u>
	<u>394,297</u>	<u>359,510</u>

