



**MSIDA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2016**

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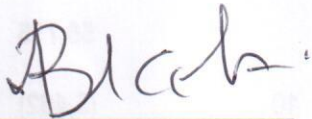
**MSIDA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2016**

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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



Alan Vella  
Executive Secretary

Date: 25 April 2017



**MSIDA LOCAL COUNCIL**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2016

		2016	2015
	Notes	Euro	Euro
<b>INCOME</b>			
Funds received from Government	3	608,118	591,002
Income raised under Law Enforcement system	4	2,037	977
Income raised under Local Council Bye-Laws	5	37,964	22,545
General income	6	31,739	27,426
		<hr/>	<hr/>
		679,858	641,950
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personnel emoluments	7	131,937	135,160
Operations and maintenance	8	314,260	361,831
Administration and other expenditure	9	176,906	188,521
		<hr/>	<hr/>
		623,103	685,512
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS) FOR THE YEAR</b>		<b>56,755</b>	<b>( 43,562)</b>
Finance Cost	10	(5,462)	(6,116)
Finance Income	11	53	108
		<hr/>	<hr/>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>51,346</b>	<b>(49,570)</b>
		<hr/>	<hr/>

The notes on page 8 to 27 form an integral part of these financial statements

**MSIDA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2016**

	Notes	31 December 2016	31 December 2015
		Euro	Euro
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	<u>1,247,373</u>	<u>1,293,996</u>
<b>Current Assets</b>			
Trade and other receivables	13	91,238	92,902
Cash and cash equivalents	14	<u>144,240</u>	<u>113,941</u>
<b>Total Current Assets</b>		<u>235,478</u>	<u>206,343</u>
<b>TOTAL ASSETS</b>		<u>1,482,851</u>	<u>1,500,839</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>505,182</u>	<u>453,836</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	15	117,657	136,484
Trade and other payables	17	17,182	22,910
Deferred Income	16	<u>552,070</u>	<u>597,715</u>
		<u>686,909</u>	<u>757,109</u>
<b>Current Liabilities</b>			
Short-term borrowings	15	18,687	17,985
Trade and other payables	17	219,222	216,918
Deferred Income	16	<u>52,851</u>	<u>54,991</u>
<b>Total Current Liabilities</b>		<u>290,760</u>	<u>289,894</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>1,482,851</u>	<u>1,500,839</u>

The notes on pages 8 to 27 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 25 April 2017 and signed on its behalf by:



Margaret Baldacchino Cefai  
Mayor



Alan Vella  
Executive Secretary

**MSIDA LOCAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	Retained Funds Euro
At 1 January 2015	503,406
(Loss) for the year	(49,570)
At 31 December 2015	<u>453,836</u>
At 1 January 2016	<b>453,836</b>
Profit for the Year	<b>51,346</b>
At 31 December 2016	<b><u>505,182</u></b>

The notes on pages 8 to 27 form an integral part of these financial statements



**MSIDA LOCAL COUNCIL**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2016

	Notes	2016 Euro	2015 Euro
<b>Profit/(Loss) for the year</b>		<b>51,346</b>	<b>(49,570)</b>
<b>Adjustments for:</b>			
Depreciation		110,076	110,072
Provision for Bad Debts		0	(2,096)
Interest receivable		(53)	(108)
Interest payable		5,462	6,116
Gain on disposal		(336)	0
Government Grant Released		<u>(65,205)</u>	<u>(54,362)</u>
<b>Operating Profit before Working Capital changes</b>		<b>101,290</b>	<b>10,052</b>
<b>Movement in working capital</b>			
(Increase)/Decrease in Trade and other receivables		1,664	(17,447)
Increase/(Decrease) in Trade and Other Payables		<u>(18,144)</u>	<u>55,703</u>
<b>Net cash inflow from operating activities</b>		<b><u>84,810</u></b>	<b><u>48,308</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(69,779)	(97,977)
Interest received		53	108
Receipts on disposal		<u>935</u>	<u>0</u>
<b>Net cash (outflow) from investing activities</b>		<b><u>(68,791)</u></b>	<b><u>(97,869)</u></b>
<b>Cash flows from financing activities</b>			
Grants received		17,423	87,977
Repayment of bank borrowings		(18,125)	(17,482)
Interest paid		<u>(5,462)</u>	<u>(6,116)</u>
<b>Net cash (outflow)/inflow from financing activities</b>		<b><u>(6,164)</u></b>	<b><u>64,379</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>9,855</b>	<b>14,818</b>
Cash and cash equivalents at beginning of year		<u>64,608</u>	<u>49,790</u>
<b>Cash and cash equivalents at end of year</b>	14	<b><u>74,463</u></b>	<b><u>64,608</u></b>

The notes on page 8 to 27 form an integral part of these financial statements

**MSIDA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**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 25 April 2017.

**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 2016:



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

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

On 12 May 2014 the IASB issued Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The issue also introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments finally add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

On 18 December 2014 the IASB issued Amendments to IAS 1 Disclosure Initiative. It clarifies that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all the parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; provides clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and gives additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Standards and Interpretations issued by the IASB but not yet adapted 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 2016 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued December 2016)
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014)
- Amendments to IAS 7 Disclosure Initiative (issued January 2016);

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**

	2016 Euro	2015 Euro
In terms of Section 55 of the Local Councils Act, 1993	512,140	496,54
Other Supplementary Government Income	30,773	40,100
Other Government Income	<u>65,205</u>	<u>54,362</u>
	<u>608,118</u>	<u>591,002</u>

**4. LOCAL ENFORCEMENT INCOME**

	2016 Euro	2015 Euro
Fines and penalties	2,037	977
	<u>2,037</u>	<u>977</u>



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

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

	1 Jan 2016 - 31 Dec 2016	1 Jan 2015 - 31 Dec 2015
	Euro	Euro
Income from use of crane	30,636	18,124
Income from building materials	4,875	956
Income from Kiosk	932	1,777
Income from chairs/tables permits	415	0
Income from functions	280	925
Income from hire of skips	756	476
Income from trenching	70	287
	<u>37,964</u>	<u>22,545</u>

**6. GENERAL INCOME**

	1 Jan 2016-31 Dec 2016	1 Jan 2015-31 Dec 2015
	Euro	Euro
Local Library	589	600
Tender Documents	600	560
Advertising	14,371	11,756
Administration Fee Regional Committees	10,726	11,457
Insurance claims	1,045	0
Rental income	2,556	0
Administrative Committee	612	199
General Income	1,240	2,854
	<u>31,739</u>	<u>27,426</u>

**7. PERSONNEL EMOLUMENTS**

	Year ended 2016	Year ended 2015
	Euro	Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	10,843	10,572
Mayor's and Councillors' Allowances	11,200	11,200
Executive Secretary Salary and Allowances	21,500	26,266
Employees' Salaries	81,022	79,515
Social Security Contributions	7,372	7,607
	<u>131,937</u>	<u>135,160</u>

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

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

	1 Jan 2016 - 31 Dec 2016 Euro	1 Jan 2015 - 31 Dec 2015 Euro
Income from use of crane	30,636	18,124
Income from building materials	4,875	956
Income from Kiosk	932	1,777
Income from chairs/tables permits	415	0
Income from functions	280	925
Income from hire of skips	756	476
Income from trenching	70	287
	<u>37,964</u>	<u>22,545</u>

**6. GENERAL INCOME**

	1 Jan 2016-31 Dec 2016 Euro	1 Jan 2015-31 Dec 2015 Euro
Local Library	589	600
Tender Documents	600	560
Advertising	14,371	11,756
Administration Fee Regional Committees	10,726	11,457
Insurance claims	1,045	0
Rental income	2,556	0
Administrative Committee	612	199
General Income	1,240	2,854
	<u>31,739</u>	<u>27,426</u>

**7. PERSONNEL EMOLUMENTS**

	Year ended 2016 Euro	Year ended 2015 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	10,843	10,572
Mayor's and Councillors' Allowances	11,200	11,200
Executive Secretary Salary and Allowances	21,500	26,266
Employees' Salaries	81,022	79,515
Social Security Contributions	7,372	7,607
	<u>131,937</u>	<u>135,160</u>



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

**8. OPERATIONS AND MAINTENANCE EXPENSES**

	Year ended 2016 Euro	Year ended 2015 Euro
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Patching	1,348	3,059
Operating materials and supplies	3,233	5,761
Road/Street Pavements	0	7,340
Road signs and markings	2,636	8,724
Council property	4,282	1,607
Office furniture & equipment	634	1,253
Bins	0	2,086
Other repairs and upkeep	1,975	11,633
	<u>14,108</u>	<u>41,463</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	95,577	108,906
Tipping Fees	68,176	66,001
Bulky refuse collection	17,028	14,440
Road and street cleaning	55,140	48,592
Cleaning and maintenance public conveniences	7,610	8,591
Cleaning and maintenance parks and gardens	18,809	19,465
Cleaning and maintenance council premises	5,910	6,420
LES related expenditure	449	349
Contract Management Services	6,540	7,749
Street Lighting and security	24,913	39,855
	<u>300,152</u>	<u>320,368</u>
<b>TOTAL OPERATIONS &amp; MAINTENANCE EXPENSES</b>	<u>314,260</u>	<u>361,831</u>



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

	Year ended 2016 Euro	Year ended 2015 Euro
<b>9. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	110,076	110,072
Accountancy services	3,540	3,540
Advertising and public relations expenses	4,061	4,086
Bank charges	86	70
Other office services	875	3,158
Community services	14,898	21,654
Conference and participation expenses	348	403
Documentation	0	120
Insurance	2,772	2,200
Engineering services	1,317	8,465
Other support service	9,307	2,966
Postages	340	578
Printing and stationery	6,316	7,910
Rent	4,251	4,445
Provision for bad debts (others)	0	(2,096)
Staff Training and Uniforms	0	1,418
Sundry minor expenses	5,147	3,830
Telecommunications	4,269	6,150
Transport expenses	1,510	5,696
Damages	2,794	0
Water and Electricity	4,999	3,856
<b>TOTAL ADMINISTRATIVE AND OTHER EXPENSES</b>	<b>176,906</b>	<b>188,521</b>
	<b>Year ended 2016 Euro</b>	<b>Year ended 2015 Euro</b>
<b>10. FINANCE COST</b>		
Bank interest	<u>5,462</u>	<u>6,116</u>
	<u>5,462</u>	<u>6,116</u>
<b>11. FINANCE INCOME</b>		
Bank Interest	<u>53</u>	<u>108</u>
	<u>53</u>	<u>108</u>

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

	<b>Trees</b>	<b>Office Furniture &amp; Fittings</b>	<b>Computer &amp; Office Equipment</b>	<b>Urban Improvements</b>	<b>Plant &amp; Machinery</b>	<b>Motor Vehicles</b>	<b>Street Signs, Mirrors &amp; Lights</b>	<b>Construction Works</b>	<b>Building</b>	<b>Total</b>
<b>Cost</b>	€	€	€	€	€	€	€	€	€	€
At 1st January 2016	20,417	72,286	52,573	185,690	2,798	13,860	50,440	1,818,081	465,835	2,681,980
Additions	-	-	1,403	637	-	-	-	62,012	-	64,052
Disposals during year	-	(935)	-	-	-	-	-	-	-	(935)
At 31st December 2016	20,417	71,351	53,976	186,327	2,798	13,860	50,440	1,880,093	465,835	2,745,097
<b>Grants</b>										
At 1st January 2016 and At 31st December 2016	-	28,411	-	-	-	-	-	439,985	-	468,396
<b>Depreciation</b>										
At 1st January 2016	-	23,047	38,862	122,853	1,516	12,030	50,440	579,755	91,085	919,588
Charge for the year	-	1,515	2,665	6,306	257	366	-	83,439	15,528	110,076
Released on Disposal	-	(336)	-	-	-	-	-	-	-	(336)
At 31st December 2016	-	24,226	41,527	129,159	1,773	12,396	50,440	663,194	106,613	1,029,328
<b>Net Book Value</b>										
At 31st December 2016	20,417	18,714	12,449	57,168	1,025	1,464	-	776,914	359,222	1,247,373



**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 €	Total €
<b>Cost</b>										
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
<b>Grants</b>										
At 1st January 2015 and At 31st December 2015	-	28,411	-	-	-	-	-	439,985	-	468,396
<b>Depreciation</b>										
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
<b>Net Book Value</b>										
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)**

**13. TRADE AND OTHER RECEIVABLES**

	<b>2016</b> <b>Euro</b>	<b>2015</b> <b>Euro</b>
Trade debtors	11,330	12,230
Provision for Bad Debts	(9,330)	(9,330)
Other debtors	1,000	1,000
Due from other local councils and LTD	11,069	17,770
Prepayments	2,434	1,633
Accrued income	74,735	69,599
	<u>91,238</u>	<u>92,902</u>

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

Trade debtors are analysed as follows:

Exceeded credit period(past due) but not impaired	2,000	2,900
Exceeded credit period(past due) and impaired	9,330	9,330
	<u>11,330</u>	<u>12,230</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>2016</b> <b>Euro</b>	<b>2015</b> <b>Euro</b>
Petty cash	235	235
Cash held for deposit	1268	180
Bank balances		
- BOV Grants account	660	102
- BOV Reserve account	2,321	1,582
- BOV LES account	9,411	8,163
- BOV savings accounts	130,345	103,679
<b>Cash and Cash Equivalent in Statement of Financial Position</b>	<b>144,240</b>	<b>113,941</b>
Less Bank Balance Overdrawn	(69,777)	(49,333)
<b>Cash and Cash Equivalent in Statement of Cash Flows</b>	<b>74,463</b>	<b>64,608</b>

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

**15. BORROWINGS**

	2016	2015
	€	€
<b>Borrowings</b>		
<b>Non-current</b>		
Bank borrowings	<u>117,657</u>	<u>136,484</u>
<b>Current</b>		
Bank borrowings	<u>18,687</u>	<u>17,985</u>
<b>Borrowings</b>		
Repayable between one and two years	19,410	18,687
Repayable between two and five years	62,859	60,515
Repayable in five years or more	<u>35,388</u>	<u>57,282</u>
	<u>117,657</u>	<u>136,484</u>
<b>Repayable after five years or more:</b>		
Bank loan	<u>35,388</u>	<u>57,282</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**

	2016	2015
	€	€
<b>Government Grants</b>		
At beginning of year	652,706	587,194
Reversal of deferred income	0	(2,300)
Increase in period	<u>17,423</u>	<u>122,174</u>
	670,129	707,068
Released in period	<u>(65,205)</u>	<u>(54,362)</u>
At end of year	<u>604,924</u>	<u>652,706</u>
<b>Current Deferred Income</b>	<u>52,851</u>	<u>54,991</u>
<b>Non-Current Deferred Income</b>	<u>552,070</u>	<u>597,715</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	47,778	49,707
Between two and five years	117,550	122,277
In five years or more	<u>386,742</u>	<u>425,731</u>
	<u>552,070</u>	<u>597,715</u>

**17. TRADE AND OTHER PAYABLES**

	2016 Euro	2015 Euro
Bank Balance Overdrawn	69,777	49,333
Payables	123,463	144,919
Other creditors	4,194	0
Accruals	<u>21,788</u>	<u>22,666</u>
	<u>219,222</u>	<u>216,918</u>

Provisions include estimates for goods and services received prior to 31 December 2016 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2016 Euro	2015 Euro
Payables (PPP Scheme)	<u>17,182</u>	<u>22,910</u>

**18. CONTINGENT LIABILITIES**

The Council has a guarantee facility of €1,100 and garnishee order of €1,470.84 as at 31<sup>st</sup> December 2016. The Council has also an Arbitration Case with Gasan Mamo Insurance which amounts to €703.28 plus any judicial and legal costs which may be issued by the Malta Arbitration Centre.

**19. CAPITAL COMMITMENTS**

	2016 Euro	2015 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.	35,335	31,712

The Council intends to finance capital commitments out of Government Allocation 2017.

**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:

	<b>2016</b>	<b>2015</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	<b>512,140</b>	496,540
<u>Key Management Emoluments</u>		
Executive Secretary	<b>21,585</b>	27,144
Mayor's Honoraria	<b>10,843</b>	10,572
Mayor & Councillors' Allowances	<b>11,200</b>	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:

	2016 €	2015 €
<b>Classes of financial assets - carrying amounts</b>		
Trade and other receivables	88,804	91,269
Cash and cash equivalents	<u>144,240</u>	<u>113,941</u>
	<u><b>233,044</b></u>	<u><b>205,210</b></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 receivables there is a balance of €9,330 which is past due and which has been provided for.

	<b>2016</b>	<b>2015</b>
	<b>Euro</b>	<b>Euro</b>
0-30 days	<b>1,802</b>	2,323
31-60 days	<b>1,304</b>	747
61-90 days	<b>1,867</b>	979
91-120 days	<b>0</b>	626
121-365 days	<b>5,196</b>	6,557
Over 365 days	<b><u>12,230</u></b>	<b><u>18,768</u></b>
	<b><u>22,399</u></b>	<b><u>30,000</u></b>

*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 2016, 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	127,657	17,182	0
Bank Balance overdrawn	69,777	-	-
Borrowings	18,687	82,269	35,388
Accruals	<u>21,788</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	144,919	22,910	0
Bank Balance overdrawn	49,333	-	-
Borrowings	17,985	79,202	57,282
Accruals	<u>22,666</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:

	2016 €	2015 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	88,804	91,269
Cash and cash equivalents	<u>144,240</u>	<u>113,941</u>
	<u>233,044</u>	<u>205,210</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	127,657	144,919
Bank Balance overdrawn	69,777	49,333
Borrowings	18,687	17,985
Accruals	<u>21,788</u>	<u>22,666</u>
	<u>237,909</u>	<u>234,903</u>

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

**24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES (continued)**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<b>Non-Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Long-term borrowings	<b>117,657</b>	<b>136,484</b>
Trade and other payables	<b><u>17,182</u></b>	<b><u>22,910</u></b>
	<b><u>134,839</u></b>	<b><u>159,394</u></b>