



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

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**MSIDA LOCAL COUNCIL  
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For the year ended 31 December 2015**

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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.

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Margaret Baldacchino Cefai  
Mayor

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Christopher Cutajar  
Acting Executive Secretary

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

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

		2015	2014
	Notes	Euro	Euro
<b>INCOME</b>			
Funds received from Government	3	599,632	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	27,239	16,504
		<hr/>	<hr/>
		650,393	596,567
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personnel emoluments	7	135,161	129,772
Operations and maintenance	8	361,827	288,166
Administration and other expenditure	9	190,345	169,793
		<hr/>	<hr/>
		687,333	587,731
		<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT FOR THE YEAR</b>		(€ 36,940)	€ 8,836
Finance Cost	10	(6,116)	(6,836)
Finance Income	11	108	114
<b>(LOSS)/PROFIT FOR THE YEAR</b>		(€ 42,948)	€ 2,114
		<hr/>	<hr/>

The notes on page 8 to 26 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
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	<u>1,293,996</u>	<u>1,311,818</u>
<b>Current Assets</b>			
Trade and other receivables	13	99,436	41,462
Cash and cash equivalents	14	<u>114,030</u>	<u>96,830</u>
<b>Total Current Assets</b>		<u>213,466</u>	<u>138,292</u>
<b>TOTAL ASSETS</b>		<u>€ 1,507,462</u>	<u>€ 1,450,110</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>460,458</u>	<u>503,406</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	15	136,484	154,643
Trade and other payables	17	22,910	28,637
Deferred Income	16	<u>597,716</u>	<u>492,978</u>
		<u>757,110</u>	<u>676,258</u>
<b>Current Liabilities</b>			
Short-term borrowings	15	17,985	17,308
Trade and other payables	17	216,918	158,922
Deferred Income	16	<u>54,991</u>	<u>94,216</u>
<b>Total Current Liabilities</b>		<u>289,894</u>	<u>270,446</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>€ 1,507,462</u>	<u>€ 1,450,110</u>

The notes on pages 8 to 26 form an integral part of these financial statements

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

\_\_\_\_\_  
Margaret Baldacchino Cefai  
Mayor

\_\_\_\_\_  
Christopher Cutajar  
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>(42,948)</u>
At 31 December 2015	<u>460,458</u>

The notes on pages 8 to 26 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
<b>(Loss)/Profit for the year</b>		(42,948)	2,114
<b>Adjustments for:</b>			
Depreciation		110,072	114,068
Provision for Bad Debts		(186)	0
Interest receivable		(108)	(114)
Interest payable		6,116	6,836
Government Grant Released		<u>(54,362)</u>	<u>(54,776)</u>
<b>Operating Profit before Working Capital changes</b>		18,584	68,128
<b>Movement in working capital</b>			
(Increase)/Decrease in Trade and other receivables		(57,788)	29,109
Increase/(Decrease) in Trade and Other Payables		<u>137,785</u>	<u>(9,404)</u>
<b>Net cash inflow from operating activities</b>		<u>98,581</u>	<u>87,833</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(103,426)	(79,278)
Interest received		<u>108</u>	<u>114</u>
<b>Net cash (outflow) from investing activities</b>		<u>(103,318)</u>	<u>(79,164)</u>
<b>Cash flows from financing activities</b>			
Grants received		39,422	29,000
Repayment of bank borrowings		(17,482)	(16,721)
Interest paid		<u>(6,116)</u>	<u>(6,836)</u>
<b>Net cash inflow from financing activities</b>		<u>15,824</u>	<u>5,443</u>
<b>Net increase in cash and cash equivalents</b>		11,087	14,112
Cash and cash equivalents at beginning of year		53,610	17,808
<b>Cash and cash equivalents at end of year</b>	14	<u>64,697</u>	<u>53,610</u>

The notes on page 8 to 26 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 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 revised standards that are effective for annual periods beginning on or after 1 January 2015**

A number of new and revised standard are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below.

**Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts or recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. The council members do not anticipate a material impact on the council's financial statements from these amendments.

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

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

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Council.**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Council.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

**IFRS 9 Financial Instruments (effective from 1 January 2018)**

The IASB aims to replace *IAS 39 Financial Instruments*. Recognition and Measurement in its entirety with IFRS 9. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2018. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement until all chapters of IFRS 9 have been published and the standard has been adopted by the European Union.

**Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)**

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of 'currently has a legally enforceable right of set-off'
- That some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2015 and are required to be applied retrospectively. The council members do not anticipate a material impact on the council's financial statements from these amendments.

**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.

***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)**

**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	€48,730	€22,740
Other Government Income	<u>€54,362</u>	<u>€54,776</u>
	<u>€ 599,632</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	2,667	870
	<u>€ 27,239</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	79,516	69,398
Social Security Contributions	7,607	8,202
	<u>€ 135,161</u>	<u>€ 129,772</u>

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

**8. OPERATIONS AND MAINTENANCE EXPENSES**

	Year ended 2015 <b>Euro</b>	Year ended 2014 <b>Euro</b>
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Patching	3,059	5,706
Operating materials and supplies	5,752	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	1,254	2,346
Bins	2,087	1,165
Other repairs and upkeep	11,633	5,700
	<u>41,456</u>	<u>28,116</u>
<b>CONTRACTUAL SERVICES</b>		
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	19,467	17,634
Cleaning and maintenance council premises	6,420	6,400
LES related expenditure	350	657
Contract Management Services	7,749	7,523
Street Lighting and security	39,855	14,858
	<u>320,371</u>	<u>260,050</u>
<b>TOTAL OPERATIONS &amp; MAINTENANCE EXPENSES</b>	<u>361,827</u>	<u>288,166</u>

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

	Year ended 2015 Euro	Year ended 2014 Euro
<b>9. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	110,072	114,068
Accountancy services	3,540	3,540
Advertising and public relations expenses	4,086	4,265
Bank charges	62	134
Other office services	3,157	780
Community services	21,641	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	2,967	7,553
Postages	576	793
Printing and stationery	7,905	5,870
Rent	4,445	4,212
Provision for bad LES debts	(186)	(421,017)
Bad debts written off	0	423,312
Staff Training and Uniforms	1,419	0
Sundry minor expenses	3,789	2,800
Telecommunications	6,152	4,741
Transport expenses	5,676	1,406
Water and Electricity	3,856	4,572
<b>TOTAL ADMINISTRATIVE AND OTHER EXPENSES</b>	<b>190,345</b>	<b>169,793</b>
	<b>Year ended 2015 Euro</b>	<b>Year ended 2014 Euro</b>
<b>10. FINANCE COST</b>		
Bank interest	<u>6,116</u>	<u>6,836</u>
	<u>6,116</u>	<u>6,836</u>
<b>11. FINANCE INCOME</b>		
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**

	Office Furniture & Fittings		Computer & Office Equipment	Urban Improvements	Plant & Machinery	Motor Vehicles	Street Signs, Mirrors & Lights	Construction Works	Building	Assets not yet utilised	Total
	Trees	Fittings	Equipment	Improvements	Machinery	Vehicles	Lights	Works	Building	not yet utilised	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	-	28,411	-	-	-	-	-	439,985	-	-	468,396
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)**  
**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 €
<b>Cost</b>											
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
<b>Grants</b>											
At 1st January 2014	-	28,411	-	-	-	-	-	439,985	-	-	468,396
At 31st December 2014	-	28,411	-	-	-	-	-	439,985	-	-	468,396
<b>Depreciation</b>											
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
<b>Net Book Value</b>											
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**

	<b>2015</b> <b>Euro</b>	<b>2014</b> <b>Euro</b>
Trade debtors	12,416	15,226
Provision for Bad Debts (General)	(11,426)	(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	17,584	17,403
Prepayments and accrued income	79,862	19,259
	<u>99,436</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	990	3,800
Exceeded credit period(past due) but not impaired	0	0
Exceeded credit period(past due) and impaired	11,426	11,426
	<u>12,416</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:

	<b>2015</b> <b>Euro</b>	<b>2014</b> <b>Euro</b>
Petty cash and cash in hand	504	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
<b>Cash and Cash Equivalent in Statement of Financial Position</b>	<b>114,030</b>	<b>96,830</b>
Less Bank Balance Overdrawn	(49,333)	(43,220)
<b>Cash and Cash Equivalent in Statement of Cash Flows</b>	<b>64,697</b>	<b>53,610</b>

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

**15. BORROWINGS**

	2015	2014
	€	€
<b>Borrowings</b>		
<b>Non-current</b>		
Bank borrowings	<u>136,484</u>	<u>154,643</u>
<b>Current</b>		
Bank borrowings	<u>17,985</u>	<u>17,308</u>
<b>Borrowings</b>		
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>
<b>Repayable after five years or more:</b>		
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
	€	€
<b>Government Grants</b>		
At beginning of year	544,809	570,440
Increase in period	<u>162,260</u>	<u>71,530</u>
	707,069	641,970
Released in period	<u>(54,362)</u>	<u>(54,776)</u>
At end of year	<u>652,707</u>	<u>587,194</u>
<b>Current Deferred Income</b>	<u>54,991</u>	<u>94,216</u>
<b>Non-Current Deferred Income</b>	<u>597,716</u>	<u>492,978</u>

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

**17. TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Bank Balance Overdrawn	49,333	47,040
Payables	144,919	90,072
Other creditors	0	0
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.

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

**18. CONTINGENT LIABILITIES**

The Council has a guarantee facility of €1,100 as at 31<sup>st</sup> December 2015.

**19. CAPITAL COMMITMENTS**

	<b>1 Jan 2015- 31 Dec 2015</b>	<b>1 Jan 2014- 31 Dec 2014</b>
	<b>Euro</b>	<b>Euro</b>
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.	0	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:

	<b>2015</b>	<b>2014</b>
	Euro	Euro
Annual Financial Allocation	496,540	480,444
<u>Key Management Emoluments</u>		
Executive Secretary	26,266	30,670
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:

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<b>Classes of financial assets - carrying amounts</b>		
Trade and other receivables	97,803	39,438
Cash and cash equivalents	114,030	96,830
	<u>211,833</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 are no balances which are past due and which have not been provided for.

	<b>2015</b>	<b>2014</b>
	Euro	Euro
31-60 days	2,507	5,802
61-90 days	747	792
91-180 days	979	582
181-365 days	626	2,676
Over 365 days	<u>13,715</u>	<u>11,341</u>
	<u>18,574</u>	<u>21,203</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	71,940	64,544
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	43,220	-	-
Borrowings	17,308	69,232	85,411
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:

	<b>2015</b> <b>€</b>	<b>2014</b> <b>€</b>
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	97,803	39,438
Cash and cash equivalents	<u>114,030</u>	<u>96,830</u>
	<u>211,833</u>	<u>136,268</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	144,919	90,072
Bank Balance overdrawn	49,333	43,220
Short-term borrowings	17,985	17,308
Accruals	<u>22,666</u>	<u>21,810</u>
	<u>234,903</u>	<u>172,410</u>