

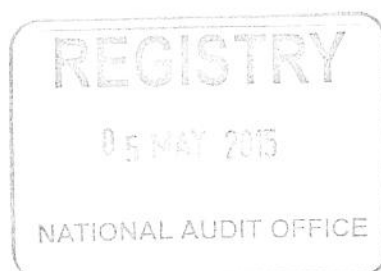


Gzira Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2014

Prepared by JCA Ltd



**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014**

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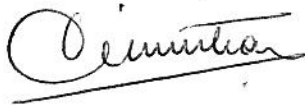
Financial Statements for the Year ended 31 December 2014

Statement of Local Council Members' and Executive Secretary's Responsibilities

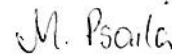
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it 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 the 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, and the Local Councils (Financial) Procedures 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, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 29 April 2015 by:



Roberto Cristiano
Mayor



Margaret Psaila
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

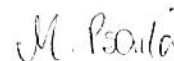
	Notes	31 December 2014 €	31 December 2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	703,858	737,752
		<u>703,858</u>	<u>737,752</u>
Current Assets			
Trade and other receivables	4	186,144	168,225
Cash and Cash Equivalents	5	141,711	154,739
		<u>327,855</u>	<u>322,964</u>
Total Assets		<u>1,031,713</u>	<u>1,060,716</u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Funds		555,981	573,686
Non-current liabilities			
Long term borrowings	6	42,122	39,785
Deferred Income	7	211,847	215,358
Liabilities			
Trade and other payables	8	221,763	231,887
TOTAL RESERVES AND LIABILITIES		<u>1,031,713</u>	<u>1,060,716</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 29 April 2015 and signed on its behalf by:



Roberto Cristiano
Mayor



Margaret Psaila
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 €	2013 €
REVENUE			
Funds received from central government	9	498,494	500,784
Income raised under Local Council Bye-Laws	10	5,144	5,850
Income raised under Law Enforcement System	11	5,238	7,237
General Income	12	2,156	1,089
		<u>511,032</u>	<u>514,960</u>
EXPENDITURE			
Personal emoluments	13	(92,230)	(84,770)
Operations and maintenance	14	(281,641)	(272,681)
Administration and other expenditure	15	(152,710)	(152,984)
		<u>(526,581)</u>	<u>(510,435)</u>
Total Operating (Loss)/Income for the year		(15,549)	4,525
Investment income	16	278	372
Finance costs	17	(2,434)	(2,645)
Total Comprehensive (Loss)/Income for the year		<u>(17,705)</u>	<u>2,252</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Retained Funds 2014 €	Retained Funds 2013 €
At 1 January 2013	573,686	571,434
Total Comprehensive (Loss)/Income for the year	<u>(17,705)</u>	<u>2,252</u>
At 31 December 2013	<u>555,981</u>	<u>573,686</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 €	2013 €
Cash Flows from Operating Activities			
Total Comprehensive (Loss)/Income for the year		(17,705)	2,252
Adjustments for:			
Depreciation		58,430	58,766
Increase in provision for bad debts		-	2,010
Release of grant		(11,050)	(12,218)
Interest receivable		(278)	(372)
Interest payable		2,344	2,326
Operating Profit before Working Capital Changes		31,741	52,764
Decrease in stock		-	-
(Increase) in receivables		(17,919)	(119,837)
(Decrease)/Increase in payables		(35,964)	18,711
Net Cash used in operating activities		(22,142)	(48,362)
Cash flows from Investing Activities			
Interest received		278	372
Interest paid		(7)	-
Purchase of property, plant and equipment		(24,536)	(20,547)
Increase in long term payables		-	99,696
Deferred income grants		-	15,523
Cash Flow used in Investing Activities		(24,265)	95,044
Loan movement		-	28
Net Increase/(Decrease) in Cash and Cash Equivalents		(46,407)	46,710
Cash and Cash Equivalents at the Beginning of year		147,074	100,364
Cash and Cash Equivalents at the End of year	6	100,667	147,074

The notes on pages 8 to 22 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2014

1. General Information

Gzira Local Council is the local authority of Gzira setup in accordance with the Local Councils Act. The office of the Local Council is situated at Rue d'Argens, Gzira.

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.

a. Accounting convention

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2014 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2014:

- IAS 32 Amendments – Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities.
- IAS 36 Amendments– Recoverable Amount Disclosures for Non-Financial Assets (applicable for financial period beginning in or after 1 January 2014)
- IAS 39 Amendments – Notation of Derivatives and Continuation of Hedge Accounting (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 Amendments – Investment entities (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities – Transition Guidance (applicable for financial period beginning in or after 1 January 2014)
- IFRS 10 - Consolidated Financial Statements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IFRS 11 – Joint Arrangements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IAS 27 – Separate Financial Statements (applicable at the latest, for financial period beginning in or after 1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (applicable at the latest, for financial period beginning in or after 1 January 2014)

Notes to the Financial Statements for the year ended 31 December 2014 - continued

- IFRIC Interpretation 21 – Levies (applicable for financial period beginning in or after 1 January 2014)

The adoption of the above new and amended standards and IFRIC interpretations did not have an impact on the financial position or performance of the Council.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective up to 31 December 2014

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not yet adopted. The Directors anticipate that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no impact on the financial statements of the Company in the period of initial application. These are as follows:

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- Annual improvements to IFRSs 2010-2012 Cycle (applicable for financial period beginning in or after 1 July 2014)
- Annual improvements to IFRSs 2011 – 2013 Cycle (applicable for financial period beginning in or after 1 July 2014)
- IAS 19 Amendments – Defined Benefit Plans: Employee Contributions (applicable for financial period beginning in or after 1 July 2014)

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption
- IAS 1 Amendments – Disclosure Initiative
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 27 Amendments – Equity Method in Separate Financial Statements
- IAS 16 and IAS 41 Amendments – Bearer Plants
- IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11 Amendments – Accounting for Acquisition of interest in Joint Operations

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 and that they will have no material impact on the financial statements in the period of initial application.

c. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

Notes to the Financial Statements for the year ended 31 December 2014 - continued**d. Local Enforcement System**

During 2014 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

e. Property, Plant and Equipment

Property, plant and equipment is 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
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground furniture	100
Traffic and Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

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 financial reporting 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 Local 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 year in which they are incurred.

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

g. 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 Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2014 - continued

h. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised 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 receivables. The amount of the provision is the difference between the carrying amounts 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 recognised in the Statement of Comprehensive Income.

i. 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 Euro which is the Council's functional and present currency.

j. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

k. Cash and Equivalents

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

l. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Local Council.

n. 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.

Notes to the Financial Statements for the year ended 31 December 2014 - continued

n. Financial Instruments - continued

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

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 counterparty 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 include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Notes to the Financial Statements for the year ended 31 December 2014 - continued

p. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the year in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2014 – continued**3a Property, Plant and Equipment**

Tangible Assets	Property	Office Furniture / fittings	New Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Gym Equipment	Trees	Construction	Motor Vehicle	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2014	179,001	66,921	1,009	67,244	17,668	34,896	7,400	27,928	948,472	-	1,350,539
Additions	-	4,280	-	-	2,552	6,182	-	-	10,972	550	24,536
Movement in assets	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	179,001	71,201	1,009	67,244	20,220	41,078	7,400	27,928	959,444	550	1,375,075
Grants and other reimbursements											
At 1 January 2014	-	-	-	-	-	-	-	-	(104,002)	-	(104,002)
Grants received	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-	-	-	(104,002)	-	(104,002)
Accumulated Depreciation											
At 1 January 2014	(22,986)	(34,644)	(1,009)	(51,563)	(13,867)	(27,923)	(3,940)	-	(352,853)	-	(508,785)
Charge for the year	(1,560)	(2,856)	-	(1,568)	(1,051)	(2,441)	(692)	-	(48,252)	(10)	(58,430)
At 31 December 2014	(24,546)	(37,500)	(1,009)	(53,131)	(14,918)	(30,364)	(4,632)	-	(401,105)	(10)	(567,215)
Net Book Value											
At 31 December 2014	154,455	33,701	-	14,113	5,302	10,714	2,768	27,928	454,337	540	703,858

Notes to the Financial Statements for the year ended 31 December 2014 – continued**3b Property, Plant and Equipment**

Tangible Assets	Property	Office Furniture / fittings	New Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Gym Equipment	Trees	Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2013	179,001	65,982	1,009	67,244	16,868	33,893	7,400	27,928	885,748	1,285,073
Additions	-	939	-	-	800	1,003	-	-	62,724	65,466
Movement in assets	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	179,001	66,921	1,009	67,244	17,668	34,896	7,400	27,928	948,472	1,350,539
Grants and other reimbursements										
At 1 January 2013	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Grants received	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	-	(104,002)	(104,002)
Accumulated Depreciation										
At 1 January 2013	(21,410)	(31,783)	(1,009)	(49,821)	(12,926)	(25,600)	(3,075)	-	(304,395)	(450,019)
Charge for the year	(1,576)	(2,861)	-	(1,742)	(941)	(2,323)	(865)	-	(48,458)	(58,766)
At 31 December 2013	(22,986)	(34,644)	(1,009)	(51,563)	(13,867)	(27,923)	(3,940)	-	(352,853)	(508,785)
Net Book Value										
At 31 December 2013	156,015	32,277	-	15,681	3,801	6,973	3,460	27,928	491,617	737,752

Notes to the Financial Statements for the year ended 31 December 2014 – continued

4 Receivables	2014	2013
	€	€
Receivables	11,491	4,412
Provision for bad debts	(2,010)	(2,010)
Other receivables	2,776	2,776
Accrued income	159,648	146,476
Financial assets	171,905	151,654
Prepayments	14,239	16,571
	<u>186,144</u>	<u>168,225</u>
Trade receivables		
Within the current year	146,807	126,556
Exceeded credit year but not yet impaired	25,098	25,098
	<u>171,905</u>	<u>151,654</u>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

The Council felt the need to make a provision for doubtful debts on an amount receivable from one of its customers. This customer seems to be undergoing financial difficulty so the whole debt is being considered as doubtful.

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2014	2013
	€	€
Bank Balances:		
Ordinary funds	100,628	147,001
Cash in hand	39	73
Cash at bank and in hand	100,667	147,074
Overdrawn bank	41,044	7,665
	<u>141,711</u>	<u>154,739</u>

6 Long Term Borrowings	2014	2013
	€	€
Bank loans	42,122	39,785
	<u>42,122</u>	<u>39,785</u>

The Local Council had obtained facilities, specifically for the purchase of property used to house the administrative offices of the Council. Loan I (€34,941) and Loan II (€139,792). Loan I (currently at €15,866) is repayable in monthly instalments of €262 and bears interest at the rate of 4.65% per annum. Loan II (currently at €34,137) is repayable in monthly instalments of €571 and bears interest at 4.65% per annum. The loans are repayable by March 2021.

The facility is secured by:

- First General Hypothec over the Council's assets
- First Special Hypothec and Special Privilege over the property purchased.

Notes to the Financial Statements for the year ended 31 December 2014 – continued**6 Long Term Borrowings (cont)**

The instalments falling due within one year are being disclosed with the Current Liabilities while the balance falling due after one year is separately disclosed under long term borrowings above.

7 Deferred Income Grants	2014	2013
	€	€
Deferred Income 1 to 2 years	9,040	20,576
Deferred Income 2 to 5 years	22,259	50,665
Deferred Income over 5 years	180,548	144,117
	<u>211,847</u>	<u>215,358</u>

8 Payables

	2014	2013
	€	€
Financial Liabilities		
Trade payables	91,058	130,662
Accruals and other creditors	27,983	68,145
Loan - current portion	7,881	7,881
	<u>126,922</u>	<u>206,688</u>
Non-financial Liabilities		
Deferred income current portion	53,797	17,534
Overdrawn bank account	41,044	7,665
	<u>94,841</u>	<u>25,199</u>
Total payable	<u>221,763</u>	<u>231,887</u>

9 Funds received from Central Government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	473,499	474,096
Other supplementary Government Income	6,916	13,327
Other Government income	18,079	13,361
	<u>498,494</u>	<u>500,784</u>

10 Income raised under Local Council Bye-Laws

	2014	2013
	€	€
Income from Bye-Laws	<u>5,144</u>	<u>5,850</u>

11 Local Enforcement Income

	2014	2013
	€	€
Pre-regional Committees	-	3,090
Regional Committees - Administrative Fees	5,238	4,147
	<u>5,238</u>	<u>7,237</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

12 General Income	2014	2013
	€	€
Income from tender documents	200	-
Other income	-	89
Contributions and donations	1,956	1,000
	<u>2,156</u>	<u>1,089</u>

13 Personal Emoluments	2014	2013
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	10,303	10,055
Councillor's Allowances	8,800	8,800
Executive Secretary salary and allowance	1,236	3,053
Employees' Salary and Allowances	68,226	57,972
Social Security Contributions	3,665	4,890
	<u>92,230</u>	<u>84,770</u>

14 Operations and Maintenance

Operations and maintenance includes, inter alia:

Repairs and Upkeep:	2014	2013
	€	€
Road and Street Pavements (patching works)	6,675	19,010
Street Signs	2,917	5,730
Road Markings	13,658	6,641
Others	6,363	2,096
	<u>29,613</u>	<u>33,477</u>

Contractual Services:

Refuse Collection (including bins on wheels)	71,695	67,516
Bulky Refuse Collection (including open skips)	12,176	16,483
Road and Street Cleaning (mechanical and manual)	60,653	60,988
Tipping fees	60,991	48,773
Cleaning and Maintenance of Public Conveniences	10,033	10,785
Cleaning and Maintenance of Parks and Gardens	26,571	26,569
Cleaning - Council Premises	246	664
Street Lighting	9,663	7,426
	<u>252,028</u>	<u>239,204</u>
 Total Operations and Maintenance Expenses	 <u>281,641</u>	 <u>272,681</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

15 Administration and other expenditure	2014	2013
	€	€
Utilities	13,481	11,298
Materials & Supplies	2,779	6,438
Rent	18,873	17,805
National and International Memberships	270	382
Office Services	9,780	7,840
Information services (including library)	10,654	6,830
Professional Services	14,069	13,905
Insurance	2,928	3,538
Community and Hospitality	20,262	24,172
Penalties	1,184	-
Increase in provision for bad debts	-	2,010
Depreciation	58,430	58,766
	<u>152,710</u>	<u>152,984</u>

16 Investment income	2014	2013
	€	€
Bank Interest Receivable	278	372
	<u>278</u>	<u>372</u>

17 Finance Charges	2014	2013
	€	€
Bank interest	2,344	2,326
Bank charges	90	319
	<u>2,434</u>	<u>2,645</u>

18 Capital Commitments

The Council's Capital commitments for 2014 are as follows:

	2014	2013
	€	€
Contracted for but not yet provided in the financial statements		
Construction works – PPP scheme	15,800	15,800
Road resurfacing	60,000	-
Civic Centre	-	40,000
Pavements	-	25,000
Improvements	5,000	5,000
Vehicle	-	15,000
	<u>80,800</u>	<u>100,800</u>

Road resurfacing can only be done if the Council received funds for this purpose either through the UIF or through EU funding.

19 Financial Instruments and Related Parties Disclosures

During the year under review, the Council carried out transactions with the following related parties:

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Malta Environment and Planning Authority	No control

Notes to the Financial Statements for the year ended 31 December 2014 – continued**19 Financial Instruments and Related Parties Disclosures (continued)**

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

	2014	2013
	€	€
Significant control:		
Financial allocation for the year	473,499	474,096

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

20 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

20.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting year, as summarised below:

	2014	2013
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	186,144	168,225
Cash and Cash Equivalents	141,710	154,739
	327,854	322,964

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Financial Statements for the year ended 31 December 2014 – continued**20.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2014	2013
	€	€
Payables	91,058	130,662
Accruals and other creditors	76,908	83,691
	<u>167,966</u>	<u>214,353</u>
Long term and short term borrowings	2014	2013
	€	€
Current within 1 year	7,881	7,881
Due in 1 to 5 years	35,381	35,855
Due after 5 years	6,741	3,930
	<u>50,003</u>	<u>47,666</u>

20.3 Summary of the financial assets and liabilities by category

The council manages its liquidity needs though yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a regular basis.

Current Assets	2014	2013
	€	€
Loans and receivables:		
Trade and other receivables	171,905	151,654
Cash and Cash Equivalents	100,667	147,040
	<u>272,572</u>	<u>298,728</u>

Non-current Liabilities

Financial liabilities measured at amortised costs:

Borrowings	<u>42,122</u>	<u>39,785</u>
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Current Liabilities

Financial liabilities measured at historic costs:

Payables	91,058	130,662
Accruals and other creditors	35,864	76,026
	<u>126,922</u>	<u>206,724</u>
	<u>169,044</u>	<u>246,509</u>

20.4 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements for the year ended 31 December 2014 – continued

20.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

21 Fair value estimation

At 31 December 2014 and 31 December 2013, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

Financial statements for the year ended 31 December 2014

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Gzira Local Council which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditors

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Group H Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Group H Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has not reported any income from LES in the current year. We were unable to determine the amount of any income the Council is entitled to receive from Group H Joint Committee since its audited financial statements were not made available to us.
2. The amounts disclosed in note 4 do not reflect correctly the receivables past due but not yet impaired to satisfy the requirements of the quantitative disclosures relating to credit risk under IFRS 7.
3. The cash flow statement does not reflect the correct cash outflows on the purchase of Property, Plant and Equipment and grants as required by IAS 7 *Statement of Cash Flow*.



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Financial statements for the year ended 31 December 2014

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

4. The financial statements do not disclose the relevant lease commitments arising on leased areas as required by IAS 17 *Leases*.
5. 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*.
6. The council's PPP project creditors was included under current payables. The non-current portion was not disclosed separately under non-current payables as required by IAS 1, *Presentation of Financial Statements*.
7. The overdrawn bank balance is classified as a non-financial liability in note in contradiction to the requirements of IFRS 7.
8. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.
9. The council's FSI index at 31 December 2014 is lower than the minimum positive balance of 10% of the annual Government allocation allowed by the Local Council (Financial) Regulations.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2, 3, 4, 5, 6 and 7 above, the financial statements give a true and fair view of the financial position of Gzira Local Council as of 31 December 2014 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 8 to 13.

Because of the matters set out in paragraph 8 and 9 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 2, 3, 4, 5, 6 and 7 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Gzira Local Council for the year end 31 December 2013 were audited by another auditor who expressed a qualified opinion on those statements on 21 April 2014.

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

Mazars Malta
Certified Public Accountants
Attard

29 April 2015

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