



**IKLIN LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, Triq San Ġwann,
Mosta MST 3603*

**IKLIN LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013**

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

**IKLIN 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.

Anthony Dalli
Mayor

Etienne Montfort
Executive Secretary

Date: _____

IKLIN LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 Euro	2012 Euro
INCOME			
Funds received from Central Government	3	244,780	233,910
Income raised under Law Enforcement system	4	3,365	17,363
General income	5	14,564	9,786
		<hr/>	<hr/>
		262,709	261,059
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	6	65,071	62,575
Operations and maintenance	7	77,194	90,032
Administration and other expenditure	8	88,387	90,446
		<hr/>	<hr/>
		230,652	243,053
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR		€32,057	€ 18,006
Finance income	9	103	363
SURPLUS FOR THE YEAR		€ 32,160	€ 18,369
		<hr/>	<hr/>

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

IKLIN LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	31 Dec 2013 Euro	31 Dec 2012 Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	<u>634,076</u>	<u>536,689</u>
Current Assets			
Trade and other receivables	11	66,491	47,776
Cash and cash equivalents	12	<u>155,742</u>	<u>195,308</u>
Total Current Assets		<u>222,233</u>	<u>243,084</u>
TOTAL ASSETS		<u>€ 856,309</u>	<u>€ 779,773</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>388,709</u>	<u>356,549</u>
Non-Current Liabilities			
Trade and other Payables	14	39,861	7,912
Deferred Income	13	<u>372,897</u>	<u>361,101</u>
Total Non-Current Liabilities		<u>412,758</u>	<u>369,013</u>
Current Liabilities			
Trade and other payables	14	<u>54,842</u>	<u>54,211</u>
Total Current Liabilities		<u>54,842</u>	<u>54,211</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 856,309</u>	<u>€ 779,773</u>

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

These financial Statements were approved by the Local Council on the _____ and signed on its behalf by:

Anthony Dalli
Mayor

Etienne Montfort
Executive Secretary

IKLIN LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the period 1 January to 31 December 2013

	Retained Funds Euro
At 1 January 2012	338,180
Surplus for the year	<u>18,369</u>
At 31 December 2012	<u>356,549</u>
At 1 January 2013	356,549
Surplus for the year	<u>32,160</u>
At 31 December 2013	<u>388,709</u>
Reserved Funds	<u>€ 388,709</u>

IKLIN LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the period 1 January to 31 December 2013

	Notes	1 Jan 2013- 31 Dec 2013 Euro	1 Jan 2012- 31 Dec 2012 Euro
Operating Activities			
Surplus for the year		32,160	18,369
Adjustments for:			
Depreciation		43,194	37,579
Interest receivable		(103)	(363)
Operating Profit before Working Capital changes		<u>75,251</u>	<u>55,585</u>
Movement in working capital			
Decrease/(Increase) in receivables		(27,612)	(2,355)
Increase/(Decrease) in payables		17,846	17,266
Government Grant released		<u>(9,903)</u>	<u>(8,380)</u>
Net cash inflow/(outflow) from operating activities		<u>55,582</u>	<u>62,116</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(104,148)	(133,004)
Interest received		<u>103</u>	<u>363</u>
Net cash used in investing activities		<u>(104,045)</u>	<u>(132,641)</u>
Cash flows from financing activities			
Grants received		8,897	135,663
Net cash inflow from financing activities		<u>8,897</u>	<u>135,663</u>
Net increase/(decrease) in cash and cash equivalents		(39,566)	65,138
Cash and cash equivalents at beginning of the year		<u>195,308</u>	<u>130,170</u>
Cash and cash equivalents at end of year	12	<u>155,742</u>	<u>195,308</u>

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

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2013

1. GENERAL INFORMATION

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Councils Act 1993. The office of the Council is at "Three Villages", Triq ir-Rumanzieri, Iklin.

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).

During the year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the Statement of Comprehensive Income. These amendments are effective for financial years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurement. The standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

In March 2012 the IASB issued IFRS 1 amendments for government loans with a below-market rate of interest when transitioning to IFRSs. The amendment is effective for Annual periods beginning on or after 1 January 2013.

In May 2012, the IASB issued Annual Improvements 2009-2011 Cycle, a collection of amendments to IFRSs, in response to six issues addressed during the 2009-2011 cycle, as its latest set of annual improvements. The amendments reflect issues discussed by the IASB during the project cycle that began in 2009, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Improvements to IFRSs (published in June 2011). The issues included in this cycle are: Repeated application of IFRS 1 (IFRS 1); Borrowing Costs (IFRS 1); Clarification of the requirements for comparative information (IAS 1); Classification of servicing equipment (IAS 16); Tax effect of distribution to holders of equity instruments (IAS 32); and interim financial reporting and segment information for total assets and liabilities (IAS 34). The amendments are effective for annual periods beginning on or after 1 January 2013.

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

On 29 May 2013 the IASB published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

New important standards and amendments not yet adopted by EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

On 20 May 2013, IFRIC 21 Levies was issued. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRS 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); and Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The Council is 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 Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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 Comprehensive Income.

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 Statement of Comprehensive Income as it accrues.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

Inventories

Inventories are valued 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 Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Local Enforcement System

Iklin Local Council forms part of the Birkirkara Joint Committee. 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. As from September 2011, the Iklin Local Council now forms part of the Central Region for Local Enforcement. Income from LES now comprises a 10% administration fee on contraventions paid at Iklin Local Council.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

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.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2013 Euro	2012 Euro
In terms of Section 55 of the Local Councils Act, 1993	220,065	224,586
Other Supplementary Government Income	13,717	0
Other Government Income	<u>10,998</u>	<u>9,324</u>
	<u>244,780</u>	<u>233,910</u>

4. LOCAL ENFORCEMENT INCOME

	2013 Euro	2012 Euro
Administrative charges to Regional Committees	2,333	2,669
Fines and penalties to Pre-Regional committees	<u>1,032</u>	<u>14,694</u>
	<u>3,365</u>	<u>17,363</u>

5. GENERAL INCOME

	2013 Euro	2012 Euro
Tender Documents	1,340	288
Income from Water Services	0	2,250
Admin. Fee – Green MT	6,185	0
Cultural Events	0	1,083
Income from Permits	2,067	2,315
Other Income	372	750
Contributions	<u>4,600</u>	<u>3,100</u>
	<u>€ 14,564</u>	<u>€ 9,786</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. PERSONAL EMOLUMENTS	2013 Euro	2012 Euro
Mayor's Honoraria	6,704	6,539
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	25,834	24,673
Employees' Salaries	21,850	20,816
Social Security Contributions	<u>4,283</u>	<u>4,147</u>
	€ 65,071	€ 62,575
 7. OPERATIONS AND MAINTENANCE EXPENSES	 2013	 2012
Operations and maintenance includes, <i>inter alia</i>	Euro	Euro
 REPAIRS AND UPKEEP		
Roads and street maintenance	5,282	12,894
Roads and street pavements	1,570	3,933
Street Signs	0	0
Litter Bins	0	0
Plant & Equipment	0	0
Office furniture & equipment	91	636
Other repairs & upkeep	<u>795</u>	<u>1,379</u>
	€ 7,738	€ 18,842
 CONTRACTUAL SERVICES		
Refuse collection	22,848	23,209
Bulky refuse collection	3,516	3,689
Hire of skips	0	0
Waste disposal	21,816	21,786
Road and street cleaning	11,580	11,286
Cleaning and maintenance parks and gardens	1,495	2,857
Cleaning and maintenance council premises	1,034	700
Other Contractual services	4,039	4,979
Street Lighting devolution	2,756	1,721
LES related expenditure	<u>372</u>	<u>963</u>
	€ 69,456	€ 71,190
 TOTAL OPERATIONS AND MAINTENANCE EXPENSES	 € 77,194	 € 90,032

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Euro	2012 Euro
8. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	43,194	37,579
Water & Electricity	2,884	3,541
Telecommunications	3,525	3,802
Meetings and conventions	943	303
Rent	12,219	11,112
Printing & Stationery	2,408	2,767
Postages	290	371
Subscriptions	48	78
Publications	0	1,228
Staff Training	60	0
Penalties and fines	0	400
Advertising	403	102
Office services	821	1,733
Sundry Minor Expenses	62	120
Professional services	9,308	10,199
Transport Expenses	624	2,624
Community and hospitality	11,598	14,487
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES	€ 88,387	€ 90,446

9. FINANCE INCOME

	2013 Euro	2012 Euro
Bank interests	<hr/> € 103	<hr/> € 363

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

10. PROPERTY, PLANT AND EQUIPMENT

	Office			New Street	Projects				
	Construction	Furniture & Fittings	Urban Improv.	Equipment	Plant & Machinery	Special Programmes	Street Lights	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2013	455,162	22,994	60,642	26,005	340	393,548	6,797	185,830	1,181,599
Additions	36,461	0	1,095	2,079	560	88,801	0	11,585	140,581
Reclassification	0	0	0	0	0	0	0	0	0
At 31st December 2013	491,623	22,994	61,737	28,084	900	482,349	6,797	197,415	1,322,180
Grants									
At 1 January 2013	15,561	0	0	2,644	0	264,676	0	0	282,881
Transferred during the year	0	0	0	0	0	0	0	0	0
At 31st December 2013	15,561	0	0	2,644	0	264,676	0	0	282,881
Depreciation									
At 1 January 2013	228,877	14,930	40,483	20,675	326	19,660	6,797	0	362,029
Charge for the period	25,431	597	2,006	884	87	14,189	0	0	43,194
Reclassification	0	0	0	0	0	0	0	0	0
At 31st December 2013	254,308	15,527	42,489	21,559	413	33,849	6,797	0	405,233
Net Book Value									
At 31st December 2013	221,754	7,467	19,248	3,881	487	183,824	0	197,415	634,076

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

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Office				New Street	Projects			
	Construction	Furniture & Fittings	Urban	Office	Plant & Machinery	Special Programmes	Street Lights	Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2012	457,181	22,994	58,796	25,823	340	352,165	6,797	93,184	1,045,623
Additions	24,244	0	819	182	0	15,113	0	92,646	133,004
Reclassification	-26,263	0	1,938	0	0	26,270	0	0	2,972
At 31st December 2012	455,162	22,994	60,642	26,005	340	393,548	6,797	185,830	1,181,599
Grants									
At 1 January 2012	15,561	0	0	2,644	0	264,676	0	0	282,881
Transferred during the year	0	0	0	0	0	0	0	0	0
At 31st December 2012	15,561	0	0	2,644	0	264,676	0	0	282,881
Depreciation									
At 1 January 2012	205,463	14,266	37,105	20,003	322	9,179	6,797	0	321,478
Charge for the period	23,414	655	2,354	672	4	10,480	0	0	37,579
Reclassification	0	9	1,938	0	0	1	0	0	2,972
At 31st December 2012	228,877	14,930	40,483	20,675	326	19,660	6,797	0	362,029
Net Book Value									
At 31st December 2012	210,724	8,064	20,159	2,686	14	109,212	0	185,830	536,689

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

	2013 Euro	2012 Euro
Amount invoiced but not yet settled	6,582	2,345
LES Debtors	0	0
Prepayments	3,000	3,085
Accrued Income	<u>56,909</u>	<u>42,346</u>
	<u>66,491</u>	<u>47,776</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	4,088	2,345
Exceeded credit period(past due) but not impaired	<u>2,494</u>	<u>0</u>
	<u>6,582</u>	<u>2,345</u>

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

12. 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:

	2013 Euro	2012 Euro
Cash in hand	55	44
Special Needs Funds	6,870	6,870
Bank balances		
-Ordinary Funds	<u>148,817</u>	<u>188,394</u>
	<u>€ 155,742</u>	<u>€ 195,308</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEFERRED INCOME

	2013 Euro	2012 Euro
Govenment grants		
At beginning of year	369,351	367,423
Increase in period	<u>23,529</u>	<u>10,308</u>
	392,880	377,731
Released in period	<u>(9,903)</u>	<u>(8,380)</u>
At end of year	382,977	369,351
Current Deferred Income	<u>10,080</u>	<u>8,250</u>
Non-Current Deferred Income	<u>372,897</u>	<u>361,101</u>
Repayable between one and two years	9,117	7,462
Repayable between two and five years	22,449	18,373
Repayable in five years or more	<u>341,331</u>	<u>335,266</u>
	<u>372,897</u>	<u>361,101</u>

14. TRADE AND OTHER PAYABLES

	2013 Euro	2012 Euro
Trade creditors	31,353	35,727
Accruals and deferred income	<u>23,489</u>	<u>18,484</u>
	<u>54,842</u>	<u>54,211</u>

Provisions include estimates for goods and services received prior to 31 December 2013 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2013 Euro	2012 Euro
Trade creditors (PPP Scheme)	<u>39,861</u>	<u>7,912</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31/12/2013.

16. CAPITAL COMMITMENTS

	2013 Euro	2012 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	49,546	149,845
- Capital expenditure that has been approved but not yet contracted for	88,541	88,941
i. The Capital expenditure that has been contracted but not provided for in the financial statements, represents €49,546 for the restoration of rubble walls under Measure 323 (2012-€78,440). During 2012, it also included €71,405 for the resurfacing works in Triq il-Hwawar under the PPP Scheme, which project has now been completed.		
ii. The Capital expenditure that has been approved but not contracted for, represents €41,541 for the Construction of new premises for the Local Council (2012-€41,541), Street Paving works amounting to €19,000 (2012-€19,000), Special programmes amounting to €24,500 (2012-€22,000), Urban Improvements amounting to €1,500 (2012-€2,700) and Office Furniture & Equipment amounting to €2,000 (2012-€3,700).		

17. 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.

18. RELATED PARTY TRANSACTIONS

The Iklin Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Birkirkara Joint Committee for Local Enforcement and Central Regional Committee for Local Enforcement
- iii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, Malta Environment and Planning Authority, Inland Revenue Department, Director General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Bank of Valletta plc. and the Department of Lands.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2013	2012
	Euro	Euro
Annual Financial Allocation	220,065	224,586

Key Management Emoluments included in Note 6.

19. 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:

	2013	2012
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	63,491	44,691
Cash and cash equivalents	<u>155,742</u>	<u>195,308</u>
	<u>219,233</u>	<u>239,999</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2013 Euro	2012 Euro
Accrued income by class:		
Government Owned entities	33,380	42,278
Private entities	<u>0</u>	<u>68</u>
	<u>33,380</u>	<u>42,346</u>

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

	2013 Euro	2012 Euro
Amount invoiced not yet settled by class:		
Government Owned entities	3,337	2,345
Private entities	<u>3,245</u>	<u>0</u>
	<u>6,582</u>	<u>2,345</u>

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.

	2013 Euro	2011 Euro
31-60 days	539	597
61-90 days	0	230
91-180 days	3,549	1,518
181-365 days	1,182	0
Over 365 days	<u>1,312</u>	<u>0</u>
	<u>6,582</u>	<u>2,345</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 155,742. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2013, the Council's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	31,353	39,861	-
Accruals	<u>13,409</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	35,727	6,593	1,319
Accruals	<u>10,234</u>	<u>-</u>	<u>-</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. 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:

	2013	2012
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	63,491	44,691
Cash and cash equivalents	<u>155,742</u>	<u>195,308</u>
	<u>219,233</u>	<u>239,999</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	31,353	35,727
Accruals	<u>13,409</u>	<u>10,234</u>
	<u>44,762</u>	<u>45,961</u>

21. COMPARATIVE FIGURES

Certain figures in the previous year comparatives were reclassified to conform with current figures.

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date that the financial statements have been authorised for issue.