



Isla
Città Invicta

ISLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the period 1 January to 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 Gwann,
Mosta MST 3603

REGISTRY

- 6 MAY 2014

NATIONAL AUDIT OFFICE



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

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REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013

PP 2013/14

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**ISLA 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.


Justin John Camilleri MInstLM
Mayor


Arthur Perici
Executive Secretary

Date: 23/04/2014

LOCAL COUNCIL ISLA

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL ISLA, which comprise the statement of financial position on page 7 as of 31st December 2013, and 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

The Council has recognized income received from EU Funding of €66,000. This income is a pre-financing payment of 50% for the project 'Senglea Maritime Festival and Revival of Old Towns and Villages', which commenced in 2013 and will end in 2015. This income was not apportioned according to the stage of completion of the project in accordance with IAS 18 – Revenue Recognition. We were not provided with sufficient information to determine the percentage completion of the project and there were no practical acceptable audit procedures we could perform to obtain reasonable assurance on the amount of misstatement in relation to this income recognition.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 24 – Related Party Disclosures and IAS 38 – Intangible Assets.

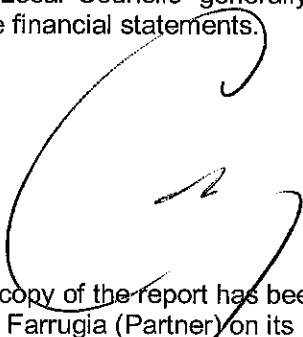
Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Local Council Isla as at 31st December, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Clive Farrugia (Partner) on its behalf

3a
Certified Public Accountants
Level 2
Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Date 23rd April 2014

ISLA 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	278,405	282,443
Income raised under Law Enforcement system	4	58	3,012
Income raised under Local Council Bye-Laws	5	1,600	4,336
General income	6	159,895	52,949
		<hr/>	<hr/>
		439,958	342,740
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	7	72,308	68,127
Operations and maintenance	8	147,500	132,908
Administration and other expenditure	9	214,203	161,301
		<hr/>	<hr/>
		434,011	362,336
		<hr/>	<hr/>
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		€ 5,947	(€ 19,596)
Finance income	10	204	652
SURPLUS/(DEFICIT) FOR THE YEAR		€ 6,151	(€ 18,944)
		<hr/>	<hr/>

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


ISLA 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	11	<u>325,684</u>	<u>357,735</u>
Current Assets			
Trade and other receivables	12	140,799	55,293
Cash and cash equivalents	13	<u>8,235</u>	<u>32,410</u>
Total Current Assets		<u>149,034</u>	<u>87,703</u>
TOTAL ASSETS		<u>€ 474,718</u>	<u>€ 445,438</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>235,334</u>	<u>229,183</u>
Non-Current Liabilities			
Deferred Income	14	<u>109,990</u>	<u>114,008</u>
Current Liabilities			
Trade and other payables	15	<u>129,394</u>	<u>102,247</u>
Total Current Liabilities		<u>129,394</u>	<u>102,247</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 474,718</u>	<u>€ 445,438</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 23/04/2014 and signed on its behalf by:


 Justin John Camilleri MInstLM
 Mayor


 Arthur Perici
 Executive Secretary

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

	Retained Funds Euro
At 1 January 2012	248,127
Loss for the year	(18,944)
At 31 December 2012	<u>229,183</u>
At 1 January 2013	229,183
Profit for the year	<u>6,151</u>
At 31 December 2013	<u>235,334</u>

ISLA LOCAL COUNCIL
CASH FLOW STATEMENT
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/(Deficit) for the year		6,151	(18,944)
Adjustments for:			
Depreciation		34,854	29,105
Increase in Provision for Bad Debts		7,113	26,497
Loss on Disposal		13,050	0
Interest receivable		(204)	(652)
Operating Profit before Working Capital changes		<u>60,964</u>	<u>36,006</u>
Movement in working capital			
(Increase)/Decrease in Inventories		0	1,362
Decrease/(Increase) in receivables		(92,619)	3,214
Increase/(Decrease) in payables		38,815	4,985
Government Grant released		<u>(11,182)</u>	<u>(7,448)</u>
Net cash (outflow)/inflow from operating activities		(4,022)	38,119
Cash flows from investing activities			
Acquisition of property, plant and equipment		(24,032)	(169,662)
Grants received		3,675	105,369
Interest received		<u>204</u>	<u>652</u>
Net cash used in investing activities		(20,153)	(63,641)
Net (decrease)/increase in cash and cash equivalents		(24,175)	(25,522)
Cash and cash equivalents at beginning of the year		32,410	16,206
Cash and cash equivalents at end of year	14	<u>8,235</u>	<u>32,410</u>

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

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

1. GENERAL INFORMATION

Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act 1993. The office of the Council is at 2, St. Joseph Street, Isla.

The financial statements were authorised for issue by the Council on the 23/04/2014.

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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).

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:

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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 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 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Local Enforcement System

Isla Local Council forms part of the Fgura 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 Isla Local Council now forms part of the South Eastern Region for Local Enforcement. Income from LES now comprises a 10% administration fee on contraventions paid at Isla Local Council.

Critical 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'.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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. 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'.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2013 Euro	2012 Euro
In terms of Section 55 of the Local Councils Act, 1993	260,861	266,162
Other Government Income	<u>17,544</u>	<u>16,281</u>
	<u>278,405</u>	<u>282,443</u>

4. LOCAL ENFORCEMENT INCOME

	2013 Euro	2012 Euro
Fines and penalties	<u>58</u>	<u>3,012</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2013 Euro	2012 Euro
Income from hire of skips	110	171
Rent Receivable	<u>1,490</u>	<u>4,165</u>
	<u>€ 1,600</u>	<u>€ 4,336</u>

6. GENERAL INCOME

	2013 Euro	2012 Euro
Income from Water Services	3,750	4,050
Income from use of crane	1,807	1,499
Income from Kiosk	1,026	1,457
Income from use of roads	609	740
Income from Go bills	103	97
Income from Hire of Football Ground	125	146
Library Services	569	233
EU Programs	124,065	24,875
Admin. Fee 10% LES Regjuni	1,448	1,817
Tender Documents	3,291	506
Advertising	0	117
Other Income	5,044	4,648
Contributions	4,304	6,187
Donations & Sponsorships	<u>13,754</u>	<u>6,577</u>
	<u>€ 159,895</u>	<u>€ 52,949</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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	26,277	25,644
Employees' Salaries	28,255	25,302
Social Security Contributions	<u>4,672</u>	<u>4,242</u>
	<u>€ 72,308</u>	<u>€ 68,127</u>
Average number of people employed		
Employees	2.5	2.5
Mayor & Councillors	5	5

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, *inter alia*

REPAIRS AND UPKEEP

	2013 Euro	2012 Euro
Roads and street maintenance	17,329	7,839
Plant & Equipment	0	0
Office furniture & equipment	763	205
Other repairs & upkeep	<u>9,685</u>	<u>1,881</u>
	<u>€ 27,777</u>	<u>€ 9,925</u>

CONTRACTUAL SERVICES

	2013	2012
Refuse collection	38,939	38,064
Bulky refuse collection	15,878	9,780
Hire of skips	984	1,238
Waste disposal	20,459	20,459
Road and street cleaning	20,980	20,476
Cleaning and maintenance parks and gardens	6,180	4,906
Cleaning and maintenance public conveniences	2,055	4,288
Cleaning and maintenance council premises	924	1,584
Other Contractual services	2,648	3,498
Street Lighting devolution	3,874	5,874
LES related expenditure	<u>6,802</u>	<u>12,816</u>
	<u>€ 119,723</u>	<u>€ 122,983</u>

TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 147,500</u>	<u>€ 132,908</u>
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ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2013 Euro	2012 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	34,854	29,105
Water & Electricity	4,038	6,392
Telecommunications	4,640	4,830
National and International memberships	1,444	968
Meetings and conventions	7,375	5,017
Rent	3,539	3,296
Printing & Stationery	4,964	4,368
Postages	444	645
Subscriptions	67	18
Publications	89	0
Library Expenses	1,728	1,520
Loss on Disposal	13,050	0
Bank charges	371	263
Difference on Exchange	167	0
Provision for Bad Debts (LES)	4,723	14,847
Provision for Bad Debts (General)	2,390	11,650
Advertising	485	1,438
Office services	1,686	331
Staff training	188	0
Sundry Minor Expenses	20	25
Professional services	10,437	7,297
Transport Expenses	126	697
Community and hospitality	117,378	68,594
TOTAL ADMINISTRATIVE EXPENSES	€ 214,203	€ 161,301

10. FINANCE INCOME

	2013 Euro	2012 Euro
Bank interests	€ 204	€ 652

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
Cost											
At 1 January 2013	65,091	18,493	12,569	9,209	153,486	164,495	505,721	4,113	2,261	10,606	946,044
Additions	1,393	258	185	0	900	11,849	9,447	0	0	0	24,032
Disposals/Transfers	-11,111	-4,651	-6,211	0	-27,095	0	0	0	-1,165	-8,175	-58,408
At 31st December 2013	55,373	14,100	6,543	9,209	127,291	176,344	515,168	4,113	1,096	2,431	911,668
Grants											
At 1 January 2013	0	0	0	0	0	0	246,714	0	0	0	246,714
Transferred during the year	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2013	0	0	0	0	0	0	246,714	0	0	0	246,714
Depreciation											
At 1 January 2013	37,889	12,414	11,404	9,209	107,129	98,927	62,832	0	1,795	0	341,599
Charge for the period	1,868	1,201	300	0	4,589	6,707	20,109	0	80	0	34,854
Released on disposal	-6,158	-4,250	-5,966	0	-19,766	0	0	0	-1,043	0	-37,183
At 31st December 2013	33,599	9,365	5,738	9,209	91,952	105,634	82,941	0	832	0	339,270
Net Book Value											
At 31st December 2013	21,774	4,735	805	0	35,339	70,710	185,513	4,113	264	2,431	325,684

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

Cost	Office Furniture, Fixtures & Fittings €	New		Urban Improv. €	Construction €	Special Programmes €	Football Ground €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
		Office Equipment €	Computer Equipment €								
At 1 January 2012	65,091	18,394	12,569	145,735	105,659	348,597	58,836	4,113	2,103	6,076	776,382
Additions	0	99	0	7,751	0	157,124	0	0	158	4,530	169,662
At 31st December 2012	65,091	18,493	12,569	153,486	105,659	505,721	58,836	4,113	2,261	10,606	946,044
Grants											
At 1 January 2012	0	0	0	0	0	246,714	0	0	0	0	246,714
Transferred during the year	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2012	0	0	0	0	0	246,714	0	0	0	0	246,714
Depreciation											
At 1 January 2012	35,679	10,915	11,016	97,277	91,949	54,730	0	0	1,715	0	312,490
Charge for the period	2,206	1,499	388	9,852	6,978	8,102	0	0	80	0	29,105
At 31st December 2012	37,885	12,414	11,404	107,129	98,927	62,832	0	0	1,795	0	341,595
Net Book Value											
At 31st December 2012	27,206	6,079	1,165	46,357	6,732	196,175	58,836	4,113	466	10,606	357,735

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER RECEIVABLES

	2013	2012
	Euro	Euro
Amount invoiced but not yet settled	22,921	15,968
Prepayments and Accrued income	75,766	40,364
LES Debtors	112,964	118,697
Other Debtors	55,817	70
Deposit Payments	335	85
General Provision for Bad Debts	(11,650)	(11,650)
Provision for Bad LES Debts	<u>(112,964)</u>	<u>(108,241)</u>
	<u>143,189</u>	<u>55,293</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	7,368	5,201
Exceeded credit period(past due) but not impaired	<u>15,553</u>	<u>10,767</u>
	<u>22,921</u>	<u>15,968</u>

Prepayments include prepayments of Local Council property rental.

13. 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	2012
	Euro	Euro
Cash in hand	283	300
Bank balances		
-Ordinary Funds	<u>7,952</u>	<u>32,110</u>
	<u>€ 8,235</u>	<u>€ 32,410</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

14. DEFERRED INCOME

	2013 €	2012 €
Government grants		
At beginning of year	128,917	30,996
Increase in period	<u>2,585</u>	<u>101,294</u>
	131,502	132,290
Released in period	<u>(11,182)</u>	<u>(7,448)</u>
At end of year	120,320	124,842
 Current Deferred Income	 <u>10,330</u>	 <u>10,834</u>
Non-Current Deferred Income	<u>109,990</u>	<u>114,008</u>
 Repayable between one and two years	 19,614	 10,079
Repayable between two and five years	22,621	24,526
Repayable in five years or more	<u>67,755</u>	<u>79,403</u>
	<u>109,990</u>	<u>114,008</u>

15. TRADE AND OTHER PAYABLES

	2013 Euro	2012 Euro
Trade creditors	73,482	58,266
Other creditors	932	932
Accruals and deferred income	<u>54,980</u>	<u>43,049</u>
	<u>129,394</u>	<u>102,247</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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. CONTINGENT LIABILITIES

There were no Contingent Liabilities as at 31 December 2013.

17. CONTINGENT GAIN

The Council has a potential gain which is still being disputed over Water Services Reinstatement works for 2009 for the amount of € 3,250.

18. CAPITAL COMMITMENTS

	2013 Euro	2012 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	0	0
- Capital expenditure that has been approved but not yet contracted for	44,343	125,427

- i. The Capital expenditure that has been approved but not contracted for, represents the construction of a Public Convenience at Gardjola Gardens together with PV Panels in same location.

19. 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.

20. GOING CONCERN

The Statement of Affairs and the notes thereto, with special reference to capital commitments, 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RELATED PARTY TRANSACTIONS

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

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Fgura Joint Committee for Local Enforcement and South 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.

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

	2013	2012
	Euro	Euro
Annual Financial Allocation	260,861	266,162
<u>Key Management Emoluments</u>		
Executive Secretary	26,277	25,644
Mayor's Honoraria	6,704	6,539
Mayor & Councillors' Allowances	6,400	6,400

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-

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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	138,973	53,326
Cash and cash equivalents	<u>8,235</u>	<u>32,410</u>
	<u>147,208</u>	<u>85,736</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	15,862	12,169
Private entities	<u>7,059</u>	<u>3,799</u>
	<u>22,921</u>	<u>15,968</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	2012 Euro
31-60 days	5,882	2,272
61-90 days	150	2,929
91-180 days	1,335	3,317
181-365 days	0	0
Over 365 days	<u>15,554</u>	<u>7,450</u>
	<u>22,921</u>	<u>15,968</u>

ISLA 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 € 8,235. 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	74,414	-	-
Accruals	<u>44,650</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	59,198	-	-
Accruals	<u>29,814</u>	<u>-</u>	<u>-</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

25. 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	138,973	53,326
Cash and cash equivalents	<u>8,235</u>	<u>32,410</u>
	<u>147,208</u>	<u>85,736</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	74,414	59,198
Accruals	<u>44,650</u>	<u>29,814</u>
	<u>119,064</u>	<u>89,012</u>