



**ISLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2014**

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REGISTRY

24 APR 2015

NATIONAL AUDIT OFFICE

**ISLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2014**

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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: 21/04/2015

Isla Local Council

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 Isla 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

Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Isla Local Council

Financial Statements for the year ended 31 December 2014

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

Qualified Opinion

In our opinion the financial statements give a true and fair view of the financial position of Isla 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 International Financial Reporting Standards.

Because of the matter set out under "Basis for qualified opinion" paragraph 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.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

21 April 2015

ISLA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	2014 Euro	2013 Euro
INCOME			
Funds received from Central Government	3	291,611	278,405
Income raised under Law Enforcement system	4	(305)	58
Income raised under Local Council Bye-Laws	5	7,731	1,600
General income	6	107,613	159,895
		<hr/>	<hr/>
		406,650	439,958
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	7	67,645	72,308
Operations and maintenance	8	135,428	147,500
Administration and other expenditure	9	209,046	214,203
		<hr/>	<hr/>
		412,119	434,011
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(€ 5,469)	€ 5,947
Finance income	10	99	204
(LOSS)/PROFIT FOR THE YEAR		(€ 5,370)	€ 6,151
		<hr/>	<hr/>

The notes on page 10 to 27 form an integral part of these financial statements


ISLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	31 Dec 2014 Euro	31 Dec 2013 Euro
ASSETS			
Intangible Assets	11	119	159
Non-Current Assets			
Property, plant and equipment	11	<u>328,995</u>	<u>325,525</u>
		329,114	325,684
Current Assets			
Trade and other receivables	12	164,339	140,799
Cash and cash equivalents	13	<u>16,687</u>	<u>8,235</u>
Total Current Assets		<u>181,026</u>	<u>149,034</u>
TOTAL ASSETS		<u>€ 510,140</u>	<u>€ 474,718</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>229,964</u>	<u>235,334</u>
Non-Current Liabilities			
Deferred Income	14	<u>122,316</u>	<u>109,990</u>
Current Liabilities			
Trade and other payables	15	<u>157,860</u>	<u>129,394</u>
Total Current Liabilities		<u>157,860</u>	<u>129,394</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 510,140</u>	<u>€ 474,718</u>

The notes on page 10 to 27 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 21/04/2015 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 year 1 January to 31 December 2014

	Retained Funds Euro
At 1 January 2013	229,183
Profit for the year	<u>6,151</u>
At 31 December 2013	<u>235,334</u>
 At 1 January 2014	 235,334
Loss for the year	<u>(5,370)</u>
At 31 December 2014	<u>229,964</u>

ISLA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year 1 January to 31 December 2014

	Notes	1 Jan 2014- 31 Dec 2014 Euro	1 Jan 2013- 31 Dec 2013 Euro
Operating Activities			
(Loss)/Profit for the year		(5,370)	6,151
Adjustments for:			
Depreciation		32,782	34,854
(Decrease)/Increase in Provision for Bad Debts		(18)	7,113
Loss on Disposal		0	13,050
Interest receivable		(99)	(204)
Operating Profit before Working Capital changes		<u>27,295</u>	<u>60,964</u>
Movement in working capital			
(Increase)/Decrease in Inventories		0	0
Decrease/(Increase) in receivables		(23,522)	(92,619)
Increase/(Decrease) in payables		17,564	38,815
Government Grant released		<u>(10,938)</u>	<u>(11,182)</u>
Net cash (outflow)/inflow from operating activities		10,399	(4,022)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(35,049)	(24,032)
Grants received		13,159	3,675
Interest received		<u>99</u>	<u>204</u>
Net cash used in investing activities		(21,791)	(20,153)
Net (decrease)/increase in cash and cash equivalents		(11,392)	(24,175)
Cash and cash equivalents at beginning of the year		8,235	32,410
Cash and cash equivalents at end of year	13	16,687	8,235
Bank Balance overdrawn	15	<u>(19,844)</u>	<u>0</u>
		<u>(3,157)</u>	<u>8,235</u>

The notes on page 10 to 27 form an integral part of these financial statements

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year 1 January to 31 December 2014

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 21/04/2015.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (CAP 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (CAP 363).

New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standard are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

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

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

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

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

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

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

IFRS 9 Financial Instruments (effective from 1 January 2015)

The IASB aims to replace *IAS 39 Financial Instruments. Recognition and Measurement* in its entirety with IFRS 9. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues.

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

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Intangible Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

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 Statement of Comprehensive Income 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 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.

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

	2014	2013
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	260,444	260,861
Other Government Income	<u>31,167</u>	<u>17,544</u>
	<u>291,611</u>	<u>278,405</u>

4. LOCAL ENFORCEMENT INCOME

	2014	2013
	Euro	Euro
Fines and penalties	<u>(305)</u>	<u>58</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2014	2013
	Euro	Euro
Income from hire of skips	342	110
Rent Receivable	<u>7,389</u>	<u>1,490</u>
	<u>€ 7,731</u>	<u>€ 1,600</u>

6. GENERAL INCOME

	2014	2013
	Euro	Euro
Income from Water Services	3,200	3,750
Income from use of crane	5,450	1,807
Income from Kiosk	1,311	1,026
Income from use of roads	93	609
Income from Go bills	1	103
Income from Hire of Football Ground	227	125
Library Services	515	569
EU Programs	92,677	124,065
Admin. Fee 10% LES Regjuni	2,158	1,448
Tender Documents	489	3,291
Other Income	(212)	5,044
Contributions	1,671	4,304
Donations & Sponsorships	<u>33</u>	<u>13,754</u>
	<u>€ 107,613</u>	<u>€ 159,895</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2014 Euro	2013 Euro
Mayor's Honoraria	6,868	6,704
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	26,909	26,277
Employees' Salaries	23,040	28,255
Social Security Contributions	<u>4,428</u>	<u>4,672</u>
	<u>€ 67,645</u>	<u>€ 72,308</u>
Average number of people employed		
Employees	2	2.5
Mayor & Councillors	5	5

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, *inter alia*

REPAIRS AND UPKEEP

	2014 Euro	2013 Euro
Roads and street maintenance	14,714	17,329
Plant & Equipment	0	0
Office furniture & equipment	30	763
Other repairs & upkeep	<u>8,341</u>	<u>9,685</u>
	<u>€ 23,085</u>	<u>€ 27,777</u>

CONTRACTUAL SERVICES

	2014	2013
Refuse collection	34,487	38,939
Bulky refuse collection	22,289	15,878
Hire of skips	514	984
Waste disposal	17,243	20,459
Road and street cleaning	20,309	20,980
Cleaning and maintenance parks and gardens	6,000	6,180
Cleaning and maintenance public conveniences	2,280	2,055
Cleaning and maintenance council premises	1,622	924
Other Contractual services	818	2,648
Street Lighting devolution	5,180	3,874
LES related expenditure	<u>1,601</u>	<u>6,802</u>
	<u>€ 112,343</u>	<u>€ 119,723</u>

TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 135,428</u>	<u>€ 147,500</u>
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ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2014 Euro	2013 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	32,782	34,854
Water & Electricity	4,410	4,038
Telecommunications	4,378	4,640
National and International memberships	1,378	1,444
Meetings and conventions	2,046	7,375
Rent	3,539	3,539
Printing & Stationery	1,439	4,964
Postages	127	444
Subscriptions	35	67
Publications	0	89
Library Expenses	1,709	1,728
Loss on Disposal	0	13,050
Bank charges	605	371
Difference on Exchange	0	167
Provision for Bad Debts (LES)	(518)	4,723
Provision for Bad Debts (General)	500	2,390
Advertising	963	485
Office services	2,460	1,686
Staff training	0	188
Penalties – DLG	651	0
Insurance	1,792	0
Sundry Minor Expenses	0	20
Professional services	7,553	10,437
Transport Expenses	826	126
Community and hospitality	142,371	117,378
TOTAL ADMINISTRATIVE EXPENSES	€ 209,046	€ 214,203

10. FINANCE INCOME

	2014 Euro	2013 Euro
Bank interests	€ 99	€ 204

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

Office Furniture, Fixtures & Fittings	New										Total
	€	Office Equipment	Computer Equipment	Street Signs	Urban Improv.	Construction	Special Programmes	Trees	Plant & Machinery	Assets under Construction	
At 1 January 2014	55,373	14,100	6,543	9,209	127,291	176,344	515,168	4,113	1,096	2,431	911,668
Additions	1,457	1,164	0	0	33,590	-1,630	1,631	0	0	0	36,212
Disposals/Transfers	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2014	56,830	15,264	6,543	9,209	160,881	174,714	516,799	4,113	1,096	2,431	947,880
Grants											
At 1 January 2014	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 2014	0	0	0	0	0	0	246,714	0	0	0	246,714
Depreciation											
At 1 January 2014	33,599	9,365	5,738	9,209	91,952	105,634	82,941	0	832	0	339,270
Charge for the period	1,710	966	201	0	4,438	6,632	18,782	0	53	0	32,782
Released on disposal	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2014	35,309	10,331	5,939	9,209	96,390	112,266	101,723	0	885	0	372,052
Net Book Value											
At 31st December 2014	21,521	4,933	604	0	64,491	62,448	168,362	4,113	211	2,431	329,114

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Office Furniture, & Fixtures €	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)

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	Euro	Euro
Amount invoiced but not yet settled	42,256	22,921
Prepayments and Accrued income	136,553	75,766
LES Debtors	112,446	112,964
Other Debtors	70	55,817
Deposit Payments	0	335
General Provision for Bad Debts	(14,540)	(14,040)
Provision for Bad LES Debts	<u>(112,446)</u>	<u>(112,964)</u>
	<u>164,339</u>	<u>140,779</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	22,153	7,368
Exceeded credit period (past due) but not impaired	<u>20,103</u>	<u>15,553</u>
	<u>42,256</u>	<u>22,921</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 Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2014	2013
	Euro	Euro
Cash in hand	290	283
Bank balances		
-Ordinary Funds	<u>16,397</u>	<u>7,952</u>
	<u>€ 16,687</u>	<u>€ 8,235</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

14. DEFERRED INCOME

	2014 €	2013 €
Government grants		
At beginning of year	120,320	128,917
Increase in period	<u>24,501</u>	<u>2,585</u>
	144,821	131,502
Released in period	<u>(10,938)</u>	<u>(11,182)</u>
At end of year	133,883	120,320
 Current Deferred Income	 <u>11,567</u>	 <u>10,330</u>
Non-Current Deferred Income	<u>122,316</u>	<u>109,990</u>
 Repayable between one and two years	 10,413	 19,614
Repayable between two and five years	25,445	22,621
Repayable in five years or more	<u>86,458</u>	<u>67,755</u>
	<u>122,316</u>	<u>109,990</u>

15. TRADE AND OTHER PAYABLES

	2014 Euro	2013 Euro
Trade creditors	54,253	73,482
Other creditors	233	932
Bank Balance overdrawn	19,844	0
Accruals and deferred income	<u>83,530</u>	<u>54,980</u>
	<u>157,860</u>	<u>129,394</u>

Provisions include estimates for goods and services received prior to 31 December 2014 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 2014.

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

	2014 Euro	2013 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	58,543	44,343

- 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, lighting improvements, and the purchase of live streaming equipment.

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 Financial Position 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, Malta Information Technology 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. the Department of Lands, Birgu Local Council and Bormla Local Council.

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

	2014	2013
	Euro	Euro
Annual Financial Allocation	260,444	260,861
<u>Key Management Emoluments</u>		
Executive Secretary	26,909	26,277
Mayor's Honoraria	6,868	6,704
Mayor & Councillors' Allowances	6,400	6,400

22. 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	2014 €	2013 €
Classes of financial assets - carrying amounts		
Trade and other receivables	157,391	138,973
Cash and cash equivalents	<u>16,687</u>	<u>8,235</u>
	<u>174,078</u>	<u>147,208</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:

	2014 Euro	2013 Euro
Amount invoiced not yet settled by class:		
Government Owned entities	38,016	15,862
Private entities	<u>4,240</u>	<u>7,059</u>
	<u>42,256</u>	<u>22,921</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.

	2014 Euro	2013 Euro
31-60 days	3,609	5,882
61-90 days	18,218	150
91-180 days	326	1,335
181-365 days	0	0
Over 365 days	<u>20,103</u>	<u>15,554</u>
	<u>42,256</u>	<u>22,921</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 2014, 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	74,330	-	-
Accruals	<u>71,880</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	74,414	-	-
Accruals	<u>44,650</u>	<u>-</u>	<u>-</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. 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:

	2014	2013
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	157,391	138,973
Cash and cash equivalents	<u>16,687</u>	<u>8,235</u>
	<u>174,078</u>	<u>147,208</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	74,330	74,414
Accruals	<u>71,880</u>	<u>44,650</u>
	<u>146,210</u>	<u>119,064</u>