



TA' KERĊEM

**TA' KERĊEM LOCAL COUNCIL**

**Annual Report**

**and**

**Financial Statements**

**for the year ended 31 December 2013**

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

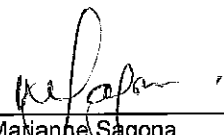
<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 25
Report of the Local Government Auditor to the Auditor General	26 - 27

**Statement of Local Council Members' and Executive Secretary's Responsibilities**  
**for the year ended 31 December 2013**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Councils' statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 29 April 2014 and signed on its behalf by

  
\_\_\_\_\_  
Mario Azzopardi  
Mayor  
\_\_\_\_\_  
Marianne Sagona  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2013

		2013 €	2012 €
	Notes		
<b>INCOME</b>			
Funds received from Central Government	4	289,139	261,759
Income raised under Local Enforcement System	5	1,198	189
General Income	6	11,380	8,396
		<u>301,717</u>	<u>270,344</u>
 <b>EXPENDITURE</b>			
Personal emoluments	8	(74,372)	(63,361)
Operations and maintenance	9	(125,166)	(153,246)
Administration and other expenditure	10	(93,209)	(111,531)
		<u>(292,747)</u>	<u>(328,138)</u>
 <b>Operating profit/(loss) for the year</b>		<b>8,970</b>	<b>(57,794)</b>
 Finance costs	11	(62)	(104)
Investment income	12	325	180
 <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u><b>9,233</b></u>	<u><b>(57,718)</b></u>


The notes on pages 8 to 25 form an integral part of these financial statements

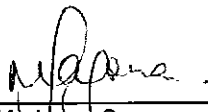
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2013

		2013 €	2012 €
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	868,210	847,441
		<u>868,210</u>	<u>847,441</u>
<b>Current Assets</b>			
Inventories	14	2,322	2,707
Receivables	15	84,994	55,499
Cash and Cash Equivalents	16	85,101	110,072
		<u>172,417</u>	<u>168,278</u>
<b>Total Assets</b>		<u><b>1,040,627</b></u>	<u><b>1,015,719</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Funds		447,000	437,767
		<u>447,000</u>	<u>437,767</u>
<b>Non-Current Liabilities</b>			
Accruals	17	27,312	40,968
Long-term borrowings	18	137,791	148,277
Deferred income	19	264,019	245,806
		<u>429,122</u>	<u>435,051</u>
<b>Current Liabilities</b>			
Payables	17	143,218	121,614
Short-term borrowings		21,287	21,287
		<u>164,505</u>	<u>142,901</u>
<b>Total Reserves and Liabilities</b>		<u><b>1,040,627</b></u>	<u><b>1,015,719</b></u>

These financial statements were approved by the Local Council on 29 April 2014 and signed on its behalf by:

  
 Mario Azzopardi  
 Mayor

  
 Marianne Sagona  
 Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2013

	<b>Retained Funds €</b>
At 1 January 2012	495,485
Total comprehensive loss for the year	(57,718)
<b>At 31 December 2012</b>	<b>437,767</b>
At 1 January 2013	437,767
Total comprehensive income for the year	9,233
<b>At 31 December 2013</b>	<b>447,000</b>

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2013

	2013 €	2012 €
<i>Note</i>		
<b>Cash flows from Operating Activities</b>		
<b>Total comprehensive income/(loss) for the year</b>	9,233	(57,718)
Reconciliation to cash generated from operations:		
Depreciation	49,409	49,211
Impairment	-	14,900
Grant released	(14,345)	(14,254)
Interest receivable	(325)	(180)
Operating Profit/(Loss) before Working Capital Changes	43,972	(8,041)
Movement in inventories	385	(1,096)
Movement in receivables	(2,070)	-
Movement in other receivables	(27,425)	43,222
Movement in payables	(20,686)	26,536
Movement in other payables	19,632	5,352
<b>Cash generated from operating activities</b>	<u>13,808</u>	<u>65,973</u>
<b>Cash flows from Investing Activities</b>		
Interest received	325	180
Purchase of property, plant & equipment	(70,178)	(66,680)
Receipt of grant	27,481	79,500
<b>Cash (used in)/generated from investing activities</b>	<u>(42,372)</u>	<u>13,000</u>
<b>Cash flows from Financing Activities</b>		
New long term bank borrowings	10,797	18,439
Repayment of short term bank borrowings	(21,283)	(21,287)
<b>Cash used in financing activities</b>	<u>(10,486)</u>	<u>(2,848)</u>
Net (decrease)/increase in Cash and Cash Equivalents	(39,050)	76,125
Cash and Cash Equivalents at the Beginning of the year	<u>100,906</u>	<u>24,781</u>
<b>Cash and Cash Equivalents at the End of the year</b>	<u><u>61,856</u></u>	<u><u>100,906</u></u>

**Notes to the Financial Statements for the period ended 31 December 2013**

**1. General Information**

The Ta' Kerċem Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Orvieto Square, Ta' Kerċem, Gozo. These financial statements were approved for issue by the Council Members on 29 April 2014. The Local Council's presentation as well as functional currency is denominated in €.

**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 as adopted by the EU.

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 amended standards adopted by the Council*

The Local Council has adopted the following new and amended standards as of 1 January 2013:

- The IASB issued amendments to IFRS 1 (on Government Loans) on 13 March 2012. The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are effective for annual periods beginning on or after 1 January 2013.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This 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 IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013.
- 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 income statement. 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 IAS19 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.



**Notes to the Financial Statements for the year ended 31 December 2013 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

Disclosure-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 2013.

The amendments to IFRS 11 provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and from the disclosure requirements of paragraph 28(f) of IAS 8.

*New important standards and amendments not yet adopted by the Council*

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local council's accounting periods beginning on or after 1 January 2014 or later periods, but the Local Council has not early adopted them:

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. 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.

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted.

IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interest in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of other interests on its financial position, financial performance and cash flows.

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.

**Notes to the Financial Statements for the year ended 31 December 2013 (cont.)****Accounting Policies and Reporting Procedures (cont.)**

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

*New important standards and amendments not yet adopted by the EU*

*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. These include the following:*

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

The Councillors and Executive Secretary are 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 losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)**

**Accounting Policies and Reporting Procedures (cont.).**

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.

*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.

*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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

*Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

*Amounts receivable*

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Other payables*

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

*Financial instruments*

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions costs. They are measured subsequently as described below.

*Financial assets*

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

*Financial liabilities*

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

*Related parties*

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*Revenue*

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

*Local Enforcement System*

The income recognised under the Local Enforcement System was derived from the 10% administrative fees charged to the five Regional Committees

*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 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.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

*Borrowing costs*

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

*Profits and losses*

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential 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 cash equivalents*

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

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****Accounting Policies and Reporting Procedures (cont.)***Capital Management*

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives 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 the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

**3. Judgments in applying accounting policies and key sources of estimation**

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

**4. Funds received from central government**

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	237,250	240,443
Supplementary Government Income	5,439	-
Other Government Income	32,105	7,062
Grants Released	14,345	14,254
	<u>289,139</u>	<u>261,759</u>

**5. Local Enforcement system**

	2013	2012
	€	€
Administrative fees charged to regional committees	1,198	189
	<u>1,198</u>	<u>189</u>

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****6. General Income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Cultural Events	2,740	2,026
Sponsorships	750	400
General Income	6,088	4,556
Other Income	574	461
Income from Permits	528	893
Tender Documents/Info Charges	700	60
	<u>11,380</u>	<u>8,396</u>

**7. Profit/(Loss) for the year**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Profit /(Loss) for the year is stated after charging		
Staff salaries	74,372	63,361
Depreciation of tangible assets	<u>49,409</u>	<u>49,211</u>

**8. Personal emoluments**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Mayor's Remuneration	6,704	6,364
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	28,398	25,474
Employees' Salaries	28,139	21,404
Social Security Contributions	4,731	3,719
	<u>74,372</u>	<u>63,361</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)**9. Operations and Maintenance**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	5,689	15,269
Walkways	10,016	3,815
Signs	663	2,444
Other repairs and Upkeep	2,326	10,593
Restoration works	16,950	-
	<u>35,644</u>	<u>32,121</u>
 <i>Contractual Services:</i>		
Waste Disposal	13,233	12,607
Refuse Collection	23,666	34,113
Bulky Refuse Collection	215	350
Open Skips	12,221	12,221
Road & Street Cleaning	3,083	7,780
Cleaning & Maintaining Non-Urban	28,288	27,249
Cleaning - Council Premises	790	784
Cleaning & Maintaining Parks & Gardens	3,043	3,746
Street Lighting	4,983	21,982
Studies & Consultations	-	261
Local enforcement expenses	-	32
	<u>89,522</u>	<u>121,125</u>
 <b>Total Operations and Maintenance Costs</b>	<u><b>125,166</b></u>	<u><b>153,246</b></u>



**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****10. Administration and other expenditure**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Utilities	2,998	4,102
Other repairs and upkeep	3,264	1,295
Rent	1,980	2,566
National and International Memberships	932	445
Office Services	4,531	6,240
Transport	743	368
Information Services	735	354
Lease of Equipment	188	67
Insurance Coverage	1,384	1,381
Penalties - MEPA	-	2,050
Professional Services	9,448	6,522
Other Hospitality Costs	157	98
Social Events	4,474	3,124
Cultural Events	12,616	17,857
Community Services	350	951
Impairment on the receivables	-	14,900
Depreciation	49,409	49,211
	<u>93,209</u>	<u>111,531</u>

**11. Finance Costs**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank charges	62	104
	<u>62</u>	<u>104</u>

**12. Investment Income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank Interest Receivable	325	180
	<u>325</u>	<u>180</u>

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

## 13. Property, plant and equipment

	Assets under Construction €	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Office Furniture & fittings €	Special Programmes & Construction €	Total €
<b>Cost</b>							
At 1 January 2012	349,074	4,554	548,306	14,313	10,290	410,072	1,336,609
Additions	29,251	-	6,913	4,299	-	26,217	66,680
At 31 December 2012	378,325	4,554	555,219	18,612	10,290	436,289	1,403,289
<b>Depreciation</b>							
At 1 January 2012	-	4,554	250,424	12,366	6,708	141,320	415,372
Charge for the year	-	-	26,930	868	260	21,153	49,211
At 31 December 2012	-	4,554	277,354	13,234	6,968	162,473	464,583
<b>Grants</b>							
At 1 January 2012	-	-	22,832	-	-	68,433	91,265
At 31 December 2012	-	-	-	-	-	-	-
<b>Net Book values</b>							
At 31 December 2013	378,325	-	255,033	5,378	3,322	205,383	847,441

TA' KERCEM LOCAL COUNCIL

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)

13. Property, plant and equipment (cont.)

	Assets under Construction €	New Street Signs €	Urban Improvements & Construction €	Computer & Office Equipment €	Office Furniture & fittings €	Special Programmes & Construction €	Total €
<b>Cost</b>							
At 1 January 2013	378,325	4,554	555,219	18,612	10,290	436,289	1,403,289
Additions	29,605	-	32,654	47	-	7,872	70,178
Disposals	-	-	-	-	-	-	-
At 31 December 2013	407,930	4,554	587,873	18,659	10,290	444,161	1,473,467
<b>Depreciation</b>							
At 1 January 2013	-	4,554	277,354	13,234	6,968	162,473	464,583
Charge for the year	-	-	28,049	991	240	20,129	49,409
On disposal	-	-	-	-	-	-	-
At 31 December 2013	-	4,554	305,403	14,225	7,208	182,602	513,992
<b>Grants</b>							
At 1 January 2013	-	-	22,832	-	-	68,433	91,265
At 31 December 2013	-	-	-	-	-	-	-
<b>Net Book values</b>							
At 31 December 2013	407,930	-	259,638	4,434	3,082	193,126	868,210

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****14. Inventories**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Stock of stamps	<u>2,322</u>	<u>2,707</u>

**15. Receivables**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Accounts receivable	2,108	38
Other receivables	565	898
Prepayments and accrued income	<u>82,321</u>	<u>54,563</u>
	<u>84,994</u>	<u>55,499</u>

*Receivables*

General receivables are analysed as follows:

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Within credit period	1,345	936
Exceeded credit period but not impaired	1,328	-
Impaired and provided for	-	-
Provision for doubtful debts	<u>-</u>	<u>-</u>
	<u>2,673</u>	<u>936</u>

**16. Cash & cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Cash at Bank	83,090	109,040
Cash in Hand	2,011	1,032
Overdraft	<u>(23,245)</u>	<u>(9,166)</u>
	61,856	100,906
Transfer to payables	<u>23,245</u>	<u>9,166</u>
	<u>85,101</u>	<u>110,072</u>

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****17. Payables**

	2013	2012
	€	€
Accounts payable	29,163	49,849
Other payables	-	2,601
Accruals and deferred income	118,122	100,966
Bank overdrawn balances	23,245	9,166
	<u>170,530</u>	<u>162,582</u>
Less Non-current accruals	<u>27,312</u>	<u>40,968</u>
	<u>143,218</u>	<u>121,614</u>
<b>Non-Current Accruals</b>	<u>27,312</u>	<u>40,968</u>
<b>Accruals - PPP</b>		
Deferred between one and two years	6,828	13,656
Deferred between two and five years	10,242	13,656
Deferred in five years or more	10,242	13,656
	<u>27,312</u>	<u>40,968</u>

**18. Borrowings**

	2013	2012
	€	€
<b>Non-current</b>		
Bank borrowings	<u>137,791</u>	<u>148,277</u>
<b>Current</b>		
Bank borrowings	<u>21,287</u>	<u>21,287</u>
<b>Borrowings</b>		
Repayable between one and two years	21,287	21,287
Repayable between two and five years	63,860	63,860
Repayable in five years or more	52,644	63,130
	<u>137,791</u>	<u>148,277</u>
<b>Repayable after five years or more:</b>		
Bank Loan	<u>52,644</u>	<u>63,130</u>

**Bank Loans**

Long term borrowings consists of two bank loans borrowed by the Council with the approval of the Minister responsible for the Local Government to be repaid over a period of twenty years.

The bank loan's interest rates are 4.8% and 5.05% respectively and repayments for the current year amounts to Eur21,287. The loan is paid through Eur 5,322 quarterly installments inclusive of interest.

The Loans are secured by a general hypothec on the Council's assets and a pledge over an insurance policy.

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****19. Deferred income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
<b>Government grants</b>		
At 1 January	263,361	198,115
Increase in year	27,481	79,500
	290,842	277,615
Released in year	(14,345)	(14,254)
At 31 December	276,497	263,361
<b>Current Deferred Income</b>	12,478	17,555
<b>Non-Current Deferred Income</b>	264,019	245,806
<b>Deferred Government Grants</b>		
Deferred between one and two years	20,477	18,790
Deferred between two and five years	52,516	56,537
Deferred in five years or more	191,026	170,479
	264,019	245,806
<b>Deferred after five years or more:</b>		
Government Grants	191,026	170,479

Notes to the Financial Statements for the period ended 31 December 2013 (cont.)**20. Capital commitments**

	2012	2012
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	188,671	578,001
- Contracted for but not provided in the financial statements	<u>209,950</u>	<u>185,940</u>
(i) Approved but not yet contracted for:		
Clinic	-	18,010
Library	-	23,905
Local Council Premises	8,116	57,969
Training Centre	-	23,700
Gnien il-Familja	180,555	319,980
Urban Improvements	-	134,437
	<u>188,671</u>	<u>578,001</u>
(i) Contracted for but not provided in the Financial Statements:		
PPP Scheme	-	121,500
Road Resurfacing	21,178	64,440
Gnien il-Familja	139,335	-
Civic Centre	49,437	64,440
	<u>209,950</u>	<u>185,940</u>

The Council is seeking EU funding to finance the projects which have been approved but not yet contracted for. Projects will only be undertaken if these funds are obtained.

The Council will be financing 40% of the road resurfacing due to the PPP scheme as approved by the Department for Local Councils as per Memo 45 of 2010.

**21. 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

*Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one 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. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****21. Financial Risk Management (cont.)**

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

- Receivables from Related Parties: € 1,215

*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 Euro 61,856. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 7,912 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*Summary of financial assets and liabilities by category:*

	2013	2012
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	2,673	936
Cash and Cash Equivalents	85,101	110,072
	<u>87,774</u>	<u>111,008</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Accounts and other payables	<u>29,163</u>	<u>52,450</u>

*Foreign Currency Risk*

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

*Interest Rate Risk*

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

*Other risks*

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. 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.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.



**Notes to the Financial Statements for the period ended 31 December 2013 (cont.)****22. Contingent liabilities**

There were no contingent liabilities in respect of bank guarantees at year end. However, after year end the Council was informed that the contractor who worked on the road resurfacing is claiming €30,495 more than the amount which was certified by the architect.

**23. Related parties disclosures**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Gozo Regional Committee	Joint Control
North Regional Committee	No control
Central Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

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

	2013	2012
	€	€
Annual Financial Allocation	<u>237,250</u>	<u>240,443</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**Ultimate Controlling party**

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

**24. 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.

**Report of the Local government Auditors to the Auditor General**

