



LOCAL COUNCIL MĠARR

Annual Report

and

Financial Statements

for the year ended 31 December 2014

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2014

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the 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 18 February 2015 and signed on its behalf by

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

		2014 €	2013 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	435,774	470,618
Income raised under Local Enforcement System	5	3,484	1,742
General Income	6	9,394	11,614
		<u>448,652</u>	<u>483,974</u>
EXPENDITURE			
Personal emoluments	8	(79,335)	(75,793)
Operations and maintenance	9	(162,698)	(211,912)
Administration and other expenditure	10	(189,146)	(211,984)
		<u>(431,179)</u>	<u>(499,689)</u>
Operating (loss)/profit for the year		17,473	(15,715)
Finance income	11	<u>241</u>	<u>384</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>17,714</u></u>	<u><u>(15,331)</u></u>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		2014 €	2013 €
	Notes		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,070,499	822,305
		<u>1,070,499</u>	<u>822,305</u>
Current Assets			
Receivables	13	64,079	151,974
Cash and Cash Equivalents	14	91,009	78,492
		<u>155,088</u>	<u>230,466</u>
Total Assets		<u>1,225,587</u>	<u>1,052,771</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		905,025	887,311
		<u>905,025</u>	<u>887,311</u>
Non-Current Liabilities			
Long-term borrowings	16	36,082	-
Deferred income	17	140,349	88,494
		<u>176,431</u>	<u>88,494</u>
Current Liabilities			
Payables	15	144,131	76,966
		<u>144,131</u>	<u>76,966</u>
Total Equity and Liabilities		<u>1,225,587</u>	<u>1,052,771</u>

These financial statements were approved by the Local Council on 18 February 2015 and signed on its behalf by:

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Retained Funds €
At 1 January 2013	923,035
Prior year adjustment	(20,393)
Loss for the year	(15,331)
At 31 December 2013	887,311
At 1 January 2014	887,311
Profit for the year	17,714
At 31 December 2014	905,025

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 €	2013 €
<i>Note</i>		
Cash flows from Operating Activities		
(Loss)/Profit for the year	17,714	(15,331)
Reconciliation to cash generated from operations:		
Depreciation	71,917	47,462
Provision for bad debts	-	7,365
Interest receivable	(241)	(384)
Grants released	(8,742)	(3,105)
Operating Profit before Working Capital Changes	80,648	36,007
Movement in receivables	87,895	(11,928)
Movement in payables	62,267	766
Cash generated from operating activities	230,810	24,845
Cash flows from Investing Activities		
Interest received	241	384
Purchase of property, plant & equipment	(320,111)	(70,819)
Movement in long-term borrowings	36,082	-
Receipt of grants	65,495	63,841
Cash used in investing activities	(218,293)	(6,594)
Net change in Cash and Cash Equivalents	12,517)	18,251
Cash and Cash Equivalents at the Beginning of the year	78,492	60,241
Cash and Cash Equivalents at the End of the year	91,009	78,492
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Notes to the Financial Statements for the year ended 31 December 2014

1. General Information

The Mġarr 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 22, Sir Harry Luke Street, Mġarr. These financial statements were approved for issue by the Council Members on 18 February 2015. 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 International Financial Reporting Standards as adopted by the EU:

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.

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2014. 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.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 30 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 and 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).

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 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 2014, 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.

New important standards and amendments not yet adopted by the Association

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Association's accounting periods beginning on or after 1 January 2015 or later periods, but the Association has not early adopted them:

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.

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 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 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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

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.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**Accounting Policies and Reporting Procedures (cont.).***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

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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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.

Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and 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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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.

Revenue

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.

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 Mġarr Local Council formed part of the North Joint Committee until August 2012. As from September 2012, the income recognised in the Income Statement was derived from 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 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.

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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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.

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

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	391,753	392,103
Supplementary Government Income	10,820	10,377
EU funding	10,626	62,994
Other Government Income	13,833	2,039
Grants released	8,742	3,105
	435,774	470,618

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
5. Local Enforcement system

	2014	2013
	€	€
Contraventions and other fines	3,484	1,742
	<u>3,484</u>	<u>1,742</u>

6. General Income

	2014	2013
	€	€
General Income	2,625	7,843
Tender Documents/Info Charges	2,550	490
Income from Permits	4,219	3,281
	<u>9,394</u>	<u>11,614</u>

7. (Loss)/profit for the year

	2014	2013
	€	€
(Loss)/profit for the year is stated after charging		
Staff salaries	79,335	75,793
Provision for bad debts	-	7,365
Depreciation of property, plant & equipment	71,917	47,462
	<u>79,335</u>	<u>75,793</u>

8. Personal Emoluments

	2014	2013
	€	€
Mayor's Remuneration	6,868	6,703
Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	28,943	27,855
Employees' Salaries	32,083	29,994
Social Security Contributions	5,041	4,841
	<u>79,335</u>	<u>75,793</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
9. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	5,643	43,114
Handyman service	25,394	26,958
Signs	3,281	11,324
Road Markings	-	5,041
Other repairs and Upkeep	7,844	8,552
	<u>42,162</u>	<u>94,989</u>
<i>Contractual Services:</i>		
Waste Disposal	29,167	39,798
Refuse Collection	38,179	30,951
Bulky Refuse Collection	2,055	1,835
Open Skips & Bring-In Sites	100	270
Road & Street Cleaning	15,122	17,431
Cleaning - Public Conveniences	16,255	14,855
Cleaning & Maintaining Parks & Gardens	1,908	1,804
Other contractual services	3,559	3,037
Street Lighting	13,622	6,088
Local enforcement system expense	569	854
	<u>120,536</u>	<u>116,923</u>
 Total Operations and Maintenance Costs	 <u>162,698</u>	 <u>211,912</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
10. Administration and other expenditure

	2014	2013
	€	€
Utilities	9,472	10,338
Other repairs and upkeep	16,891	9,441
Rent	3,981	2,840
National and International Memberships	971	1,571
Office Services	10,368	11,710
Transport	3,337	2,931
Travel	15,724	6,950
Information Services	4,193	4,133
Insurance Coverage	3,261	3,898
Bank Charges	355	226
Professional Services	23,980	20,785
Public relations	6,450	3,347
Tuition for courses and expenses	393	636
Entertainment	1,871	6,458
Conference Expenses	72	-
Social and cultural events	13,499	15,202
Sundry Minor Expenses	717	1,230
Provision for bad debts	-	7,365
General and administrative expenses	1,694	2,927
EU projects	-	52,534
Depreciation	71,917	47,462
	<u>189,146</u>	<u>211,984</u>

11. Finance Income

	2014	2013
	€	€
Bank Interest Receivable	241	384
	<u>241</u>	<u>384</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
12. Property, plant and equipment

	Office Furniture & fittings €	Computer Equipment €	Plant & Machinery €	Office Equipment €	New Street Signs €	Constr uction €	Special Prog. €	Office Extension €	Motor Vehicle €	Total €
Cost										
At 1 January 2013	43,031	21,421	7,152	23,727	63,775	675,706	708,023	399,673	12,346	1,954,854
Additions	3,949	-	-	780	-	609	65,481	-	-	70,819
At 31 December 2013	46,980	21,421	7,152	24,507	63,775	676,315	773,504	399,673	12,346	2,025,673
Depreciation										
At 1 January 2013	23,316	19,120	5,777	20,966	63,775	371,169	329,696	-	9,757	843,576
Charge for the year	1,777	575	417	654	-	17,219	26,302	-	518	47,762
At 31 December 2013	25,093	19,695	6,194	21,620	63,775	388,388	355,998	-	10,275	891,038
Grants										
At 1 January 2013										
At 31 December 2013	-	-	-	-	-	132,955	179,375	-	-	312,330
Net Book values										
At 31 December 2013	21,887	1,726	958	2,887	-	154,972	238,131	399,673	2,071	822,305

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
12. Property, plant and equipment (cont.)

	Office Furniture & fittings €	Computer Equipment €	Plant & Machinery €	Office Equipment €	New Street Signs €	Constru ction €	Special Programm es €	Office Extensio n €	Motor Vehicl e €	Total €
Cost										
At 1 January 2014	46,980	21,421	7,152	24,507	63,775	676,315	773,504	399,673	12,346	2,025,673
Additions	3,832	1,158	11,160	1,029	-	791	302,141	-	-	320,111
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	50,812	22,579	18,312	25,536	63,775	677,106	1,075,645	399,673	12,346	2,345,784
Depreciation										
At 1 January 2014	25,093	19,695	6,194	21,620	63,775	388,388	355,998	-	10,275	891,038
Charge for the year	1,740	515	522	562	-	13,408	54,792	-	378	71,917
On disposal	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	26,833	20,210	6,716	22,182	63,775	401,796	410,790	-	10,653	962,955
Grants										
At 1 January 2014										
At 31 December 2014	-	-	-	-	-	132,955	179,375	-	-	312,330
Net Book values										
At 31 December 2014	23,979	2,369	11,596	3,354	-	142,355	485,480	399,673	1,693	1,070,499

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
13. Receivables

	2014	2013
	€	€
Receivables	18,560	96,581
Prepayments and accrued income	45,519	55,393
	<u>64,079</u>	<u>151,974</u>

Receivables

General receivables are analysed as follows:

	2014	2013
	€	€
Within credit period	18,560	96,581
Exceeded credit period but not impaired	-	-
Impaired and provided for	-	-
Provision for doubtful debts	-	-
	<u>18,560</u>	<u>96,581</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €1,828 (2013 - €1,828).

14. Cash & cash equivalents

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

	2014	2013
	€	€
Cash at Bank	90,266	77,514
Cash in Hand	743	978
	<u>91,009</u>	<u>78,492</u>

15. Payables

	2014	2013
	€	€
Payables	49,356	23,077
Accruals	86,868	50,880
	<u>136,224</u>	<u>73,957</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)
16. Long-term borrowings

	2014	2013
	€	€
Non-current		
Third party borrowings	36,082	-
	<u>36,082</u>	<u>-</u>
Borrowings		
Repayable between one and two years	36,082	-
Repayable between two and five years	-	-
Repayable in five years or more	-	-
	<u>36,082</u>	<u>-</u>

17. Deferred Income

	2014	2013
	€	€
Government grants		
At 1 January	91,503	-
Increase in year	65,495	94,608
	<u>156,998</u>	<u>94,608</u>
Released in year	(8,742)	(3,105)
	<u>148,256</u>	<u>91,503</u>
At 31 December	<u>148,256</u>	<u>91,503</u>
Current Deferred Income	<u>7,907</u>	<u>3,009</u>
Non-Current Deferred Income	<u>140,349</u>	<u>88,494</u>
Deferred Government Grants		
Deferred between one and two years	7,152	2,708
Deferred between two and five years	16,546	6,604
Deferred in five years or more	116,651	79,182
	<u>140,349</u>	<u>88,494</u>
Deferred after five years or more	<u>116,651</u>	<u>79,182</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

18. Capital Commitments

	2014	2013
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	59,500	28,000
- Contracted for but not provided in the financial statements	190,000	211,916
(i) Approved but not yet contracted for:		
Construction works	20,000	25,000
Office equipment	2,500	3,000
Special programmes	26,000	3,000
	28,000	28,000
(i) Contracted for but not provided in the Financial Statements:		
Road Resurfacing - PPP	-	211,916
Special programmes	190,000	-
	190,000	211,916

19. 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 Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

20. Related Party Transactions

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 Government	Significant control
Central Regional Committee	No control
Gozo 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
ARMS Limited	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

20. Related Party Transactions (cont.)

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party.

	Related party activity	2014 Total activity	%	Related party activity	2013 Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	416,406			404,519		
Transactions with regions	3,484			1,742		
	<u>419,890</u>	<u>448,652</u>	<u>94</u>	<u>406,261</u>	<u>483,974</u>	<u>84</u>
<i>Expenditure</i>						
Transactions with government entities	1,893			2,018		
Key personnel remuneration	79,335			75,793		
	<u>81,228</u>	<u>431,179</u>	<u>19</u>	<u>77,811</u>	<u>499,689</u>	<u>16</u>

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

21. Fair value of financial assets and financial liabilities

At 31 December 2014 and at 31 December 2013, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

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 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.

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: € 3,940

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

22. Financial Risk Management (cont.)

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 91,009. 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 10,957 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:

	2014	2013
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	18,560	96,581
Cash and Cash Equivalents	91,009	78,492
	<u>109,569</u>	<u>175,073</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>49,356</u>	<u>23,077</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 bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

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.

Report of the Local Government Auditors to the Auditor General

