

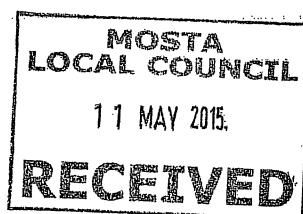
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Our Ref: NAO 107/2015/39
Your Ref:

8th May 2015

The Mayor and Executive Secretary
Mosta Local Council
Mosta



Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2014**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2014.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.



MOSTA

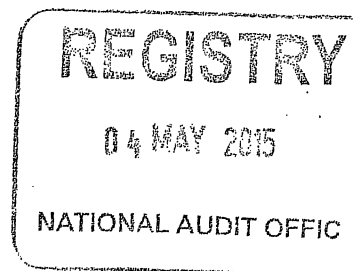
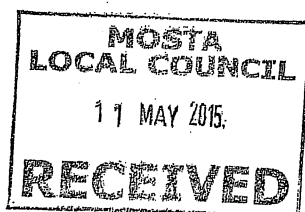
MOSTA LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2014



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

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 a statement of the Local Council's 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 Council (Financial) Regulations, and the Local Council (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 Council (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 16 April 2015 and signed on its behalf by



Dr Shirley Farrugia
Mayor



Michael Mifsud
Acting 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	1,175,734	1,148,565
Income raised under Local Council Bye-Laws	5	2,143	475
Income raised under Local Enforcement System	6	15,014	12,076
General Income	7	105,757	58,708
		<u>1,298,648</u>	<u>1,219,824</u>
EXPENDITURE			
Personal emoluments	9	(174,917)	(160,657)
Operations and maintenance	10	(611,219)	(448,927)
Administration and other expenditure	11	(506,960)	(439,010)
		<u>(1,293,096)</u>	<u>(1,048,594)</u>
Operating profit for the year		5,552	171,230
Finance income	12	912	1,831
PROFIT FOR THE YEAR		<u><u>6,464</u></u>	<u><u>173,061</u></u>

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




STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		2014 €	2013 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	2,939,569	2,231,795
		<u>2,939,569</u>	<u>2,231,795</u>
Current Assets			
Inventories	14	17,211	17,613
Receivables	15	261,232	600,421
Cash and Cash Equivalents	16	440,361	735,417
		<u>718,804</u>	<u>1,353,451</u>
Total Assets		<u>3,658,373</u>	<u>3,585,246</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		1,354,860	1,348,396
		<u>1,354,860</u>	<u>1,348,396</u>
Non-Current Liabilities			
Long-term borrowings	18	311,649	334,874
Deferred income	19	920,750	709,955
		<u>1,232,399</u>	<u>1,044,829</u>
Current Liabilities			
Payables	17	1,071,114	1,192,021
		<u>1,071,114</u>	<u>1,192,021</u>
Total Equity and Liabilities		<u>3,658,373</u>	<u>3,585,246</u>

These financial statements were approved by the Local Council on 16 April 2015 and signed on its behalf by:


 Dr Shirley Farrugia
 Mayor


 Michael Mifsud
 Acting 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 2014

	Retained Funds €
At 1 January 2013	1,175,335
Profit for the year	173,061
At 31 December 2013	1,348,396
At 1 January 2014	1,348,396
Profit for the year	6,464
At 31 December 2014	1,354,860

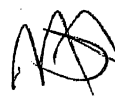


STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 €	2013 €
<i>Note</i>		
Cash flows from Operating Activities		
Profit for the year	6,464	173,061
Reconciliation to cash generated from operations:		
Depreciation	274,631	254,821
Deficit on disposal of asset	-	5
Bad Debts written off	24,166	-
Provision for Doubtful Debtors	-	9,507
Interest receivable	(912)	(1,831)
Grant released	(97,812)	(74,111)
Operating Profit before Working Capital Changes	206,537	361,452
Decrease/(Increase) in inventories	402	(140)
Decrease/(Increase) in receivables	19,407	(13,163)
Decrease in other receivables	319,782	712,637
Decrease in payables and other payables	(120,907)	(293,863)
Cash generated from operating activities	425,221	766,923
Cash flows from Investing Activities		
Interest received	912	1,831
Purchase of property, plant & equipment	(894,895)	(1,029,472)
Proceeds from disposal of property, plant & equipment	-	310
Receipt of grants	58,607	272,073
Cash used in investing activities	(835,376)	(755,258)
Cash flows from Financing Activities		
Increase in long term liabilities	115,099	64,497
Net (Decrease)/Increase in Cash and Cash Equivalents	(295,056)	76,162
Cash and Cash Equivalents at the Beginning of the year	735,417	659,255
Cash and Cash Equivalents at the End of the year	440,361	735,417

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Notes to the Financial Statements for the period ended 31 December 2014

1. General Information

The Mosta 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 Civic Centre, Constitution Street, Mosta, MST9059. These financial statements were approved for issue by the Council Members on 16 April 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:

Certain new standards, amendments and interpretation to existing standards, have been published by the date of authorisation or issue of these financial statements but are mandatory for the Council's accounting periods beginning after 1 January 2014, including IFRS 9, 'Financial instruments', amongst other pronouncements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 'Revenue' and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.



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

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).

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.

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

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.

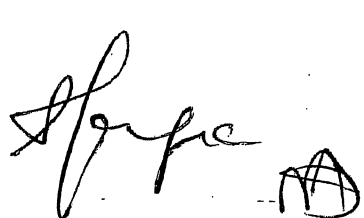
On 21 November 2013, the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments 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.

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.



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

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.

*Intangible Fixed 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 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 Programmes	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.




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

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.



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

Accounting Policies and Reporting Procedures (cont.)

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.

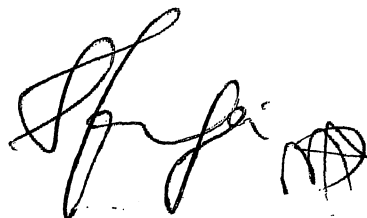
Revenue

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 Mosta 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.



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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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.

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 negative 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.

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.

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

4. Funds received from central government

	2014 €	2013 €
In terms of section 55 of the Local Councils Act	1,001,067	1,002,298
Supplementary Government Income	65,810	72,156
Other Government Income	11,045	-
Grants Released	97,812	74,111
	<u>1,175,734</u>	<u>1,148,565</u>

5. Income raised from Bye-Laws

	2014 €	2013 €
Advertising on Street Furniture	233	-
Use of facilities	1,910	475
	<u>2,143</u>	<u>475</u>

6. Local Enforcement system

	2014 €	2013 €
Contraventions and other fines	15,014	12,076
	<u>15,014</u>	<u>12,076</u>

7. General Income

	2014 €	2013 €
Cultural Events & sponsorships from NGOs	2,390	3,052
General Income	88,064	40,590
Tender Documents/Info Charges	1,700	2,300
Insurance claims	295	1,269
Income from Permits	13,308	11,497
	<u>105,757</u>	<u>58,708</u>



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

8. Profit for the year

	2014	2013
	€	€
Profit for the year is stated after charging		
Staff salaries	174,917	160,657
Depreciation of tangible assets	274,631	254,821
Bad debts written off	24,166	-
Movement in provision for doubtful debts	-	9,507

9. Personal Emoluments

	2014	2013
	€	€
Mayor's Remuneration	13,736	13,407
Councillors' Allowances	13,080	12,057
Executive Secretary Salary and Allowances	30,990	30,260
Employees' Salaries	105,916	94,673
Social Security Contributions	11,195	10,260
	174,917	160,657

10. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Office furniture and upkeep	1,338	1,162
Patching	72,194	38,212
Repairs to public property	1,555	2,773
Signs	7,842	5,845
Road Markings	5,507	5,892
Plant and machinery	50	74
Sundry repairs	648	518
Handyman repairs and upkeep	32,677	33,041
	121,811	87,517
<i>Contractual Services:</i>		
Refuse Collection	334,572	206,589
Bulky Refuse Collection	11,733	13,244
Road & Street Cleaning	74,807	65,794
Cleaning & Maintaining Non-Urban	1,590	1,804
Cleaning - Public Conveniences	10,445	10,431
Cleaning - Council Premises	5	165
Cleaning & Maintaining Parks & Gardens	40,621	42,177
Street Lighting	14,952	20,833
LES related expenditure	683	373
	489,408	361,410
Total Operations and Maintenance Costs	611,219	448,927

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

11. Administration and other expenditure

	2014	2013
	€	€
Utilities		
Other repairs and upkeep	26,275	16,254
Rent	48,615	18,496
National and International Memberships	34,568	12,548
Office Services	271	411
Transport	14,471	17,957
Insurance Coverage	426	482
Bank Charges	3,347	1,883
Professional Services	345	275
Tuition for courses and expenses	26,347	28,086
Entertainment	118	2,297
Conference Expenses	996	2,830
Community Services	55	-
Sundry Minor Expenses	50,408	71,236
Provision for Doubtful Debtors	43	-
Bad Debts written off	-	9,507
Public relations expenses	24,166	-
Permits and licenses	718	1,126
Loss on disposal of fixed asset	1,160	796
Depreciation	-	5
	<u>274,631</u>	<u>254,821</u>
	<u>508,960</u>	<u>439,010</u>

12. Finance Income

	2014	2013
	€	€
Bank Interest Receivable	912	1,831
	<u>912</u>	<u>1,831</u>

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13. Property, plant and equipment

	Trees	Office equipment	Street signs mirrors & lights	Urban improvements	Plant, & mach	Motor Vehicles	Office Furn. & fittings	Constr. works	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2013	6,734	131,039	128,450	316,941	52,544	1,584	155,179	2,568,145	2,344,464	5,705,080
Additions	-	2,172	-	41,735	-	-	6,175	167,205	812,185	1,029,472
Disposals	-	-	-	-	-	(1,584)	-	-	-	(1,584)
At 31 December 2013	6,734	133,211	128,450	358,676	52,544	-	161,354	2,735,350	3,156,649	6,732,968
Depreciation										
At 1 January 2013	-	112,836	128,398	248,218	52,544	1,190	102,256	869,193	174,878	1,689,514
Charge for the year	-	4,076	52	11,046	-	79	4,432	186,616	48,521	254,821
On disposal	-	-	-	-	-	(1,269)	-	-	-	(1,269)
At 31 December 2013	-	116,912	128,450	259,264	52,544	-	106,688	1,055,809	174,878	1,943,066
Grants										
At 1 January 2013	-	-	-	-	-	-	-	-	2,558,107	2,558,107
At 31 December 2013	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2013	6,734	16,299	-	99,412	-	-	54,666	1,679,541	375,143	2,231,795

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

13. Property, plant and equipment (cont.)

	Trees	Office equipment	Street signs mirrors & lights	Urban Improvements	Plant, & mach	Motor Vehicle	Office Furniture & fittings	Const works	Special Programm	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 January 2014	6,734	133,211	128,450	358,676	52,544	-	161,354	2,735,350	3,156,649	6,732,968
Additions	-	4,655	-	1,199	-	-	921	24,477	863,643	894,895
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	6,734	137,866	128,450	359,875	52,544	-	162,275	2,759,827	4,020,292	7,627,863
Depreciation										
At 1 January 2014	-	116,912	128,450	269,264	52,544	-	106,688	1,055,809	223,399	1,943,066
Charge for the year	-	3,368	-	9,571	-	-	4,013	161,612	96,068	274,632
On disposal	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	120,280	128,450	268,835	52,544	-	110,701	1,217,421	319,467	2,217,698
Grants										
At 1 January 2014	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2014	6,734	17,586	-	91,040	-	-	51,574	1,542,406	1,230,229	2,939,569



Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**14. Inventories**

	2014	2013
	€	€
Books and other publications	17,211	17,613

15. Receivables

	2014	2013
	€	€
Receivables	19,425	38,832
Other receivables	6,291	39,674
Prepayments and accrued income	235,516	521,915
	<u>261,232</u>	<u>600,421</u>

Receivables

General receivables are analysed as follows:

	2014	2013
	€	€
Within credit period	19,425	38,832
Exceeded credit period but not impaired	-	-
Impaired and provided for	71,000	91,304
Provision for doubtful debts	(71,000)	(91,304)
	<u>19,425</u>	<u>38,832</u>

Included in the accounts receivable are amounts due from related parties amounting to €15,510 (2013 : €56,667). These amounts are unsecured, interest free and repayable on demand.

16. Cash & cash equivalents

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

	2014	2013
	€	€
Cash at Bank	440,017	735,171
Cash in Hand	344	246
	<u>440,361</u>	<u>735,417</u>



Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**17. Payables**

	2014	2013
	€	€
Payables	589,895	617,671
Accruals - PPP	349,113	409,368
Accruals and deferred income	132,106	164,982
	<u>1,071,114</u>	<u>1,192,021</u>

Included in the accounts payable are amounts to from related parties amounting to €48,290 (2013 : €91,026). These amounts are unsecured, interest free and repayable on demand.

18. Borrowings

	2014	2013
	€	€
Non-current		
Third party borrowings	<u>311,649</u>	<u>334,874</u>
Borrowings		
Repayable between one and two years	186,156	133,478
Repayable between two and five years	110,691	141,554
Repayable in five years or more	14,802	59,842
	<u>311,649</u>	<u>334,874</u>

Third party loan is payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. One is repayable over a period of 9 years, 2013 to 2020 (Phase 1) and another is payable over a period of 4 years from the construction of that particular street, 2013 to 2018 (Phase 2).

Long term amount payable under the scheme, exclusive of interest is €311,649

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**19. Deferred Income**

	2014	2013
	€	€
Government grants		
At 1 January	709,955	449,383
Increase in year	308,607	334,683
	<u>1,018,562</u>	<u>784,066</u>
Released in year	(97,812)	(74,111)
At 31 December	<u>920,750</u>	<u>709,955</u>
Current Deferred Income	<u>109,140</u>	<u>67,030</u>
Non-Current Deferred Income	<u>811,610</u>	<u>642,925</u>
Deferred Government Grants		
Deferred between one and two years	98,681	60,626
Deferred between two and five years	228,149	161,481
Deferred in five years or more	484,780	420,818
	<u>811,610</u>	<u>642,925</u>
Deferred after five years or more	<u>484,780</u>	<u>420,818</u>

20. Capital commitments

Details of capital commitments at the accounting date are as follows:

	2014	2013
	€	€
- Approved but not yet contracted for	130,000	-
- Contracted for but not provided in the financial statements	<u>-</u>	<u>-</u>
(i) Approved but not yet contracted for: Special Programmes	130,000	-
	<u>130,000</u>	<u>-</u>
(i) Contracted for but not provided in the Financial Statements:		

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

21. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However, at year end the council is involved in a number of legal disputes that could give rise to sums to be paid to third parties. These involve the following:

- a. A case instituted by a German Tourist for the liquidation of damages after the occurrence of an accident in the locality; This liability is covered by the Council's Insurance policy.
- b. A case in front of the Malta Centre for Arbitration from the supplier/contractor tal-General in connection with works carried out in the Mosta Square;
- c. A case in front of the Malta Centre for Arbitration from the supplier/contractor V&C in connection with works carried out in the Mosta Square;
- d. A case in front of the Malta Centre for Arbitration from the contractors V&C and Philip Agius in connection with works carried out at Ta' Mliet in Mosta;
- e. A case in front of the Malta Centre for Arbitration with respect to a claim for damages on the motor vehicle of a certain Mr. Norman Galea;
- f. A case instituted by Mr. Charles Pace against the Local Council about a bust of Nicolo Isuard.

22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Street Lighting Joint Committee	Joint 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
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
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

The amounts due from / to related parties at year-end are disclosed in notes 15 and 17. 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.

Notes to the Financial Statements for the period ended 31 December 2014 (cont.)**Related party transactions (cont.)**

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

	2014			2013		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	€	€		€	€	
Income						
Transactions with central government	1,077,922			1,074,454		
Transactions with regions	15,014			12,076		
	<u>1,092,936</u>	<u>1,298,633</u>	<u>84</u>	<u>1,086,530</u>	<u>1,148,565</u>	<u>95</u>
Expenditure						
Transactions with government entities	2,319			2,849		
Key personnel remuneration	174,917			160,657		
	<u>177,236</u>	<u>1,292,758</u>	<u>14</u>	<u>163,506</u>	<u>1,048,594</u>	<u>16</u>

23. 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.

24. Financial Risk Management

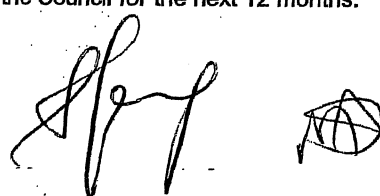
The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's 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.

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 440,199. This should ensure an ongoing working capital of the Council for the next 12 months.



Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**24. Financial Risk Management (cont.)***Going Concern Risk*

The Council incurred a net profit of €6,464 (2013: €173,061) during the year ended 31 December 2014, and as at that date, the Council had a negative net current asset position of €243,170 (2013: positive €228,460). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council 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	25,716	78,506
Cash and Cash Equivalents	440,199	735,417
	<u>465,915</u>	<u>813,923</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>596,142</u>	<u>617,671</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.

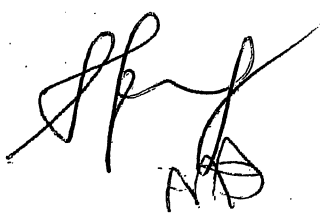
Market risks

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.



The Council has recognised the amount of €17,211 as inventories. The valuation included in the financial statements in relation to this amount is based on the selling price with which these inventories are being sold. This method of valuation is not in line with the requirements of IAS 2 – Inventories, which requires that inventories are valued at the lower of cost or net realisable value.

Other creditors amounting to €13,370 and deferred income of an aggregate value of €212,929 in respect of EU Projects were not adequately supported with documentation, so we could not obtain reasonable assurance on the completeness and existence of these payables as at 31st December 2014. Furthermore, the total deferred income at year end amounting to €920,750 (note 19 to the financial statements) is not in agreement with the supporting workings. There were no practical alternative procedures to obtain reasonable assurance on the completeness and existence of the amount being recognised and disclosed in the financial statements.

These financial statements lack appropriate disclosures in line with the requirements of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Mosta Local Council as at 31st December 2014 and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our audit opinion, we draw attention to note 24 on page 25 to the financial statements. At year-end, the Council's current liabilities exceeded its total current assets by €352,310 (as disclosed by the Council: €243,170). This indicates that the Council is not able to meet its current obligations as they fall due. In addition, the Council's Financial Situation Indicator at the end of the financial year under review is below the 10% threshold of the annual Government allocation as stipulated in Memo 37/2002, Legal Notices 323 & 324 of 2002.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply with the Local Council (Financial) Procedures, 1996. According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should have included the budget for the year.

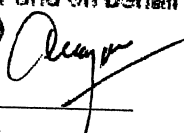
The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matter set out in paragraph three, these financial statements are qualified as they have not been prepared in line with the requirements of International Financial Reporting Standards.

This report has been signed by

George M. Mangion

(Partner) for and on behalf of

PKF (Malta)



PKF (Malta)

Certified Public Accountants & Registered Auditors

35, Mannarino Road, Birkirkara, BKR 9080, Malta

30th April 2015