



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

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

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**NAXXAR LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 31/3/15 and signed on its behalf by:


Dr. Maria F. Deguara
Mayor

Date: 31/3/15


Mr. Paul Gatt
Executive Secretary

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

		2014	2013
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	941,143	881,195
Income raised under Law Enforcement system	4	26,534	2,050
Income raised under Local Council Bye-Laws	5	4,506	5,766
General income	6	<u>34,676</u>	<u>80,650</u>
		<u>1,006,859</u>	<u>969,661</u>
EXPENDITURE			
Personal emoluments	7	(148,460)	(143,961)
Operations and maintenance	8	(321,456)	(397,100)
Administration and other expenditure	9	<u>(416,698)</u>	<u>(363,101)</u>
		<u>(886,614)</u>	<u>(904,162)</u>
OPERATING PROFIT FOR THE YEAR		120,245	65,499
Finance income	10	<u>2,644</u>	<u>6,967</u>
PROFIT FOR THE YEAR		<u>€ 122,889</u>	<u>€ 72,466</u>

The notes on page 8 to 27 form an integral part of these financial statements

NAXXAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	31 December 2014	31 December 2013
		Euro	Euro
ASSETS			
Intangible Assets	11	3,776	5,157
Non-Current Assets			
Property, plant and equipment	11	<u>1,239,943</u> 1,243,719	<u>1,370,831</u> 1,375,988
Current Assets			
Inventories	12	914	1,067
Trade and other receivables	13	110,136	78,212
Cash and cash equivalents	14	<u>661,422</u>	<u>384,778</u>
Total Current Assets		<u>772,472</u>	<u>464,057</u>
TOTAL ASSETS		<u>€ 2,016,191</u>	<u>€ 1,840,045</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>1,382,059</u>	<u>1,259,170</u>
Total equity		<u>1,382,059</u>	<u>1,259,170</u>
Non-Current Liabilities			
Deferred Income	15	318,400	283,061
Current Liabilities			
Trade and other payables	16	270,839	258,256
Deferred Income	15	<u>44,893</u>	<u>39,558</u>
		315,732	297,814
Total Liabilities		<u>634,132</u>	<u>580,875</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 2,016,191</u>	<u>€ 1,840,045</u>

The notes on pages 8 to 27 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 31/3/15
and signed on its behalf by:


Dr. Maria F. Deguara
Mayor


Mr. Paul Gatt
Executive Secretary

NAXXAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Retained Funds Euro
At 1 January 2013	1,186,704
Profit for the year	<u>72,466</u>
At 31 December 2013	<u>1,259,170</u>
At 1 January 2014	1,259,170
Profit for the year	<u>122,889</u>
At 31 December 2014	<u>1,382,059</u>

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

		2014		2013	
	Notes	€	€	€	€
Profit for the year		122,889		72,466	
Adjustments for:					
Depreciation		130,126		145,158	
Loss on disposal of assets		21,923		0	
Movement in Provision for Bad Debts		14,691		38,389	
Interest receivable		(2,644)		(6,967)	
Operating Profit before working capital changes		286,985		249,046	
Decrease in Inventories		153		27	
(Increase)/Decrease in Receivables		(44,863)		34,437	
Increase/(Decrease) in Payables		51,228		(1,590)	
Government Grant released		(27,278)		(23,635)	
Cash generated from operating activities			266,225		258,285
Cash flows from investing activities					
Interest received		892		4,332	
Purchase of property, plant and equipment		(71,209)		(249,902)	
Investments		0		0	
Grants received		80,736		80,858	
Cash generated from/(used in) investing activities			10,419		(164,712)
Net Increase in cash in the year			276,644		93,573
Cash and cash equivalents at the beginning of the year			384,778		291,205
Cash and cash equivalents at end of year	14		661,422		384,778

The notes on page 8 to 27 form an integral part of these financial statements.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2014

1. GENERAL INFORMATION

Naxxar Local Council is the local authority of Naxxar, setup in accordance with the Local Councils Act 1993. The office of the Council is situated at Civic Centre, 21st September Avenue, Naxxar, NXR 1018. The Local Council's presentation as well as the functional currency are denominated in €. The financial statements were authorised for issue by the Council on the _____.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

Accounting Convention

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

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

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

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

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

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

IFRS 9 Financial Instruments (effective from 1 January 2015)

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

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

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

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

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

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Amounts Receivable

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is release in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

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.

Inventories

Inventories are valued at lower of cost and net realisable value.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

Cash and Equivalents

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Local Enforcement System

Naxxar Local Council formed part of the North Joint Committee from September 2002 until August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, together with penalties issued for Pre-Pooling Debtors. As from September 2011, the Naxxar Local Council now forms part of the North Region for Local Enforcement.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below:

Financial Assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Financial Liabilities

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

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
In terms of Section 55 of the Local Councils Act, 1993	825,420	826,235
Government Grant Income	27,316	23,635
Other Government Income	<u>88,407</u>	<u>31,325</u>
	<u>941,143</u>	<u>881,195</u>

4. LOCAL ENFORCEMENT INCOME

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
Contraventions and Other fines	<u>26,534</u>	<u>2,050</u>
	<u>€ 26,534</u>	<u>€ 2,050</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
Bye-Laws – Signs	1,080	1,072
Community Services incl. organisation of Courses	<u>3,426</u>	<u>4,694</u>
	<u>€ 4,506</u>	<u>€ 5,766</u>

6. GENERAL INCOME

	2014 Jan-Dec	2013 Jan-Dec
Library Services	594	0
Cultural Events	336	3,493
Sponsorships	0	0
Football Ground Hire	0	28
Hire of Council Hall	606	473
General Income	679	6,162
Tables and chairs	1,852	1,785
Tender Documents/Info. Charges	4,019	1,714
Media Advertising	324	868
Contributions and Donations	1,972	1,478
Admin fee re Collection of Recyclable waste	0	2,080
Admin fee re Regional Committees	10,418	7,562
Income from Water Services	0	40,249
Income from Permits	<u>13,876</u>	<u>14,758</u>
	<u>€ 34,676</u>	<u>€ 80,650</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2014 Jan-Dec	2013 Jan-Dec
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	10,302	10,055
Councillors' Allowances	10,975	10,050
Executive Secretary Salary and Allowances	32,535	31,668
Employees' Salaries	85,065	82,937
Social Security Contributions	9,583	9,251
	<u>€ 148,460</u>	<u>€ 143,961</u>

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, *inter alia*

	2014 Euro	2013 Euro
REPAIRS AND UPKEEP		
Repairs to Public Property	4,859	3,837
Road/Street pavements	13,715	46,862
Signs	2,966	3,357
Road Markings	1,034	2,193
Office furniture & equipment	927	206
Plant & Equipment	0	0
Bus shelters	176	260
Litter Bins	771	4,299
Other repairs & Upkeep	3,900	3,265
Council Property	616	37
	<u>28,964</u>	<u>64,316</u>
CONTRACTUAL SERVICES		
Waste Disposal	0	0
Refuse collection	81,436	81,527
Bulky refuse collection	9,001	11,578
Separated Waste Collection	60,328	83,019
Open Skips	343	210
Road & Street Cleaning	67,685	67,700
Cleaning and maintenance Non-Urban	18,645	15,438
Cleaning and maintenance Public Conveniences	7,975	11,239
Cleaning Council Premises	4,655	5,280
Cleaning & Mtce. Parks & Gardens	33,228	38,555
Cleaning & Mtce. Beaches	0	0
Street Lighting	8,789	16,894
Experts	0	0
Lease of Equipment	20	0
Support Service	177	354
LES related expenditure	210	990
	<u>292,492</u>	<u>332,784</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>321,456</u>	<u>397,100</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Utilities	22,814	22,838
Other repairs & Upkeep	5,413	5,227
Rent	526	1,485
National and International Memberships	1,012	473
Office Services	5,448	7,578
Transport	3,042	3,331
Information Services	8,119	16,308
Insurance Coverage	2,330	2,942
Bank Charges	58	73
Professional Services	120,916	67,288
Settlement of Court Disputes	28,237	0
Tuition for courses and expenses	8,360	11,859
Conference Expenses	1,587	1,215
Entertainment	800	0
Visits – Foreign Delegations	128	0
Other Hospitality Costs	280	249
Annual General Meeting	224	109
Social Events	1,798	1,991
Twinning Expenses	4,275	2,099
Cultural Events	25,227	14,309
Christmas Lighting & Decorations	9,335	1,435
Community Services	(430)	284
Staff Training	150	120
Sundry Minor Expenses	309	11
Provision for Doubtful Debtors	14,691	38,389
Bad Debts write off	0	18,330
Loss on disposal of assets	21,923	0
Depreciation	<u>130,126</u>	<u>145,158</u>
	<u>416,698</u>	<u>363,101</u>
	2014 Jan-Dec Euro	2013 Jan-Dec Euro
10. FINANCE INCOME		
Bank Interest Receivable	<u>2,644</u>	<u>6,967</u>

**NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. PROPERTY, PLANT AND EQUIPMENT

	Property €	Assets under Construction €	Street Signs & Lights €	Trees €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost									
At 1 January 2014	23,296	30,554	11,138	47,806	668,855	113,152	52,287	2,839,107	3,786,195
Additions/Capitalisations	0	8,854	0	0	4,221	5,549	1,155	0	19,779
Reclassification	0	0	0	0	(102,610)	0	0	102,610	0
Disposals/Capitalisations	0	0	0	0	(63,716)	(62,668)	(7,736)	(5,638)	(139,758)
At 31st December 2014	23,296	39,408	11,138	47,806	506,750	56,033	45,706	2,936,079	3,666,216
Depreciation									
At 1 January 2014	1,467	0	1,215	0	354,393	90,683	28,169	1,037,453	1,513,380
Reclassification	0	0	0	0	11,000	0	0	(11,000)	0
Charge for the period	218	0	992	0	10,208	5,118	1,847	111,743	130,126
Released on disposal	0	0	0	0	(46,344)	(60,641)	(5,213)	(5,638)	(117,836)
At 31st December 2014	1,685	0	2,207	0	329,257	35,160	24,803	1,132,558	1,525,670
Grants									
At 1 January 2014	-	-	-	-	-	-	-	896,827	896,827
Transferred	-	-	-	-	-	-	-	-	0
At 31st December 2014	0	0	0	0	0	0	0	896,827	896,827
Net Book Value									
At 31st December 2014	21,611	39,408	8,931	47,806	177,493	20,873	20,903	906,694	1,243,719

**NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Property €	Assets under Construction €	Street Signs & Lights €	Trees €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost									
At 1 January 2013	23,296	21,422	50,960	47,806	702,511	109,082	44,670	2,571,190	3,570,937
Additions/Capitalisations	0	9,132	10,016	0	103,155	4,070	7,617	131,106	265,096
Reclassification	0	0	0	0	(136,811)	0	0	136,811	0
Disposals/Capitalisations	0	0	(49,838)	0	0	0	0	0	(49,838)
At 31st December 2013	23,296	30,554	11,138	47,806	668,855	113,152	52,287	2,839,107	3,786,195
Depreciation									
At 1 January 2013	1,247	0	49,838	0	666,614	84,582	26,826	588,953	1,418,060
Reclassification					(323,873)	(420)	(518)	324,811	0
Charge for the period	220		1,215	0	11,652	6,521	1,861	123,689	145,158
Released on disposal			(49,838)						(49,838)
At 31st December 2013	1,467	0	1,215	0	354,393	90,683	28,169	1,037,453	1,513,380
Grants									
At 1 January 2013	-	-	-	-	-	-	-	896,827	896,827
Transferred								0	0
At 31st December 2013	0	0	0	0	0	0	0	896,827	896,827
Net Book Value									
At 31st December 2013	21,829	30,554	9,923	47,806	314,462	22,469	24,118	904,827	1,375,988

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	2014 Jan-Dec	2013 Jan-Dec
Inventories – Books	€ 914	€ 1,067

13. TRADE AND OTHER RECEIVABLES

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
Receivables	23,265	29,585
Prepayments and accrued income	<u>86,871</u>	<u>48,627</u>
	<u>110,136</u>	<u>78,212</u>

Receivables
General receivables are analysed as follows:

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
Within credit period	6,503	6,274
Exceeded credit period	88,172	80,030
Provision for doubtful debts	<u>(71,410)</u>	<u>(56,719)</u>
	<u>23,265</u>	<u>29,585</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

14. CASH AND CASH EQUIVALENT

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Financial Position:

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
Cash in hand	286	355
Bank Balances	<u>661,136</u>	<u>384,423</u>
	<u>661,422</u>	<u>384,778</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED INCOME

	2014 Jan-Dec €	2013 Jan-Dec €
Government Grants		
At beginning of year	309,873	217,666
(Decrease)/Increase in period	<u>80,736</u>	<u>115,842</u>
	390,609	333,508
Released in period	<u>(27,316)</u>	<u>(23,635)</u>
At end of year	<u>363,293</u>	<u>309,873</u>
 Current Deferred Income	 <u>44,893</u>	 <u>26,812</u>
 Non-Current Deferred Income	 <u>318,400</u>	 <u>283,061</u>
 Deferred Government Grants		
Deferred between one and two years	27,080	24,099
Deferred between two and five years	66,200	58,760
Deferred in five years or more	<u>225,120</u>	<u>200,202</u>
	<u>318,400</u>	<u>283,061</u>
 Deferred after five years or more		
Government Grants	<u>318,400</u>	<u>200,202</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. TRADE AND OTHER PAYABLES

	2014	2013
	Jan-Dec	Jan-Dec
	Euro	Euro
Payables	168,496	194,065
Other payables	30,977	26,527
Accruals and deferred income	116,259	77,222
	<u>315,732</u>	<u>297,814</u>

Provisions include estimates for goods and services received prior to 31 December 2014 and for which invoices have not yet been received by the Local Council.

17. CONTINGENT LIABILITIES

The Council has the following pending court cases against it:

- a) Case with Tessa Anastasi whereby the plaintiff is claiming that a portion of land was expropriated from her without compensation.
- b) The Council also has an arbitration case with Gasan Mamo Insurance Limited, which claim is for €5,200.
- c) Case with Untours Limited whereby the plaintiff is claiming damages caused to their insured's vehicle as a result of an accident, which claim is for €6,500.
- d) Case with Fogg Insurance Limited whereby the plaintiff is claiming damages caused to their insured's vehicle as a result of an accident, which claim is for less than €800.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CAPITAL COMMITMENTS

	2014 Jan-Dec Euro	2013 Jan-Dec Euro
i-Capital expenditure that has been contracted for but Not provided for in the financial statements	207,602	50,000
ii- Capital expenditure that has been approved but not yet contracted for.	59,000	3,500

- i. The Capital expenditure that has been contracted for, but not included in these financial statements includes the resurfacing works in Sqaq Zenqa, Sqaq 1 & 2 in Triq is-Salib, Sqas 6 in Pjazza Vitorja and Sqaq 1 in Triq l-Imdina amounting to €50,000, resurfacing of Trejget il-Kampanjol €50,000, pavement works in Triq it-Tunnara €13,400, the restoration of two statues amounting to €15,000 and the Embellishment project at Triq in-Nahal which will be financed out of MEPA Urban Improvement funds amounting to €79,202.
- ii. The Capital expenditure that has been approved but not yet contracted for represents Special directional signs amounting of €14,000 and the resurfacing of Labour Avenue and part of Pjazza €45,000

19. RELATED PARTY TRANSACTIONS

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

- i. Significant Control – The Department of Local Government
- ii. Joint Control – North Joint Committee for Local Enforcement, North Regional Committee for Local Enforcement, Street Lighting Joint Committee
- iii. No Control – Arms Ltd., Cleansing Services Department, Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Information Technology Agency, Director General-Works Division, Transport Malta, Gozo Regional Committee, South Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Malta Environment and Planning Authority, Bank of Valletta plc and WasteServ Malta Ltd.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2014	2013
	Euro	Euro
Annual Financial Allocation	825,420	826,235
<u>Key Management Emoluments</u>		
Executive Secretary	32,469	31,733
Mayor's Honoraria	10,302	9,168
Mayor & Councillors' Allowances	10,975	10,050

20. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

21. FINANCIAL RISK MANAGEMENT

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

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long term borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2014	2013
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	67,301	76,092
Cash and cash equivalents	<u>661,422</u>	<u>384,778</u>
	<u>728,723</u>	<u>460,870</u>

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

	2014	2013
	Euro	Euro
Amount invoiced not yet settled by class:		
Government Owned entities	18,405	28,349
Private entities	<u>4,860</u>	<u>6,096</u>
	<u>23,265</u>	<u>34,445</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2014	2013
	Euro	Euro
31-60 days	3,605	3,810
61-90 days	1,775	1,347
91-180 days	1,124	1,117
181-365 days	13,888	5,440
Over 365 days	<u>2,873</u>	<u>22,731</u>
	<u>23,265</u>	<u>34,445</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

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 661,422. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014, the Council's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	199,473	-	-
Accruals	<u>71,366</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	220,592	-	-
Accruals	<u>37,664</u>	<u>-</u>	<u>-</u>

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2014 €	2013 €
Current assets		
Loans and receivables:		
Trade and other receivables	67,301	76,092
Cash and cash equivalents	<u>661,422</u>	<u>384,778</u>
	<u>728,723</u>	<u>460,870</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	199,473	220,592
Accruals	<u>71,366</u>	<u>37,664</u>
	<u>270,839</u>	<u>258,256</u>