

SANTA LUCIJA LOCAL COUNCIL

Report and Financial Statements

For the year ended 31 December 2013

*Prepared by: Ms Josianne Debono
Obo Dconsulta Ltd,
(February 2014)*

SANTA LUCIJA LOCAL COUNCIL

Table of Contents

	Page
Statement of Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 25
Local Government Auditor's Report to the Auditor General	26

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

For the year ended 31 December 2013

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 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 ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993,

This statement was approved by the Council on **17 February 2014** and signed on its behalf by:

Frederick Cutajar
Mayor

Caroline Silvio
Executive Secretary

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	Year Ended 2013 €	Year Ended 2012 €
Income			
Funds received from Central Government	4	328,200	338,230
Income from Local Enforcement System	5	1,200	6,017
General Income	6	-3,867	15,074
		325,533	359,321
Expenditure			
Personal emoluments	7	89,566	79,447
Operations and maintenance	8	141,182	150,671
Administrative and other expenditure	9	87,164	96,915
		317,912	327,033
Operating Surplus for the year		7,621	32,288
Investment income	10	1,272	1,667
Finance Costs	10	(786)	(843)
		486	824
Surplus for the year	3	8,107	33,112

The notes on pages 6 to 25 form an integral part of these financial statements

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	Year Ended 2013 €	Year Ended 2012 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	11	492,708	426,417
Deferred Expenditure		10,421	10,421
		503,129	436,838
<i>Current Assets</i>			
Inventories	12	4,651	4,651
Receivables	13	46,780	61,444
Cash and cash equivalents	14	90,469	108,814
		141,900	174,909
Total assets		645,029	611,747
Reserves and liabilities			
<i>Reserves</i>			
Retained Funds		318,375	310,268
<i>Non-current liabilities</i>			
Long term borrowings	15	15,515	16,878
Deferred Income	16	135,961	151,641
Payables	17	66,611	37,137
		218,087	205,656
<i>Current liabilities</i>			
Current portion of long term borrowings		2,935	2,935
Payables	17	105,632	92,888
		108,567	95,823
Total liabilities		326,654	301,479
Total reserves and liabilities		645,029	611,747

The financial statements were approved by the Council on **17 February 2014** and signed on its behalf by:

Frederick Cutajar
Mayor

Caroline Silvio
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Retained Funds €	Total Funds €
At 1 January 2012	277,156	277,156
Surplus for the year	33,112	33,112
At 31 December 2012	310,268	310,268
At 1 January 2013	310,268	310,268
Surplus for the year	8,107	8,107
At 31 December 2013	318,375	318,375
Equity Interest	318,375	318,375

The notes on pages 6 to 25 form an integral part of these financial statements.

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2013

STATEMENT OF CASHFLOWS

For the year ended 31 December 2013

	Notes	2013 €	2012 €
Cash flows from operating activities			
Surplus for the year		8,107	33,112
<i>Adjustments for:</i>			
Depreciation		42,241	36,359
Loss on disposal of capital items		-	6,722
Interest payable		786	843
Grants Released		(10,730)	(8,844)
Interest receivable		(1,272)	(1,667)
Operating Surplus before working capital changes		39,132	66,525
<i>Movements in working capital:</i>			
Decrease/(Increase) in receivables		14,664	(13,448)
(Increase) in payables		(3,902)	(125,348)
Net cash flows from operating activities		49,894	(72,271)
Cash flows from investing activities			
Purchase of property, plant and equipment		(68,967)	(71,179)
Increase in deferred expenditure		-	(10,421)
Interest received		1,119	1,450
Interest paid		(786)	(843)
Net cash flows from investing activities		(68,634)	(80,993)
Cash flows from financing activities			
Grants received		1,700	140,319
Bank loan repayment		(1,305)	(1,305)
Net cash flows from financing activities		395	139,014
Net movement in cash and cash equivalents		(18,345)	(14,250)
Cash and cash equivalents at beginning of year		108,814	123,064
Cash and equivalents at end of year	14	90,469	108,814

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2013

1. General Information

The Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Santa Lucija. These financial statements were approved for issue by the Council Member on the **17 February 2014**. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

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, 1993 (Chap. 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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010)
- IAS 24 - Related party disclosures (effective 1 January 2011)

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ending 31 December 2013

2. Accounting Policies and Reporting Procedures- continued

New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2012 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December 2013

2. Accounting Policies and Reporting Procedures - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Comprehensive Income Statement during the financial year in which they are incurred.

2. Accounting Policies and Reporting Procedures - continued

Impairment of property, plant and equipment

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

2. Accounting Policies and Reporting Procedures - continued

For loans; and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

**Notes to the Financial Statements
For the year ended 31 December 2013**

2. Accounting Policies and Reporting Procedures - continued

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 – ‘Related Party Disclosure.’

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Notes to the Financial Statements
For the year ended 31 December 2013

2. Accounting Policies and Reporting Procedures - continued

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Financial instruments

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instruments.

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

Loans and receivables

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 company's trade receivables and cash and cash equivalents 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counter party default rates for identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

Notes to the Financial Statements
For the year ended 31 December 2013

2. Accounting Policies and Reporting Procedures - continued

Financial liabilities

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

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

2. Accounting Policies and Reporting Procedures - continued

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 22 , there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

3. Surplus for the year

Surplus for the year is stated after charging:

	2013	2012
	€	€
Personnel Emoluments (Note 7)	89,556	79,447
Depreciation on property, plant and equipment (Note 11)	42,241	36,359

4. Funds Received from Central Government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act, 1993	296,299	301,254
Other government income	31,901	36,976

5. Income raised under Local Enforcement System

	2013	2012
	€	€
Contraventions - note (i)	1,200	6,017

(i) In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

- The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.
- As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofs in-nhar.' The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:
 - a) Receipts of funds from the Joint Committee up to the 31 August 2011;
 - b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

6. General Income

	2013	2012
	€	€
Community services	-6,392	12,785
Permits	1,958	531
Contributions	137	833
EU Funds	-	-
Document charges	430	925
	-3,867	15,074

7. Personnel emoluments

	2013	2012
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria	6,704	6,539
Council Members' Allowance	6,400	6,400
Executive Secretary's Salary	26,627	28,220
Employees' Salaries	44,241	33,412
Social Security Contributions	5,594	4,876
	89,566	79,447

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

8. Operations and Maintenance

	2013	2012
	€	€
<i>Operations and maintenance includes:</i>		
Repairs and Upkeep		
Road and Street Pavements	195	1,750
Road Markings & signs	1,543	5,736
Other Repairs & Upkeep	14,784	18,631
Public property	-	412
Council property	4,642	28
	21,164	26,557
Contractual Services		
Waste Disposal	19,786	24,825
Refuse Collection	36,584	29,222
Bulky Refuse Collection	2,959	11,142
Open Skips	844	389
Road & Street Cleaning	12,656	12,863
Cleaning and Maintenance of Parks and Gardens	25,084	25,095
Cleaning & Maintenance - Public Conveniences	7,205	4,816
Cleaning & Maintenance Non- Urban	-	500
Cleaning Council Premises	3,162	3,873
Street Lighting	5,869	7,090
Other Contractual Service	5,869	4,299
	120,018	124,114
Total Operations and Maintenance	141,182	150,671

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

9. Administrative and Other Expenses

	2013	2012
	€	€
Utilities	6,288	6,843
Operating Materials & Supplies	2,623	4,267
Uniforms	299	171
National and International memberships	996	424
Office Services	4,927	6,419
Transport expenses	1,311	4,852
Training expenses	120	1,100
Travelling expenses	2,588	-
Insurance Coverage	1,746	2,785
Bank Charges	189	83
Information services	322	1,087
Librarian Services	994	853
Professional services	6,870	11,891
ICT expenses	2,455	3,163
Community Services and Social Events	7,061	3,893
Sundry Minor Expenses	649	845
Rent	5,081	5,158
LES related expenses	404	-
Net loss arising from disposals/write offs of capital items	-	6,722
Depreciation	42,241	36,359
	87,164	96,915

10. Finance Income and cost

10.1 Investment Income

	2013	2012
	€	€
Bank interest receivable	1,272	1,667

10.1 Finance cost

	2013	2012
	€	€
Loan interest paid	786	843

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

11. Property, plant and equipment

	Council Premises €	Construction Works & Special Programmes €	Office Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office & Computer Equip. €	Plant & machinery €	Street Paving €	Assets under Construction €	Total €
Cost										
At 1 January 2013	31,447	532,332	31,204	19,722	90,006	25,837	19,071	113,216	30,514	893,349
Reclassifications to opening balances	-	-	-	-	-	-	-	-	-	-
Additions	-	127,637	1,034	-	818	1,003	375	8,179	-30,514	108,532
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	31,447	659,969	32,238	19,722	90,824	26,840	19,446	121,395	-	1,001,881
Government Grants										
At 1 January & 31 December 2013	-	104,182	-	-	-	-	-	-	-	104,182
Depreciation										
At 1 January 2013	1,762	175,938	15,930	19,722	46,179	18,850	10,829	73,540	-	362,750
Reclassifications to opening balances	-	-	-	-	-	-	-	-	-	-
Charge for the year	295	29,202	1,134	-	4,527	1,460	1,574	4,049	-	42,241
Released on disposal	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	2,057	205,140	17,064	19,722	50,706	20,310	12,403	77,589	-	404,991
N.B.V. at 31 December 2013	29,390	350,647	15,174	-	40,118	6,530	7,043	43,806	-	492,708

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2013

11. Property, plant and equipment

	Council Premises €	Construction Works & Special Programmes €	Office Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office & Computer Equip. €	Plant & machinery €	Street Paving €	Assets under Construction €	Total €
Cost										
At 1 January 2012	31,447	365,177	30,479	21,261	170,601	33,168	15,061	113,216	12,338	792,748
Reclassifications to opening balances	-	70,354	-	-	(70,354)	-	-	-	-	-
Additions	-	98,620	3,517	594	212	1,756	310	-	18,176	123,185
Disposals	-	(1,819)	(2,792)	(2,133)	(10,453)	(9,087)	-	-	-	(26,284)
Other adjustments - additions	-	-	-	-	-	-	3,700	-	-	3,700
At 31 December 2012	31,447	532,332	31,204	19,722	90,006	25,837	19,071	113,216	30,514	893,349
Government Grants										
At 1 January & 31 December 2012	-	104,182	-	-	-	-	-	-	-	104,182
Depreciation										
At 1 January 2012	1,464	153,405	15,970	21,261	50,326	24,637	9,541	69,349	-	345,953
Reclassifications to opening balances	-	4,468	-	-	(4,468)	-	-	-	-	-
Charge for the year	298	21,410	1,243	594	5,607	1,728	1,048	4,191	-	36,119
Released on disposal	-	(3,345)	(1,283)	(2,133)	(5,286)	(7,515)	-	-	-	(19,562)
Other adjustments – charge for the year	-	-	-	-	-	-	240	-	-	240
At 31 December 2012	1,762	175,938	15,930	19,722	46,179	18,850	10,829	73,540	-	362,750
N.B.V. at 31 December 2012	29,685	252,212	15,274	-	43,827	6,987	8,242	39,676	30,514	426,417

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December

12. Inventories

Inventories consist of books and souvenirs held by the council at the end of the year.

13. Trade and other Receivables

	2013	2012
	€	€
Falling due within One Year		
Prepayments	1,913	3,808
Accrued income	42,793	57,520
LES and other receivables	2,074	116
	46,780	61,444

LES debtors amount to €33,533. As these are all older than 2 years, the full amount has been provided for.

14. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of financial position:

	2013	2012
	€	€
Petty cash	127	98
Bank balances - Current accounts	2,304	20,678
Bank balances – Term deposits	88,038	88,038
	90,469	108,814

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December

15. Long Term Borrowings

The Council has a loan facility of €26,290 with APS Bank Limited in connection with the purchase of property used to house the administrative offices of the Council. This is repayable in monthly instalments of €179 over a period of 20 years and bears interest at the rate of 1.75% over the base rate.

The facility is secured by:

- (a) First General Hypothec over the Council's assets;
- (b) Guarantee issued by the Housing Authority for €25,157;
- (c) Contractual obligation to register in favour of the Bank a First Special Hypothec and Special Privilege over shop numbers 5,6 & 8 in Binja Faqqani, Trejket il-Girasol, Santa Lucija;
- (d) Pledge over insurance policy covering the property and over a Term Deposit;

The repayments falling due within 1 year are being disclosed with Current Liabilities while the remaining balance is separately disclosed as falling due after 1 year as follows:

	2013	2012
	€	€
Amount between 1 and 2 years	5,870	5,870
Amount between 2 and 5 years	6,444	6,444
Amount after 5 years	3,201	4,564
	15,515	16,878

16. Deferred Income

	2013	2012
	€	€
Balance at the beginning of the year	162,063	170,907
Decrease – amount received during the year	(1,700)	-
Released to income	(10,730)	(8,844)
Balance at the end of the year	149,633	162,063
Current Deferred Income	(13,672)	(10,422)
Non- Current Deferred Income	135,961	151,641

Non- current deferred income is analysed as follows:

Amount to be released between 1 and 2 years	8,693	12,209
Amount to be released between 2 and 5 years	21,198	22,947
Amount to be released after 5 years	106,070	116,485
	135,961	151,641

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December

16. Deferred Income - continued

Deferred income represents grant agreements entered into under the Urban Improvements Fund (UIF), Alternative Energy LC scheme and the Public Private Partnership (PPP) scheme up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the assets in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

17. Trade and Other Payables

	2013	2012
	€	€
<i>Amounts falling due within one Year:</i>		
Payables	43,633	29,403
Accruals for capital creditors (i)	28,663	18,569
Accruals	19,664	34,494
Deferred Income	13,672	10,422
	105,632	92,888
<i>Amounts falling due after more than one year:</i>		
Long term capital creditors (ii)	66,611	37,137

- (i) Short-term accrual for capital creditor represents the amount payable to contractors for resurfacing works carried out at Triq Inez Soler and Triq Gulietta Lopez under the PPP scheme.
- (ii) Other amounts due relating to the project mentioned in (i) above which was completed during 2013 amount to €66,611 which are payable over a period of seven (8) years and this amount is disclosed under Long Term payables

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December

18. Capital commitments

	2013	2012
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Approved but not yet contracted for	-	25,633
(ii) Contracted for and provided in the financial statements (see note below)	96,895	55,707
(iii) Contracted for but not provided in the financial statements (see note below)	110,029	186,507

- (ii) The amounts contracted for and provided in financial statements relate to commitments for road resurfacing works to be carried out in Triq Guljetta Lopez . These works form part of the PPP programme to be repayable over a period of nine (9) years.
- (iii) The amounts contracted for and not provided in financial statements relate to commitments for road resurfacing works to be carried out on Triq il-Gnien (€83,326) – also forming part of the PPP programme to be repayable over a period of nine (9) years; and a commitment for the construction of a Water Reservoir in the same road (Ref: WR57/13/02 - €26,703). In this regard, the council has applied for funds under a government scheme as per Memo 87/2011 and will receive the sum of €20,000 when the project is complete.

19. Contingent liabilities

As at 31 December 2013, the end of the reporting year, Santa Lucia Local council has no pending court cases and/or litigation which might result in a future contingent liability

SANTA LUCIJA LOCAL COUNCIL

Notes to the Financial Statements

For the year ended 31 December

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Santa Lucija Local council is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Council carried out the following significant transactions with the it's related parties:

Name of Entity	Nature of Relationship	2013 €	2012 €
Department of Local Government - income	Significant Control	296,299	301,254
LES Joint Committee - income	Joint Control	2,413	7,629
Housing Authority - income	No Control	-	167,644
Water Services Corporation - income	No Control	-	6,602
Wasteserv Malta Ltd – operations	No Control	21,413	21,413

21. Financial Risk Management

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

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Notes to the Financial Statements

For the year ended 31 December

21. Financial Risk Management - continued

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

22. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements – **17 February 2014**, by the council members.

23. Comparative figures

The presentation of certain comparatives has been amended to conform to the current year's presentation.

SANTA LUCIJA LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SANTA LUCIJA LOCAL
COUNCIL TO THE DIRECTOR OF AUDIT**