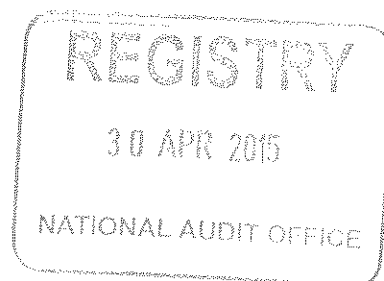


Zurrieq Local Council

**Financial Statements for the year
ended 31 December 2014**

Prepared by: Joseph Azzopardi CPA
AB/05/88



Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

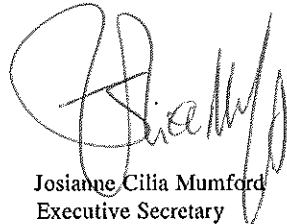
Statement of Local Council Member's and Executive Secretary's Responsibilities

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 income and expenditure 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 Statement of Comprehensive Income of the Local Council for the year and its retained funds as at the year end, and that they comply with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

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



Ignatius Farrugia
Mayor



Josianne Cilia Mumford
Executive Secretary

Wednesday, 8 April 2015

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Report of the Local Government Auditor to the Auditor General

Report on the Financial Statements for the year ended 31 December 2014

We have audited the accompanying financial statements of Zurrieq Local Council, which comprise the statement of financial position as at 31 December 2014, and the statement of Profit or Loss and other Comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditors.

As described in page 2, these financial statements are the responsibility of the Executive secretary and the Local Council members.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Council's fixed asset register is not in agreement with the amounts presented in these financial statements. The aggregate cost included in the fixed asset register is €249,551 less than the amount of the cost included in these financial statements, and the aggregate accumulated depreciation is €298,114 less. This is not in accordance with the Local Councils (Procedures) Regulations. This has an effect on the depreciation for the year ended 31 December 2014, which effect cannot be quantified.

In view of the matters explained above we could not satisfy ourselves as to the existence, completeness and valuation of the carrying amount of property, plant and equipment at 31 December 2014 amounting to €2,015,523.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Qualified Opinion

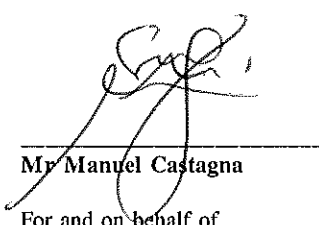
In our opinion, except for the effects of the matter described Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Zurrieq Local Council as at 31 December 2014, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory requirements

In our opinion the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, due to the matter described in the Basis for qualified opinion paragraph.

Other Matter

The financial statements of Zurrieq Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 23 April 2014.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 20 April 2015

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Statement of Profit or Loss and Other Comprehensive Income


	Note	Year ended 31 December 2014	Year ended 31 December 2013
		EUR	EUR
Income			
Funds received from Central Government	3	799,711	780,967
Income from Local Enforcement	4	10,190	6,591
General income	6	59,514	36,432
		<u>869,415</u>	<u>823,990</u>
Expenditure			
Personal emoluments	7	117,393	118,072
Operations and maintenance	8	285,566	328,991
Administration and other expenditure	9	338,720	277,651
		<u>741,679</u>	<u>724,714</u>
Operating surplus for the year		127,736	99,276
Investment income	5	<u>1,644</u>	<u>2,875</u>
Profit for the year		<u>129,380</u>	<u>102,151</u>
Total comprehensive income		<u>129,380</u>	<u>102,151</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

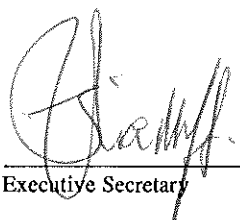
Statement of Financial Position

	Note	31 December 2014 EUR	31 December 2013 EUR
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	<u>2,015,523</u>	<u>2,116,486</u>
Current Assets			
Receivables	11	22,730	155,507
Cash and cash equivalents	12	<u>355,901</u>	<u>207,632</u>
		<u>378,631</u>	<u>363,139</u>
Total Assets		<u>2,394,154</u>	<u>2,479,625</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>1,486,111</u>	<u>1,356,731</u>
Current Liabilities			
Payables	13	<u>190,851</u>	<u>277,602</u>
Long Term Liabilities			
Long Term Payables	14	<u>717,192</u>	<u>845,292</u>
Total Liabilities		<u>908,043</u>	<u>1,122,894</u>
Total Reserves and Liabilities		<u>2,376,893</u>	<u>2,479,625</u>

These Financial Statements were approved by the Local Council on Wednesday, 20 April 2015 and signed on its behalf:



Mayor



Executive Secretary

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Statement of Changes in Equity

	Retained Funds EUR
Balance as at 1 January 2013	1,254,580
Total comprehensive income for the year 2013	102,151
Balance at 31 December 2013	<u>1,356,731</u>
Balance as at 1 January 2014	1,356,731
Total comprehensive income for the year 2014	129,380
Balance at 31 December 2014	<u>1,486,111</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Statement of Cash Flows

	Note	2014 EUR	2013 EUR
Cash Flows from Operating Activities			
Profit for the year		129,380	102,151
Adjustments for:			
Depreciation		232,586	123,871
Increase in provision for doubtful LES debtors		(1,688)	11,299
Investment income receivable		(1,644)	(2,875)
Government grant released		(61,837)	(29,835)
Operating Profit before Working Capital Changes		296,797	204,611
Decrease/(Increase) in Receivables		141,872	85,824
Increase/(Decrease) in Payables		(219,053)	(134,389)
Net cash from operating activities		219,616	156,046
Cash flows from investing activities			
Purchases of property, plant and equipment		(131,623)	(619,243)
Investment income received		1,644	2,875
Net Cash used in investing activities		(129,979)	(616,368)
Cash flows from financing activities			
Receipt of grants		58,500	144,116
Net Cash from financing activities		58,500	144,116
Net movement in Cash and Cash Equivalents		148,137	(316,206)
Cash and cash equivalents at the beginning of the year		203,581	519,787
Cash and cash equivalents at the end of the year 12, 13		351,718	203,581

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

1. General Information

Zurrieq Local Council is the local authority of Zurrieq setup in accordance with the Local Councils Act. The office of the Local Council is situated at Centru Komunita Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq, ZRQ 1030, Malta.

2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up applying International Financial Reporting Standards as adopted by the EU and 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). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. The principal accounting policies and reporting procedures used by the Local Councils are as follows:

a. Local Enforcement System and Payables

With effect from 1 September 2011 the Council forms part of the Southern Region. This had been notified to the Council by Memo 85/2011 whereby it was decided that the compensation due to Local Councils from the Regional Committee had to be of 10% of every payment effected in respect of traffic contraventions remitted to the respective Local Council. As per Legal Notice 363.41 the Council raises an invoice to each of the five Regions during the first week of the following month.

b. Critical accounting estimates and judgements

In preparing the Financial Statements the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. 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 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 IAS 1 (revised) – 'Presentation of Financial Statements'.

c. Revenue recognition

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. Interest income is recognised in the income statement as it accrues.

d. Standards, amendments and interpretations that are not yet effective

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Local Council is considering the implications of the standard and its impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

Notes to the Financial Statements ... continued

e. 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
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban improvements (street furniture)	10
Special programmes (Projects)	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	100
Playground furniture	100
Traffic signs	100
Road signs	100
Street mirrors	100
Street lights	100

f. Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

g. 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 Income and Expenditure.

h. 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 in 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 Income and Expenditure.

In accordance with prevailing regulations any local enforcement dues which have exceeded two years since being issued have been provided for.

Notes to the Financial Statements ... continued

2. Accounting Policies and Reporting Procedures (contd.)

i. 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 Euro, which is the Council's functional and present currency. Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Affairs.

j. Surpluses and deficits

Only profits that were realised at the date of the Statement of Affairs 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.

k. Cash and Equivalents

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

3. Funds received from Central Government

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
In terms of Sections 55 of the Local Councils Act (CAP 363)	720,812	710,687
Other government income	78,899	70,280
	<u>799,711</u>	<u>780,967</u>

4. Income from local enforcement

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Income from administration fees	10,190	6,591
	<u>10,190</u>	<u>6,591</u>

5. Investment income

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Bank interest receivable	1,644	2,875
	<u>1,644</u>	<u>2,875</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Notes to the Financial Statements ... continued

6. General income

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Income from tender documents	1,797	3,030
Income from events, courses and activities	20,435	14,766
Income from permits	20,021	18,486
Sundry contributions and donations	-	150
Income from Measure 125	17,261	-
	<u>59,514</u>	<u>36,432</u>

7. Personal emoluments

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Personal emoluments include, inter alia:		
Mayor's Allowance	11,676	11,396
Executive Secretary Salary	23,913	27,043
Employees' Salaries	59,972	59,493
Social Security Contributions	6,693	6,361
Other allowances	15,139	13,779
	<u>117,393</u>	<u>118,072</u>

8. Operations and maintenance

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Repairs and Upkeep:		
Road Asphaltting	43,431	57,508
Public Property	133	287
Road Markings	8,094	17,494
	<u>51,658</u>	<u>75,289</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Notes to the Financial Statements ... continued

8. Operations and Maintenance (cont...)

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Contractual Services:		
Refuse collection (including bins on wheels)	140,807	154,962
Bulky refuse collections (including open skips)	7,919	13,428
Road and Street Cleaning (mechanical and manual)	40,348	40,306
Cleaning and Maintenance of Public Conveniences	7,080	10,378
Cleaning and Maintenance of Parks and Gardens	9,214	11,715
Cleaning and Maintenance of Non-Urban areas	4,300	-
Cleaning and Maintenance of Soft Areas	7,469	8,482
Cleaning and Maintenance of Council Premises	7,489	2,826
Local Enforcement system expenses	1,481	1,011
Street lighting	7,801	10,594
	233,908	253,702
Total Operations and Maintenance expenses	285,566	328,991

9. Administration and other expenditure

	Year ended 31 Dec 2014	Year ended 31 Dec 2013
	EUR	EUR
Utilities	10,191	16,969
Uniforms	648	846
Other repairs and upkeep	14,465	36,705
Advertising and publications	7,312	8,217
Insurance coverage	4,411	3,492
Materials and Supplies	2,197	3,261
Office Services	6,377	5,397
Transport	3,578	2,243
Information Services	3,728	3,988
Rent	2,976	2,569
Sundry expenses	35	-
Professional Services	24,231	20,112
International relationships	6,312	2,437
Community services & events	21,060	33,787
Other contractual services	-	2,153
Bad debts written off	49	-
(Decrease)/Increase in provision for doubtful debts	(1,688)	11,299
Bank charges	252	305
Depreciation	232,586	123,871
	338,720	277,651

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

10. Property, Plant and Equipment

	Property EUR	Office Furniture & Fittings EUR	Plant and Machinery EUR	Trees EUR	Office Equipment EUR	Urban Improvement EUR	New Street Signs EUR	Construction works EUR	Special Programmes EUR	Assets under construction EUR	Total EUR
Cost as at 1 January 2014	176,229	49,222	3,656	35,545	24,000	255,158	26,636	272,150	1,873,519	493,859	3,209,974
Additions/ transfers during the period	-	-	-	-	6,374	-	-	-	587,249	(462,000)	131,623
Adjustment (*)	-	-	-	-	-	-	-	-	213,310	-	213,310
Disposals	-	-	-	-	-	-	-	-	-	-	-
Cost at 31 December 2014	176,229	49,222	3,656	35,545	30,374	255,158	26,636	272,150	2,674,078	31,859	3,554,907
Grants at 1 January 2014	-	-	-	-	-	-	-	-	360,281	-	360,281
Other reimbursements	-	-	-	-	-	-	-	-	-	-	-
Grants at 31 December 2014	-	-	-	-	-	-	-	-	360,281	-	360,281
Acc. Dep'n beginning of period	29,474	19,480	1,450	16,453	16,365	169,855	26,636	179,262	274,232	-	733,207
Adjustment (*)	-	-	-	-	-	-	-	-	213,310	-	213,310
Charge for the period	3,469	1,705	369	-	2,353	13,789	-	3,383	207,518	-	232,586
Disposals	-	-	-	-	-	-	-	-	-	-	-
Acc. Dep'n end of Period	32,943	21,185	1,819	16,453	18,718	183,644	26,636	182,645	695,060	-	1,179,103
Net Book Value 31 December 2014	143,286	28,037	1,837	19,092	11,656	71,514	-	89,505	1,618,930	31,859	2,015,523

(*) This was a reversal made in 2013 which had cancelled out a previous accounting adjustment made on 31 December 2012 in the Council's ledgers. The necessity to re-adjust these figures was required in order that these financial statements agree with the Council's books at 31st December 2014.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

10 b. Property, Plant and Equipment ... continued

	Property EUR	Office Furniture & Fittings EUR	Plant & Machinery EUR	Trees EUR	Office Equipment EUR	Urban Improvement EUR	New Street Signs EUR	Construction works EUR	Special Programmes EUR	Assets under construction EUR	Total EUR
Cost as at 1 January 2013	176,229	58,195	3,658	35,545	20,565	253,032	26,954	272,150	1,584,162	300,476	2,730,966
Additions during the period	-	671	429	-	3,822	2,126	-	-	418,812	193,383	619,243
Disposals	-	(9,644)	(431)	-	(387)	-	(318)	-	(129,455)	-	(140,235)
Cost at 31 December 2013	176,229	49,222	3,656	35,545	24,000	255,158	26,636	272,150	1,873,519	493,859	3,209,974
Grants at 1 January 2013	-	-	-	-	-	-	-	-	360,281	-	360,281
Other reimbursements	-	-	-	-	-	-	-	-	-	-	-
Grants at 31 December 2013	-	-	-	-	-	-	-	-	360,281	-	360,281
Acc. Dep'n beginning of period	25,456	27,094	1,447	16,453	15,242	159,770	26,954	175,830	301,325	-	749,571
Charge for the period	4,018	2,030	434	-	1,510	10,085	-	3,432	102,362	-	123,871
Disposals	-	(9,644)	(431)	-	(387)	-	(318)	-	(129,455)	-	(140,235)
Acc. Dep'n end of Period	29,474	19,480	1,450	16,453	16,365	169,855	26,636	179,262	274,232	-	733,207
Net Book Value 31 December 2013	146,755	29,742	2,206	19,092	7,635	85,303	-	92,888	1,239,006	493,859	2,116,486

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

11. Receivables

	2014	2013
	EUR	EUR
Trade Receivables	5,724	1,280
LES Receivables	306,425	308,113
Provision for bad debts	(306,425)	(308,113)
Related party balances	7,096	2,372
Prepayments	3,500	7,064
Garnishee order	-	1,044
Accrued Income Receivable	6,410	143,747
	<u>22,730</u>	<u>155,507</u>

Provision for bad and doubtful
Debts as at 31 December

	EUR	EUR
Opening provision for bad and doubtful debts	308,113	296,814
(Decrease)/Increase in provision for the year	(1,688)	11,299
Closing balance of bad and doubtful debts provision	<u>306,425</u>	<u>308,113</u>

12. Cash and Cash Equivalents

	2014	2013
	EUR	EUR
Bank Balances:		
Bank Current Account	53,572	4,888
Savings Accounts	98,919	99,297
Fixed Account	203,000	103,000
Cash in hand	410	447
Cash at Bank and in Hand	<u>355,901</u>	<u>207,632</u>

All the guarantees held by the local Council were released during the 2014.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

13. Payables

	2014	2013
	EUR	EUR
Amounts due within one year		
Bank balance overdrawn	4,183	4,051
Payables	69,791	142,933
Related party balance	7,394	27,838
Other payables	28,127	64
Accruals	10,924	20,983
Deferred income	70,432	81,733
	<u>190,851</u>	<u>277,602</u>

14. Long Term payables

	2014	2013
	EUR	EUR
Amounts due after one year - PPP	72,827	133,391
Deferred income	644,365	711,901
	<u>717,192</u>	<u>845,292</u>

15. Deferred income

	2014	2013
	EUR	EUR
Balance at 1 January	793,634	789,677
Increase in funds during the year	8,000	48,293
Amount released to the Statement of Comprehensive Income	(61,837)	(44,336)
Transferred to payables – Project Funds	(25,000)	-
Balance at 31 December	<u>714,797</u>	<u>793,634</u>
Amounts deferred:		
Within one year	70,432	81,733
Between two and five years	644,365	711,901
Between five years or more	-	-
	<u>714,797</u>	<u>793,634</u>

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

16. Capital Commitments

	2014	2013
	EUR	EUR
(i) Details of Capital Commitments are as follows:		
Approved but not yet contracted for (ii)	-	4,000
Contracted for but not provided in the financial statements (iii)	290,881	204,253
	<u>290,881</u>	<u>208,253</u>
These could be analysed as follows:		
(ii) Approved but not yet contracted for:		
Special Programmes	-	4,000
	<u>-</u>	<u>4,000</u>
(iii) Contracted for but not provided for in the financial statements		
Public Private Partnership Scheme:		
- Road resurfacing (3 locations)	60,563	136,955
Road resurfacing	-	57,298
Triq it-Torri	31,256	-
Project in Triq Gervase Mathew (see note below)	67,000	-
Playing fields	132,062	-
Hal-Millieri Project	-	10,000
	<u>290,881</u>	<u>204,253</u>

Project in Triq Gervase Mathew – The Council has expressed its intention to construct new premises at this location. Overall the project is expected to cost in the region of € 714,978 which includes both construction and finishing. In order to maintain payments with its suppliers, the Council will use up its own available funds up to around € 200,000 with the remainder to be obtained through a bank loan. The bank loan repayment term is to be of 12 years. The amount of € 67,000 shall be required by the Council to meet its obligations of capital repayments and interest vis a vis the bank loan as they arise.

17. Contingent Liabilities

The Council was engaged in two commitments – the resurfacing of a major road in the locality and renovation of the playing fields. Works which have remained outstanding as at 31 December 2014 were roads signs leading to same localities.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

18. Other allowances

The Council has paid the following additional allowances during 2014. These are shown as gross amounts.

	2014	2013
	EUR	EUR
Mayor	1,600	1,600
Vice Mayor	1,200	1,200
Councillors' allowances	10,800	10,800
Executive Secretary	<u>1,539</u>	<u>1,539</u>
	<u>15,139</u>	<u>15,139</u>

19. Prior year adjustments

There were no occurrences of prior year adjustments made in the course of 2014 nor deemed necessary during the course of the preparation of these financial statements.

20. Related Parties

During the year under review, the Council entered into ongoing transactions with the following entities which are under full or partial Government control and which could therefore be deemed as related parties:

<u>Name of Entity</u>	<u>Relationship</u>
Department of Local Government	Significant control
Local Enforcement System	Joint control
Regional committees	Joint control
Lands Department	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
ARMS Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner of Police	No control

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

20. Related Parties (contd.)

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

(i) Annual allocation from Department of Local Government

	Year ended 31 December 2014 EUR	Year ended 31 December 2013 EUR
Annual Financial Allocation	720,812	710,687

(ii) Year-end balances

	Year ended 31 December 2014 EUR	Year ended 31 December 2013 EUR
Receivables:		
North region	400	-
South region	3,500	-
South east region	1,000	-
Central region	2,000	-
Gozo region	93	-
	6,993	-
Payables:		
Department of Local Government	290	-
Local enforcement system	319	-
Lands Department	2,762	-
Mepa	12,578	-
Arms	5,847	998
Director General Works division	4,210	-
Wasteserv	55,618	23,189
Commissioner of police	915	-
	82,539	24,187

21. Comparative figures

Where necessary the figures of the previous years have been reclassified for comparison purposes.

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

22. Financial risk management

The exposure to risks and the way in which they arise, coupled with the Council's policies and processes for managing, measuring and processing them in the course of meeting its objectives are disclosed in more detail in this section. The Council must manage its finances in a manner which achieves the intended targets by employing financial resources made available to it by the respective Department of Local Governance in the annual allocation as well as funds made available through other authorised partnerships and sources.

Methods used to measure such risks as employed by the Council are under continuous development and improvement. These serve to uphold the Council's objectives, processes and policies.

Significant changes in the Council's exposure to financial risks and the manner in which they are measured and managed are disclosed below.

The risks to which the Council has been or may be exposed in the foreseeable future may be categorised as follows:

Financial risk factors

The Council's activities may expose it to a variety of risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and currency risk arising from the financial instruments it may hold. The risk management policies employed by the Council to manage these risks are discussed below:

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Council's income and operating cash flows are not dependent on changes in market interest rates.

(ii) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from debt balances owed to the Council at the balance sheet date. The Council is exposed to this risk whenever amounts are owed to the Council by individuals and companies. Any cash balances as well as all surplus cash are deposited with reputable local banking institutions.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

22 Financial risk management (contd.)

Amounts receivable by the Council include Local Enforcement System debts and other receivables which are subject to the risk of non-payment. It is the Council's policy to impair and provide for any debt which exceeds two years and which therefore does not remain within the acceptable limit of the credit period. This policy effects the provision for doubtful debts as follows:

	Year ended 31 December 2014 EUR	Year ended 31 December 2013 EUR
Amounts receivable within credit period	11,714	3,652
(Recovered)/Impaired and (un)/provided for	(533)	11,299
Bad debts written off	(49)	-
Decrease/(Increase) in provision for doubtful debts as per IFRS 7.37	1,688	(11,299)
	<u>12,820</u>	<u>3,652</u>

(iii) Liquidity risk

Liquidity risk is the risk that arises in the event that maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. There are sufficient liquid assets to ensure the ongoing operation of the Council for the foreseeable future.

As at 31 December 2014 and 31 December 2013, the contractual maturities on the financial liabilities of the Council were summarized below.

	From 6 to 12 months 2014 €	From 1 to 5 years 2014 €	From 6 to 12 months 2013 €	From 1 to 5 years 2013 €
Bank borrowing	<u>60,563</u>	<u>72,827</u>	<u>121,127</u>	<u>133,391</u>

(iv) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Council's functional currency. The Council is not exposed to foreign exchange risk at the present time.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

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

22 Financial risk management (contd.)

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Council's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows:

	Year ended 31 December 2014 EUR	Year ended 31 December 2013 EUR
Financial assets		
Cash and bank balances	338,640	207,632
Receivables	22,730	155,507
	<u>361,370</u>	<u>363,139</u>
Financial liabilities		
Bank balance overdrawn	4,183	4,051
Payables	189,044	323,826
	<u>193,227</u>	<u>329,260</u>

Capital management

It is the Council's policy to maintain a strong liquidity base so as to ensure compliance with the Local Councils (Financial) Regulations, 1993 whereby it is to be ascertained that an acceptable level of positive liquidity is maintained at all times. Such policy on the Council's liquidity also ensures that suppliers will be in a position to provide the necessary services at all times, with confidence that they will get paid and on their part to deliver the agreed services to the quality expectations being requested and within completion timeframes. Sufficient liquidity sustains future development of the Council's work and ensures the delivery of intended works and services to the community which it serves.

The Council's reserves comprise of retained funds which during the past year have remained stable as shown hereunder:

	31 December 2014 EUR	31 December 2013 EUR
Reserves		
Retained funds	<u>1,468,850</u>	<u>1,356,731</u>

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

Financial Situation Indicator

In terms of section 55 of the Local Councils Act, the Financial Situation Indicator (FSI) of a Local Council should not be permitted to drop below 10%. This is derived by expressing the net current assets at year-end as a percentage of the Annual Government Allocation for that year.

The Council's net allocation for 2014 was of €720,812 (year ended 31 December 2013: €710,687) whereas the sum of its current assets less current liabilities as at 31 December 2014 amounted to net current assets of €187,780 (31 December 2013: net current assets of €85,537). This gives a FSI ratio of 26.05% (31st December 2013: 11.89%).

23. 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.

Zurrieq Local Council
Financial Statements for the year ended 31st December 2014

Analysis of budget to actuals for the year

	Budget		Actual	
	1 Jan to 31 Dec 2014		1 Jan to 31 Dec 2014	
	EUR	EUR	EUR	EUR
<u>Income</u>				
Annual allocation		709,770		720,812
Other income:				
- Supplementary income	168,330		96,705	
- Bye-laws	25,500		20,021	
- Investments	1,000		1,644	
- Other income	9,700		-	
		<u>204,530</u>		<u>118,370</u>
Total income		<u>914,300</u>		<u>839,182</u>
<u>Allocation to ordinary expenditure</u>				
- Salaries	120,800		115,833	
- Utilities	6,000		10,191	
- Materials and supplies	4,000		2,845	
- Repairs and maintenance	95,500		66,123	
- Rent	4,000		2,976	
- Memberships	2,000		2,712	
- Office services	5,200		6,377	
- Transport	2,000		3,578	
- Other services	11,500		15,486	
- Contractual services	13,760		-	
- Cleaning services	227,700		251,810	
- Professional services	21,610		20,123	
- Community services	30,000		40,678	
- Bank charges	-		252	
- Local enforcement	1,000		1,481	
		<u>(545,070)</u>		<u>(540,465)</u>
<u>Allocation to capital expenditure</u>				
- Plant and machinery	-		6,374	
- Resurfacing projects	182,424		-	
- Special programmes	59,000		125,249	
		<u>(241,424)</u>		<u>(131,623)</u>
Total budgeted/actual expenditure		<u>(786,494)</u>		<u>(672,088)</u>
Total budgeted surplus for the year		<u>127,806</u>		<u>167,094</u>