

Hal Lija Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2013

**Prepared by
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2013**

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Independent auditor's report	20

Financial Statements for the year ended 31 December 2013

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

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

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

Approved by the Council and signed on its behalf on April 2014_by:

Dr. Ian Castaldi Paris
Mayor

Ms. Gabriella Agius
Acting Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 €	31 December 2012 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	412,731	447,666
		<u>412,731</u>	<u>447,666</u>
Current Assets			
Receivables	4	9,568	43,454
Cash and Cash Equivalents	5	61,650	106,112
		<u>71,218</u>	<u>149,566</u>
Total Assets		<u><u>483,949</u></u>	<u><u>597,232</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		247,330	261,386
Non-current Liabilities			
Deferred Income	6	63,658	186,904
Long-term payables	7	104,284	-
Liabilities			
Payables	7	68,677	148,942
Total reserves and liabilities		<u><u>483,949</u></u>	<u><u>597,232</u></u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on April 2014 and signed on its behalf by:

Dr. Ian Castaldi Paris
Mayor

Ms. Gabriella Agius
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 €	2012 €
REVENUE			
Funds received from central government	8	251,431	252,531
General Income	9	27,403	14,093
		<u>278,834</u>	<u>266,624</u>
EXPENDITURE			
Personal emoluments	10	(82,331)	(99,256)
Operations and maintenance	11	(101,453)	(91,443)
Administration and other expenditure	12	(109,513)	(102,792)
		<u>(293,297)</u>	<u>(293,491)</u>
Operating Deficit for the year		(14,463)	(26,867)
Investment income	13	407	544
Total Comprehensive (Loss) for the year		<u>(14,056)</u>	<u>(26,323)</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Retained Funds 2013 €	Retained Funds 2012 €
At 1 January	261,386	287,709
Total Comprehensive (Loss) for the year	(14,056)	(26,323)
	<hr/>	<hr/>
At 31 December	247,330	261,386

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 €	2012 €
Cash Flows from Operating Activities			
Total Comprehensive (Loss) for the year		(14,056)	(26,323)
Adjustments for:			
Depreciation		34,024	50,022
Deferred income released		(9,046)	(8,724)
Interest receivable		(407)	544
Operating Profit before Working Capital Changes		10,515	15,519
Decrease/(increase) in receivables		33,886	(6,186)
(Decrease)/Increase in payables		(95,883)	4,772
Net Cash inflow from operating Activities		(51,482)	14,105
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(9,195)	(3,712)
Over accrual property, plant and equipment		10,237	-
New grants received		29,370	28,374
Interest received		407	546
Cash Flow used in Investing Activities		30,819	25,208
Net Increase in			
Cash and Cash Equivalents		(20,663)	38,225
Cash and Cash Equivalents at the Beginning of Year		72,658	34,433
Cash and Cash Equivalents at the End of Year	5	51,995	72,658

The notes on pages 8 to 19 are an integral part of the financial statements.

Notes to the Financial Statements for the Year ended 31 December 2013

1. General Information

Hal Lija Local Council is the local authority of Hal Lija setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija.

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.

a. Accounting convention

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).

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 as adopted by the EU 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.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2013 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are 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 any impact on the council's financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements require entities to group together items within other comprehensive income that may be reclassified to the profit and loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The standard is applicable for annual periods beginning on or after 1 January 2013.

The IASB issued 'Annual Improvements 2009-2011 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2009-2011 cycle. Five standards are primarily affected by the

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 January 2013.

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. These include the following:

Amendments to IAS 32 Financial Instruments: Presentation – These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendment to IAS 36 Impairment of Assets – This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9 Financial Instruments (not yet endorsed by the EU) – This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities.

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 and that they will have no material impact on the financial statements in the period of initial application.

c. 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.

d. Local Enforcement System

During 2013 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

e. Property, Plant and Equipment

Property, plant and equipment is 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 Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

e. Property, Plant and Equipment (cont)

	%
Street Mirrors	replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting 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 local 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.

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive income 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 comprehensive income.

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 amounts 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 comprehensive income.

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 EUR at the rates of exchange prevailing at the date of the Statement of Financial Position.

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

j. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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 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.

l. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority.

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the local council.

n. 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 transactions costs. They are measured subsequently as described below.

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the

Notes to the Financial Statements for the year ended 31 December 2013 - continued

Financial Assets (cont)

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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

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

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

3a Property, Plant and Equipment

	Office Furniture /fittings	Plant & Machinery	Office Equipment	Urban Improvements	New Street Signs	Construction	Assets in the course of Construction	Motor Vehicle	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2013	16,849	3,986	36,517	109,672	40,307	790,160	-	-	997,491
Additions this year	-	-	1,195	-	-	-	-	8,000	9,195
Over provision of accrual	-	-	-	-	-	(10,237)	-	-	(10,237)
At 31 December 2013	16,849	3,986	37,712	109,672	40,307	779,923	-	8,000	996,449
Grants and other reimbursements									
At 1 January 2013	-	-	(2,644)	-	(7,687)	(86,935)	-	-	(97,266)
Received during the year	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	(2,644)	-	(7,687)	(86,935)	-	-	(97,266)
Depreciation Provision									
At 1 January 2013	(11,048)	(3,872)	(24,690)	(61,238)	(32,620)	(319,091)	-	-	(452,559)
Charge for the year	(420)	(20)	(1,792)	(4,627)	-	(26,902)	-	(263)	(34,024)
Prior year adjustment	-	-	-	131	-	-	-	-	131
At 31 December 2013	(11,468)	(3,892)	(26,482)	(65,734)	(32,620)	(345,993)	-	(263)	(486,452)
Net Book Value									
At 31 December 2013	5,381	94	8,586	43,938	-	346,995	-	7,737	412,731

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

3b Property, Plant and Equipment

	Office Furniture /fittings	Plant & Machinery	Office Equipment	Urban Improvements	New Street Signs	Construction	Assets in the course of Construction	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2012	16,849	3,986	32,302	109,672	36,595	709,551	34,652	943,607
Additions this year	-	-	4,215	-	3,712	80,609	(34,652)	53,884
At 31 December 2012	16,849	3,986	36,517	109,672	40,307	790,160	-	997,491
Grants and other reimbursements								
At 1 January 2012	-	-	(2,644)	-	(7,687)	(147,580)	-	(157,911)
Received during the year	-	-	-	-	-	60,645	-	60,645
At 31 December 2012	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
Depreciation Provision								
At 1 January 2012	(10,531)	(3,843)	(23,313)	(55,894)	(28,908)	(273,983)	-	(396,472)
Charge for the year	(517)	(29)	(1,377)	(5,344)	(3,712)	(39,043)	-	(50,022)
Prior year adjustment						(6,065)		(6,065)
At 31 December 2012	(11,048)	(3,872)	(24,690)	(61,238)	(32,620)	(306,961)	-	(452,559)
Net Book Value								
At 31 December 2012	5,801	114	9,183	48,434	-	384,134	-	447,666

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

4 Receivables	2013	2012
	€	€
Receivables	4,620	29,600
Prepayments and accrued income	4,948	13,854
	<u>9,568</u>	<u>43,454</u>

Trade receivables	2013	2012
	€	€
Within the current period	9,568	43,454
Exceeded credit period but not yet impaired	-	-
	<u>9,568</u>	<u>43,454</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	2013	2012
	€	€
Current Accounts	(9,655)	(33,443)
Savings Accounts	61,585	106,036
Cash in hand	65	65
	<u>51,995</u>	<u>72,658</u>
Transfer to payables	9,655	33,454
Cash at bank and in hand	<u>61,650</u>	<u>106,112</u>

6 Deferred Income Grants	2013	2012
	€	€
Deferred Income – between 1 to 2 years	6,990	
Deferred Income – between 2 to 5 years	17,212	
Deferred Income - over 5 years	39,456	186,904
	<u>63,658</u>	<u>186,904</u>

	2013	2012
	€	€
Opening Balance	80,609	46,339
Increase in grants	2,300	41,190
Release of grants	(9,046)	(6,920)
Closing balance	73,863	80,609
Less Current portion	10,205	8,785
Non-current portion	<u>63,658</u>	<u>71,824</u>

Notes to the Financial Statements for the Year ended 31 December 2013 (cont)

7 Payables	2013	2012
	€	€
Overdrawn bank balance	9,655	33,454
Accounts payable	38,935	32,283
Accruals	9,882	83,186
Deferred income	10,205	-
	<u>68,677</u>	<u>148,923</u>
Non-Current		
Long term payables	<u>104,284</u>	<u>-</u>
	2013	2012
8 Funds received from Central Government	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	231,301	235,941
Other Government Income	20,130	16,590
	<u>251,431</u>	<u>252,531</u>
9 General Income	2013	2012
	€	€
Income from Tender Documents	5,576	1,000
Income from Permits	3,606	2,348
Income from Local Enforcement System	2,787	6,303
Sundry contributions and donations	15,434	4,442
	<u>27,403</u>	<u>14,093</u>
10 Personal Emoluments	2013	2012
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	6,703	8,139
Councillors' Allowance	6,400	4,740
Executive Secretary's Salary	8,981	25,672
Employees' salaries	55,325	55,738
Social Security Contributions	4,922	4,967
	<u>82,331</u>	<u>99,256</u>

Notes to the Financial Statements for the year ended 31 December 2013 (cont)**11 Operations and Maintenance**

Operations and maintenance includes, inter alia: 2013 2012
€ €

Repairs and Upkeep:

Road /street pavements	4,727	9,622
Public property	3,810	2,187
Signs and road markings	2,524	3,033
Other repairs and upkeep	228	701
Total	11,289	15,543

Contractual Services:

	2013	2012
	€	€
Refuse Collection	44,241	41,729
Bulky Refuse Collection	2,125	2,884
Road and street cleaning	19,186	12,005
Cleaning and Maintenance of Public Conveniences	4,990	286
Cleaning and maintenance Parks and gardens	10,544	9,731
Street Lighting	6,514	6,163
Other	2,564	3,102
	90,164	75,900

Total Operations and Maintenance Expenses	101,453	91,443
--	----------------	---------------

12 Administration and other expenditure

	2013	2012
	€	€
Utilities	4,206	4,803
Materials and supplies	4,821	782
Rent	8,850	8,400
National and International Memberships	612	687
Office Services	4,441	4,233
Transport	993	2,239
Information services	1,136	1,003
Professional Services	21,309	6,173
Community services and events	29,121	24,450
Depreciation	34,024	50,022
	109,513	102,792

13 Investment income

	2013	2012
	€	€
Bank Interest Receivable	407	544
	407	544

Notes to the Financial Statements for the year ended 31 December 2013 (cont)

14 Capital commitments	2013	2012
	€	€
Authorised but not contracted for	12,000	12,000
Contracted for but not provided for	-	-
	<u>12,000</u>	<u>12,000</u>
 Authorised but not contracted for:		
	12,000	12,000

15 Related Parties Disclosures

During the year under review, the Council carried out transactions with the following related parties:

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2013	2012
Significant control:		
Revenue:	€	€
Annual financial allocation	<u>231,301</u>	<u>235,941</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

16. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

Notes to the Financial Statements for the year ended 31 December 2013 (cont)**16.1 Credit risk**

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2013	2012
Class of financial assets – carrying amounts	€	€
Trade and other receivables	8,511	42,247
Cash and Cash Equivalents	61,650	72,658
	<u>70,161</u>	<u>114,905</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 4 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

16.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

Current Liabilities	2013	2012
	€	€
Payables	38,935	32,283
Accruals	9,882	83,186
Bank overdraft	9,655	33,454
	<u>58,472</u>	<u>148,923</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs		
Long term payables	104,284	115,080
	<u>104,284</u>	<u>115,080</u>

16.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

Notes to the Financial Statements for the year ended 31 December 2013 - continued

16.4 Summary of the financial assets and liabilities by category

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

	2013	2012
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	8,511	42,247
Cash and Cash Equivalents	<u>61,650</u>	<u>72,658</u>
	<u>70,161</u>	<u>114,905</u>
 Current Liabilities		
Payables	38,935	32,283
Accruals	9,882	83,186
Bank overdraft	<u>9,655</u>	<u>33,454</u>
	<u>58,472</u>	<u>148,923</u>
 Non-current Liabilities		
Financial liabilities measured at amortised costs		
Long term payables	<u>104,284</u>	<u>115,080</u>
	<u>104,284</u>	<u>115,080</u>

16.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

17 Fair value estimation

At 31 December 2013 and 31 December 2012, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

18 Comparative information

Certain figures have been reclassified to conform with current year's presentation.

Financial Statements for the year ended 31 December 2013

Independent Auditor's report