

Luqa Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2014

**Prepared by
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014**

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Financial Statements for the year ended 31 December 2014

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 Profit or Loss and Other 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 30th April 2015 by:

John Schembri
Mayor

Michael Portelli
Executive Secretary

Financial Statements for the year ended 31 December 2014

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of Luqa 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 3 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 Local Council's financial statements do not disclose all the quantitative and qualitative disclosure requirements under IFRS7.

Qualified Opinion

In our opinion, except for the effects of the matters described, the financial statements give a true and fair view of the financial position of the 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, as the financial statements do not include the budgeted figures for the year and due to the matter included in the Basis for Qualified Opinion paragraph.

Other Matter

The financial statements of Luqa Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 29 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: 30th April 2015

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31 December 2014 €	31 December 2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	<u>1,296,365</u>	<u>1,218,668</u>
		<u>1,296,365</u>	<u>1,218,668</u>
Financial Asset			
Available for sale investments	4	<u>211,499</u>	<u>209,822</u>
Current Assets			
Trade and other receivables	5	126,911	185,263
Cash at bank and in hand	6	<u>170,019</u>	<u>197,095</u>
		<u>296,930</u>	<u>382,358</u>
TOTAL ASSETS		<u><u>1,804,794</u></u>	<u><u>1,810,848</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		1,232,346	1,247,434
Investment revaluation reserve		<u>11,499</u>	<u>9,822</u>
		<u>1,243,845</u>	<u>1,257,256</u>
Liabilities			
Non-Current Liabilities			
Deferred income grants	9	<u>342,195</u>	<u>420,142</u>
Current Liabilities			
Short term borrowings	7	7,924	-
Trade and other payables	8	<u>210,830</u>	<u>133,450</u>
		<u>218,754</u>	<u>133,450</u>
Total Liabilities		<u>560,949</u>	<u>553,593</u>
TOTAL RESERVES AND LIABILITIES		<u><u>1,804,794</u></u>	<u><u>1,810,848</u></u>

The notes on pages 10 to 22 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 30th April 2015 and signed on its behalf by:

John Schembri
Mayor

Michael Portelli
Executive Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 €	2013 €
REVENUE			
Funds received from central government	10	449,401	403,801
Income raised under Local Council Bye-Laws	11	5,480	3,558
Income raised under Law Enforcement System	12	3,812	2,834
General Income	14	18,333	4,561
		<u>477,026</u>	<u>414,754</u>
EXPENDITURE			
Personal emoluments	15	(104,570)	(99,880)
Operations and maintenance	16	(159,886)	(162,931)
Administration and other expenditure	17	(227,862)	(142,587)
		<u>(492,318)</u>	<u>(405,398)</u>
OPERATING (LOSS)/INCOME FOR THE YEAR		(15,292)	9,356
Investment income	13	204	173
(LOSS)/INCOME FOR THE YEAR		<u>(15,088)</u>	<u>9,529</u>
OTHER COMPREHENSIVE INCOME			
Increase in fair value of available-for-sale investments	4	1,677	3,854
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u><u>(13,411)</u></u>	<u><u>13,383</u></u>

The notes on pages 10 to 22 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

At 31 December 2014

	Retained Funds €	Investment Revaluation Reserve €	Total €
At 1 January 2013	1,237,905	5,968	1,243,876
Income for the year	<u>9,529</u>	<u>-</u>	<u>9,529</u>
Total comprehensive income for the year	9,529	-	9,529
Other Comprehensive income			
Movement for the year	<u>-</u>	<u>3,854</u>	<u>3,854</u>
At 31 December 2013	<u>1,247,434</u>	<u>9,822</u>	<u>1,257,256</u>
	Retained Funds €	Investment Revaluation Reserve €	Total €
At 1 January 2014	1,247,434	9,822	1,257,256
Loss for the year	<u>(15,088)</u>	<u>-</u>	<u>(15,088)</u>
Total comprehensive loss for the year	(15,088)	-	(15,088)
Other Comprehensive Income			
Movement for the year	<u>-</u>	<u>1,677</u>	<u>1,677</u>
At 31 December 2014	<u>1,232,346</u>	<u>11,499</u>	<u>1,243,845</u>

The notes on pages 10 to 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

At 31 December 2014

	Note	2014 €	2013 €
Cash Flows from Operating Activities			
(Loss)/income for the year		(15,088)	9,529
Adjustments for:			
Depreciation		137,228	87,478
Increase in Provision for doubtful debts		16,223	1,048
Deferred income released		(41,013)	(11,970)
Interest receivable		(204)	(173)
Operating Profit before Working Capital Changes		97,146	85,912
Increase in Receivables		58,352	6,736
Decrease in Payables		10,705	33,204
Cash(used in)/generated from operations		166,203	125,852
Net Cash inflow from operating Activities		166,203	125,852
Cash flows from Investing Activities			
Interest received		204	173
Purchase of property, plant and equipment		(214,925)	(249,104)
Cash Flow (used in) Investing Activities		(214,721)	(248,931)
Cash flows from Financing Activities			
Grants received		13,515	150,847
Cash flows generated from Financing activities		13,515	150,847
Net (decrease)/increase in Cash and Cash Equivalents		(35,003)	27,768
Cash and Cash Equivalents at the Beginning of year		197,098	169,327
Cash and Cash Equivalents at the End of year	6, 7	162,095	197,095
Cash at bank and in hand		170,019	197,095
Bank balances overdrawn		(7,924)	-
		162,095	197,095

The notes on pages 10 to 22 are an integral part of the financial statements.

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

1. General Information

The Luqa Local Council is the local authority of Luqa setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, 173, New Street, Luqa.

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

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. IFRS 9 has not yet been adopted by the EU. The 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.

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 2014 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.

Notes to the Financial Statements for the period ended 31 December 2014 – continued**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
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.

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

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.

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 whereas there was joint control with the Gozo Joint Committee.

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.

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

Financial assets

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

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).

Notes to the Financial Statements for the year ended 31 December 2014 – continued**3a Property, Plant and Equipment**

	Property	Office Furniture /fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2014	179,426	26,680	14,436	10,587	286,688	21,424	1,860,027	5,066	42,264	3,197	10,000	230,319	2,690,114
Additions	-	8,490	-	-	51,213	-	91,018	-	-	-	-	64,204	214,925
At 31 December 2014	179,426	35,170	14,436	10,587	337,901	21,424	1,951,045	5,066	42,264	3,197	10,000	294,523	2,905,039
Grants and other reimbursements													
At 1 January 2014	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Accumulated depreciation													
At 1 January 2014	(23,424)	(18,429)	(12,974)	(9,114)	(94,617)	(21,424)	(611,572)	(154)	(9,911)	(1,372)	(3,678)	-	(806,669)
Charge for the period	(1,553)	(994)	(326)	(269)	(65,005)	-	(67,381)	-	(212)	(333)	(1,155)	-	(137,228)
At 31 December 2014	(24,977)	(19,423)	(13,300)	(9,383)	(159,622)	(21,424)	(678,953)	(154)	(10,123)	(1,705)	(4,833)	-	(943,897)
Net book value													
At 31 December 2014	154,449	15,747	1,136	1,204	156,846	-	658,881	4,912	2,008	1,492	5,167	294,523	1,296,365

Notes to the Financial Statements for the year ended 31 December 2014 – continued**3b Property, Plant and Equipment**

	Property	Office Furniture /fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2013	179,426	26,680	13,863	9,487	260,281	21,424	1,807,959	5,066	42,264	2,062	10,000	62,498	2,441,010
Additions	-	-	573	1,100	26,407	-	52,068	-	-	1,135	-	167,821	249,104
At 31 December 2013	179,426	26,680	14,436	10,587	286,688	21,424	1,860,027	5,066	42,264	3,197	10,000	230,319	2,690,114
Grants and other reimbursements													
At 1 January 2013	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Accumulated depreciation													
At 1 January 2013	(21,856)	(17,784)	(12,622)	(8,964)	(79,381)	(21,424)	(543,892)	(154)	(9,677)	(1,172)	(2,265)	-	(719,191)
Charge for the period	(1,568)	(645)	(352)	(150)	(15,236)	-	(67,680)	-	(234)	(200)	(1,413)	-	(87,478)
At 31 December 2013	(23,424)	(18,429)	(12,974)	(9,114)	(94,617)	(21,424)	(611,572)	(154)	(9,911)	(1,372)	(3,678)	-	(806,669)
Net book value													
At 31 December 2013	156,002	8,251	1,462	1,473	170,638	-	635,244	4,912	2,220	1,825	6,322	230,319	1,218,668

Notes to the Financial Statements for the year ended 31 December 2014 – continued

4 Available for sale investments	2014	2013
	€	€
Valetta Fund Management		
Money fund	209,822	205,968
Investment growth	1,677	3,854
	<u>211,499</u>	<u>209,822</u>

The investment income consists of the La Vallette Management money fund held with Bank of Valletta. The fair value changes on available-for-sale financial assets is being recognised directly in equity, and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

5 Receivables	2014	2013
	€	€
Amounts owed by related parties	5,142	4,827
LES receivables	409,917	393,694
Allowance for doubtful debts	(409,917)	(393,694)
Prepayments and accrued income	59,374	180,436
Other debtors	62,395	-
	<u>126,911</u>	<u>185,263</u>

Amounts owed by related parties	2014	2013
	€	€
Within the current period	5,142	4,827
	<u>5,142</u>	<u>4,827</u>

Provision for doubtful debts	2014	2013
	€	€
Balance on 1 January	393,694	392,646
Movements during the year	16,223	1,048
Balance at 31 December	<u>409,917</u>	<u>393,694</u>

6 Cash at bank and in hand	2014	2013
	€	€
Bank Balances:		
Current Accounts	31,423	21,779
Savings Accounts	138,357	175,282
Cash in hand	239	34
	<u>170,019</u>	<u>197,095</u>

7 Borrowings	2014	2013
	€	€
Falling due within one year:		
Bank balances overdrawn	7,924	-
	<u>7,924</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

	2014	2013
8 Payables		
	€	€
Amounts owed to related party	4,505	-
Trade payables	73,928	95,361
Other payables and accruals	71,350	27,491
Deferred income short term	61,047	10,598
Current Liabilities	<u>210,830</u>	<u>133,450</u>
9 Deferred Income		
	2014	2013
	€	€
Deferred Income – between 1 to 2 years	33,276	41,012
Deferred Income – between 2 to 5 years	80,354	99,725
Deferred Income - over 5 years	228,565	279,405
	<u>342,195</u>	<u>420,142</u>
	2014	2013
	€	€
Opening balance	430,740	113,690
Increase in grants	13,515	329,020
Release of grants	(41,013)	(11,970)
Closing balance	403,242	430,740
Less Current portion	61,047	10,598
Non-current portion	<u>342,195</u>	<u>420,142</u>
10 Funds received from Central Government		
	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	356,071	356,744
Supplementary Government Income	28,858	26,246
Other Government income	64,472	20,811
	<u>449,401</u>	<u>403,801</u>
11 Income raised under Local Council Bye-Laws		
	2014	2013
	€	€
Income from contravention of Bye-Laws	5,480	3,558
	<u>5,480</u>	<u>3,558</u>
12 Local Enforcement System Income		
	2014	2013
	€	€
Regional Committees - Administrative Fees	3,812	2,834
	<u>3,812</u>	<u>2,834</u>
13 Investment income		
	2014	2013
	€	€
Bank Interest Receivable	204	173
	<u>204</u>	<u>173</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

14 General Income	2014	2013
	€	€
Sundry Contributions & donations	17,033	4,131
Income from tender documents	1,300	430
	<u>18,333</u>	<u>4,561</u>
	2014	2013
15 Personal Emoluments		
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	10,564	9,779
Councillors' Allowance	8,800	8,800
Executive secretary's salary	29,693	29,249
Employees' salaries	49,111	46,007
Social Security contributions	6,402	6,045
	<u>104,570</u>	<u>99,880</u>
	2014	2013
16 Operations and Maintenance		
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	4,887	7,886
Signs & Road Markings	3,639	3,165
Other Repairs	41,160	14,428
Total	<u>49,686</u>	<u>25,479</u>
Contractual Services:	2014	2013
	€	€
Refuse Collection (including bins on wheels)	47,895	48,985
Refuse disposal fee	35,085	39,326
Bulky Refuse Collection (including open skips)	2,323	1,950
Road and Street Cleaning (mechanical and manual)	19,630	21,498
Cleaning and Maintenance of Public Conveniences	3,840	3,840
Cleaning and Maintenance of Parks and Gardens	(1,333)	11,523
Local Enforcement expenses	(15,856)	9,179
Street Lighting	18,616	1,151
	<u>110,200</u>	<u>137,452</u>
Total Operations and Maintenance Expenses	<u>159,886</u>	<u>162,931</u>

Notes to the Financial Statements for the year ended 31 December 2014 – continued

17 Administration and other expenditure	2014	2013
	€	€
Utilities	6,139	8,061
Materials & Supplies	4,116	3,194
Rent	1,819	1,819
Office Services	4,453	3,000
Transport	2,100	1,051
Travel	-	1,360
Information services	2,386	1,754
Insurance and bank charges	2,145	2,688
Professional Services	20,902	6,904
Training	1,870	-
Community services and events	27,986	23,734
Other office expenses	495	496
Increase in allowance for bad debts	16,223	1,048
Depreciation	137,228	87,478
	<u>227,862</u>	<u>142,587</u>

18 Capital Commitments

Construction	2014	2013
	€	€
Day Centre	-	30,000
PPP resurfacing	75,000	-
Embellishment playing field	15,000	-
Machinery and equipment	7,000	10,000
	<u>97,000</u>	<u>40,000</u>

19 Related Parties

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:

	2014	2013
	€	€
Significant control:		
Annual financial allocation	356,071	356,744
Supplementary Government Income	28,858	26,246
	<u>384,929</u>	<u>382,990</u>

The ultimate controlling party of the local 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.

20. 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.

20.1 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:

	2014	2013
Class of financial assets – carrying amounts	€	€
Trade and other receivables	126,911	185,263
Gross investments	211,499	209,822
Cash and Cash Equivalents	162,095	197,095
	<u>438,067</u>	<u>416,573</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 5 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.

20.2 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.

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

	2014	2013
	€	€
Current payables within one year:		
Trade payables	73,928	95,361
Other payables and accruals	71,350	27,491
Financial Liabilities	<u>145,278</u>	<u>122,852</u>

20.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), 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.

20.4 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:

	2014	2013
	€	€
Non-Current Assets		
Investments	<u>211,499</u>	<u>209,822</u>
Current Assets	2014	2013
Loans and receivables:	€	€
Trade and other receivables	126,911	185,263
Cash and Cash Equivalents	<u>162,095</u>	<u>197,095</u>
	<u>226,568</u>	<u>206,751</u>
Current Liabilities	2014	2013
Financial liabilities measured at amortised costs:	€	€
Trade payables	73,928	95,361
Other payables and accruals	71,350	27,491
Financial Liabilities	<u>145,278</u>	<u>122,852</u>

20.5 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 and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

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

21 Fair value estimation

At 31 December 2014 and 31 December 2013, 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.