MELLIEĦA

LOCAL COUNCIL MELLIEĦA

Annual Report

and

Financial Statements

for the year ended 31 December 2013

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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

for the year ended 31 December 2013

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 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 Council (Financial) Regulations, and the Local Council (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 Council (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.

This statement was approved by the Local Council on the 30 April 2014 and signed on its behalf by

John Buttigieg	Carmel Debono
Mayor	Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 €	2012 €
INCOME			
Funds received from Central Government	*4*	1,163,684	1,134,218
Income raised under Local Council Bye-Laws	*5*	21,607	17,537
Income raised under Local Enforcement System	*6*	5,790	5,510
General Income	*7*	16,275	17,815
		1,207,356	1,175,080
EXPENDITURE			
Personal emoluments	*9*	(118,784)	(113,945)
Operations and maintenance	*10*	(468,479)	(411,511)
Administration and other expenditure	*11*	(644,972)	(413,674)
		(1,232,235)	(939,130)
Operating (loss)/profit for the year		(24,879)	235,950
Finance income	*12*	9,029	9,973
		(15,850)	245,922
Loss on write off of assets		-	(2,999)
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		**(15,850)**	**242,924**

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 €	2012 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	5,563,832	5,205,404
		5,563,832	5,205,404
Current Assets			
Inventories	14	10,412	10,795
Receivables	15	37,287	189,987
Cash and Cash Equivalents	16	759,763	959,924
		807,462	1,160,706
Total Assets		**6,371,294**	**6,366,110**
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		3,978,817	3,994,667
		3,978,815	3,994,667
Non-Current Liabilities			
Long-term borrowings	18	152,359	224,781
Deferred income	19	1,867,821	1,643,564
		2,020,180	1,868,345
Current Liabilities			
Payables	17	372,297	503,098
		372,297	503,098
Total Equity and Liabilities		**6,371,294**	**6,366,110**

These financial statements were approved by the Local Council on 30 April 2014 and signed on its behalf by:

John Buttigieg
Mayor

Carmel Debono
Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Retained Funds €
At 1 January 2012	3,751,743
Profit for the year	242,924
At 31 December 2012	**3,994,667**
At 1 January 2013	3,994,667
Loss for the year	(15,850)
At 31 December 2013	**3,978,817**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Note	2013 €	2012 €
Cash flows from Operating Activities			
(Loss)/profit for the year		(15,850)	242,924
Reconciliation to cash generated from operations:			
Depreciation		410,516	202,881
Provision for bad debts		27,770	-
Deficit on disposal of asset		-	2,999
Interest receivable		(9,029)	(9,973)
Operating Profit before Working Capital Changes		413,407	438,831
Movement in inventories		383	2,905
Movement in receivables		13,727	4,671
Movement in other receivables		138,976	(70,293)
Movement in payables		(129,450)	154,400
Movement in other payables		63,438	121,460
Grant released		(110,945)	(34,990)
Cash generated from operating activities		**389,533**	**616,984**
Cash flows from Investing Activities			
Interest received		9,029	9,963
Purchase of property, plant & equipment		(768,944)	(1,438,069)
Receipt of grant		242,643	505,352
Cash used in investing activities		**(517,272)**	**(922,754)**
Cash flows from Financing Activities			
Movement in long term third party borrowings		(72,422)	87,624
Net Increase in Cash and Cash Equivalents		(200,161)	(218,145)
Cash and Cash Equivalents at the Beginning of the year		959,924	1,178,069
Cash and Cash Equivalents at the End of the year	*16*	**759,763**	**959,924**

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

1. General Information

The Mellieħa Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 126, New Mill Street, Mellieħa, MLH 1107. These financial statements were approved for issue by the Council Members on 30 April 2014. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Council

The Local Council has adopted the following new and amended standards as of 1 January 2013:

- The IASB issued Government Loans) Amendments to IFRS 1) on 13 March 2012. The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are effective for annual periods beginning on or after 1 January 2013.

- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013.

- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

- On 16 June 2011, the IASB issued an amended version of IAS19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

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

Accounting Policies and Reporting Procedures (cont.)

Disclosure-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments 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. It is required to be applied for annual periods beginning on or after 2013.

The amendments to IFRS 11 provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and from the disclosure requirements of paragraph 28(f) of IAS 8.

New important standards and amendments not yet adopted by the Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local council's accounting periods beginning on or after 1 January 2014 or later periods, but the Local Council has not early adopted them:

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted

IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interest in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of other interests on its financial position, financial performance and cash flows.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

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

Accounting Policies and Reporting Procedures (cont.)

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

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New important standards and amendments not yet adopted by the EU

A number of new InternationalFinancial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segmet information for total assets and liabilities.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

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

Accounting Policies and Reporting Procedures (cont.).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leases

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

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

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 and 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

Accounting Policies and Reporting Procedures (cont.)

Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measure at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a 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'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

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

Accounting Policies and Reporting Procedures (cont.)

Revenue

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.

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.

Local Enforcement System

The Mellieħa Local Council formed part of the North Joint Committee until August 2012. As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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 losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

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

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

Accounting Policies and Reporting Procedures (cont.)

Critical Accounting Estimates and Judgements

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

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

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 Council, 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.

4. Funds received from central government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	1,002,922	995,309
Supplementary Government Income	21,312	-
EU funding	7,169	28,692
Other Government Income	21,336	75,227
Grants Released	110,945	34,990
	1,163,684	1,134,218

5. Income raised from Bye-Laws

	2013	2012
	€	€
Bye-Law - Attivitajiet fil-Beraħ	4,121	5,913
Bye-Law - Organisation of Courses	16,300	11,021
Bye-Law - Skips	1,186	603
	21,607	17,537

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

6. Local Enforcement system

	2013	2012
	€	€
Contraventions and other fines	5,790	5,510
	5,790	5,510

7. General Income

	2013	2012
	€	€
Cultural Events & sponsorships from NGOs	3,241	4,820
Sale of books and other merchandise	545	433
Rent Receivable	466	(233)
General Income	218	157
Tender Documents/Info Charges	1,775	4,310
Contributions	-	(500)
Refund of expenses	555	-
Income from Permits	9,475	8,828
	16,275	17,815

8. (Loss)/profit for the year

	2013	2012
	€	€
(Loss)/profit for the year is stated after charging		
Staff salaries	118,784	113,945
Depreciation of property, plant & equipment	404,785	202,881
Provision for bad debts	27,770	-
Deficit on write off of tangible fixed assets	-	2,999

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

9. Staff Salaries

	2013	2012
	€	€
Mayor's Remuneration	7,665	8,905
Councillors' Allowances	10,280	8,800
Executive Secretary Salary and Allowances	29,806	27,581
Employees' Salaries	63,578	61,055
Social Security Contributions	7,455	7,604
	118,784	113,945

10. Operations and Maintenance

	2013	2012
	€	€
Repairs and Upkeep:		
Road/Street Pavements	74,934	74,538
Signs	30,488	14,209
Road Markings	16,324	8,136
Other repairs and Upkeep	15,850	4,863
Council Property	1,437	869
Repairs and maintenance - litter bins	1,155	469
	140,188	103,084
Contractual Services:		
Refuse Collection	119,632	120,048
Bulky Refuse Collection	22,733	21,080
Open Skips & Bring-In Sites	2,328	1,983
Road & Street Cleaning	40,120	40,840
Cleaning & Maintaining Non-Urban	26,715	27,246
Cleaning - Public Conveniences	46,884	36,402
Cleaning - Council Premises	3,049	3,127
Cleaning & Maintaining Parks & Gardens	50,446	35,938
Cleaning & Maintaining Beaches	532	166
Street Lighting	12,584	12,979
Studies & Consultations	2,336	6,177
LES related expenditure	932	2,441
	328,291	308,427
Total Operations and Maintenance Costs	468,479	411,511

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

11. Administration and other expenditure

	2013	2012
	€	€
Utilities	15,310	18,530
Other repairs and upkeep	3,214	4,326
Rent	4,330	2,207
National and International Memberships	1,229	344
Office Services	4,286	6,335
Transport	3,912	3,612
Travel	353	821
Information Services	9,232	19,581
Lease of Equipment	3,217	3,531
Insurance Coverage	3,677	3,151
Bank Charges	196	201
Professional Services	22,806	15,841
EU Projects Expenses	6,514	30,430
Tuition for courses and expenses	25,407	15,636
Entertainment	1,748	2,253
Conference Expenses	4,851	9,761
Cultural Events	82,687	63,986
Community Services	7,044	3,503
Sundry Minor Expenses	1,426	2,993
General and administrative expenses	2,296	(984)
Twinning expenses	2,949	4,733
Provision for bad debts	27,770	-
Depreciation	404,785	202,881
	644,972	413,674

12. Finance Income

	2013	2012
	€	€
Bank Interest Receivable	9,029	9,973
	9,029	9,973

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

13. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & Equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2012	338,425	1,027,111	73,322	194,241	30,995	52,729	4,677,563	**6,394,386**
Additions	-	2,022,849	-	3,865	1,144	1,581	161,794	**2,191,233**
Disposals	-	-	-	-	-	-	(4,678)	**(4,678)**
At 31 December 2012	338,425	3,049,960	73,322	198,106	32,139	54,310	4,834,679	**8,580,941**
Depreciation								
At 1 January 2012	6,375	-	73,322	190,944	26,456	21,585	1,503,752	**1,822,434**
Charge for the year	875	-	-	2,790	1,821	2,405	194,989	**202,880**
On disposal	-	-	-	-	-	-	(1,675)	**(1,675)**
At 31 December 2012	7,250	-	73,322	193,734	28,277	23,990	1,697,066	**2,023,639**
Grants								
At 1 January 2012								
At 31 December 2012	-	-	-	-	-	-	1,351,898	**1,351,898**
Net Book values								
At 31 December 2012	**331,175**	**3,049,960**	**-**	**4,372**	**3,862**	**30,320**	**1,785,715**	**5,205,404**

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

13. Property, plant and equipment (cont.)

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & Equipment	Office Furniture & fittings	Special Programmes	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2013	338,425	3,049,960	73,322	198,106	32,139	54,310	4,834,679	**8,580,941**
Additions	-	-	-	10,426	590	79,049	678,879	**768,944**
Reclassification	-	(673,499)	-	-	-	-	673,499	**-**
At 31 December 2013	338,425	2,376,461	73,322	208,532	32,729	133,359	6,187,057	**9,349,885**
Depreciation								
At 1 January 2013	7,250	-	73,322	193,734	28,277	23,990	1,697,066	**2,023,639**
Charge for the year	866	-	-	12,806	1,543	5,720	389,581	**410,516**
At 31 December 2013	8,116	-	73,322	206,540	29,820	29,710	2,086,647	**2,434,155**
Grants								
At 1 January 2013								
At 31 December 2013	-	-	-	-	-	-	1,351,898	**1,351,898**
Net Book values								
At 31 December 2013	**330,309**	**2,376,461**	**-**	**1,992**	**2,909**	**103,649**	**2,748,512**	**5,563,832**

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

14. Inventories

	2013	2012
	€	€
Books and other publications	10,412	10,795

15. Receivables

	2013	2012
	€	€
Receivables	8,073	21,800
Other receivables	-	1,165
Prepayments and accrued income	29,214	167,022
	37,287	189,987

Receivables

General receivables are analysed as follows:

	2013	2012
	€	€
Within credit period	2,661	11,981
Exceeded credit period but not impaired	5,412	9,819
Impaired and provided for	27,770	-
Provision for doubtful debts	(27,770)	-
	8,073	21,800

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €18,819 (2012 - €16,596).

16. Cash & cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts.

	2013	2012
	€	€
Cash at Bank	759,531	959,692
Cash in Hand	232	232
	759,763	959,924

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

17. Payables

	2013	2012
	€	€
Payables	215,628	345,078
Accruals and deferred income	156,669	158,020
	372,297	503,098

18. Borrowings

	2013	2012
	€	€
Non-current		
Third party borrowings	152,359	224,781

Borrowings		
Repayable between one and two years	23,057	37,935
Repayable between two and five years	81,417	77,860
Repayable in five years or more	47,885	108,986
	152,359	224,781

Third party loan

is payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. It is repayable over a period of 7 years, 2013 to 2019 (Phase 1) and 2014 to 2020 (Phase 2).

Long term amount payable under the scheme, inclusive of interest is €179,085

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

19. Deferred income

	2013	2012
	€	€
Government grants		
At 1 January	1,868,345	429,475
Increase in year	210,279	1,473,860
	2,078,624	1,903,335
Released in year	(110,945)	(34,990)
At 31 December	1,967,679	1,868,345
Current Deferred Income	99,858	35,069
Non-Current Deferred Income	1,867,821	1,833,276
Deferred Government Grants		
Deferred between one and two years	89,880	49,467
Deferred between two and five years	219,255	84,611
Deferred in five years or more	1,558,686	1,699,198
	1,867,821	1,833,276
Deferred after five years or more	1,558,686	1,699,198

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

20. Capital commitments

	2013	2012
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	320,250	141,400
- Contracted for but not provided in the financial statements	658,025	709,970

(i) Approved but not yet contracted for:		
Churches Area Floodlighting	63,750	-
Improvements to coastal areas	-	3,000
Misrah il-Parrocca Manikata Embellishment	5,000	90,000
Mons F Xuereb/Nahal/Etna Open Space	100,000	-
New Street Furniture	20,000	-
Office Equipment & Computer Equipment	6,500	2,400
Selmun and Imgiebah Heritage Trail	11,000	15,000
Ta' l-Ibrag Family Park	12,000	-
Torri l-Abjad Project	5,000	26,000
Triq l-Erwieh Playing Field Improvement	7,000	-
Triq l-Inkurunazzjoni Embellishment	90,000	-
Tunnara Project	-	5,000
	320,250	141,400

(i) Contracted for but not provided in the Financial Statements:		
Acquisition of Property	-	78,750
Churches and Area Floodlighting	-	6,000
Construction of Culverts	100,000	-
Gnien Hidmet il-Volontarjat	7,500	7,500
Gnien il-Qieghan Improvements	-	26,237
Manikata Heritage Trail	-	39,000
Misrah iz-Zjara tal-Papa Embellishment	-	72,000
New Street Lamps	153,925	46,000
Office Improvements	56,600	123,000
Road Resurfacing	340,000	106,483
Ta' Brag Family Park Project	-	195,000
Triq l-Erwieh Playing Field Improvement	-	4,000
Triq Qasam Barrani Embellishment & Traffic Mgt	-	6,000
	658,025	709,970

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

21. Contingent liabilities

The Council is involved in a court case filed by 2 individuals which involves the road levels following road resurfacing. Although the outcome of this decision is uncertain, the Council does not anticipate that should there be involved any expenses these will exceed € 40,000.

20. Related party transactions

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

Name of Entity	*Nature of relationship*
Department for Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
ARMS	No control
Bank of Valletta plc	No control
MCAST	No control
Mellieħa Primary School	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

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

	2013	**2012**
	€	**€**
Annual Financial Allocation	1,002,922	995,309

Key management compensation

Transactions with key management personnel are disclosed in note 9.

Ultimate controlling party

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.

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

22. Financial Risk Management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

- Receivables from Related Parties: € 8,073

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 759,763. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 435,165 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest Rate Risk

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

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Council's current discount rate in respect of the third party loan is 8.38%, with cash flows amounting to €214,901 over the next 6 years.

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

20. Financial Risk Management (cont.)

Other risks

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

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

21. 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.

Report of the Local Government Auditors to the Auditor General