

Luqa Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2013

**Prepared by
JCA Limited**

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

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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:

John Schembri
Mayor

Michael Portelli
Executive Secretary

Financial Statements for the year ended 31 December 2013

Independent Auditors' report

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 €	31 December 2012 €
ASSETS			
Non-Current Assets			
Plant and Equipment	3	<u>1,218,668</u>	<u>1,057,042</u>
		<u>1,218,668</u>	<u>1,057,042</u>
Financial Asset			
Investments	4	<u>209,822</u>	<u>205,968</u>
Current Assets			
Trade and other receivables	5	185,263	16,838
Cash and Cash Equivalents	6	<u>197,095</u>	<u>169,327</u>
		<u>382,358</u>	<u>186,165</u>
TOTAL ASSETS		<u><u>1,810,848</u></u>	<u><u>1,449,175</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		1,247,434	1,237,908
Investment revaluation reserve		<u>9,822</u>	<u>5,968</u>
		<u>1,257,256</u>	<u>1,243,876</u>
Liabilities			
Non-Current Liabilities			
Deferred income grants	8	420,142	106,592
Current Liabilities			
Trade and other payables	7	133,450	98,707
Total Liabilities		<u>553,592</u>	<u>205,299</u>
TOTAL RESERVES AND LIABILITIES		<u><u>1,810,848</u></u>	<u><u>1,449,175</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 April 2014 and signed on its behalf by:

John Schembri
Mayor

Michael Portelli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 €	2012 €
REVENUE			
Funds received from central government	9	403,801	374,456
Income raised under Local Council Bye-Laws	10	3,558	3,027
Income raised under Law Enforcement System	11	2,834	3,954
General Income	13	4,561	13,388
		<u>414,754</u>	<u>394,825</u>
EXPENDITURE			
Personal emoluments	14	(99,880)	(93,977)
Operations and maintenance	15	(162,931)	(159,451)
Administration and other expenditure	16	(142,587)	(171,831)
		<u>(405,398)</u>	<u>(425,259)</u>
OPERATING INCOME/LOSS FOR THE YEAR		9,356	(30,434)
OTHER COMPREHENSIVE INCOME			
Investment income	12	173	676
Increase in fair value of available-for-sale investments	4	3,854	2,325
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR		<u>13,383</u>	<u>(27,433)</u>

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

STATEMENT OF CHANGES IN EQUITY

At 31 December 2013

	Retained Funds €	Revenue Reserve €	Total €
At 1 January 2012	1,267,666	4,267	1,271,933
Total comprehensive loss for the year	(29,758)	-	(29,758)
Investment revaluation reserve	-	1,701	1,701
At 31 December 2012	<u>1,237,908</u>	<u>5,968</u>	<u>1,243,876</u>
	Retained Funds €	Revenue Reserve €	Total €
At 1 January 2013	1,237,908	5,968	1,243,876
Total comprehensive income for the year	9,526	-	9,526
Investment revaluation reserve	-	3,854	3,854
At 31 December 2013	<u><u>1,247,434</u></u>	<u><u>9,822</u></u>	<u><u>1,257,256</u></u>

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

STATEMENT OF CASH FLOWS

At 31 December 2013

	Note	2013 €	2012 €
Cash Flows from Operating Activities			
Total comprehensive income/(loss) for the year		13,384	(27,433)
Adjustments for:			
Depreciation		87,478	80,261
Increase in Provision for doubtful debts		1,048	38,924
Deferred income released		(11,970)	(3,739)
Interest receivable		(174)	(676)
Operating Profit before Working Capital Changes		89,766	87,337
Increase/(Decrease) in Receivables		(169,472)	38,309
(Increase)/Decrease in Payables		24,144	(97,205)
Cash(used in)/generated from operations		(55,562)	28,441
Net Cash (outflow)/inflow from operating Activities		(55,562)	28,441
Cash flows from Investing Activities			
Interest received		174	676
Purchase of property, plant and equipment		(249,104)	(260,444)
Investment in La Valette Fund		3240	(2,325)
Cash Flow (used in) Investing Activities		(245,690)	(262,093)
Cash flows from Financing Activities			
Grants received		329,020	75,000
Cash flows generated from Financing activities		329,020	75,000
Net (decrease) in Cash and Cash Equivalents	-	27,768	(158,652)
Cash and Cash Equivalents at the Beginning of year		169,327	327,979
Cash and Cash Equivalents at the End of year	6	197,095	169,327

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 2013

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 St Paul 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

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 amendments,

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

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 income statement as it accrues.

d. Local Enforcement System

Luqa Local Council does not form part of the pooling system with the Zurrieq Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the amount of contraventions that have been issued within the locality and that have been decided by the tribunal as guilty. On 1st September 2011 Luqa Local Council became part of the South Regional Committee and started to charge an administrative fee of 10% to the respective 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

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

	%
Plants	100
Litter Bins	Replacement basis
Playground furniture	100
Traffic and Road 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.

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.

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 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.

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'.

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

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 2013 – 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 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 2013 – 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 2012	179,426	26,680	13,863	9,487	211,531	21,424	1,647,513	5,066	42,264	2,062	10,000	11,250	2,180,566
Additions	-	-	-	-	48,750	-	160,446	-	-	-	-	51,248	260,444
At 31 December 2012	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
Grants and other reimbursements													
At 1 January 2012	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	(21,433)	-	(613,211)	-	(30,133)	-	-	-	(664,777)
Accumulated depreciation													
At 1 January 2012	(20,264)	(17,089)	(12,208)	(8,833)	(62,951)	(21,424)	(485,308)	(154)	(9,418)	(950)	(331)	-	(638,930)
Charge for the period	(1,592)	(695)	(414)	(131)	(16,430)	-	(58,584)	-	(259)	(222)	(1,934)	-	(80,261)
At 31 December 2012	(21,856)	(17,784)	(12,622)	(8,964)	(79,381)	(21,424)	(543,892)	(154)	(9,677)	(1,172)	(2,265)	-	(719,191)
Net book value													
At 31 December 2012	157,570	8,896	1,241	523	159,467	-	650,856	4,912	2,454	890	7,735	62,498	1,057,042

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

4 Investments	2013	2012
	€	€
Valetta Fund Management		
Money fund	205,968	203,643
Investment growth	3,854	2,325
	<u>209,822</u>	<u>205,968</u>

The investment income consists of the La Valette Management money fund held with Bank of Valetta. 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	2013	2012
	€	€
Trade debtors	4,827	3,106
LES receivables	393,694	403,640
Allowance for doubtful debts	(393,694)	(392,646)
Prepayments and accrued income	180,436	2,738
	<u>185,263</u>	<u>16,838</u>

Trade receivables	2013	2012
	€	€
Within the current period	185,263	5,844
Exceeded credit period but not yet impaired	-	10,994
	<u>185,263</u>	<u>16,838</u>

Provision for doubtful debts	2013	2012
	€	€
Balance on 1 January	392,646	353,722
Movements during the year	1,048	38,924
Balance at 31 December	<u>393,694</u>	<u>392,646</u>

6 Cash and Cash Equivalents	2013	2012
	€	€
Bank Balances:		
Current Accounts	21,779	14,854
Savings Accounts	175,282	154,412
Cash in hand	34	61
	<u>197,095</u>	<u>169,327</u>

7 Payables	2013	2012
	€	€
Trade payables	95,361	71,645
Other payables and accruals	27,491	17,999
Deferred income short term	10,598	9,063
Current Liabilities	<u>133,450</u>	<u>98,707</u>

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

8 Deferred Income	2013	2012
	€	€
Deferred Income – between 1 to 2 years	41,012	22,875
Deferred Income – between 2 to 5 years	99,725	54,865
Deferred Income - over 5 years	279,405	154,232
	<u>420,142</u>	<u>231,972</u>
	2013	2012
	€	€
Opening balance	113,690	44,394
Increase in grants	329,020	75,000
Release of grants	(11,970)	(5,704)
Closing balance	430,740	113,690
Less Current portion	(10,598)	(9,063)
Non-current portion	<u>420,142</u>	<u>104,627</u>
9 Funds received from Central Government	2013	2012
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	356,744	366,752
Supplementary Government Income	26,246	-
Other Government income	20,811	7,704
	<u>403,801</u>	<u>374,456</u>
10 Income raised under Local Council Bye-Laws	2013	2012
	€	€
Income from contravention of Bye-Laws	3,558	3,027
	<u>3,558</u>	<u>3,027</u>
11 Local Enforcement System Income	2013	2012
	€	€
Regional Committees - Administrative Fees	2,834	3,954
	<u>2,834</u>	<u>3,954</u>
12 Investment income	2013	2012
	€	€
Bank Interest Receivable	174	676
	<u>174</u>	<u>676</u>
13 General Income	2013	2012
	€	€
Sundry Contributions & donations	4,131	6,726
Income from tender documents	430	6,662
	<u>4,561</u>	<u>13,388</u>

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

14 Personal Emoluments	2013	2012
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	9,779	9,953
Councillors' Allowance	8,800	8,500
Executive secretary's salary	29,249	31,415
Employees' salaries	46,007	38,911
Social Security contributions	6,045	5,198
	<u>99,880</u>	<u>93,977</u>
15 Operations and Maintenance	2013	2012
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	7,886	2,882
Signs & Road Markings	3,165	6,612
Other Repairs	14,428	8,910
Total	<u>25,479</u>	<u>18,404</u>
Contractual Services:	2013	2012
	€	€
Refuse Collection (including bins on wheels)	48,985	41,717
Refuse disposal fee	39,326	37,929
Bulky Refuse Collection (including open skips)	1,950	2,124
Road and Street Cleaning (mechanical and manual)	21,498	23,744
Cleaning and Maintenance of Public Conveniences	3,840	4,643
Cleaning and Maintenance of Parks and Gardens	11,523	13,241
Local Enforcement expenses	9,179	4,498
Street Lighting	1,151	13,151
	<u>137,452</u>	<u>141,047</u>
Total Operations and Maintenance Expenses	<u>162,931</u>	<u>159,451</u>
16 Administration and other expenditure	2013	2012
	€	€
Utilities	8,061	9,639
Materials & Supplies	3,194	2,645
Rent	1,819	1,819
Office Services	3,000	1,490
Transport	1,051	424
Travel	1,360	523
Information services	1,754	1,645
Insurance and bank charges	2,688	4,143
Professional Services	6,904	15,319
Community services and events	23,734	11,996
Other office expenses	496	495
Increase in allowance for bad debts	1,048	38,924
Penalty	-	2,508
Depreciation	87,478	80,261
	<u>142,587</u>	<u>171,831</u>

Notes to the Financial Statements for the year ended 31 December 2013 – continued**17 Capital Commitments**

Construction	2013	2012
	€	€
Day Centre	30,000	27,598
Restoration St. Thomas Cemetery	-	10,059
PPP resurfacing	-	283,614
Machinery and equipment	10,000	-
	<u>40,000</u>	<u>621,271</u>

18 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:

	2013	2012
	€	€
Significant control:		
Annual financial allocation	356,744	366,752
Supplementary Government Income	26,246	-
	<u>382,990</u>	<u>366,752</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.

19. 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 period ended 31 December 2013 – continued**19.1 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	9,656	15,675
Gross investments	209,822	205,968
Cash and Cash Equivalents	197,095	169,327
	<u>416,573</u>	<u>390,970</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.

19.2 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.

	2013	2012
Current payables within one year:	€	€
Trade payables	95,361	71,645
Other payables and accruals	27,491	17,999
Financial Liabilities	<u>122,852</u>	<u>89,644</u>

19.3 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.

Notes to the Financial Statements for the period ended 31 December 2013 – continued**19.4 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
	€	€
Non-Current Assets		
Investments	<u>209,82</u>	<u>205,968</u>
Current Assets		
Loans and receivables:	€	€
Trade and other receivables	9,656	15,675
Cash and Cash Equivalents	<u>197,095</u>	<u>169,327</u>
	<u>206,751</u>	<u>185,002</u>
Current Liabilities		
Financial liabilities measured at amortised costs:	€	€
Trade payables	95,361	71,645
Other payables and accruals	<u>27,491</u>	<u>17,999</u>
Financial Liabilities	<u>122,852</u>	<u>89,644</u>

19.5 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.

20 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.

21 Comparative information

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