

**HAL-SAFI LOCAL COUNCIL**  
**Report and Financial Statements for**  
**the year ended 31 December 2014**

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*Obo Dconsulta Ltd,*  
*(February 2015)*

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# HAL-SAFI LOCAL COUNCIL

## STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2014

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on \_\_\_\_\_ and signed on its behalf by:

\_\_\_\_\_  
Francis Callus  
Mayor

\_\_\_\_\_  
Anthony Attard  
Executive Secretary

# HAL-SAFI LOCAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Notes	Year Ended 2014 €	Year Ended 2013 €
<b>Income</b>			
Funds received from Central Government	3	234,127	238,773
Income raised under Council Bye-Laws	4	3,494	3,178
Income from Local Enforcement System	5	2,494	1,440
General Income	6	10,785	17,622
		<hr/>	<hr/>
		250,900	261,013
<b>Expenditure</b>			
Personnel emoluments	7	78,452	75,603
Operations and maintenance	8	105,344	115,848
Administrative and other expenditure	9	73,071	69,947
		<hr/>	<hr/>
		256,867	261,398
<b>Operating (Deficit) for the year</b>		<b>(5,967)</b>	<b>(385)</b>
Finance income	10	169	317
<b>Net (Deficit) for the year</b>		<b>(5,798)</b>	<b>(68)</b>

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL-SAFI LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Year Ended 2014 €	Year Ended 2013 €
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	11	387,353	373,367
Deferred Expenditure	12	14,029	14,029
		<b>401,382</b>	387,396
<i>Current assets</i>			
Receivables	13	9,546	16,184
Cash and cash equivalent	14	152,073	165,180
		<b>161,619</b>	181,364
<b>Total assets</b>		<b>563,001</b>	568,760
<b>Reserves and liabilities</b>			
<i>Reserves</i>			
Retained Earnings		493,340	499,138
<i>Non-current liabilities</i>			
Deferred Income	15	31,463	34,756
		<b>31,463</b>	34,756
<i>Current liabilities</i>			
Payables	16	38,198	34,866
		<b>38,198</b>	34,866
<b>Total liabilities</b>			69,622
<b>Total reserves and liabilities</b>		<b>563,001</b>	568,760

The financial statements were approved by the Council on \_\_\_\_\_ and signed on its behalf by:

\_\_\_\_\_  
Francis Callus  
Mayor

\_\_\_\_\_  
Anthony Attard  
Executive Secretary

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL-SAFI LOCAL COUNCIL

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<b>Retained Earnings €</b>	<b>Total Earnings €</b>
<b>At 1 January 2013</b>	499,206	499,206
Prior year adjustment	-	-
(Deficit) for the year	(68)	(68)
<b>At 31 December 2013</b>	<b>499,138</b>	<b>499,138</b>
<b>At 1 January 2014</b>	499,138	499,138
(Deficit) for the year	(5,798)	(5,798)
<b>At 31 December 2014</b>	<b>493,340</b>	<b>493,340</b>
Equity Interest	493,340	493,340

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL-SAFI LOCAL COUNCIL

## STATEMENT OF CASHFLOWS

For the year ended 31 December 2014

	Notes	2014 €	2013 €
<b>Cash flows from operating activities</b>			
(Deficit) for the year		(5,798)	(68)
<i>Adjustments for:</i>			
Depreciation		17,129	17,916
Movement in provision for LES debtors		-	(5,386)
Grants Released		(3,753)	(4,482)
Interest receivable		(169)	(317)
		<u>7,409</u>	<u>7,663</u>
<i>Movements in working capital:</i>			
Decrease in receivables		6,638	12,684
(Decrease)/Increase in payables		3,789	(17,740)
<b>Net cash flows from operating activities</b>		<u>17,836</u>	<u>2,607</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(31,112)	(8,176)
Increase in deferred expenditure		-	-
Interest received		169	317
<b>Net cash flows from investing activities</b>		<u>(30,943)</u>	<u>(7,859)</u>
<b>Cash flows from financing activities</b>			
Grants received		-	-
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<u>(13,107)</u>	<u>(5,252)</u>
Cash and cash equivalents at beginning of year		165,180	170,432
<b>Cash and equivalents at end of year</b>	14	<u>152,073</u>	<u>165,180</u>

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL-SAFI LOCAL COUNCIL

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

### 1. General Information

The Safi Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Dar il-Kunsill, Triq l-Iskola, Hal-Safi. These financial statements were approved for issue by the Council Member on the \_\_\_\_\_ .The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

### 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, 1993 (Chap. 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, 1993 (Cap 363).

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 2. Accounting Policies and Reporting Procedures - continued

#### *New and amended standards adopted by the Local Council*

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current year, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IAS 24 - Related party disclosures (effective 1 January 2011)

#### *New Relevant Standards and not yet adopted/not yet early adopted*

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting year beginning on or after 1 January 2012 or later years and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	<b>Rates in %</b>
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 year in which they are incurred.

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

..... Continued

***Impairment of property, plant and equipment***

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Tangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

***Impairment of financial assets other than inventories***

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

## HAL-SAFI LOCAL COUNCIL

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

..... Continued

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the statement of comprehensive income.

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

..... continued

***Cash and cash equivalents***

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

***Receivables***

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

***Related Parties***

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

***Income recognition***

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

..... continued

***Government grants***

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

**Financial instruments**

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instruments.

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

***Financial assets***

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

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

..... continued

### **Financial instruments - continued**

#### *Loans and receivables*

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 company's trade receivables and cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counter party default rates for each identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

#### *Financial liabilities*

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

#### *Foreign currencies*

##### Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in total comprehensive income for the year in which they are incurred.

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

..... continued

***Payables***

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

***Judgements in applying accounting policies and key sources of estimating uncertainty***

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in note 21 , there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Provisions***

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 3. Funds Received from Central Government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act, 1993	219,056	219,387
Supplementary Income	11,318	14,904
Special Project Allocation	3,753	4,482
	<u>234,127</u>	<u>238,773</u>

### 4. Income raised under Council Bye-Laws

	2014	2013
	€	€
Permits	2,469	1,108
Income from Hire of football pitch	1,025	2,070
	<u>3,494</u>	<u>3,178</u>

### 5. Income raised under Law Enforcement System

	2014	2013
	€	€
Contraventions	<u>2,494</u>	<u>1,440</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

Up to the 31 August 2011, income from contraventions was based on cash received which represented 100% of the contravention.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinnhar'. The Council's income from the Law Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of funds accruing to the council up to the 31 August 2011;
- b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 6. General Income

	<b>2014</b>	2013
	€	€
Income from Community and cultural activities	<b>7,050</b>	10,650
Income from Go	<b>714</b>	-
Income from Sponsorships	<b>582</b>	798
Other income	<b>2,439</b>	6,174
	<b>10,785</b>	17,622

### 7. Personnel emoluments

	<b>2014</b>	2013
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria & Allowance	<b>8,468</b>	8,261
Council Members' Allowance	<b>4,800</b>	4,800
Executive Salary and Allowance	<b>27,729</b>	26,974
Employees' Salaries	<b>32,499</b>	30,894
Social Security Contribution	<b>4,956</b>	4,674
	<b>78,452</b>	75,603

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 8. Operations and Maintenance

	2014	2013
	€	€
<i>Operations and maintenance includes:</i>		
<b>Repairs and Upkeep:</b>		
Road and Street Pavements	3,188	7,719
Road signs and markings	2,965	2,770
Other Repairs & Upkeep	3,633	8,684
Council property	1,204	1,033
Office equipment repairs	1,200	-
Plant & machinery and sundry repairs	4,874	34
Street Lighting	5,847	5,888
	<u>22,911</u>	<u>26,128</u>
<b>Contractual Services:</b>		
Waste Disposal	16,009	12,038
Refuse Collection	23,340	22,995
Bulky Refuse Collection	2,889	2,517
Hire of Open Skips	378	521
Road & Street Cleaning	17,842	17,977
Cleaning & Maintenance - Public Conveniences	3,600	3,321
Cleaning & Maintenance Soft Areas	2,516	2,977
Cleaning Council Premises	3,751	4,145
Law Enforcement System (LES)	-	11,460
Other Contractual Service	12,018	11,769
	<u>82,433</u>	<u>89,720</u>
<b>Total Operations and Maintenance expenses</b>	<u>105,344</u>	<u>115,848</u>

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 9. Administrative and Other Expenses

	2014	2013
	€	€
Utilities	6,272	7,742
Operating materials and supplies	4,076	889
Participation fee national organisations	43	4,708
Office services	2,467	4,338
Other office services		243
Hire of transport	3,740	1,670
Transport expenses	1,525	487
Information services	1,323	1,161
Library expenses	-	366
Insurance coverage	1,496	1,461
Bank charges	33	36
Professional services	5,022	3,361
ICT expenses	2,786	1,951
Other hospitality costs	941	448
Community services and social events	23,000	26,699
Sundry minor expenses	72	60
Movement in provision for doubtful debts	-	(5,386)
Rent	3,146	1,797
Depreciation	17,129	17,916
	<b>73,071</b>	<b>69,947</b>

### 10. Investment income

	2014	2013
	€	€
Bank interest receivable	169	317

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 11. Property, plant and equipment

	Assets Under Construction	Buildings	Constructio Works	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant & machinery	Special Programme	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2014	7,957	253,460	63,133	38,736	18,611	149,293	35,261	13,871	279,897	860,219
Additions	25,093	-	-	1,831	-	262	6,344	-	-	33,530
Transfer of Assets under construction	(2,415)	-	-	-	-	-	-	-	-	(2,415)
At 31 December 2014	30,635	253,460	63,133	40,567	18,611	149,555	41,605	13,871	279,897	891,334
<b>Government Grants</b>										
At 1 January & 31 December 2014	-	-	-	-	-	-	-	-	-	-
<b>Depreciation</b>										
At 1 January 2014	-	28,153	46,595	23,825	18,611	89,212	29,541	6,983	243,932	486,852
Charge for the year	-	2,243	1,580	1,189	-	5,667	1,756	1,258	3,436	17,129
At 31 December 2014	-	30,396	48,175	25,014	18,611	94,879	31,297	8,241	247,368	503,981
<b>N.B.V. at 31 December 2014</b>	<b>30,635</b>	<b>223,064</b>	<b>14,958</b>	<b>15,553</b>	<b>-</b>	<b>54,676</b>	<b>10,308</b>	<b>5,630</b>	<b>32,529</b>	<b>387,353</b>

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 11. Property, plant and equipment

	Assets Under Construction	Buildings	Constructio Works	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant & machinery	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2013	-	253,460	63,133	38,736	18,611	148,793	34,902	11,754	279,897	849,286
Additions	7,957	-	-	-	-	500	359	2,117	-	10,933
At 31 December 2013	7,957	253,460	63,133	38,736	18,611	149,293	35,261	13,871	279,897	860,219
<b>Government Grants</b>										
At 1 January & 31 December 2013	-	-	-	-	-	-	-	-	-	-
<b>Depreciation</b>										
At 1 January 2013	-	25,888	44,836	22,656	18,611	82,947	28,175	5,716	240,107	468,936
Charge for the year	-	2,265	1,759	1,169	-	6,265	1,366	1,267	3,825	17,916
At 31 December 2013	-	28,153	46,595	23,825	18,611	89,212	29,541	6,983	243,932	486,852
<b>N.B.V. at 31 December 2013</b>	7,957	225,307	16,538	14,911		60,081	5,720	6,888	35,965	373,367

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 12. Deferred Expenditure

	Notes	2014	2013
		€	€
Fees paid re: Child Care Centre and shelters project		<u>14,029</u>	14,029
<b>Amount to be released between one and two years</b>		<u>-</u>	-
<b>Amount to be released between two and five years</b>		<u>14,029</u>	14,029

The council has paid fees in respect of Topography services and screening of land for the building of a child care centre and other professional fees related to the shelters project, but the MEPA permit has not yet been issued. Such expenses have been deferred and release of such expenditure is expected to be between two and five years depending on funding received by council to affect these projects.

## HAL-SAFI LOCAL COUNCIL

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

..... continued

#### 13. Trade and other Receivables

	2014	2013
	€	€
<b>Falling due within One Year</b>		
Receivables – LES	-	-
Other receivables	1,238	434
Prepayments and accrued income	8,308	15,750
	<u>9,546</u>	<u>16,184</u>

Local Enforcement System (LES) debtors amount to €96,292; these have been fully provided for. As at 31.12.2013, provision for doubtful debts amounts to €96,292 (2012 €101,678). At year end LES debtors which are two (2) years old or older have been fully provided for. All other receivables are within credit period allowed and receivable within 1 year.

#### 14. Cash and Cash Equivalents

*Cash and cash equivalents in the Statement of cash flows comprise the following amounts:*

	2014	2013
	€	€
Petty cash	11	38
Bank balances: Savings and current accounts (i)	52,200	65,523
Bank balances: LES deposits account	88,871	88,644
Bank balances: football ground sinking fund account	10,991	10,975
	<u>152,073</u>	<u>165,180</u>

Note (i) The local council has an amount of €6,000 which has been blocked on the current account to cover a cash pledge for the same amount in favour of a third party (see also note 18 – Contingent Liabilities).

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 15. Deferred Income

	2014	2013
	€	€
Balance at the beginning of the year	38,711	40,893
Grants received during the year	-	2,300
Released to income	(3,753)	(4,482)
Balance at the end of the year	<u>34,958</u>	<u>38,711</u>
<b>Amount to be released within one year</b>	<u>3,495</u>	<u>3,955</u>
<b>Amount to be released between 1 and 2 years</b>	<u>3,146</u>	<u>3,317</u>
<b>Amount to be released between 2 and 5 years</b>	<u>7,674</u>	<u>8,091</u>
<b>Amount to be released after 5 years</b>	<u>20,643</u>	<u>23,348</u>

Deferred income represents capital grants received under the UIF and the alternative energy government scheme for local councils plus other grants received from the OPM up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the asset in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

## HAL-SAFI LOCAL COUNCIL

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

..... continued

#### 16. Trade and Other Payables

	2014	2013
	€	€
<b>Falling due within One Year</b>		
Trade and other Payables	11,205	12,474
Other Creditors	3,633	2,096
Accruals	19,865	16,341
Deferred income- Grants (note 15)	3,495	3,955
	<u>38,195</u>	<u>34,866</u>

#### 17. Capital commitments

2014	2013
€	€

Details of capital commitments at the accounting date are as follows:

(i) Approved but not yet contracted for:	<u>36,100</u>	<u>36,100</u>
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The above commitments are in respect of 2 projects as follows:

- Renovation of Gnien Dun K. Vella (€14,800)
- Capital expenditure on Gnien il- Helsien (€21,300). However, the intension of the council is to obtain UIF funds to fully finance this project

#### 18. Contingent liabilities

As at year end the local council had contingent liabilities amounting to €6,000 representing a cash pledge to the same amount which could arise in future amounts due by the council.

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Safi Local Council is the Local Councils Department within the Office of the Prime Minister.

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Safi Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

<b>Name of Entity:</b>	<b>Nature of Relationship</b>
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	<b>2014</b>	2013
	€	€
Income - Annual Financial Allocation	<b>219,056</b>	219,387

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

..... continued

**20. Financial Risk Management**

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

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

*Liquidity risk*

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

*Capital management*

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

*Interest Rate risk*

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk, In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

# HAL-SAFI LOCAL COUNCIL

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

..... continued

### 21. Financial Risk Management - continued

#### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit 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.

#### *Movement in provision for doubtful debts*

	<b>2014</b>	2013
	€	€
Provision at 1 January	<b>96,292</b>	101,678
Movement	-	(5,386)
Provision at 31 December	<b>96,292</b>	<b>96,292</b>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2014, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report.

### 22. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

**HAL-SAFI LOCAL COUNCIL**

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE H A L - SAFI LOCAL  
COUNCIL TO THE DIRECTOR OF AUDIT**