

Floriana Local Council

Annual Report and Financial Statements
31 December 2015

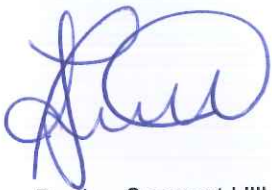


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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Davina Sammut Hili
Mayor



Svetlick J Flores
Acting Executive Secretary

Floriana Local Council

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Floriana Local Council which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditor

As described on page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

1. Up to 31 August 2011 the Council operated the Local Enforcement System (LES). At that date the Council had outstanding debtors which by 31 December 2015 were either received or provided for. During our audit work we noted that a particular LES report generated from the IT system is indicating that during the year ended 31 December 2015 the Council received more cash than that shown by other reports printed from the same IT system. This casts doubt on the integrity of the data being generated from the IT system.
2. Included with Receivables in note 14 is an amount due from Water service Corporation which according to the circularisation letter received by the said party is overstated by € 3,300.
3. The council's financial statements do not include:
 - a. all the quantitative disclosures required by IFRS 7, *Financial Instruments: Disclosures*. These include information about the council's maximum exposure to credit risk, the contractual maturities of the council's liabilities, details of any receivables that are past due but not impaired and categories of financial assets and liabilities at the end of the reporting period.
 - b. proper disclosure of loss on disposal of property, plant and equipment and movement in receivables. The cash flow statement also does not properly present the non-cash adjustment for the release of grants to income. This is not in accordance with IAS 7 *Statement of Cash Flows*

Floriana Local Council

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General (continued)

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2, 3 and 4 above, the financial statements give a true and fair view of the financial position of Floriana Local Council as at 31 December 2015, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended and have been prepared in accordance with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 and with International Financial Reporting Standards.



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28 April 2016

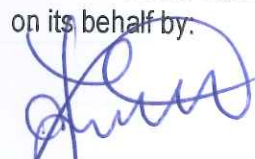
Statement of Comprehensive Income

	Notes	2015 €	2014 €
Income			
Funds received from central government	3	354,209	367,934
Income raised under Local Enforcement System	4	6,725	4,770
General Income	6	46,911	46,058
		407,845	418,762
Expenditure			
Personal emoluments	7	111,665	115,617
Operations and Maintenance	8	132,698	139,376
Administrative and other Expenditure	9	196,580	249,291
		440,943	504,284
Operating loss for the year		(33,098)	(85,522)
Finance Income	5	88	93
Total comprehensive loss for the year		(33,010)	(85,429)

Statement of Financial Position

	Notes	2015 €	2014 €
ASSETS			
Non-current assets			
Intangible asset	10	1,433	2,223
Tangible asset			
Property, plant and equipment	11	678,615	741,345
Current assets			
Inventories	12	15,046	15,203
Receivables	13	66,009	85,990
Cash and cash equivalents	14	79,466	37,983
		160,521	139,176
Total Assets		840,569	882,744
Reserves			
Retained Earnings		721,768	754,778
Non - current Liabilities			
Deferred income	15	71,620	54,105
Current Liabilities			
Payables	16	47,181	73,861
Total Liabilities		118,801	127,966
Total Reserves and Liabilities		840,569	882,744

These financial statements were approved by the Local Council on 28/4/16 and are signed on its behalf by.


Davina Sammut Hili
Mayor


Svetlick J Flores
Acting Executive Secretary

Statement of Changes in Equity

	Retained Funds €	Total €
Balance at 1 January 2014	840,207	840,207
Total comprehensive loss for the year	(85,429)	(85,429)
Balance at 31 December 2014	754,778	754,778
Balance at 1 January 2015	754,778	754,778
Total comprehensive loss for the year	(33,010)	(33,010)
Balance at 31 December 2015	721,768	721,768

Statement of Cash Flows

	Notes	2015 €	2014 €
Cash flows generated from operating activities			
Loss for the year		(33,010)	(85,429)
Adjustments for:			
Increase in provision for LES doubtful debtors		(1,348)	76,090
Depreciation	11	91,777	85,392
Amortisation charge	10	970	241
Loss on disposal of property, plant and equipment		5,091	46
Investment income receivable	5	(88)	(93)
Adjustment of allocation from property, plant and equipment to fixed asset register		342	(5,316)
Surplus for the period before working capital movements		63,734	70,931
Movement in inventories		157	(1,404)
Movement in receivables		21,178	(610)
Movement in payables		(27,604)	(34,326)
Net cash generated from operating activities		57,465	34,591
Cash flows used in investing activities			
Investment income receivable	5	88	93
Payment to acquire property, plant and equipment		(34,660)	(17,779)
Proceeds from disposal of property, plant and equipment		-	(2,226)
Net cash used in investing activities		(34,572)	(19,912)
Cash flows used in financing activities			
Government grants		19,262	(13,521)
Movement in cash and cash equivalents		42,155	1,158
Cash and cash equivalents at the beginning of the year		36,512	35,354
Cash and cash equivalents at the end of the year	14,16	78,667	36,512

Notes to the Financial Statements
For the year ended 31 December 2015**1. Statutory Information**

Floriana Local Council is the local authority of Floriana setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 15, E.S. Tonna Square, Floriana

2. Accounting policies

The principal accounting policies adopted 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. Basis of preparation

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. Accounting policies - continued

c. New standards, interpretations and amendments to published standards effective from 1 January 2015

The Local Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Local Council's accounting period beginning on or after 1 January 2015. These are:

- Annual Improvements 2010-2012 Cycle
 - IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Asset*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Local Council during the current period.
- Annual Improvements 2011-2013 Cycle
 - IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Local Council does not apply the portfolio exception in IFRS 13.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Local Council's accounting policies.

2. Accounting policies - continued**d. New standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2016. These include the following:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*
- Annual Improvements 2012-2014 Cycle
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
 - IFRS 7 *Financial Instruments: Disclosures*
 - IAS 19 *Employee Benefits*
 - IAS 34 *Interim Financial Reporting*

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the Local Council.

The following are the new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2016 which are relevant to the company:

- Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

 - The materiality requirements in IAS 1
 - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Local Council.

2. Accounting policies - continued**d. New standards, interpretations and amendments to published standards that are not yet effective - continued****- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate. This can only be rebutted in limited circumstances where either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. Subject to adoption by the EU, these amendments are effective for financial periods beginning on, or after, 1 January 2016. These amendments will not have any impact on the Local Council's financial statements.

- IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final version of IFRS 9, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB'S project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard supersedes all previous versions of IFRS 9. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking expected loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 introduces a substantially reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. IFRS 9 is applicable for annual period beginning on or after 1 January 2018, with earlier application being permitted. This Standard had not yet been endorsed by the EU at the date of authorisation of these financial statements.

e. Revenue recognition

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

2. Accounting policies - continued**f. Interest income**

Interest income is recognised in the income statement as it accrued using the effective interest rate method. When a loan and receivable is impaired, the Local Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

g. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Euro is the Local Council's functional and presentation currency.

h. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the percentage charge on the fines being paid at the Floriana Local Council

i. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss 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.

j. Intangible assets

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (l)).

2. Accounting policies - continued

k. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives 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%
• Computer Software	25%

Other plant and equipment, such as litter bins and street signs, are listed on a replacement basis.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (l)).

l. Impairment of assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

m. Amounts receivable

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective

2. Accounting policies – continued

m. Amounts receivable – continued

evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

n. 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 deposits held at call with banks, net of bank overdrafts.

o. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

p. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. The cost of finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable expenses.

q. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

r. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditure related to a provision that is recognised under IAS 37, 'Provisions, contingent liabilities and contingent assets' and reimbursed under contractual arrangement with a third party may be netted against the related reimbursement.

2. Accounting policies - continued

s. 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 (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income 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 from the end of the reporting period.

t. Operating leases

Leases in which in a significant 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 income statement on a straight-line basis over the period of the lease.

u. 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'). 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.

v. 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 transaction costs. They are measured subsequently as described below.

2. Accounting policies - continued

w. 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 as 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 rate 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 considerable 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.

x. Financial liabilities

The Local Council classifies its financial liabilities into two categories depending on the purpose for which the liability is acquired.

Other than financial liabilities in a qualifying hedging relationship, the Local Council's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only out-of-the-money derivatives. These are carried at fair value with changes in fair value recognised in the statement of comprehensive income. The Local Council does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

2. Accounting policies - continued**w. Financial assets**

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Fair value through profit or loss

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2. Accounting policies - continued**x. Financial liabilities - continued***Other financial liabilities*

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

3. Funds Received from Central Government

	2015 €	2014 €
In terms of Section 55 of the Local Councils Act (Cap 363)	333,669	322,416
Supplementary Government Income	2,614	1,715
Other Government Income	17,926	43,803
	<u>354,209</u>	<u>367,934</u>

4. Local Enforcement income

	2015 €	2014 €
LES Income	1,000	-
Administrative Fee	5,725	4,770
	<u>6,725</u>	<u>4,770</u>

5. Investment income

	2015 €	2014 €
Bank interest receivable	88	93

6. General Income

	2015 €	2014 €
Income from tender documents	2,065	880
Income from permits	20,311	24,604
Income from Bye-Law	15,222	13,216
Sponsorships	3,230	2,250
Contributions and donations	6,083	4,888
Insurance claims	-	220
	<u>46,911</u>	<u>46,058</u>

7. Personal Emoluments

	2015 €	2014 €
Mayor's remuneration	7,049	8,808
Executive Secretary and allowances	26,394	29,393
Employees' salaries	64,859	62,318
Social Security Contributions	7,038	8,927
Councillors' allowance	6,325	6,171
	<u>111,665</u>	<u>115,617</u>

8. Operations and Maintenance

	2015 €	2014 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	5,955	6,143
Public property	3,551	1,844
Street signs	530	460
Road Markings	1,298	1,450
Street Lighting	6,696	5,120
Other Repairs and Upkeep	5,058	5,557
	23,088	20,574
	2015 €	2014 €
Contractual Services:		
Refuse collection (including bins on wheels)	32,133	49,217
Bulky refuse collection (including open skips)	3,327	3,200
Road and street cleaning (mechanical and manual)	26,357	25,051
Waste disposal	20,387	12,609
Cleaning Council Premises	991	1,110
Cleaning and Maintenance of Public Conveniences	5,178	2,222
Cleaning and Maintenance of Parks and Gardens	18,698	19,600
Other contractual services	816	4,644
Leasing equipment contract	1,033	646
Local Enforcement Expenses	690	503
	109,610	118,802
Total	132,698	139,376

9. Administrative and other expenditure

	2015 €	2014 €
Utilities	14,429	12,751
Other repairs and upkeeps	1,840	2,390
Rent	3,372	3,494
Office services	6,388	2,004
Uniforms	689	815
Transport	1,536	1,803
Information services	2,471	3,662
Other contractual services	717	2,280
Professional services	16,509	21,657
Insurance	2,006	1,994
Community and hospitality	41,465	34,110
Bank charges	79	295
Provision for bad debts	(1,348)	76,090
Depreciation	91,777	85,392
Amortisation charge	970	241
Asset disposal	6,516	46
Gardmed project expenses	8	-
Travelling	3,181	169
Participation fee – National meetings	-	98
Bad debts	3,975	-
	<u>196,580</u>	<u>249,291</u>

10. Intangible assets

	Computer Software €
At 31 December 2013	
Cost	749
Accumulated amortisation	(511)
Net book amount	<u>238</u>
Movements for the year ended 31 December 2014	
Opening net book amount	238
Additions for the year	2,226
Amortisation charge	(241)
Closing net book amount	<u>2,223</u>
At 31 December 2014	
Cost	2,975
Accumulated amortisation	(752)
Net book amount	<u>2,223</u>
Movements for the year ended 31 December 2015	
Opening net book amount	2,223
Additions for the year	180
Amortisation charge	(970)
Closing net book amount	<u>1,433</u>
At 31 December 2015	
Cost	3,155
Accumulated amortisation	(1,722)
Net book amount	<u>1,433</u>
Amortisation of €970 (2014: €241) is included in administrative expenses.	

11a. Property, plant and equipment

Annual Report
Financial Statements for the year ended 31 December 2015

Asset	Construction €	Office furniture and fittings €	New Street Signs €	Urban improvements €	Office Equipment €	Plant and Machinery €	Computer Equipment €	Special Programmes €	Total €
Cost									
As at 1 January 2015	932,605	34,498	18,375	459,761	40,897	33,175	8,849	51,783	1,579,943
Additions	28,111	1,709	83	3,926	831	-	-	-	34,660
Disposal	(225)	-	-	(13,558)	(5,816)	-	(2,111)	-	(21,710)
Reallocations	-	(1,124)	-	(345)	(1,012)	-	1,959	-	(522)
As at 31 December 2015	960,491	35,083	18,458	449,784	34,900	33,175	8,697	51,783	1,592,371
Grants and other reimbursements									
As at 1 January 2015	-	-	-	-	-	-	-	51,783	51,783
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	-	-	-	51,783	51,783
Accumulated Depreciation									
As at 1 January 2015	477,882	15,067	18,375	227,185	27,803	13,205	7,298	-	786,815
Charge for the year	51,336	1,395	83	28,890	4,307	4,310	1,456	-	91,777
Release on depreciation	(93)	-	-	(6,486)	(8,174)	-	(1,866)	-	(16,619)
Reallocations	-	-	-	-	-	-	-	-	-
As at 31 December 2015	529,125	16,462	18,458	249,589	23,936	17,515	6,888	-	861,973
Net Book Value									
As at 31 December 2015	431,366	18,621	-	200,195	10,964	15,660	1,809	-	678,615
As at 31 December 2014	454,723	19,431	-	232,576	13,094	19,970	1,551	-	741,345

11b. Property, plant and equipment

Asset	Construction €	Office furniture and fittings €	New Street Signs €	Urban improvements €	Office Equipment €	Plant and Machinery €	Computer Equipment €	Special Programmes €	Total €
Cost									
As at 1 January 2014	911,430	34,632	18,607	461,063	51,138	44,830	9,656	51,783	1,583,139
Additions	11,676	-	-	3,627	2,331	145	-	-	17,779
Disposal	-	-	-	-	(366)	-	-	-	(366)
Reallocations	9,499	(134)	(232)	(4,929)	(12,206)	(11,800)	(807)	-	(20,609)
As at 31 December 2014	932,605	34,498	18,375	459,761	40,897	33,175	8,849	51,783	1,579,943
Grants and other reimbursements									
As at 1 January 2014	-	-	-	-	-	-	-	51,783	51,783
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	-	-	-	51,783	51,783
Accumulated Depreciation									
As at 1 January 2014	428,115	14,178	18,460	204,698	25,627	29,841	6,805	-	727,724
Charge for the year	49,539	1,674	-	25,681	3,156	4,820	522	-	85,392
Release on depreciation	-	-	-	-	(320)	-	-	-	(320)
Reallocations	228	(785)	(85)	(3,194)	(660)	(21,456)	(29)	-	(25,981)
As at 31 December 2014	477,882	15,067	18,375	227,185	27,803	13,205	7,298	-	786,815
Net Book Value									
As at 31 December 2014	454,723	19,431	-	232,576	13,094	19,970	1,551	-	741,345
As at 31 December 2013	483,315	20,454	147	256,365	25,511	14,989	2,851	-	803,632

12. Inventories

	2015 €	2014 €
Books and publications	15,046	15,203

13. Receivables

	2015 €	2014 €
Prepayments and accrued income	39,011	60,851
Other receivables	26,848	25,139
Advance payments	150	-
	66,009	85,990

The average credit period on sales of services is 60 days. Other receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2015 €	2014 €
Age of receivables that are past due but not impaired		
60-90 days	738	2,149
91-120 days	24,580	20,405
Balance at end of the year	25,318	22,554

Movement in the allowance for doubtful debts

	2015 €	2014 €
Balance at beginning of the year	213,220	137,100
Impairment losses recognised on receivables	-	76,120
Amounts recovered during the year	(1,347)	-
Balance at end of the year	211,873	213,220

13. Receivables - continued

In determining the recoverability of other receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

14. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2015 €	2014 €
Ordinary funds	79,559	37,938
Cash in hand	(93)	45
	<u>79,466</u>	<u>37,983</u>

15. Long term liabilities

	2015 €	2014 €
Government grant	53,927	34,447
Deferred Income	17,693	19,658
	<u>71,620</u>	<u>54,105</u>

Government grants and deferred income falling due after more than one year:

	2015 €	2014 €
Between 1 and 2 years	7,525	5,882
Between 2 and 5 years	26,021	18,716
Over 5 years	38,074	29,507
	<u>71,620</u>	<u>54,105</u>

16. Payables

	2015 €	2014 €
Payables	18,779	45,379
Accruals	15,724	16,906
Bank balance overdrawn	799	1,471
Government Grants	6,477	4,512
Deferred Income	1,966	2,184
Advance payments	3,436	3,409
	<u>47,181</u>	<u>73,861</u>

17. Contingent assets

- a) At 31 December 2015, the Floriana Local Council has a contingent asset amounting to €15,000 from a third party.

18. Related party transactions

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions are disclosed in notes 4, 5 and 9 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
LESA	No Control
Gozo Regional Committee	No Control
Central Regional Committee	No Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleaninsing Directorate	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

18. Related party transactions - continued

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

	2015 €	2014 €
(a) Funds received from Local Government	354,209	367,934

19. Financial risk management**Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

Liquidity risk

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

19. Financial risk management - continued

***Liquidity risk* - continued**

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

	Up to 3 months €	Between 3 and 12 months €
As at 31 December 2015		
Trade creditors	11,401	6,233
	Up to 3 months €	Between 3 and 12 months €
As at 31 December 2014		
Trade creditors	43,626	1,753

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Fair values

At 31 December 2015 and 2014 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

20. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2015 €	2014 €
Authorised but not contracted	10,500	25,250
Contracted but not authorised	-	111,221

21. Events after the end of the reporting period

There were no events after the end of the reporting period.

22. Comparative information

Certain comparative information has been reclassified to conform with the current year's disclosures for the purpose of fairer presentation