

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2015

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, the 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.

This statement was approved by the Local Council on the 5th May 2016 and signed on its behalf by

SIGNED

Saviour Borg
Mayor

SIGNED

Ivan Attard
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	150,679	152,757
Income raised under Local Enforcement System	6	2,118	193
General Income	7	9,272	4,050
		<u>162,069</u>	<u>157,000</u>
EXPENDITURE			
Personal emoluments	9	(52,266)	(43,406)
Operations and maintenance	10	(49,968)	(31,259)
Administration and other expenditure	11	(61,304)	(67,549)
		<u>(163,538)</u>	<u>(142,214)</u>
Operating (deficit)/surplus for the year		(1,469)	14,786
Finance income	12	148	167
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(1,321)</u>	<u>14,953</u>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	276,545	287,095
		<u>276,545</u>	<u>287,095</u>
Current Assets			
Receivables	13	6,014	4,062
Cash and Cash Equivalents	14	173,004	133,942
		<u>179,018</u>	<u>138,004</u>
Total Assets		<u>455,563</u>	<u>425,099</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		355,778	357,099
		<u>355,778</u>	<u>357,099</u>
Non-Current Liabilities			
Deferred income	16	47,186	51,543
		<u>47,186</u>	<u>51,543</u>
Current Liabilities			
Payables	15	52,599	16,457
		<u>52,599</u>	<u>16,457</u>
Total Equity and Liabilities		<u>455,563</u>	<u>425,099</u>

These financial statements were approved by the Local Council on 5th May 2016 and signed on its behalf by:

SIGNED

Saviour Borg
Mayor

SIGNED

Ivan Attard
Acting Executive Secretary

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds €
At 1 January 2014	342,146
Total Comprehensive Income for the year	14,953
	<hr/>
At 31 December 2014	357,099
	<hr/> <hr/>
At 1 January 2015	357,099
Total Comprehensive Loss for the year	(1,321)
	<hr/>
At 31 December 2015	355,778
	<hr/> <hr/>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 €	2014 €
<i>Note</i>		
Cash flows from Operating Activities		
Total comprehensive (loss)/income for the year	(1,321)	14,953
Reconciliation to cash generated from operations:		
Depreciation	29,860	38,663
Provision for bad debts	-	-
Interest receivable	(148)	(167)
Grant released	(7,161)	(9,707)
Operating Profit before Working Capital Changes	21,230	43,742
Movement in inventories	-	-
Movement in receivables	(1,952)	4,211
Movement in other receivables	-	-
Movement in payables	36,668	(10,085)
Cash generated from operating activities	55,946	37,868
Cash flows from Investing Activities		
Interest received	148	167
Purchase of property, plant & equipment	(19,310)	(9,855)
Receipt of grant	2,278	24,784
Cash (used in)/generated from investing activities	(16,884)	15,096
Net Increase in Cash and Cash Equivalents	39,062	52,964
Cash and Cash Equivalents at the Beginning of the year	133,942	80,978
Cash and Cash Equivalents at the End of the year	14 173,004	133,942

The notes on pages 8 to 23 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2015

1. General Information

The Fontana Local Council is the local Authority of Fontana (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq ta' Mulejja, Fontana, Gozo, FNT1113. These financial statements were approved for issue by the Council Members on 5th May 2016. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

During the year under review, the Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards and amendments not yet effective and not yet adopted by the Local Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2016 or later periods, but the Council has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue" and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

The amendments to IFRS 11, 'Joint Arrangements', provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendments are effective for reporting periods beginning on or after 1 January 2016.

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

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

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

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

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

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

Other payables

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

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

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

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

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

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

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

Related parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. The Council also had income from the Joint Committee under the Pooling System.

Government grants

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Foreign currencies

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

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

Borrowing costs

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

Profits and losses

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

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

Capital Management

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

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

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

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

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

4. Funds received from central government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act	135,434	130,560
Other Government Income	8,084	12,490
Grants Released	7,161	9,707
	<u>150,679</u>	<u>152,757</u>

5. Local Enforcement system

	2015	2014
	€	€
Contraventions and other fines	2,118	193
	<u>2,118</u>	<u>193</u>

6. General Income

	2015	2014
	€	€
Community Services	5,518	2,128
Rent Receivable	300	300
Income from Green MT	2,500	-
Tender Documents/Info Charges	180	1,166
Income from Permits	774	456
	<u>9,272</u>	<u>4,050</u>

7. Profit for the year

	2015	2014
	€	€
Profit for the year is stated after charging		
Staff salaries	52,266	43,406
Depreciation of property, plant & equipment	<u>29,860</u>	<u>38,663</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

8. Personal Emoluments

	2015	2014
	€	€
Mayor's Remuneration	7,048	6,868
Mayor and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	28,128	21,521
Employees' Salaries	7,478	6,684
Social Security Contributions	3,212	1,933
	<u>52,266</u>	<u>43,406</u>

9. Operations and Maintenance

	2015	2014
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	1,261	910
Signs and Road Markings	1,074	257
Other repairs and Upkeep	413	2,139
Public Property	4,524	3,157
	<u>7,272</u>	<u>6,463</u>
<i>Contractual Services:</i>		
Refuse Collection	13,832	13,356
Bulky Refuse Collection	954	653
Road & Street Cleaning	270	-
Cleaning - Public Conveniences	1,693	1,788
Cleaning & Maintaining Parks & Gardens	19,559	67
Tipping fees	4,752	4,123
Street Lighting	1,636	4,809
	<u>42,696</u>	<u>24,796</u>
 Total Operations and Maintenance Costs	 <u>49,968</u>	 <u>31,259</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

10. Administration and other expenditure

	2015	2014
	€	€
Utilities	1,534	1,986
Rent	1,750	2,137
National and International Memberships	610	612
Office Services	3,320	3,102
Transport	388	185
Information Services	409	721
Insurance Coverage	1,852	1,699
Bank Charges	95	123
Professional Services	10,045	12,177
Social Events	2,573	3,116
Cultural Events	1,200	300
Community and Hospitality	6,596	2,722
Sundry Minor Expenses	1,072	-
LES related expenses	-	6
Depreciation	29,860	38,663
	<u>61,304</u>	<u>67,549</u>

11. Finance Income

	2015	2014
	€	€
Bank Interest Receivable	148	167
	<u>148</u>	<u>167</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

12. Property, plant and equipment

	Office Furniture & Fittings €	Plant & Machinery €	Computer Equipment €	Office Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Playground Furniture €	Assets under construction €	Total €
Cost										
At 1 January 2014	17,840	17,939	5,011	12,590	217,037	2,161	375,556	2,985	-	651,119
Additions	-	-	-	-	4,990	-	585	3,008	1,272	9,855
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	17,840	17,939	5,011	12,590	222,027	2,161	376,141	5,993	1,272	660,974
Depreciation										
At 1 January 2014	9,439	7,537	3,909	11,773	82,266	2,161	187,268	2,985	-	307,338
Charge for the year	599	1,900	233	143	15,123	-	17,657	3,008	-	38,663
On disposal	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	10,038	9,437	4,142	11,916	97,389	2,161	204,925	5,993	-	346,001
Grants										
At 1 January 2014										-
At 31 December 2014	-	-	-	-	24,109	-	3,769	-	-	27,878
Net Book values										
At 31 December 2014	7,802	8,502	869	674	100,529	-	167,447	-	1,272	287,095

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

12. Property, plant and equipment (cont.)

	Office Furniture & Fittings €	Plant & Machinery €	Computer Equipment €	Office Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Playground Furniture €	Assets under construction €	Total €
Cost										
At 1 January 2015	17,840	17,939	5,011	12,590	222,027	2,161	376,141	5,993	1,272	660,974
Additions	2,231	-	550	2,279	-	-	14,001	249	-	19,310
Reclassification	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	20,071	17,939	5,561	14,869	222,027	2,161	390,142	6,242	1,272	680,284
Depreciation										
At 1 January 2015	10,038	9,437	4,142	11,916	97,389	2,161	204,925	5,993	-	346,001
Charge for the year	741	1,700	218	657	9,612	-	16,683	249	-	29,860
At 31 December 2015	10,779	11,137	4,360	12,573	107,001	2,161	221,608	6,242	-	375,861
Grants										
At 1 January 2015										
At 31 December 2015	-	-	-	-	24,109	-	3,769	-	-	27,878
Net Book values										
At 31 December 2015	9,292	6,802	1,201	2,296	90,917	-	164,765	-	1,272	276,545

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

13. Receivables

	2015	2014
	€	€
Other receivables	715	1,057
Prepayments and accrued income	5,299	3,005
	<u>6,014</u>	<u>4,062</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	6,014	2,755
Exceeded credit period but not impaired	-	1,307
Impaired and provided for	-	-
Provision for doubtful debts	-	-
	<u>6,014</u>	<u>4,062</u>

Included in the other receivables are amounts due from related parties amounting to €315 (2014 : €129). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

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

	2015	2014
	€	€
Cash at Bank	171,942	133,098
Cash in Hand	1,062	844
	<u>173,004</u>	<u>133,942</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

15. Payables

	2015	2014
	€	€
Payables	6,695	7,726
Deferred income – current portion	6,315	6,841
Accruals	39,589	1,890
	<u>52,599</u>	<u>16,457</u>

Included in the accounts payable are amounts due to related parties amounting to €913 (2014 : €1,012). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2015	2014
	€	€
Government grants		
At 1 January	58,384	43,307
Increase in year	2,278	24,784
	<u>60,662</u>	<u>68,091</u>
Released in year	<u>(7,161)</u>	<u>(9,707)</u>
At 31 December	<u>53,501</u>	<u>58,384</u>
Current Deferred Income	<u>6,315</u>	<u>6,841</u>
Non-Current Deferred Income	<u>47,186</u>	<u>51,543</u>
Deferred Government Grants		
Deferred between one and two years	5,491	5,957
Deferred between two and five years	12,639	13,703
Deferred in five years or more	29,056	31,883
	<u>47,186</u>	<u>51,543</u>
Deferred after five years or more	<u>29,056</u>	<u>31,883</u>

17. Contingent Liability

The Council has a guarantee in favour of MEPA amounting to Euro 400.

The Council also has a claim from the previous acting Executive Secretary for services rendered during her term in this position for the amount of Euro 525.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

18. Capital Commitments

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	154,000	159,568
- Contracted for but not provided in the financial statements	-	6,396
	<u> </u>	<u> </u>
(i) Approved but not yet contracted for:		
Non Slip tiles for public roof of Council office	59,000	59,000
Wied ix-Xlendi	-	42,818
Resurfacing of part of J. Gaspard Le Merchant Street	30,000	-
Resurfacing Triq l-Ghajj	65,000	55,000
Live streaming	-	2,750
	<u>154,000</u>	<u>159,568</u>
	<u> </u>	<u> </u>
(i) Contracted for but not provided in the Financial Statements:		
Decorative luminaries	-	-
Wied ix-Xlendi	-	3,349
Works on J. Gaspard Le Merchant Street	-	3,047
	<u> </u>	<u>6,396</u>
	<u> </u>	<u> </u>

19. Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

20. Financial Risk Management

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 year ended 31 December 2015 (cont.)**20. Financial Risk Management (cont.)***Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors 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.

Summary of financial assets and liabilities by category:

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	6,014	4,062
Cash and Cash Equivalents	173,004	133,942
	<u>179,018</u>	<u>138,004</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>6,695</u>	<u>7,726</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 173,004. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 132,734 (2014: €128,388) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

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

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

21. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity €	2015 Total activity €	%	Related party activity €	2014 Total activity €	%
<i>Income</i>						
Transactions with central government	150,679			152,757		
Transactions with regions	2,118			193		
	<u>152,797</u>	<u>162,069</u>	<u>94</u>	<u>152,950</u>	<u>157,000</u>	<u>97</u>
<i>Expenditure</i>						
Transactions with government entities	4,729			4,589		
Key personnel remuneration	52,266			43,406		
	<u>56,995</u>	<u>163,538</u>	<u>35</u>	<u>47,995</u>	<u>142,214</u>	<u>34</u>

22. Fair values estimation

At 31 December 2015 and at 31 December 2014, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

Report of the Local Government Auditors to the Auditor General