

Nadur Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2015

**Prepared by
M. Camilleri**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015**

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Financial Statements for the year ended 31 December 2015

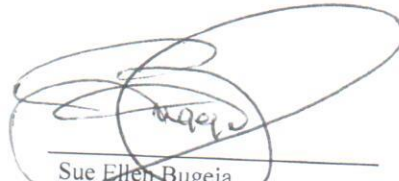
Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 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.

Approved by the Council and signed on its behalf on the 26 April 2016 by:


Edward Said
Mayor



Sue Ellen Bugeja
Executive Secretary

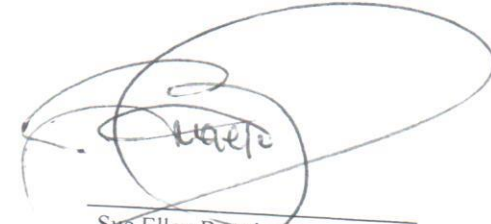
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	31 December 2015 €	31 December 2014 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,703,355	1,474,521
		<u>1,703,355</u>	<u>1,474,521</u>
Current Assets			
Receivables	4	46,557	56,647
Cash and Cash Equivalents	5	47,092	32,206
		<u>93,649</u>	<u>88,853</u>
Total Assets		<u>1,797,004</u>	<u>1,563,374</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		653,232	682,703
Non-current liabilities			
Long term borrowings	6	49,579	57,306
Non-current payables	6	99,467	115,366
Deferred income grants	7	549,969	254,180
Current liabilities			
Payables	8	444,757	453,819
Total reserves and liabilities		<u>1,797,004</u>	<u>1,563,374</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 26 April 2016 and signed on its behalf by:


Edward Said
Mayor


Sue Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 €	2014 €
REVENUE			
Funds received from central government	9	463,346	461,531
Funds raised under Local Enforcement System	10	3,401	2,373
General Income	11	27,786	25,838
		<u>494,533</u>	<u>489,742</u>
EXPENDITURE			
Personal emoluments	12	(61,045)	(76,817)
Operations and maintenance	13	(205,370)	(220,756)
Administration and other expenditure	14	(255,095)	(279,399)
		<u>(521,510)</u>	<u>(576,972)</u>
Operating (Loss) for the year		(26,977)	(87,230)
Investment income	15	52	115
Finance cost	16	(2,546)	(2,862)
Total Comprehensive (Loss) for the year		<u>(29,471)</u>	<u>(89,977)</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Retained Earnings 2015 €	Retained Earnings 2014 €
At 1 January	682,703	772,680
Total Comprehensive (Loss) for the year	(29,471)	(89,977)
	<hr/>	<hr/>
At 31 December	653,232	682,703

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 €	2014 €
Cash Flows from Operating Activities			
Total Comprehensive (Loss) for the year		(29,471)	(89,977)
Adjustments for:			
Depreciation		125,095	141,635
Deferred income amortised		(24,136)	(32,588)
Investment Income		(52)	(115)
Interest on loan		2,546	2,862
Operating Profit before Working Capital Changes		<u>73,982</u>	<u>21,817</u>
Decrease/(Increase) in receivables		10,090	(6,311)
(Decrease)/Increase in payables		(108,907)	242,051
Net Cash (used in)/generated from operating Activities		<u>(24,835)</u>	<u>257,557</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(353,929)	(355,408)
New grants received		355,678	104,701
Investment Income		52	115
Interest on loan		(2,546)	(2,862)
Net Cash (used in) investing activities		<u>(745)</u>	<u>(253,454)</u>
Cash flows from Financing Activities			
Movement in bank loan		(7,727)	(6,586)
Net Cash (used in) financing activities		<u>(7,727)</u>	<u>(6,586)</u>
Net Decrease in Cash and Cash Equivalents		(33,307)	(2,483)
Cash and Cash Equivalents at the Beginning of Year		30,728	33,211
Cash and Cash Equivalents at the End of Year	5	<u>(2,579)</u>	<u>30,728</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

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

1. General Information

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo.

2. Accounting Policies and Reporting Procedures

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

a. Accounting convention

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

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

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2015 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

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 reflects 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 – continued

b. Standards, amendments and interpretations to existing standards - continued

New and amended standards adopted by the council - continued

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.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the 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.

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

b. Standards, amendments and interpretations to existing standards - continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council - continued

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.

c. Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably.

d. Local Enforcement System

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

e. Property, Plant and Equipment

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

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

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

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

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

g. Impairment of Assets

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

h. Amounts Receivable

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

i. Foreign Currencies

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

j. Surplus and deficits

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

k. Cash and Equivalents

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

l. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

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

n. Financial Instruments

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

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

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

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

o. Critical accounting estimates and judgements - continued

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

p. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, are measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

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

3a Property, Plant and Equipment

Cost	Trees	Office Furniture / fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2015	6,100	32,299	22,682	31,516	535,660	13,942	2,005,273	136,328	138,150	75,906	2,997,856
Additions this year	712	-	5,519	465	1,579	-	22,298	-	-	323,356	353,929
At 31 December 2015	6,812	32,299	28,201	31,981	537,239	13,942	2,027,571	136,328	138,150	399,262	3,351,785
Grants and other reimbursements											
At 1 January 2015	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Accumulated Depreciation											
At 1 January 2015	-	(19,230)	(18,657)	(27,375)	(304,585)	(13,942)	(783,824)	(51,982)	(5,783)	-	(1,225,378)
Charge this year	-	(867)	(2,040)	(988)	(22,108)	-	(97,670)	(1,052)	(370)	-	(125,095)
At 31 December 2015	-	(20,097)	(20,697)	(28,363)	(326,693)	(13,942)	(881,494)	(53,034)	(6,153)	-	(1,350,473)
Net book value											
At 31 December 2015	6,812	12,202	7,504	3,618	210,546	-	916,461	14,953	131,997	399,262	1,703,355

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

Cost	Trees	Office Furniture / fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2014	6,100	31,806	22,278	27,954	486,187	13,942	1,779,703	136,328	138,150	-	2,642,448
Additions this year	-	493	404	3,562	49,473	-	225,570	-	-	75,906	355,408
At 31 December 2014	6,100	32,299	22,682	31,516	535,660	13,942	2,005,273	136,328	138,150	75,906	2,997,856
Grants and other reimbursements											
At 1 January 2014	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Accumulated Depreciation											
At 1 January 2014	-	(18,314)	(17,517)	(26,257)	(259,761)	(13,942)	(692,688)	(50,812)	(4,452)	-	(1,083,743)
Charge this year	-	(916)	(1,140)	(1,118)	(44,824)	-	(91,136)	(1,170)	(1,331)	-	(141,635)
At 31 December 2014	-	(19,230)	(18,657)	(27,375)	(304,585)	(13,942)	(783,824)	(51,982)	(5,783)	-	(1,225,378)
Net book value											
At 31 December 2014	6,100	13,069	4,025	4,141	231,075	-	991,833	16,005	132,367	75,906	1,474,521

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

4 Receivables	2015	2014
	€	€
Accounts receivable	10,831	16,272
Accrued income	34,051	38,874
Prepayments	1,675	1,501
	<u>46,557</u>	<u>56,647</u>

Receivables

Within the current period	40,778	52,009
Exceeded credit period but not yet impaired	5,779	4,638
	<u>46,557</u>	<u>56,647</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2015	2014
Bank Balances:	€	€
Ordinary funds	47,056	32,194
Cash in hand	36	12
Overdrawn balances	(49,671)	(1,478)
	<u>(2,579)</u>	<u>30,728</u>
Transfer to payables	49,671	1,478
Cash at bank and in hand	<u>47,092</u>	<u>32,206</u>

6 Non-current Liabilities

	2015	2014
	€	€
Borrowings	49,579	57,306
Non-current liability	99,467	115,366
	<u>149,046</u>	<u>172,672</u>

The Council has a loan facility with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears interest of 1.75% over the Central Bank Intervention rate and is repayable in full by June 2026.

The facility is secured by:

- (a) First General Hypothec over the Council's assets for Euro 116,469.
- (b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

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

Non-current payables	2015	2014
Non-current liabilities may be analysed as follows:	€	€
Due between 1 to 2 years	34,315	36,186
Due between 2 to 5 years	102,945	116,972
Due after 5 years	11,786	19,514
	<u>149,046</u>	<u>172,672</u>
 7 Deferred Income Grants	 2015	 2014
	€	€
Deferred Income 1 to 2 years	53,439	24,174
Deferred Income 2 to 5 years	131,269	52,922
Deferred Income over 5 years	365,261	177,084
	<u>549,969</u>	<u>254,180</u>
	2015	2014
	€	€
Opening balance	277,545	205,432
Increase in grants	355,678	104,701
Release of grants	(24,136)	(32,588)
Closing balance	609,087	277,545
Less Current portion	(59,118)	(23,365)
Non-current portion	<u>549,969</u>	<u>254,180</u>
 8 Payables	 2015	 2014
	€	€
Accounts payable	211,620	221,950
Accruals	114,900	197,578
Deferred income grants within one year	59,118	23,365
Borrowings	9,448	9,448
Overdrawn balances	49,671	1,478
	<u>444,757</u>	<u>453,819</u>
 9 Funds received from Central Government	 2015	 2014
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	420,845	407,040
Other Government Income	42,501	54,491
	<u>463,346</u>	<u>461,531</u>
 10 Income raised from Local Enforcement System	 2015	 2014
	€	€
Administrative income from contraventions	3,401	2,373
	<u>3,401</u>	<u>2,373</u>

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

11 General Income	2015	2014
	€	€
Cultural activities	10,822	11,191
Community services	3,065	5,643
Contributions and other income	2,880	400
Income from tender documents	1,005	2,079
Income from E.U. Project funding	3,959	3,128
Income from permits	6,055	3,397
	<u>27,786</u>	<u>25,838</u>
12 Personal Emoluments	2015	2014
Personal emoluments include, inter alia:	€	€
Mayor's Honoraria	6,849	6,785
Mayor's and Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	12,728	26,850
Employees' Salaries	31,919	31,830
Social Security Contributions	3,149	4,952
	<u>61,045</u>	<u>76,817</u>
13 Operations and Maintenance	2015	2014
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and street pavements	21,943	20,288
Street signs and road markings	2,880	1,725
Public property	7,653	7,783
Other	3,120	4,605
Total	<u>35,596</u>	<u>34,401</u>
Contractual Services:		
Refuse Collection (including bins on wheels)	71,277	74,120
Bulky Refuse Collection (incl. open skips)	22,671	18,710
Road and Street Cleaning (mechanical and manual)	21,866	26,342
Cleaning and Maintenance of Public Conveniences	5,382	3,266
Cleaning and maintenance - parks and gardens	5,655	6,000
Cleaning and maintenance - non- urban	-	9,771
Clean and Maintenance -Beaches and coastal areas	-	404
Local Enforcement System - expenses	588	504
Street lighting	9,888	10,123
Other	32,447	37,115
	<u>169,774</u>	<u>186,355</u>
Total Operations and Maintenance Expenses	<u>205,370</u>	<u>220,756</u>

Nadur Local Council

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

11 General Income

	2015	2014
	€	€
Cultural activities	10,822	11,191
Community services	3,065	5,643
Contributions and other income	2,880	400
Income from tender documents	1,005	2,079
Income from E.U. Project funding	3,959	3,128
Income from permits	6,055	3,397
	<u>27,786</u>	<u>25,838</u>

12 Personal Emoluments

	2015	2014
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria	6,849	6,785
Mayor's and Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	12,728	26,850
Employees' Salaries	31,919	31,830
Social Security Contributions	3,149	4,952
	<u>61,045</u>	<u>76,817</u>

13 Operations and Maintenance

	2015	2014
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and street pavements	21,943	20,288
Street signs and road markings	2,880	1,725
Public property	7,653	7,783
Other	3,120	4,605
Total	<u>35,596</u>	<u>34,401</u>

Contractual Services:

Refuse Collection (including bins on wheels)	71,277	74,120
Bulky Refuse Collection (incl. open skips)	22,671	18,710
Road and Street Cleaning (mechanical and manual)	21,866	26,342
Cleaning and Maintenance of Public Conveniences	5,382	3,266
Cleaning and maintenance - parks and gardens	5,655	6,000
Cleaning and maintenance - non- urban	-	9,771
Clean and Maintenance -Beaches and coastal areas	-	404
Local Enforcement System - expenses	588	504
Street lighting	9,888	10,123
Other	32,447	37,115
	<u>169,774</u>	<u>186,355</u>
Total Operations and Maintenance Expenses	<u>205,370</u>	<u>220,756</u>

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

14 Administration and other expenditure	2015	2014
	€	€
Utilities	11,766	16,297
Other repairs and upkeep	4,806	16,132
National and International Memberships	970	2,009
Rent	2,904	3,955
Office Services	5,237	4,952
Travel	3,692	4,338
Transport	5,778	6,220
Information services	17,606	37,290
Other contractual services	1,450	1,498
Professional Services	39,272	12,094
Community and Hospitality	36,519	32,939
Training	-	40
Depreciation	125,095	141,635
	<u>255,095</u>	<u>279,399</u>
15 Investment income	2015	2014
	€	€
Bank Interest Receivable	52	115
	<u>52</u>	<u>115</u>
16 Finance cost	2015	2014
	€	€
Interest on bank loan	2,546	2,862
	<u>2,546</u>	<u>2,862</u>
17 Capital Commitments	2015	2014
	€	€
Capital expenditure approved and contracted for	-	51,742
Capital expenditure approved but not yet contracted for	10,000	299,774
	<u>10,000</u>	<u>351,516</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
Piazza embellishment Phase 1 Fund Measure		
313 Second Call	-	46,887
Live Streaming project	-	4,855
	<u>-</u>	<u>51,742</u>
Capital expenditure approved but not yet contracted for:		
Measure 413.3 – Nadur Square	-	299,774
Embellishment of Nadur Square with		
Installation of New Flower Pots	10,000	-
	<u>10,000</u>	<u>299,774</u>

The capital projects are subject to the receipt of funding from EU project funds and co-financing.

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

18 Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	Limited / Non-significant control
Ministry for Gozo	No control

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

	2015	2014
Significant control:		
Revenue	€	€
Annual financial allocation	<u>420,845</u>	<u>407,040</u>

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.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality.

19 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

19.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2015	2014
Class of financial assets – carrying amounts	€	€
Trade and other receivables	46,557	56,647
Cash and Cash Equivalents	<u>47,092</u>	<u>32,206</u>
	<u>93,649</u>	<u>88,853</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

19.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2015	2014
	€	€
Payables	444,757	453,819
	<u>444,757</u>	<u>453,819</u>

19.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

19.4 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	46,557	56,647
Cash and Cash Equivalents	<u>47,092</u>	<u>32,206</u>
	<u>93,649</u>	<u>88,853</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	<u>49,579</u>	<u>57,306</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	435,309	444,371
Borrowings	<u>9,448</u>	<u>9,448</u>
	<u>444,757</u>	<u>453,819</u>

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

19.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

20 Fair value estimation

At 31 December 2015 and 31 December 2014, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

LOCAL COUNCIL NADUR**Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Nadur set out on pages 4 to 22, which comprise the statement of financial position as at 31st December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government 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 from 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 the auditor's 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, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and 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.

RSM Malta

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements


In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

Emphasis of Matter

Without qualifying our audit opinion, we would like to bring your attention to the fact that as at 31st December 2015, the current liabilities of the Local Council exceeded its current assets by Euro 351,108 indicating possible liquidity problems.

Other Matter

The financial statements of the Local Council Nadur for the year ended 31 December 2014 were audited by Spiteri Bailey & Co. who expressed an unqualified opinion on those financial statements on 27 April 2015. As from 1 January 2016, Spiteri Bailey & Co. merged its practice with the incoming auditors, RSM Malta.



This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

26/04/16