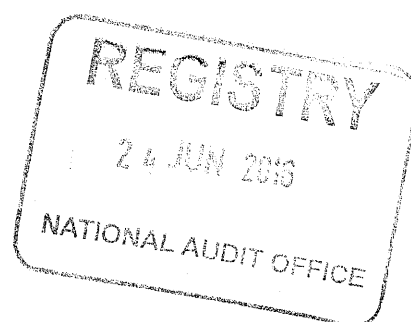


Local Council Naxxar

Report & Financial Statements

for the year ended 31 December 2015



Contents


	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor to the Auditor General	2 - 3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 27

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 a statement of the Local Council's 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (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 Council on 10/5/16 and signed on its behalf
by:


Dr. Maria F. Deguara
Mayor


Mr. Paul Gatt
Executive Secretary

LOCAL COUNCIL NAXXAR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL NAXXAR, which comprise the statement of financial position on page 5 as of 31st December 2015, and 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 judgment, 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 entity's 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 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 Members and the Executive Secretary, 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 qualified audit opinion.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local Councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €454 for the year under review, that has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized/capitalised with the consequence that an incorrect depreciation rate/amount has been applied and recognised in the financial statements. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

The Council received a number of government grants with respect of various capital projects. The Council's policy in this respect is to apply IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance using the income approach in relation to such grants. The amount recognised by the Council as deferred income at year end amounted to €499,690. A release to the

Comprehensive Income Statement amounting to € 30,046 has been undertaken during the year under review. We noted various inaccuracies in the calculation of this amount released to the Comprehensive Income Statement including that these calculation did not include an amount of deferred income in relation to Triq Castro, amounting to €34,984. Therefore the release to the Comprehensive Income Statement in relation to these grants is misstated but it was not practicable to quantify the amount of understatement in relation to the release of this deferred income.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from IAS 38-Intangible Assets in relation to the proper recognition and disclosure of computer software/website applications. Furthermore, they also lack disclosures emanating from IAS 1 – Presentation of Financial Statements in relation to disclosures of accounting policies, new and revised standards applicable as from 2015 and those issued but not yet applicable; and from IAS 24-Related Parties in view that note 20 to the financial statements does not reflect the requirement of articles 18, 25 and 26 of the said standard. These financial statements also have omitted the disclosure with respect to the capital commitments of the Council amounting to €203,000 in line with the requirements of IAS 16-Property, Plant and Equipment as well as disclosure of contingent liabilities amounting to €7,500 in line with the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matters set out in paragraph three under the basis for qualified opinion above, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards.



This copy of the report has been signed by
Neville Cutajar (Partner) on its behalf

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Certified Public Accountants
Level 2
Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Dated 10th May 2016

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 €	2014 €
Revenue			
Funds received from Central Government	3	920,438	941,931
Income raised under Local Council Bye-Laws	4	40,558	18,706
Income raised under Local Enforcement System	5	11,908	36,952
General Income	6	8,007	10,058
		980,911	1,007,647
Expenditure			
Personal Emoluments	7	(154,289)	(148,460)
Operations and maintenance	8	(426,132)	(321,456)
Administration and other expenditure	9	(311,308)	(327,449)
		(891,729)	(797,365)
Operating profit for the year		89,182	210,282
Finance income	10	1,262	2,644
Profit for the year	7	<u>90,444</u>	212,926
Total comprehensive income for the year		<u>90,444</u>	<u>212,926</u>

The notes on pages 8 to 31 form an integral part of these financial statements.

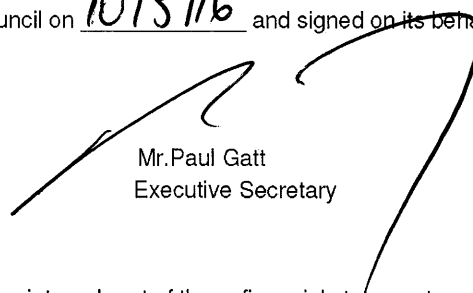
Statement of Financial Position
as at 31 December 2015

		2015	2014
	Notes	€	€
ASSETS			
Non-Current Assets			
Intangible Assets		225,270	3,776
Property, plant and equipment	11	1,220,985	1,254,165
		1,446,255	1,257,941
Current Assets			
Inventories	12	810	914
Receivables	13	77,871	119,080
Cash at bank and in hand	14	760,288	661,422
		838,969	781,416
Total Assets		2,285,224	2,039,357
RESERVES			
Retained earnings		1,562,540	1,472,096
Total reserves		1,562,540	1,472,096
Non-Current Liabilities			
Deferred income	16	429,689	271,753
		429,689	271,753
Current Liabilities			
Payables	15	222,994	250,615
Deferred Income		70,001	44,893
		292,995	295,508
Total Liabilities		722,684	567,261
Total reserves and liabilities		2,285,224	2,039,357

These financial statements were approved by the Local Council on 10/5/16 and signed on its behalf by:



Dr. Maria F. Deguara
Mayor



Mr. Paul Gatt
Executive Secretary

Statement of Changes in Equity
for the year ended 31 December 2015

	Retained Funds
	€
At 1 January 2014	1,259,170
Profit for the year	212,926
At 31 December 2014	<u>1,472,096</u>
At 1 January 2015	1,472,096
Profit for the year	90,444
Total comprehensive income for the year	90,444
At 31 December 2015	<u>1,562,540</u>

Statement of Cash Flows
for the year ended 31 December 2015

	2015		2014	
	€	€	€	€
Net profit / (loss) for the year	90,444		212,926	
Reconciliation to cash generated from operations:				
Depreciation	128,807		139,205	
Loss on Disposal of assets	-		21,923	
Movement in Provision for Doubtful Debts	-		14,691	
Movement in Provision for Court Case	2,608			
Interest receivable	(1,262)		(2,644)	
Interest payable	-		-	
Operating profit before working capital changes	220,597		386,101	
Decrease in inventories	104		153	
(Increase) / decrease in receivables	38,603		(53,807)	
(Decrease) / increase in payables	(27,621)		31,042	
Government grant released	(25,317)		(22,104)	
Cash generated in operating activities		206,366		341,385
Cash flow from investing activities				
Interest received	1,262		892	
Purchase of property, plant & equipment	(317,123)		(94,510)	
Receipt of grant	208,361		28,877	
Cash (used in) / generated from investing activities		(107,500)		(64,741)
Net Increase in cash in the year		98,866		276,644
Cash at bank and in hand at beginning of year		661,422		384,778
Cash at bank and in hand at end of year		760,288		661,422

1. General Information

The Naxxar Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, 21st September Avenue Street, Naxxar. These financial statements were approved for issue by the Council Members on _____. The Local Council's presentation as well as functional currency are 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.

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 Council has applied the following International Financial Reporting Standards as adopted by the EU:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

New important standards and amendments not yet adopted by EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

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: 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); an Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7, the amendments are effective from 1 January 2016.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

The Councilors 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 Councilors anticipate 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.

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 company 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.

Leases

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

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.

Related parties

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

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.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. 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.

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.

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 profits 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 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.

Critical Accounting Estimates and Judgements

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

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.

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 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'.

3. Funds received from central government

	2015 €	2014 €
In terms of section 55 of the Local Councils Act	852,796	825,420
Supplementary Government Income	30,046	22,104
Other Government Income	37,596	94,407
	920,438	941,931

4. Income raised from Bye-Laws

	2015 €	2014 €
Bye-Law - Signs	1,433	1,080
Media Advertising	(247)	324
Income from Permits	35,343	13,876
Community Services incl. organization of courses	4,029	3,426
	40,558	18,706

5. Local Enforcement System

	2015 €	2014 €
Contraventions	454	26,534
Admin Fee re Regional Committees	11,454	10,418
	11,908	36,952

6. General Income

	2015 €	2014 €
Library Services	600	594
Cultural Events	195	336
Penalties from Contactor Guarantees	698	-
Hire of Council Hall	576	606
General Income	1,513	679
Tables & Chairs	2,066	1,852
Tender Documents / Info Charges	693	4,019
Contributions & Donations	1,666	1,972
	8,007	10,058

7. Profit/(loss) for the year

		2015 €	2014 €
Profit/(loss) for the year is stated after charging:			
Staff salaries	<i>Note</i>	154,289	148,460
Depreciation of assets		<u>128,807</u>	<u>139,205</u>

Staff salaries

	2015 €	2014 €
Mayor's Remuneration	9,535	10,302
Councillors' Allowances	10,320	10,975
Executive Secretary Salary and Allowances	33,357	32,535
Employees' Salaries	90,987	85,065
Social Security Contributions	10,090	9,583
	<u>154,289</u>	<u>148,460</u>

Average number of people employed

Employees	6	6
Mayor & Councillors	<u>10</u>	<u>10</u>

8. Operations and Maintenance

	2015 €	2014 €
<i>Repairs and Upkeep:</i>		
Repairs to Public Property	4,204	4,859
Road / Street Pavements	4,305	13,715
Signs	5,435	2,966
Road Markings	1,772	1,034
Office Furniture & Equipment	290	927
Bus Shelters	-	176
Council Property	2,357	616
Repairs & Upkeep	358	3,900
Litter Bins	1,441	771
	<u>20,162</u>	<u>28,964</u>

8. Operation & Maintenance (Continued)		
<i>Contractual Services:</i>		
Refuse Collection	82,759	81,436
Bulky Refuse Collection	38,394	9,001
Separated Waste Collection	147,095	60,328
Open Skips	217	343
Road & Street Cleaning	65,000	67,685
Cleaning & Maint. Non-Urban	18,525	18,645
Cleaning & Maint - Public Conveniences	5,595	7,975
Cleaning - Council Premises	4,870	4,655
Clean. & Maint. Parks & Gardens	38,562	33,228
Street Lighting	5,492	8,789
Lease of Equipment	(20)	20
Support Services	-	177
Local Enforcement Expenses	(519)	210
	<u>405,970</u>	<u>292,492</u>
 Total Operations and Maintenance Costs	 <u>426,132</u>	 <u>321,456</u>
 9. Administration and other expenditure		
	2015	2014
	€	€
Utilities	17,988	21,799
Other repairs and upkeep	4,621	5,413
Rent	1,413	526
National and International Memberships	583	1,012
Office Services	4,351	5,448
Transport	3,466	3,042
Settlement of Court Disputes	3,006	28,237
Information Services	7,760	8,119
Insurance Coverage	1,376	2,330
Bank Charges	129	58
Professional Services	61,468	77,886
Tuition for Courses & Expenses	8,020	8,576
Conference Expenses	1,410	1,587
Entertainment	(800)	800
Visits Foreign Delegations	1,939	128
Social Events	1,424	1,798
Twinning Expenses	22,175	1,635
Cultural Events	26,243	25,227
Christmas Lightening & Decorations	7,845	9,335
Community Services	2,150	(430)
Staff Training	-	150
Sundry Minor Expenses	2,614	309
Other Hospitality Costs	485	280
Provision for Court case	2,608	-
Annual General Meeting	227	224
Provision for Doubtful Debtors	-	(37,168)
Loss on Disposal of Assets	-	21,923
Depreciation	128,807	139,205
	<u>311,308</u>	<u>327,449</u>

10. Finance Income

	2015 €	2014 €
Bank Interest Receivable	1,262	2,644
	<u>1,262</u>	<u>2,644</u>

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

11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2015	23,296	53,854	11,138	506,750	56,033	45,706	47,806	2,944,933	3,689,516
Additions / Capitalisations	-	-	-	11,248	227,755	514	-	78,706	318,223
Reclassification	-	-	-	-	-	-	-	-	-
Disposals / Capitalisations	-	(1,100)	-	-	-	-	-	-	(1,100)
At 31 December 2015	23,296	52,754	11,138	517,998	283,788	46,220	47,806	3,023,639	4,006,639
Depreciation									
At 1 January 2015	1,685	-	11,138	329,258	35,160	24,803	-	1,132,706	1,534,750
Reclassification	-	-	-	-	-	-	-	-	-
Charge for the year	216	-	-	18,924	9,796	1,607	-	98,264	128,807
Released on Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2015	1,901	-	11,138	348,182	44,956	26,410	-	1,230,970	1,663,557
Grants									
At 1 January 2015	-	-	-	-	-	-	-	(896,827)	(896,827)
At 31 December 2015	-	-	-	-	-	-	-	(896,827)	(896,827)
Net book values									
At 31 December 2015	21,395	52,754	-	169,816	238,832	19,810	47,806	895,842	1,446,255

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

11. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2014	23,296	30,554	11,138	668,855	113,152	52,287	47,806	2,839,107	3,786,195
Additions / Capitalisations	-	23,301	-	4,221	5,549	1,155	-	8,854	43,080
Reclassification	-	-	-	(102,610)	-	-	-	102,610	-
Disposals / Capitalisations	-	-	-	(63,716)	(62,668)	(7,736)	-	(5,638)	(139,758)
At 31 December 2014	23,296	53,855	11,138	506,750	56,033	45,706	47,806	2,944,933	3,689,517
Depreciation									
At 1 January 2014	1,467	-	1,215	354,393	90,663	28,169	-	1,037,453	1,513,380
Reclassifications	-	-	-	11,000	-	-	-	(11,000)	-
Charge for the year	-	-	-	10,208	5,118	1,847	-	111,891	139,205
Released on Disposal	218	-	9,923	(46,344)	(60,641)	(5,213)	-	(5,638)	(117,836)
At 31 December 2014	1,685	-	11,138	329,257	35,160	24,803	-	1,132,706	1,534,749
Grants									
At 1 January 2014	-	-	-	-	-	-	-	(896,827)	-
At 31 December 2014	-	-	-	-	-	-	-	(896,827)	(896,827)
Net book values									
At 31 December 2014	21,611	53,855	-	177,493	20,873	20,903	47,806	915,400	1,257,941

12. Inventories

	2015 €	2014 €
Books	810	914
	<u>810</u>	<u>914</u>

13. Receivables

	2015 €	2014 €
Receivables	26,557	42,816
Provision for Bad Debts	(19,551)	(19,551)
Provision for Court Case	(2,608)	-
Prepayments & Accrued income	73,473	95,815
Financial assets	<u>77,871</u>	<u>119,080</u>

Receivables

General receivables are analysed as follows:

	2015 €	2014 €
Within credit period	8,347	6,503
Exceeded credit period but not impaired	18,210	36,713
Provision for doubtful debts	-	(19,551)
	26,557	23,265

14. Cash at bank and in hand

	2015	2014
	€	€
Bank Balances	760,088	661,136
Cash in Hand	200	286
	<u>760,288</u>	<u>661,422</u>

15. Payables

	2015	2014
	€	€
Payables	110,272	192,101
Other creditors	59,302	30,977
Accruals	53,420	27,537
Financial liabilities	<u>222,994</u>	<u>250,615</u>

16. Deferred income Government Grants	2015 €	2014
Government grants		
At 1 January 2015	316,646	309,873
Increase in year	208,361	28,877
	<u>525,007</u>	<u>338,750</u>
Released in year	(25,317)	(22,104)
	<u>499,690</u>	<u>316,646</u>
Current Deferred Income	<u>70,001</u>	<u>44,893</u>
Non-Current Deferred Income	<u>429,689</u>	<u>271,753</u>
Deferred Government Grants		
Deferred between one and two years	131,338	28,456
Deferred between two and five years	121,079	69,443
Deferred in five years or more	177,272	173,854
	<u>429,689</u>	<u>271,753</u>
Deferred after five years or more:		
Government Grants	<u>176,093</u>	<u>173,854</u>

17. Provision for Court Case

The Council is currently involved in a court case regarding 'Triq t'Alla w Ommu' and it is probable that the Local Council will be liable to pay the amount of €2,608 to the claimant. This is evidenced by the decision taken by the Court of Appeal on the 5th of February 2016.

18. 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 Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Commissioner for Data Protection	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
South Region	No control
LESA	No control

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

	2015	2014
	€	€
Annual Financial Allocation	852,796	825,420

Key management compensation

Transactions with key management personnel are disclosed in note 7.

19. Financial Risk Management

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

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.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2015	2014
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	77,871	119,080
Cash and cash equivalents	760,288	661,422
	<u>838,159</u>	<u>780,502</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 in bank and in hand the amount of € 760,288. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,285,225 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2015 the council's financial liabilities have contractual maturities which are summarised below:
31 December 2015

	Current	Non-current	
	within	1 to 5	later than
	1 year	years	5 years
	€	€	€
Payables	110,272	-	-
Other creditors	59,302	-	-
Accruals	53,420	-	-
	<u>223,000</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:
31 December 2014

	Current	Non-current	
	within	1 to 5	later than
	1 year	years	5 years
	€	€	€
Payables	192,101	-	-
Other creditors	30,977	-	-
Accruals	27,537	-	-

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 currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

20. Summary of financial assets and liabilities

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	77,871	119,080
Cash and cash equivalents	760,288	661,422
	<u>838,159</u>	<u>780,502</u>
Non-current liabilities		
Deferred income	429,689	271,753
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	222,994	250,615
Deferred Income	70,001	44,893
	<u>722,684</u>	<u>567,261</u>
21. Fair values estimation		

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

22. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

23. Going Concern

The Statement of Financial Position on page 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.