

Local Council San Lawrenz

Annual Report and Financial Statements

For the year ended 31 December 2015

Prepared by: Pauliana Said



Contents


	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of 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 - 24
Report of the Local Government Auditor to the Auditor General	25 - 26


**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 Council on 07/09/16 and signed on its behalf by:



Noel Formosa
Mayor

Lucienne Haber
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 €	2014 €
Revenue			
Funds Received from Central Government	3	249,746	195,553
Income raised under the Local Enforcement System	4	290	211
General Income	5	59,539	31,426
		<u>309,575</u>	<u>227,190</u>
Expenditure			
Personal Emoluments	6	(45,537)	(57,097)
Operations and Maintenance	7	(31,107)	(50,437)
Administration and Other Expenditure	8	(237,183)	(135,439)
		<u>(313,827)</u>	<u>(242,973)</u>
Operating loss for the year		(4,252)	(15,783)
Finance Income	9	<u>43</u>	<u>97</u>
Total comprehensive loss for the year	6	<u>(4,209)</u>	<u>(15,686)</u>

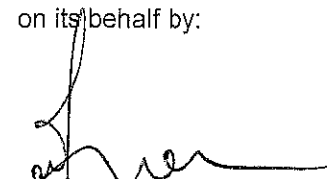
The notes on pages 8 to 24 form an integral part of these financial statements.

Statement of Financial Position

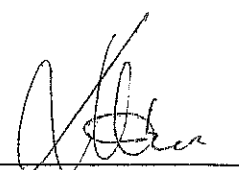
For the year ended 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Property, plant and equipment	10	1,165,963	1,265,233
Total non-current assets		1,165,963	1,265,233
Stocks	11	25	339
Receivables	12	38,776	67,970
Cash and cash equivalents	13	139,423	52,082
Total current assets		178,224	120,391
TOTAL ASSETS		1,344,187	1,385,624
RESERVES AND LIABILITIES			
Retained earnings		191,428	195,637
Total reserves		191,428	195,637
LIABILITIES			
Deferred Income	15	911,003	960,850
Total non-current liabilities		911,003	960,850
Payables	14	241,756	229,137
Total current liabilities		241,756	229,137
TOTAL RESERVES AND LIABILITIES		1,344,187	1,385,624

These financial statements were approved by the Local council on 07/09/16 and signed on its behalf by:



Noel Formosa
Mayor



Lucienne Haber
Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements.

Statement of Changes in Reserves

For the year ended 31 December 2015

	Retained Funds €
At 1 January 2014	211,323
Loss for the year	(15,686)
	<hr/>
At 31 December 2014	195,637
	<hr/>
At 1 January 2015	195,637
Loss for the year	(4,209)
	<hr/>
At 31 December 2015	191,428

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 €	2014 €
Cash flow from operating activities			
Total comprehensive loss for the year		(4,209)	(15,686)
Reconciliation to cash generated from operations:			
Depreciation		125,285	75,096
Provision for bad debts		-	650
Interest Receivable		(43)	(96)
Operating profit before working capital changes		121,033	59,964
Decrease in inventories		314	36
Decrease in receivables		29,194	31,125
Increase/(Decrease) in payables		24,067	(76,762)
Government grants released		(97,886)	(50,415)
Cash generated from / (used in) from operating activities		76,722	(36,052)
Cash flows from investing activities			
Interest received		43	96
Purchase of property, plant and equipment		(26,015)	(315,641)
Receipt of Grant		39,075	193,630
Cash generated from / (used in) investing activities		13,103	(121,915)
Net increase/(decrease) in cash in the year		89,825	(157,967)
Cash and cash equivalents at beginning of year		48,038	206,005
Cash and cash equivalents at end of year	13	137,863	48,038

Notes to the Financial Statements

For the year ended 31 December 2015

1 General Information

The Local Council San Lawrenz is the local authority of San Lawrenz set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq id-Duluri, San Lawrenz. As from October 2015, the Council formed part of the LESA. These financial statements were approved for issue by the Council Members on 07/09/16. 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 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 Council has applied the following International Financial Reporting Standards as adopted by the EU:

The amendment in IFRS 8 in the Annual Improvements 2010-2012 Cycle requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics and clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker. The amendment is applied to annual periods beginning on or after 1 July 2014.

The amendment to the basis for conclusions of IFRS 13 in the Annual Improvements 2010-2012 Cycle clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis of conclusions.

The amendments to IAS 16 and IAS 38 in the Annual Improvements 2010-2012 Cycle remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The amendments apply prospectively for annual periods beginning on or after 1 July 2014 with earlier application permitted.

The amendment in IAS 24 Related Party Disclosures in the Annual Improvements 2010-2012 Cycle clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required. The amendment is applied to annual periods beginning on or after 1 July 2014.

The Annual Improvements 2011-2013 Cycle in IFRS 13 Fair Value Measurement clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The amendment is applied to annual periods beginning on or after 1 July 2014.

The Annual Improvements 2011-2013 Cycle in IFRS 3 and IAS 40 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether the property meets the definition of investment property in accordance with IAS 40 and the transaction meets the definition of a business combination in accordance with IFRS 3. An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date of 1 July 2014, if and only if information needed to apply the amendment to earlier transactions is available to the entity. The amendment is applied to annual periods beginning on or after 1 July 2014.

In IAS 40 the Annual Improvements 2011-2013 Cycle clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The amendment is applied prospectively for business combinations for periods beginning on or after 1 January 2015.

The amendment to IAS 24 clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is applied retrospectively.

In IFRS 1 the Annual Improvements 2011-2013 Cycle clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment is effective immediately for periods beginning on or after 1 January 2015.

The Annual Improvements 2011-2013 Cycle clarifies that IFRS 3 joint arrangements are outside the scope of IFRS 3, not just joint ventures and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. IFRS 11 Joint Arrangements introduced 'joint arrangements' to replace the concept of 'joint ventures' in IAS 31 Interests in Joint Ventures. The scope exception to IFRS 3 is updated to reflect this change. The amendment is applied prospectively for periods beginning on or after 1 January 2015.

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. When measuring fair value, the portfolio exception can be applied to contracts within IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 not just to those contracts that meet the definition of financial assets or financial liabilities. The amendment is applied prospectively for periods beginning on or after 1 January 2015.

New Standards and amendments not yet adopted:

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:

The International Accounting Standards Board (IASB) has published 'Disclosure Initiative – Amendments to IAS 1'. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers of exercising their judgment in presenting their financial reports. These are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

In July 2014, the IASB finalized the reform of financial instrument accounting and issued IFRS 9 which contains requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date for annual periods beginning on or after 1 January 2018.

The Annual Improvements 2012-2014 Cycle include a number of amendments to various IFRSs. The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an activity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify that the guidance for when held-for-distribution accounting is discontinued. The amendment is applied to annual periods beginning on or after 1 January 2016.

The amendments to IFRS 7 in the Annual Improvements 2012-2014 Cycle provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. The amendment is applied to annual periods beginning on or after 1 January 2016.

Amendments to IAS 1 Presentation of Financial Statements addresses perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes; Clarification that information should not be obscured by aggregating or by providing immaterial

information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be re-classified to profit or loss. Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The amendments to IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue and when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The amendments of IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. The amendments further clarify that the requirement of an investor entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. Moreover the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Lastly, clarification is also made that in investment entity that measures all its subsidiaries at fair value should provide the disclosure required by IFRS 12 Disclosures of Interests in Other entities. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

In IFRS 2 the Annual Improvement 2010-2012 Cycle amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'. Performance condition and service condition are defined in order to clarify various issues, including a performance condition which must contain a service condition, a performance target that must be met while the counterparty is rendering service, a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group and a performance condition that may be a market or non-market condition. The period of the performance target must not extend beyond the end of the service period, but may start earlier if the service period is not 'substantially before the commencement of the service period. The amendment is effective prospectively for annual periods beginning on or after 1 February 2015.

In IFRS 3 the Annual Improvement 2010-2012 Cycle requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. Contingent consideration is a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. Contingent consideration cannot be measured at fair value through other comprehensive income. The amendment is effective for business combinations prospectively for annual periods beginning on or after 1 February 2015.

In IFRS 8 the Annual Improvement 2010-2012 Cycle requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly. Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. If the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics used to assess whether the segments are 'similar'. The amendment is effective retrospectively for annual periods beginning on or after 1 February 2015.

In IFRS 13 the Annual Improvement 2010-2012 Cycle clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. The IASB clarified in the Basis of Conclusions that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. Entities still need to perform an evaluation of 'immaterial' in order to record the receivable and payable at invoice amounts. The amendment is effective immediately for annual periods beginning on or after 1 February 2015.

The amendment to IAS 16 and IAS 38 in the Annual Improvement 2010-2012 Cycle clarifies that revaluation can be performed either by adjusting the gross carrying amount of the asset to market value or determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The IAS also clarified that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount of the asset. The amendment to IAS 16 and IAS 38 clarifies that the accumulated depreciation/amortization is eliminated so that the gross carrying amount and carrying amount equal the market value. The amendment is effective retrospectively for annual periods beginning on or after 1 February 2015.

The Councillors 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 Councillors 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	8%
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.

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 Standards No. 24.

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 statement of comprehensive income 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 euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

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 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.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historic 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 Statement'.

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
- that the Council maintains a positive working capital

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 Instrument

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 expired.

Financial assets and financial liabilities are measured initially at fair value plus transaction 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 at each identified group.

Financial Liabilities

The Council's financial liabilities includes other payables. These are stated at their nominal account 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	148,217	142,868
Other Government Income	101,529	52,685
	<u>249,746</u>	<u>195,553</u>
	=====	=====

4 Income raised under Local Enforcement System

	2015 €	2014 €
Administration Income from Contraventions	290	211
	<u>290</u>	<u>211</u>
	=====	=====

5 General Income

	2015 €	2014 €
Community Services	9,571	14,136
Cultural Events	42,729	1,036
Contributions and other income	7,239	16,254
	<u>59,539</u>	<u>31,426</u>
	=====	=====

6 Loss for the year

	2015 €	2014 €
Loss for the year is stated after charging:		
Staff Salaries	45,537	57,097
Depreciation of property, plant and equipment	125,285	75,096
	<u>170,822</u>	<u>132,193</u>
	=====	=====

Staff Salaries

	2015 €	2014 €
Mayor's Remuneration	7,048	6,406
Mayor and Councillors' Allowances	6,400	6,400
Executive Secretary salary and allowances	12,263	27,111
Employees' Salaries	17,780	13,955
Social security contributions	2,046	3,225
	<u>45,537</u>	<u>57,097</u>
	=====	=====

Average number of persons employed

Employees	2	2
Mayor and Councillors	5	5
	<u>7</u>	<u>7</u>
	=====	=====

7 Operations and Maintenance

	2015 €	2014 €
Repairs and upkeep		
Road and street pavements	307	10,446
Street signs	1,642	4,355
Road markings	150	212
Public Property	2,420	1,887
Other repairs and upkeep	1,420	1,351
	<u>5,939</u>	<u>18,251</u>
	=====	=====

Contractual services:

Refuse collection	9,106	7,637
Bring-in sites and tipping fees	3,109	4,629
Bulky refuse collection	-	126
Open skips	2,442	3,869
Road and street cleaning	1,732	4,452
Cleaning and maintenance of public conveniences	(100)	3,694
Cleaning and maintenance of parks and gardens	120	90
Cleaning council offices	13	31
Handyman services	2,964	2,248
Street lighting	5,782	5,410
	<u>25,168</u>	<u>32,186</u>
	=====	=====
Total operations and maintenance expenses	31,107	50,437
	=====	=====

8 Administration and other expenditure

	2015 €	2014 €
Utilities	5,367	4,946
Materials and supplies	4,220	1,797
Rent	850	734
National and international	500	1,165
Office services	2,521	1,267
Transport	528	1,124
Overseas travel	857	3,165
Information services	790	952
Other contractual services	1,778	1,026
Professional services	43,712	28,793
Community and hospitality	46,755	12,143
Local wardens	60	-
Other expenses	61	-
Depreciation	125,285	75,096
Provision for bad debts	-	650
Lease of equipment	3,899	1,527
Penalties	-	1,054
	<u>237,183</u>	<u>135,439</u>
	=====	=====

9 Finance Income

	2015 €	2014 €
Bank Interest receivable	43	97
	<u>43</u>	<u>97</u>
	=====	=====

10 Property, plant and equipment
a)

	Property	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2014	2,583	436,653	49,430	4,072	114,171	39,239	9,362	8,719	104,393	689,844	1,458,466
Additions	-	-	-	-	-	959	1,426	470	312,786	-	315,641
Reallocations	-	-	-	-	-	-	-	-	689,844	(689,844)	-
At 31 December 2014	2,583	436,653	49,430	4,072	114,171	40,198	10,788	9,189	1,107,023	-	1,774,107
Depreciation											
At 1 January 2014	-	183,992	15,638	4,072	31,440	10,619	6,198	8,435	18,968	-	279,362
Charge for the year	-	10,664	2,449	-	7,904	5,376	671	63	47,969	-	75,096
At 31 December 2014	-	194,656	18,087	4,072	39,344	15,995	6,869	8,498	66,937	-	354,458
Grants											
At 1 January 2014	-	141,041	-	-	-	-	-	-	13,375	-	154,416
At 31 December 2014	-	141,041	-	-	-	-	-	-	13,375	-	154,416
Net Book Amount											
At 31 December 2014	2,583	100,956	31,343	-	74,827	24,203	3,919	691	1,026,711	-	1,265,233

10 Property, plant and equipment
b)

	Property	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2015	2,583	436,653	49,430	4,072	114,171	40,198	10,788	9,189	1,107,023	-	1,774,107
Additions	-	-	76	-	-	-	-	250	25,689	-	26,015
At 31 December 2015	2,583	436,653	49,506	4,072	114,171	40,198	10,788	9,439	1,132,712	-	1,800,122
Depreciation											
At 1 January 2015	-	194,656	18,087	4,072	39,344	15,995	6,869	8,498	66,937	-	354,458
Charge for the year	-	9,646	2,275	-	7,149	4,421	716	210	100,868	-	125,285
At 31 December 2015	-	204,302	20,362	4,072	46,493	20,416	7,585	8,708	167,805	-	479,743
Grants											
At 1 January 2015	-	141,041	-	-	-	-	-	-	13,375	-	154,416
At 31 December 2015	2,583	91,310	29,144	-	67,678	19,782	3,203	731	951,532	-	1,165,963
Net Book Amount											
At 31 December 2015											

11 Stocks

	2015 €	2014 €
Stock of gift vouchers	25	339
	=====	=====

12 Receivables

	2015 €	2014 €
Amounts receivable	353	189
Prepayments and accrued income	38,423	67,781
	=====	=====
	38,776	67,970
	=====	=====

Amounts receivable

General receivables are analysed as follows:

	2015 €	2014 €
Within credit period	33	166
Exceeded credit period but no impaired	320	23
	=====	=====
	353	189
	=====	=====

Note

Receivables are net of provision for doubtful debts of Eur 650 (2014 : Eur 650)

13 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following Statement of Financial Position amounts:

	2015 €	2014 €
Bank Balances	137,824	48,038
Cash in Hand	39	-
	=====	=====
	137,863	48,038
Overdrawn bank balance	1,560	4,044
	=====	=====
	139,423	52,082
	=====	=====

14 Payables

	2015 €	2014 €
Amount payables	95,391	88,905
Accruals	9,069	38,931
Other payables	47,443	-
Deferred income within one year	88,293	97,257
Overdrawn bank balance	1,560	4,044
	<u>241,756</u>	<u>229,137</u>
	=====	=====

15 Deferred income

	2015 €	2014 €
Government Grants		
At 1 January	1,058,107	914,892
Increase in year	39,075	193,630
	<u>1,097,182</u>	<u>1,108,522</u>
Released in year	(97,886)	(50,415)
At 31 December	<u>999,296</u>	<u>1,058,107</u>
	=====	=====
 Current deferred income	 88,293	 97,257
	<u>88,293</u>	<u>97,257</u>
	=====	=====
 Non-current deferred income	 911,003	 960,850
	<u>911,003</u>	<u>960,850</u>
	=====	=====
 Deferred Government Grants		
Deferred between one and two years	80,296	87,725
Deferred between two and five years	197,099	209,901
Deferred in five years or more	633,608	663,224
	<u>911,003</u>	<u>960,850</u>
	=====	=====

16 Capital commitments

	2015 €	2014 €
Total capital commitments	85,000	16,892
	=====	=====

(i) Approved but not yet contracted for:		
Playing field	85,000	-
Resurfacing	-	15,000
Computer and electronic equipment	-	1,892
	<u>85,000</u>	<u>16,892</u>

17 Related Parties Disclosures

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
Gozo Regional Committee	Joint control
LESA	No control
Central Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti għall-iSports	No control
Mitts Limited	No control
Ministry for the Family	No control
Malta Communications Authority	No control
Green MT	No control

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

	2015	2014
	€	€
Annual Financial Allocation	148,217	142,868
	=====	=====

Key management compensation

Transactions with key management personnel are disclosed in note 6.

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 to specific projects as well as other funds for the improvement and betterment of the locality.

18 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 receivables. 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 receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

Receivables from related parties	€ 353 =====
----------------------------------	-------------------

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 €139,423. This should ensure an ongoing working capital of the Council for the next 12 months. The Council resulted in a net liability position of €24,761 which signifies that there is no adequate headroom 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 prices 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 maximising the net interest income and expense.

19 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 €
<i>Current Assets</i>		
Trade and other receivables	38,776	67,970
Cash and cash equivalents	139,423	52,082
	<u>178,199</u>	<u>120,052</u>
	<u>=====</u>	<u>=====</u>
<i>Current Liabilities</i>		
Financial liabilities measured at amortised costs:		
Payables	241,756	229,137
	<u>241,756</u>	<u>229,137</u>
	<u>=====</u>	<u>=====</u>

20 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.

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LOCAL COUNCIL SAN LAWRENZ**Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council San Lawrenz set out on pages 4 to 24, 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.

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Opinion

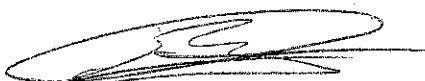
In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

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 to your attention the fact that as at 31st December 2015, the current liabilities of the Local Council exceeded its current assets by Euro 63,532 indicating possible liquidity problems.



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

RSM Malta
Certified Public Accountants

07/09/16

