

SAN GILJAN LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2015



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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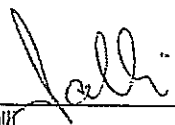
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2015

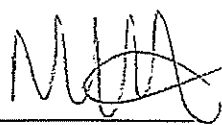
The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations 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, the 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 Local Council on the 26th April 2016 and signed on its behalf by



Guido Dajif
Mayor



Paul Spiteri
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 €	2014 €
	Notes		
INCOME			
Funds received from Central Government	4	678,660	660,119
Income raised under Local Council Bye-Laws	5	58,766	29,079
Income raised under Local Enforcement System	6	156,856	83,852
General income	7	4,831	5,841
		<u>899,113</u>	<u>778,891</u>
EXPENDITURE			
Personal emoluments	9	(140,006)	(133,487)
Operations and maintenance	10	(515,394)	(456,947)
Administration and other expenditure	11	(163,772)	(137,877)
		<u>(819,172)</u>	<u>(728,311)</u>
Operating profit for the year		79,941	50,580
Interest income	12	666	900
Finance costs	13	(3,512)	(3,612)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		<u>77,095</u>	<u>47,868</u>

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	402,620	382,215
Intangible asset	15	249	-
		<u>402,869</u>	<u>382,215</u>
Current Assets			
Receivables	16	59,556	87,985
Cash and Cash Equivalents	17	702,830	631,934
		<u>762,386</u>	<u>719,919</u>
Total Assets		<u><u>1,165,255</u></u>	<u><u>1,102,134</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		631,904	554,809
		<u>631,904</u>	<u>554,809</u>
Non-Current Liabilities			
Long-term borrowings	19	65,249	69,477
Long-term payables	20	25,096	41,476
Deferred income	21	65,049	71,921
		<u>155,394</u>	<u>182,874</u>
Current Liabilities			
Payables	18	373,621	360,130
Current portion of Long term borrowings	19	4,336	4,321
Total Liabilities		<u>377,957</u>	<u>364,451</u>
Total Equity and Liabilities		<u><u>1,165,255</u></u>	<u><u>1,102,134</u></u>

These financial statements were approved by the Local Council on 26th April 2016 and signed on its behalf by:

Guido Dalli
Mayor

Paul Spiteri
Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds €
At 1 January 2014	506,941
Total Comprehensive Surplus for the year	47,868
At 31 December 2014	554,809
At 1 January 2015	554,809
Total Comprehensive Surplus for the year	77,095
At 31 December 2015	631,904

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 €	2014 €
Cash flows from Operating Activities			
Surplus for the year		77,095	47,868
Reconciliation to cash generated from operations:			
Depreciation and amortisation		22,486	23,160
Provision for bad debts		-	1,624
Loss on disposal		2,593	-
Interest receivable		(666)	(900)
Interest payable		3,512	3,612
Grants released		(146,251)	(115,554)
Operating Profit before Working Capital Changes		(41,231)	(40,190)
(Decrease)/Increase in receivables		(22,609)	30,091
(Increase)/Decrease in payables		(50,641)	98,909
Cash (used in)/generated from operating activities		(114,481)	88,810
Cash flows from Investing Activities			
Interest received		666	900
Proceeds from disposal of property, plant & equipment		188	-
Purchase of property, plant & equipment		(21,215)	(75,605)
Cash used in investing activities		(20,361)	(74,705)
Cash flows from Financing Activities			
Repayment of bank loans		(4,213)	(3,944)
Receipt of grant		213,463	180,500
Interest paid		(3,512)	(3,612)
Cash generated from investing activities		205,738	172,944
Net Increase in Cash and Cash Equivalents		70,896	187,049
Cash and Cash Equivalents at the Beginning of the year		631,934	444,885
Cash and Cash Equivalents at the End of the year	17	702,830	631,934

The notes on pages 8 to 25 form an integral part of these financial statements

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

1. General Information

The San Giljan Local Council is the local Authority of San Giljan set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq Forrest, San Giljan. These financial statements were approved for issue by the Council Members on 26th April 2016. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

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

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

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

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

2. Accounting Policies and Reporting Procedures

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

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

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

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 '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.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**2. Accounting Policies and Reporting Procedures**

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.

Property, plant and equipment

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

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

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

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

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.

Impairment of Assets

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

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

2. Accounting Policies and Reporting Procedures

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

Amounts receivable

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

Borrowings

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

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

Other payables

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

Financial instruments

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

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

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

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

Financial assets

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

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

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

2. Accounting Policies and Reporting Procedures

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

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

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

Financial liabilities

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

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

Related parties

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

Revenue

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

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

Local Enforcement System

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and the Local Enforcement System Agency.

Government grants

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

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

2. Accounting Policies and Reporting Procedures

Foreign currencies

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

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

Borrowing costs

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

Profits and losses

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

Cash and cash equivalents

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

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was negative at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

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

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

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

4. Funds received from central government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act	636,947	616,363
Other Government Income	34,116	35,356
Grants Released	7,597	8,400
	<u>678,660</u>	<u>660,119</u>

5. Income raised under Local Council Bye-Laws

	2015	2014
	€	€
Income from contravention of Bye-Laws	<u>58,766</u>	<u>29,079</u>

6. Local Enforcement system

	2015	2014
	€	€
Regional committee	138,654	77,134
Pre-regional Committees	2,016	-
Joint Committee Surplus	8,052	-
Regional Committees/LESA - Administrative Fees	8,134	6,718
	<u>156,856</u>	<u>83,852</u>

7. General Income

	2015	2014
	€	€
General Income	1,462	4,712
Tender Documents/Info Charges	740	279
Contributions and donations	2,629	850
	<u>4,831</u>	<u>5,841</u>

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

8. Surplus for the year

	2015	2014
	€	€
Surplus for the year is stated after charging		
Staff salaries	140,006	133,487
Depreciation of property, plant & equipment and amortisation of intangible assets	22,486	23,160
Provision for bad debts	-	1,624
	<u>140,006</u>	<u>133,487</u>

9. Personal Emoluments

	2015	2014
	€	€
Mayor's Remuneration	10,572	10,302
Councillors' Allowances	11,000	11,000
Executive Secretary Salary and Allowances	42,591	32,083
Employees' Salaries	68,140	71,969
Social Security Contributions	7,703	8,133
	<u>140,006</u>	<u>133,487</u>

10. Operations and Maintenance

	2015	2014
	€	€
<i>Repairs and Upkeep:</i>		
Road and Street Pavements (patching works)	111,318	65,177
Public property	8,415	11,848
Street signs	2,279	2,367
Road Markings	12,781	20,426
Other repairs and Upkeep	7,139	8,489
	<u>141,932</u>	<u>108,307</u>
<i>Contractual Services:</i>		
Refuse Collection	162,503	149,582
Bulky Refuse Collection	11,907	10,534
Road and Street Cleaning	134,553	134,617
Cleaning and Maintenance - Public Conveniences	13,205	13,205
Cleaning and Maintenance - Parks and Gardens	18,403	18,049
Support Services	819	6,629
Street Lighting	32,072	16,024
	<u>373,462</u>	<u>348,640</u>
Total Operations and Maintenance Costs	<u>515,394</u>	<u>456,947</u>

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

11. Administration and other expenditure

	2015	2014
	€	€
Utilities	5,481	9,108
Other repairs and upkeep	6,006	5,165
Rent	2,000	1,500
National and International Memberships	1,050	1,044
Office Services	9,975	8,387
Transport	436	933
Travel	-	5,310
Other contractual services	12,238	4,820
Bank Charges	66	795
Professional Services	28,675	20,875
Community Services	72,576	55,126
Training	-	30
LES related expenses	390	-
Asset Disposal Account	2,593	-
Provision for doubtful debts	-	1,624
Depreciation	22,486	23,160
	<u>163,772</u>	<u>137,877</u>

12. Interest Income

	2015	2014
	€	€
Bank Interest Receivable	<u>666</u>	<u>900</u>

13. Finance Costs

	2015	2014
	€	€
Loan interest	<u>3,512</u>	<u>3,612</u>

SAN GILJAN LOCAL COUNCIL

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

14. Property, plant and equipment

	Property €	Office Furniture & fittings €	Computer Equipment €	Urban Impr €	New Street Signs €	Cons €	Special Programmes €	Total €
Cost								
At 1 January 2014	185,798	67,643	40,098	23,214	9,707	216,686	1,553,685	2,096,831
Additions	-	-	890	-	-	-	74,715	75,605
At 31 December 2014	185,798	67,643	40,988	23,214	9,707	216,686	1,628,400	2,172,436
Depreciation								
At 1 January 2014	17,184	56,137	31,305	23,214	9,707	216,686	278,051	632,284
Charge for the year	1,678	834	1,650	-	-	-	18,998	23,160
At 31 December 2014	18,862	56,971	32,955	23,214	9,707	216,686	297,049	655,444
Grants								
At 1 January 2014	-	-	-	-	-	-	1,134,777	1,134,777
At 31 December 2014	-	-	-	-	-	-	-	-
Net Book values								
At 31 December 2014	166,936	10,672	8,033	-	-	-	196,574	382,215

SAN GILJAN LOCAL COUNCIL

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

14. Property, plant and equipment (cont.)

	Property €	Trees €	Office Furniture & fittings €	Computer Equipment €	Urban Improvements €	Assets not yet Capitalised €	New Street Signs €	Constructio n €	Special Programm es €	Total €
Cost										
At 1 January 2015	185,798	-	67,643	40,988	23,214	-	9,707	216,686	1,628,400	2,172,436
Additions	-	1,500	-	3,078	-	41,086	-	-	-	45,664
Disposal	-	-	(783)	(13,053)	-	-	-	-	-	(13,836)
Reclassification	-	84	-	-	-	-	-	-	(84)	-
At 31 December 2015	185,798	1,584	66,860	31,013	23,214	41,086	9,707	216,686	1,628,316	2,204,264
Depreciation										
At 1 January 2015	18,862	-	56,971	32,955	23,214	-	9,707	216,686	297,049	655,444
Charge for the year	1,652	-	774	1,257	-	-	-	-	18,782	22,475
Eliminated on Disposal	-	-	(747)	(10,305)	-	-	-	-	-	(11,052)
At 31 December 2015	20,524	-	56,998	23,907	23,214	-	9,707	216,686	315,031	666,867
Grants										
At 1 January 2015	-	-	-	-	-	-	-	-	1,134,777	1,134,777
At 31 December 2015	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2015	165,274	1,584	9,862	7,106	-	41,086	-	-	177,708	402,620

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

15. Intangible property, plant & equipment

	Computer software
	€
Cost	
Additions	260
At 31 December 2015	260
Depreciation	
Charge for the year	11
At 31 December 2015	11
Net Book value	
At 31 December 2015	249

16. Receivables

	2015	2014
	€	€
Receivables	40,880	34,407
Prepayments and accrued income	18,676	53,579
	<u>59,556</u>	<u>87,986</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	38,461	28,995
Exceeded credit period but not impaired	2,419	5,412
Impaired and provided for	1,623	1,623
Provision for doubtful debts	(1,623)	(1,623)
	<u>40,880</u>	<u>34,407</u>

Included in the accounts receivable are amounts due from related parties amounting to €16,735 (2014 : €15,539). These amounts are unsecured, interest free and repayable on demand. Receivables are stated net of impairment provision of €1,624.

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

17. Cash & cash equivalents

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

	2015	2014
	€	€
Cash at Bank	702,587	631,701
Cash in Hand	243	233
	<u>702,830</u>	<u>631,934</u>

18. Payables

	2015	2014
	€	€
Payables	108,066	118,113
Other payables	8,720	-
Deferred income	185,046	162,000
Accruals	71,789	80,017
	<u>373,621</u>	<u>360,130</u>

Included in the accounts payable are amounts to from related parties amounting to €18,428 (2014 : €9,355). These amounts are unsecured, interest free and repayable on demand.

19. Borrowings

	2015	2014
	€	€
Non-current		
Bank borrowings	<u>65,249</u>	<u>69,477</u>
Current		
Bank borrowings	<u>4,336</u>	<u>4,321</u>
Borrowings		
Repayable between one and two years	4,555	4,321
Repayable between two and five years	15,030	11,649
Repayable in five years or more	45,664	53,507
	<u>65,249</u>	<u>69,477</u>
Repayable after five years or more:		
Bank Loan	<u>45,664</u>	<u>53,507</u>

The Bank Loan is guaranteed by the Central Government and secured by a 1st General Hypothec over the San Giljan Local Council assets and a Special Hypothec on the Council Offices and Garage. Loan attracts interest at 4.6% (2014 – 4.6%) and are repayable in monthly instalments of €629.69 (2014 – €629.69) inclusive of accumulated interest.

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

20. Amounts payable under the PPP agreement

	2015	2014
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	<u>25,096</u>	<u>41,476</u>
 Borrowings		
Repayable between one and two years	13,605	13,605
Repayable between two and five years	<u>11,491</u>	<u>27,871</u>
	<u>25,096</u>	<u>41,476</u>

Amount payable under the PPP agreement is repayable in annual payments up to 2018. Balance payable under the scheme is €42,989.

21. Deferred income

	2015	2014
	€	€
Government grants		
At 1 January	233,921	101,283
Increase in year including funds from Central Regional Committee	213,463	90,000
Transferred (from)/to Accrued Income	<u>(51,038)</u>	<u>51,038</u>
	396,346	242,321
Released in year	<u>(146,251)</u>	<u>(8,400)</u>
At 31 December	<u>250,095</u>	<u>233,921</u>
 Current Deferred Income	<u>185,046</u>	<u>162,000</u>
 Non-Current Deferred Income	<u>65,049</u>	<u>71,921</u>
 Deferred Government Grants		
Deferred between one and two years	6,215	6,871
Deferred between two and five years	15,305	16,920
Deferred in five years or more	<u>43,529</u>	<u>48,130</u>
	<u>65,049</u>	<u>71,921</u>
 Deferred after five years or more	<u>43,529</u>	<u>48,130</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**22. Capital commitments**

	2015 €	2014 €
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	101,900	96,323
- Contracted for but not provided in the financial statements	9,056	7,556
(i) Approved but not yet contracted for:		
Construction	-	94,423
Office Furniture and fittings	1,500	1,500
Office Equipment	400	400
Project at Scicluna Street	100,000	-
	101,900	96,323
(i) Contracted for but not provided in the Financial Statements:		
Bank Loan repayment on Council Premises	7,556	7,556
Live Streaming equipment	1,500	-
	9,056	7,556

These capital commitments will be financed by funds which the Council received from the Central Regional Committee and from own funds.

23. Related party transactions

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party. The Council entered into transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

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

23. Related party transactions (cont.)

The amounts due from / to related parties at year-end are disclosed in notes 16 and 18. The terms, and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2015		Related party activity	2014	
	€	Total activity	%	€	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	671,063			651,719		
Transactions with regions	156,856			83,852		
	<u>827,919</u>	<u>899,113</u>	<u>92</u>	<u>735,571</u>	<u>778,891</u>	<u>94</u>
<i>Expenditure</i>						
Transactions with government entities	3,589			3,498		
Key personnel remuneration	64,163			53,385		
	<u>67,752</u>	<u>819,172</u>	<u>8</u>	<u>56,883</u>	<u>728,311</u>	<u>8</u>

24. Ultimate controlling party

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

25. 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 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.

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

25. Financial Risk Management (cont.)

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 702,830. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council registered a net profit of €77,095 (2014: €47,868) during the year ended 31 December 2015, and as at that date, the Council had a positive net current asset position of €384,429 (2014: 355,468).

Summary of financial assets and liabilities by category:

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	40,880	34,407
Cash and Cash Equivalents	702,830	631,934
	<u>743,710</u>	<u>666,341</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>108,066</u>	<u>118,113</u>

Foreign Currency Risk

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

Interest Rate Risk

The Council operates a bank account which have financing facilities. This facility has interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

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

25. Financial Risk Management (cont.)

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

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

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General

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

Respective responsibilities of the Local Council and Local Government auditors

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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 of material misstatement.

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

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

Basis for qualified opinion

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Group H Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Group H Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has not reported any income from LES in the current year. We were unable to determine the amount of any income the Council is entitled to receive from Group H Joint Committee since its audited financial statements were not made available to us.

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Our Ref: NAO 107/2015/52

Your Ref:

31st May 2016

The Mayor and Executive Secretary
St Julians Local Council
St Julian's

3319
62

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2015**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2015.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures, by not later than six weeks following receipt of this letter.

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.



M A Z A R S

Financial statements for the year ended 31 December 2015

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

2. The financial statements do not disclose the relevant lease commitments arising on leased areas as required by IAS 17 *Leases*.
3. The company's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.
4. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1,2, and 3 above, the financial statements give a true and fair view of the financial position of San Giljan Local Council as of 31 December 2015 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 13.

Because of the matter set out in paragraph 4 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 2 and 3 above these financial statements have not been prepared in accordance with International Financial Reporting Standards

*This copy of the audit report has been signed by
Ernestino Riolo (Partner) for and on behalf of*

Mazars Malta
Certified Public Accountants
Attard

26 April 2016