

San Gwann Local Council

Report and Financial Statements

for the year ended 31 December 2015

Prepared by:

GMM & Associates (Malta) Limited



Table of Contents

Section	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	2
Report of the Independent Local Government Auditor to the Auditor General	3-4
Statement of Comprehensive Income for the year ended 31 December 2015	5
Statement of Financial Position as at 31 December 2015	6
Statement of Changes in Equity for the year ended 31 December 2015	7
Statement of Cash Flows for the year ended 31 December 2015	8
Notes to the Financial Statements for the year ended 31 December 2015	9-27


Financial Statements for the period ended 31 December 2015**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 3rd of June 2016 and signed on its behalf by:



Mr. Etienne Bonello du Puis
Mayor

Mr. Kurt Guillaumier
Executive Secretary

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 Gwann 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 2, 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 qualified 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.

Financial statements for the year ended 31 December 2015**Report of the Local Government auditor to the Auditor General (continued)*****Basis for qualified opinion (continued)***

2. The disclosure in relation to balances that are past due but not impaired in note 22 on page 24 is in conflict with the information provided in note 14A on page 21 and hence it does not meet the qualitative disclosure requirements under IFRS 7, *Financial Instruments: Disclosures*.
3. The financial statements do not disclose the relevant comparative lease commitments arising on leased areas as required by IAS 17 *Leases*.
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 Gwann 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 9 to 15.

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 1, 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

3 June 2016

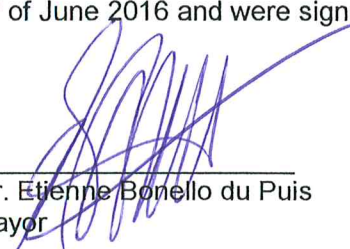
Statement of Comprehensive Income for the year ended 31 December 2015

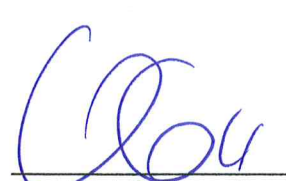
	Notes	2015		2014
		Euro	Euro	Euro
Income				
Funds received from central government	4	730,338		725,330
Income raised under Local Council Bye-Laws	5	26,665		8,479
Income raised under Local Enforcement System	6	20,781		16,238
Investment Income	7	270		346
General Income	8	<u>-</u>		<u>17,118</u>
			778,054	<u>767,511</u>
Expenditure				
Personal emoluments	9	155,171		139,544
Operations and maintenance	10	385,525		439,075
Administration and other expenditure	11	136,616		115,373
Finance Cost	12	<u>2,985</u>		<u>3,539</u>
			<u>(680,297)</u>	<u>(697,531)</u>
Surplus for the year			<u>97,757</u>	<u>69,980</u>

Statement of Financial Position as at 31 December 2015

	Notes	2015	2014
Assets		Euro	Euro
Non-current Assets			
Property, plant and equipment	13	513,267	524,634
Current Assets			
Receivables	14	192,411	68,312
Cash and cash equivalents	15	326,665	168,131
		<u>519,076</u>	<u>236,443</u>
Total assets		<u>1,032,343</u>	<u>761,077</u>
Reserves and Liabilities			
Reserves			
Retained earnings		538,868	441,111
Non-current liabilities			
Deferred Income	17	319,245	48,860
Long term borrowings	16	51,840	64,483
Total Non-Current liabilities		<u>371,085</u>	<u>113,343</u>
Current Liabilities			
Deferred Income	17	8,115	94,744
Payables	18	70,784	93,480
Short Term Borrowings	16	43,491	18,399
Total current liabilities		<u>122,390</u>	<u>206,623</u>
Total Liabilities		493,475	319,966
Total equity and liabilities		<u>1,032,343</u>	<u>761,077</u>

The financial statements on the following were approved by the Council on the 3rd of June 2016 and were signed on its behalf by:


 Mr. Etienne Bonello du Puis
 Mayor


 Mr. Kurt Guillaumier
 Executive Secretary

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

	Euro
Balance as at 1 January 2014	371,131
Surplus for the year	<u>69,980</u>
Balance at 31 December 2014	<u>441,111</u>
 Balance as at 1 January 2015	 441,111
Surplus for the year	<u>97,757</u>
Balance at 31 December 2015	<u>538,868</u>

Statement of Cash Flows for the year ended 31 December 2015

		2015		2014
		Euro	Euro	Euro
	Note			
Cash flow from operating activities				
Surplus for the year		97,757		69,980
Adjustments for:				
Depreciation		39,744		38,984
Interest receivable		(270)		(346)
Interest payable		2,985		3,539
Grants received		-		-
Bad Debts Provision		7,936		(7,936)
Release of Deferred Income		(7,692)		(6,944)
				97,277
Decrease in Payables		(22,696)		(22,753)
(Increase) / decrease in Receivables		(23,135)		7,864
<i>Net cash from operating activities</i>			94,629	82,388
Cash flows from investing activities				
Purchase of property, plant and equipment		(28,377)		(3,941)
Grants received		82,548		38,000
Interest received		270		346
<i>Net cash from investing activities</i>			54,441	34,405
Cash flows from financing activities				
Interest paid		(2,985)		(3,539)
Payment of Loan		(12,026)		(11,470)
<i>Net cash from financing activities</i>			15,011	15,009
Net increase/(decrease) in cash and cash equivalents			134,059	101,784
Cash and cash equivalents at beginning of year/period			161,691	59,907
Cash and cash equivalents at end of year	15		295,750	161,691

**Notes to the Financial Statements
for the year ended 31 December 2015****1. General Information**

San Gwann Local Council is a local government set up by the Local Councils Act, 1993. The office of the Local Council is situated at 55, R.Caruana Dingli Street, San Gwann.. The local council's presentation as well as the functional Currency are denominated in €. The financial statements were authorised for issue by the council on the 3rd of June 2016.

2. 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 reporting standards.

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

New and revised standards that are effective for annual periods beginning on or after 1st January 2015.

A number of new and revised standard are effective for annual periods beginning on or after 1st January 2015. Information on these new standards is presented below.

- Annual improvements to IFRSs 2010-2012 Cycle (applicable for financial period beginning in or after 1 July 2014)
- Annual improvements to IFRSs 2011 – 2013 Cycle (applicable for financial period beginning in or after 1 July 2014)
- IAS 19 Amendments – Defined Benefit Plans: Employee Contributions (applicable for financial period beginning in or after 1 July 2014)
- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)

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

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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2017.
- Amendments to IFRS 10, IFRS 12 and IAS 28 in respect of the application of the consolidation exemption to investment entities which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 in respect of the treatment of a Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 27 to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates which will be effective for accounting periods beginning 1 January 2016.
- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 January 2016 as follows:
 - IFRS 5 – Changes in methods of disposal
 - IFRS 7 – Servicing contracts
 - IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
 - IAS 19 – Discount rate: Regional market issue
 - IAS 34 – Disclosure of information “elsewhere in the interim financial report”

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

.....continued

The Directors are assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

Property, plant and equipment

Freehold land is not depreciated.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

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

.....continued

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Impairment of Assets

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

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

As from 1st September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1st September 2011, San Gwann Local Council will be compensated for the handling of the payments made at its council on a pro rata basis. However as from 1st October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

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

.....continued

Payables and Borrowings

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate, in line with the Office Local Council Department based on IAS 20.

Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to the statement of comprehensive income on a systematic and rational basis over the useful 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 Euro which is the Council's functional and present currency.

Surplus and deficits

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

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

.....continued

Cash and Equivalents

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Capital management policies and procedures.

The council's Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective is to ensure 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 this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive 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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

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

.....continued

Financial Instruments Continued**Financial assets**

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

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

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

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest-related charges are included within 'finance costs'.

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

.....continued

4. Funds received from central government	2015 Euro	2014 Euro
In terms of section 55 of the Local Councils Act (Cap 363)	679,643	658,082
Supplementary Government Income	42,503	55,778
Other Government Income (Specify)	8,192	11,470
	<u>730,338</u>	<u>725,330</u>
	2015	2014
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>26,665</u>	<u>8,479</u>
	2015	2014
	Euro	Euro
6. Local Enforcement Income		
Share of Profit from Joint Committee/ Fines and Penalties:		
Pre- Regional Committees	2,479	
Regional Committees / Admin Fee / LESA	<u>18,302</u>	<u>16,238</u>
	<u>20,781</u>	<u>16,238</u>
	2015	2014
	Euro	Euro
7. Investment Income		
Bank interest	<u>270</u>	<u>346</u>
	2015	2014
	Euro	Euro
8. General Income		
Income from tender documents	-	908
Creditors Written off	<u>-</u>	<u>16,210</u>
	<u>-</u>	<u>17,118</u>

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

.....continued

	2015	2014
	Euro	Euro
9. Personal Emoluments		
Mayor's allowance	10,572	7,254
Executive Secretary salary and allowances	33,056	23,675
Employees' salaries	90,265	89,821
Councillor's Allowance	11,140	9,762
Social Security Contributions	10,138	9,032
	<u>155,171</u>	<u>139,544</u>
	2015	2014
	Euro	Euro
10. Operations and Maintenance		
Repairs and upkeep:		
Walkways	-	5,706
Street signs	3,942	2,929
Road markings	2,476	7,330
	<u>6,418</u>	<u>15,965</u>
Contractual Services:		
Refuse collection (including bins on wheels)	203,557	230,129
Bulky refuse collection (including open skips)	12,784	16,744
Road and Street Cleaning (mechanical and manual)	89,168	99,681
Cleaning and Maintenance of Non-Urban Roads	7,645	1,200
Cleaning and Maintenance of Public Conveniences	24,982	24,605
Cleaning and Maintenance of Parks and Gardens	17,554	29,089
Cleaning and Maintenance of Verges	8,887	4,388
Street Lighting	14,305	17,124
Local Enforcement Expenses	225	150
	<u>379,107</u>	<u>423,110</u>
	<u>385,525</u>	<u>439,075</u>

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

.....continued

	2015	2014
	Euro	Euro
11. Administration and other expenditure		
Utilities	4,299	8,572
Other repairs and upkeep	34,877	31,980
Rent	489	489
National and International Memberships	130	290
Office Services	4,626	4,621
Travel	-	-
Transport	2,729	1,979
Information Services	4,606	3,841
Other contractual services	7,010	6,494
Professional services	10,391	9,708
Community and hospitality	6,118	6,680
Social events	8,421	6,252
Cultural events	5,240	3,379
Training	-	30
Penalties Incurred	-	-
(Decrease)/Increase in provision for doubtful debts	7,936	(7,936)
Depreciation	39,744	38,984
	<u>136,616</u>	<u>115,373</u>
	2015	2014
	Euro	Euro
12. Finance Costs		
Interest on Bank Loan	<u>2,985</u>	<u>3,539</u>

Notes to the Financial Statements for the period ended 31 December 2015 (cont....)**Cost****13a. Property, Plant and Equipment****Asset**

	Property Euro	Construction Euro	Office furniture & fittings Euro	New Street Signs Euro	Office Equipment Euro	Motor Vehicles	Computer Equipment Euro	Urban Improvements Euro	Total Euro
As at 01 January 2015	246,865	1,095,210	41,225	33,389	56,671	7,200	40,661	146,463	1,667,684
Additions	-	-	-	-	1,119	-	-	27,258	28,377
As at 31 December 2015	246,865	1,095,210	41,225	33,389	57,790	7,200	40,661	173,721	1,696,061

**Grants and other
reimbursements**

As at 01 January 2015	-	324,963	-	-	-	-	-	27,892	352,855
As at 31 December 2015	-	324,963	-	-	-	-	-	27,892	352,855

Accumulated Depreciation

As at 01 January 2015	34,710	525,860	24,902	33,389	35,164	3,514	28,045	104,611	790,195
Charge for the year	2,112	23,349	1,183	-	3,928	3,433	3,006	2,733	39,744
Released on disposal	-	-	-	-	-	-	-	-	-
As at 31 December 2015	36,822	549,209	26,085	33,389	39,092	6,947	31,051	107,344	829,939

210,043	221,038	15,140	-	18,698	253	9,610	38,485	513,267
----------------	----------------	---------------	----------	---------------	------------	--------------	---------------	----------------

Notes to the Financial Statements for the period ended 31 December 2015..(cont....)**13a. Property, Plant and Equipment**

Asset	Property Euro	Construction Euro	Office furniture & fittings Euro	New Street Signs Euro	Office Equipment Euro	Motor Vehicles	Computer Equipment Euro	Urban Improvements Euro	Total Euro
Cost									
As at 01 January 2014	246,865	1,095,210	41,225	33,389	56,545	7,200	36,846	146,463	1,663,743
Additions	-	-	-	-	126	-	3815	-	3,941
As at 31 December 2014	246,865	1,095,210	41,225	33,389	56,671	7,200	40,661	146,463	1,667,684
Grants and other reimbursements									
As at 01 January 2014	-	324,873	-	-	-	-	-	27,982	352,855
Additions	-	90	-	-	-	-	-	(90)	-
As at 31 December 2014	-	324,963	-	-	-	-	-	27,892	352,855
Accumulated Depreciation									
As at 01 January 2014	32,567	494,979	23,561	33,389	34,292	2,592	26,012	103,819	751,211
Charge for the year	2,143	30,881	1,341	-	872	922	2,033	792	38,984
As at 31 December 2014	34,710	525,860	24,902	33,389	35,164	3,514	28,045	104,611	790,195
	212,155	244,387	16,323	-	21,507	3,686	12,616	13,960	524,634

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

.....continued

	2015	2014
	Euro	Euro
14. Receivables		
Receivables	-	7,936
Amounts due from Related Parties	23,265	24,116
Accrued Income	168,140	35,607
Creditors with a debit balance	364	-
Financial Asset	<u>191,769</u>	<u>67,709</u>
Prepayments	642	603
	<u>192,411</u>	<u>68,312</u>

Amounts due from related parties are unsecured, Interest Free and Repayable on Demand

14A. Receivables
Trade Receivables are analysed as follows:

	2015	2014
	Euro	Euro
Within Credit Period	1,872	9,374
Exceeded Credit Period	29,329	22,728
Provision for Doubtful Debts	(7,936)	-
	<u>23,265</u>	<u>32,102</u>

15. Cash and Cash Equivalents

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

	2015	2014
	Euro	Euro
Bank balances	326,380	167,977
Cash in Hand	285	154
	<u>326,665</u>	<u>168,131</u>
Overdrawn Bank Balance	(30,915)	(6,440)
Cash and Cash Equivalents at year end	<u>295,750</u>	<u>161,691</u>

16. Borrowings

	2015	2014
	Euro	Euro
Long term Borrowings		
Bank Loan	<u>51,840</u>	<u>64,483</u>
Short Term Borrowings		
Bank Loan	12,576	11,959
Bank Balance Overdrawn	30,915	6,440
	<u>43,491</u>	<u>18,399</u>

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

.....continued

Long term borrowings consist of a loan borrowed by the council with monthly instalments of €1,250.87. Interest is being charged at 4.15% per annum. The loan is secured by a hypothec over the council's assets and a pledge over the insurance policies covering the assets of the council.

	2015	2014
	Euro	Euro
Short-term borrowings		
Amounts falling due within one year	<u>12,576</u>	<u>11,959</u>
Amounts falling due between 1 and 2 years	13,108	12,483
Amounts falling due between 2 and 5 years	38,732	40,832
Amounts falling due after 5 years	<u>-</u>	<u>11,168</u>
Long-term borrowings	<u>51,840</u>	<u>64,483</u>
Total borrowings	<u>64,416</u>	<u>76,442</u>

17. Deferred Income – Grants

	2015	2014
	Euro	Euro
Balance at the beginning of the year	143,604	88,241
Allocated	191,448	62,307
Released to Income	<u>(7,692)</u>	<u>(6,944)</u>
Balance at the end of the year	<u>327,360</u>	<u>143,604</u>
Short - Term Deferred Income	8,115	94,744
Long - Term Deferred Income	319,245	48,860
Long term Deferred Income matures as follows		
Between 1 and 2 years	7,340	5,856
Between 2 and 5 years	18,074	14,421
After 5 years	<u>293,831</u>	<u>28,583</u>
	<u>319,245</u>	<u>48,860</u>

18. Payables

	2015	2014
	Euro	Euro
Payables	31,769	34,283
Related party Payables	25,763	19,703
Accruals	12,413	38,655
Other payables	<u>839</u>	<u>839</u>
	<u>70,784</u>	<u>93,480</u>

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

.....continued

19. Capital Commitments

There are no capital commitments for tenders adjudicated in 2015 which have not been provided for in the financial statements.

20. Contingent Liabilities

The Council has not contingent liabilities as at year end 31st December 2015.

21. Post Balance Sheet event

There were no particular important events affecting the operation of the council since the end of the accounting period.

22. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

Financial risk management

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

Market risk***i) Cash flow and fair value interest rate risk***

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

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

.....continued

22. Financial Risk Management (continued)

Assets recognised at the end of the reporting period and is summarised as follows:

Classes of Financial assets – Carrying Amounts	2015 Euro	2014 Euro
Trade & Other Receivables	191,769	24,166
Cash and Cash Equivalents	295,750	161,691
	<u>487,519</u>	<u>185,857</u>

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

	2015 Euro	2014 Euro
Amounts invoices Not yet settled by Class:		
Government Owned Entities	23,265	24,166
Private Entities	-	7,936
	<u>23,265</u>	<u>32,102</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Councils Trade receivables there are no balances which are past due and which have not been provided for.

	2015 Euro	2014 Euro
Current	1,872	9,374
30 Days	2,330	1,706
60 Days	520	2,957
90 Days	1,442	890
120+ Days	17,101	17,175
	<u>23,265</u>	<u>32,102</u>

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

Financial Risk Management (continued)

iii) Fair Values

As at 31st December 2015, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

iv) Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

31 December 2015

	Current Within 1 Year	Non-Current 1 to 5 years	Non-Current Later than 5 Years
	Euro	Euro	Euro
Creditors	57,532	-	-
Other Payables	839	-	-
Accruals	12,413	-	-
Short Term Borrowings	12,576	51,840	-
	<u>83,360</u>	<u>51,840</u>	<u>-</u>

This compares to the maturity of the councils financial liabilities in the previous reporting period as follows:

31 December 2014

	Current Within 1 Year	Non-Current 1 to 5 years	Non-Current Later than 5 Years
	Euro	Euro	Euro
Creditors	53,986	-	-
Other Payables	839	-	-
Accruals	38,655	-	-
Short Term Borrowings	11,959	53,315	11,168
	<u>105,439</u>	<u>53,315</u>	<u>11,168</u>

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

Financial Risk Management (continued)

Summary of Financial Assets and liabilities

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

	2015	2014
	Euro	Euro
Current Assets		
Receivables		
Trade and Other Receivables	191,769	24,166
Cash and cash equivalents	295,750	161,691
	<u>487,519</u>	<u>185,857</u>
	2015	2014
	Euro	Euro
Current Liabilities		
Financial Liabilities measured at amortised cost		
Payables	69,315	53,986
Other Payables	839	839
Accruals	9,419	38,655
Short Term Borrowings	64,416	76,442
	<u>143,989</u>	<u>169,922</u>

As at year end the Council has as cash and cash equivalents the amount of € 295,750. The council also maintains a positive Working Capital of 236,019 (2014:€ 88,354) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

23. Related Party Transactions

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the San Gwann Local Council.

The San Gwann Local Council Has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control– Water Services corporation, Automated Revenue Management Services, Waste Management Service

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

.....continued

24. Related Party Transactions (continued)

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

Transactions with Related Parties

	2015	2014
	Euro	Euro
Annual Financial Allocation	679,643	658,082
LES	18,302	16,238
Key Management Payroll Emoluments		
Executive Secretary	35,231	23,781
Mayor Honoraria	10,572	7,254
Mayor and Councillor's Allowance	11,140	9,656

25. Leases

Total of future minimal lease payments under operating lease for the Flour Mill for each of the following periods.

- i. Not later than one year – Eur 256
- ii. Later than one year and not later than five years – Eur 1,024
- iii. Later than five years – N/A

The flour Mill has been devoluted to the San Gwann Local and the contract has not fixed date of expiry

- a. The expense for the current year is Eur 256.

Total of future minimal lease payments under operating lease for the Cart Ruts for each of the following periods.

- i. Not later than one year – Eur 233
- ii. Later than one year and not later than five years – Eur 932
- iii. Later than five years – N/A

The Cart Ruts has been devoluted to the San Gwann Local and the contract has not fixed date of expiry.

- a. The expense for the current year is Eur 233.