

San Gwann Local Council

Report and Financial Statements

for the year ended 31 December 2016

Prepared by:

GMM & Associates (Malta) Limited

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Financial Statements for the period ended 31 December 2016**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 28th April 2017 and signed on its behalf by:



Mr. Etienne Bonello du Puis
Mayor

Mr. Kurt Guillaumier
Executive Secretary

Statement of Comprehensive Income for the year ended 31 December 2016

	Notes	2016	2015
		Euro	Euro
Income			
Funds received from central government	4	740,782	730,338
Income raised from Bye-Laws	5	36,580	26,665
Local Enforcement Income	6	20,548	20,781
Investment Income	7	71	270
		<u>797,981</u>	<u>778,054</u>
Expenditure			
Personal emoluments	8	153,535	155,171
Operations and maintenance	9	410,200	385,525
Administration and other expenditure	10	157,117	136,616
Finance Cost	11	2,477	2,985
		<u>723,329</u>	<u>680,297</u>
Surplus for the year		<u>74,652</u>	<u>97,757</u>

The notes on pages 7 to 24 are an integral part of the financial statements.

Statement of Financial Position as at 31 December
2016

	Notes	2016	2015
		Euro	Euro
Assets			
Non-current Assets			
Property, plant and equipment	12	<u>502,414</u>	<u>513,267</u>
Current Assets			
Receivables	13	<u>186,670</u>	<u>192,411</u>
Cash and cash equivalents	14	<u>456,885</u>	<u>326,665</u>
		<u>643,555</u>	<u>519,076</u>
Total assets		<u><u>1,145,969</u></u>	<u><u>1,032,343</u></u>
Reserves and Liabilities			
Reserves			
Retained earnings		<u>613,520</u>	<u>538,868</u>
Non-current liabilities			
Deferred Income	16	<u>354,865</u>	<u>319,245</u>
Long term borrowings	15	<u>38,777</u>	<u>51,840</u>
Total Non-Current liabilities		<u>393,642</u>	<u>371,085</u>
Current Liabilities			
Deferred Income	16	<u>8,701</u>	<u>8,115</u>
Payables	17	<u>115,901</u>	<u>70,784</u>
Short Term Borrowings	15	<u>14,205</u>	<u>43,491</u>
Total current liabilities		<u>138,807</u>	<u>122,390</u>
Total Liabilities		<u>532,449</u>	<u>493,475</u>
Total equity and liabilities		<u><u>1,145,969</u></u>	<u><u>1,032,343</u></u>

The notes on pages 7 to 24 are an integral part of the financial statements.

The financial statements on the following were approved by the Council on the 28th April 2017 and were signed on its behalf by:

Mr. Etienne Bonetto du Puis
Mayor

Mr. Kurt Guillaumier
Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2016

	Euro
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>
 Balance as at 1 January 2016	 538,868
Surplus for the year	<u>74,652</u>
Balance at 31 December 2016	<u>613,520</u>

The notes on pages 7 to 24 are an integral part of the financial statements.

Statement of Cash Flows for the year ended 31 December 2016

	2016	2015
	Euro	Euro
Note		
Cash flow from operating activities		
Surplus for the year	74,652	97,757
Adjustments for:		
Depreciation	35,145	39,744
Interest receivable	(71)	(270)
Interest payable	2,477	2,985
Bad Debts Provision	18,994	7,936
Release of Deferred Income	(8,438)	(7,692)
	<u>122,759</u>	<u>140,460</u>
Decrease in Payables	45,117	(22,696)
(Increase) / decrease in Receivables	(377)	(23,135)
	<u>167,499</u>	<u>94,629</u>
<i>Net cash from operating activities</i>		
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,202)	(28,377)
Grants received	46,678	82,548
Interest received	71	270
	<u>7,547</u>	<u>54,441</u>
<i>Net cash from investing activities</i>		
Cash flows from financing activities		
Interest paid	(2,477)	(2,985)
Payment of Loan	(12,533)	(12,026)
	<u>(15,010)</u>	<u>(15,011)</u>
<i>Net cash used in financing activities</i>		
Net increase/(decrease) in cash and cash equivalents	160,036	134,059
Cash and cash equivalents at beginning of year/period	<u>295,750</u>	<u>161,691</u>
Cash and cash equivalents at end of year	14 455,786	295,750

The notes on pages 7 to 24 are an integral part of the financial statements.

**Notes to the Financial Statements
for the year ended 31 December 2016****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 28th April 2017.

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 2016.

A number of new and revised standard are effective for annual periods beginning on or after 1st January 2016. Information on these new standards is presented below.

- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting years 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 years 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 years 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 years beginning 1 January 2016.

Notes to the Financial Statements
For the year ended 31 December 2016

Reporting Procedures

.....continued

New and revised standards that are effective for annual years beginning on or after 1st January 2016 (Cont'd)

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting - Annual improvements to IFRSs 2012-2014 Cycle (applicable for financial year beginning in or after 1 January 2016)
- IFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities.
- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting years beginning on or after 1 January 2016.

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:

- IAS 7 in respect of Disclosure Initiative which will be effective for the accounting years beginning on or after 1 January 2017.
- IAS 12 in respect of Deferred Tax Assets for Unrealised Losses which will be effective for the accounting years beginning on or after 1 January 2017.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting years beginning on or after 1 January 2018.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 2 in respect of Classification and Measurement of Share-based Payment Transactions which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for the accounting years beginning on or after 1 January 2019.
- IFRS 10 and IAS 28 in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, for which the effective accounting year is still to be determined.

**Notes to the Financial Statements
for the year ended 31 December 2016**

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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.

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.

**Notes to the Financial Statements
for the year ended 31 December 2016**

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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.

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.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

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.

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.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

Critical accounting estimates and judgements Continued

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 councils Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective are to ensure the councils 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.

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.

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

Financial Instruments Continued

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'.

	2016 Euro	2015 Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	700,900	679,643
Supplementary Government Income	29,917	42,503
Other Government Income (Specify)	9,965	8,192
	<u>740,782</u>	<u>730,338</u>
	2016	2015
	Euro	Euro
5. Income raised from Bye-Laws		
Income raised under Local Council Bye-Laws	<u>36,580</u>	<u>26,665</u>
	2016	2015
	Euro	Euro
6. Local Enforcement Income		
Share of Profit from Joint Committee/ Fines and Penalties:		
Income From Joint Committee	1,188	2,479
Regional Committees / Admin Fee / LESA	19,360	18,302
	<u>20,548</u>	<u>20,781</u>
	2016	2015
	Euro	Euro
7. Investment Income		
Bank interest	<u>71</u>	<u>270</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
8. Personal Emoluments		
Mayor's allowance	10,842	10,572
Executive Secretary salary and allowances	34,258	33,056
Employees' salaries	87,256	90,265
Councillor's Allowance	10,975	11,140
Social Security Contributions	10,204	10,138
	<u>153,535</u>	<u>155,171</u>
	2016	2015
	Euro	Euro
9. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	1,955	-
Walkways	1,282	-
Street signs	7,033	3,942
Road markings	2,687	2,476
	<u>12,957</u>	<u>6,418</u>
Contractual Services:		
Refuse collection (including bins on wheels)	227,170	203,557
Bulky refuse collection (including open skips)	11,416	12,784
Road and Street Cleaning (mechanical and manual)	87,930	89,168
Cleaning and Maintenance of Non-Urban Roads	-	7,645
Cleaning and Maintenance of Public Conveniences	24,605	24,982
Cleaning and Maintenance of Parks and Gardens	27,876	17,554
Cleaning and Maintenance of Verges	-	8,887
Street Lighting	17,584	14,305
Local Enforcement Expenses	662	225
	<u>397,243</u>	<u>379,107</u>
	<u>410,200</u>	<u>385,525</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
10. Administration and other expenditure		
Utilities	17,328	4,299
Other repairs and upkeep	26,654	34,877
Rent	408	489
National and International Memberships	458	130
Office Services	8,132	4,626
Transport	2,623	2,729
Information Services	4,059	4,606
Other contractual services	8,685	7,010
Professional services	13,903	10,391
Community and hospitality	6,879	6,118
Social events	13,422	8,421
Cultural events	427	5,240
(Decrease)/Increase in provision for doubtful debts	18,994	7,936
Depreciation	35,145	39,744
	<u>157,117</u>	<u>136,616</u>
	2016	2015
	Euro	Euro
11. Finance Costs		
Interest on Bank Loan	<u>2,477</u>	<u>2,985</u>

Notes to the Financial Statements for the period ended 31 December 2016 (cont....)

12. Property, Plant and Equipment

Asset	Property Euro	Construction Euro	Office furniture & fittings Euro	New Street Signs Euro	Office Equipment Euro	Motor Vehicles Euro	Computer Equipment Euro	Urban Improvements Euro	Trees & Plants	Total Euro
Cost										
As at January 2016	246,865	1,095,210	41,225	33,389	57,790	7,200	40,661	173,721	-	1,696,061
Additions	-	4,632	336	-	4,884	-	-	14,440	14,910	39,202
As at 30 Dec 2016	246,865	1,099,842	41,561	33,389	62,674	7,200	40,661	188,161	14,910	1,735,263
Grants and other reimbursements										
As at January 2016	-	(324,963)	-	-	-	-	-	(27,892)	-	(352,855)
Additions	-	-	-	-	-	-	-	-	(14,910)	(14,910)
As at 30 Dec 2016	-	(324,963)	-	-	-	-	-	(27,892)	(14,910)	(367,765)
Accumulated Depreciation										
As at January 2016	(36,822)	(549,209)	(26,085)	(33,389)	(39,092)	(6,947)	(31,051)	(107,344)	-	(829,939)
Charge for the period	(2,091)	(21,417)	(1,110)	-	(3,946)	(237)	(2,145)	(4,199)	-	(35,145)
As at 30 Dec 2016	(38,913)	(570,626)	(27,195)	(33,389)	(43,038)	(7,184)	(33,196)	(111,543)	-	(865,084)
Net Book Value	207,952	204,253	14,366	-	19,636	16	7,465	48,726	-	502,414

Notes to the Financial Statements for the period ended 31 December 2016..(cont....)**12a. Property, Plant and Equipment**

Asset	Property Euro	Construction Euro	Office furniture & fittings Euro	New Street Signs Euro	Office Equipment Euro	Motor Vehicles Euro	Computer Equipment Euro	Urban Improvements Euro	Total Euro
Cost									
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
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 year ended 31 December 2016**

.....continued

	2016	2015
	Euro	Euro
13. Receivables		
Amounts due from Related Parties	8,868	23,265
Accrued Income	175,999	168,140
Creditors with a debit balance	493	364
Financial Asset	185,360	191,769
Prepayments	1,310	642
	186,670	192,411

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

13A. Receivables
Trade Receivables are analysed as follows:

	2016	2015
	Euro	Euro
Within Credit Period	3,210	4,202
Exceeded Credit Period	21,288	26,999
Provision for Doubtful Debts	(15,630)	(7,936)
	8,868	23,265

14. 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:

	2016	2015
	Euro	Euro
Bank balances	456,623	326,380
Cash in Hand	262	285
	456,885	326,665
Overdrawn Bank Balance	(1,099)	(30,915)
Cash and Cash Equivalents at year end	455,786	295,750

15. Borrowings

	2016	2015
	Euro	Euro
Long term Borrowings		
Bank Loan	38,777	51,840
Short Term Borrowings		
Bank Loan	13,106	12,576
Bank Balance Overdrawn	1,099	30,915
	14,205	43,491

**Notes to the Financial Statements
for the year ended 31 December 2016**

.....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.

	2016	2015
	Euro	Euro
Short-term borrowings		
Amounts falling due within one year	<u>13,106</u>	<u>12,576</u>
Amounts falling due between 1 and 2 years	13,661	13,108
Amounts falling due between 2 and 5 years	25,116	38,732
Amounts falling due after 5 years	-	-
Long-term borrowings	<u>38,777</u>	<u>51,840</u>
Total borrowings	<u>51,883</u>	<u>64,416</u>

16. Deferred Income – Grants

	2016	2015
	Euro	Euro
Balance at the beginning of the year	327,360	143,604
Allocated	59,554	191,448
Released to Income	(8,438)	(7,692)
Capitalised	<u>(14,910)</u>	<u>-</u>
Balance at the end of the year	<u>363,566</u>	<u>327,360</u>
Short - Term Deferred Income	8,701	8,115
Long - Term Deferred Income	354,865	319,245
Long term Deferred Income matures as follows		
Between 1 and 2 years	6,934	7,340
Between 2 and 5 years	16,946	18,074
After 5 years	<u>330,985</u>	<u>293,831</u>
	<u>354,865</u>	<u>319,245</u>

17. Payables

	2016	2015
	Euro	Euro
Payables	60,202	31,769
Related party Payables	26,515	25,763
Accruals	24,861	12,413
Other payables	839	839
FSS and NI due	<u>3,484</u>	<u>-</u>
	<u>115,901</u>	<u>70,784</u>

**.Notes to the Financial Statements
for the year ended 31 December 2016**

.....continued

18. Capital Commitments

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

19. Contingent Liabilities

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

20. Post Balance Sheet event

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

21. 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 charges 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 2016**

.....continued

21. Financial Risk Management (continued)

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

Classes of Financial assets – Carrying Amounts	2016 Euro	2015 Euro
Trade & Other Receivables	185,360	191,769
Cash and Cash Equivalents	455,786	295,750
	<u>641,146</u>	<u>487,519</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.

	2016 Euro	2015 Euro
Amounts Not yet settled by Class:		
Government Owned Entities	<u>8,868</u>	<u>23,265</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 €5,658 (2015: €21,456) which are past due and which have not been provided for.

	2016 Euro	2015 Euro
Current	1,481	1,872
30 Days	1,729	2,330
60 Days	1,711	520
90 Days	91	1,442
120+ Days	<u>3,856</u>	<u>17,101</u>
	<u>8,868</u>	<u>23,265</u>

**Notes to the Financial Statements
for the year ended 31 December 2016**

Financial Risk Management (continued)

iii) Fair Values

As at 31st December 2016, 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 2016 and 31 December 2015, 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 2016

	Current Within 1 Year	Non-Current 1 to 5 years	Later than 5 Years
	Euro	Euro	Euro
Creditors	86,717	-	-
Other Payables	4,323	-	-
Accruals	24,861	-	-
Short Term Borrowings	13,106	38,777	-
	<u>129,007</u>	<u>38,777</u>	<u>-</u>

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

31 December 2015

	Current Within 1 Year	Non-Current 1 to 5 years	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>

**Notes to the Financial Statements
for the year ended 31 December 2016**

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:

	2016	2015
	Euro	Euro
Current Assets		
Receivables		
Trade and Other Receivables	185,360	191,769
Cash and cash equivalents	455,786	295,750
	<u>641,146</u>	<u>487,519</u>
	2016	2015
	Euro	Euro
Current Liabilities		
Financial Liabilities measured at amortised cost		
Payables	86,717	69,315
Other Payables	4,323	839
Accruals	24,861	9,419
Short Term Borrowings	13,106	64,416
	<u>129,007</u>	<u>143,989</u>

As at year end the Council has as cash and cash equivalents the amount of €455,786. The council also maintains a positive Working Capital of €504,748 (2015: €396,686) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

22. 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 2016**

.....continued

23. Related Party Transactions (continued)

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

Transactions with Related Parties

	2016 Euro	2015 Euro
Annual Financial Allocation	700,900	679,643
LES	19,360	18,302
Key Management Payroll Emoluments		
Executive Secretary	36,472	35,231
Mayor Honoraria	10,842	10,572
Mayor and Councillor's Allowance	10,975	11,140

24. 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 – €256 (2015: €256)
- ii. Later than one year and not later than five years – €811 (2015: €1,024)
- iii. Later than five years – N/A

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

- a. The expense for the current year is €213 (2015: €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 – €233 (2015: €233)
- ii. Later than one year and not later than five years – €740 (2015: €932)
- iii. Later than five years – N/A

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

- a. The expense for the current year is €195 (2015: €233)