

Local Council Ta' Sannat

Annual Report and Financial Statements

For the year ended 31 December 2016



Prepared by: Pauliana Said

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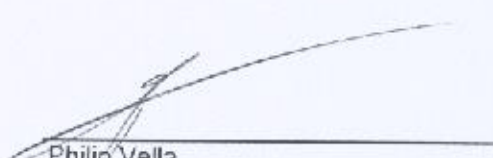
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Statement of Local Council Members' and Executive Secretary's Responsibilities
For the year ended 31 December 2016

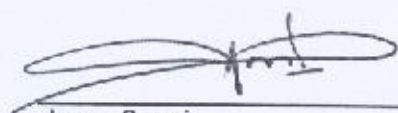
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it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

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

This statement was approved by the Council on 25th April 2017 and signed on its behalf by:



Philip Vella
Mayor



Jason Curmi
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2016

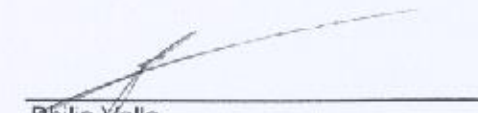
	Notes	2016 €	2015 €
Revenue			
Funds Received from Central Government	3	274,125	253,992
Income raised under the Local Enforcement System	4	928	1,604
General Income	5	15,287	6,182
		<u>290,340</u>	<u>261,778</u>
Expenditure			
Personal Emoluments	6	(61,868)	(63,586)
Operations and Maintenance	7	(61,846)	(74,690)
Administration and Other Expenditure	8	(182,411)	(130,178)
		<u>(306,125)</u>	<u>(268,454)</u>
Operating loss for the year		(15,785)	(6,676)
Finance Charges			
Finance Income	9	30	185
Finance costs	10	(4,772)	(5,066)
		<u>(4,742)</u>	<u>(4,881)</u>
Total Comprehensive loss for the year	6	(20,527)	(11,557)

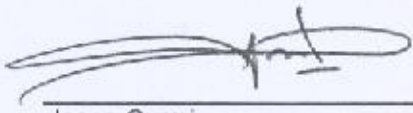
Statement of Financial Position

For the year ended 31 December 2016

	Notes	2016 €	2015 As restated €	2015 as Previously stated €
ASSETS				
Intangible Assets	11	755	252	252
Property, plant and equipment	12	855,236	947,665	936,123
Total non-current assets		855,991	947,917	936,375
Receivables	13	26,461	58,862	58,862
Cash and cash equivalents	14	45,807	37,920	37,920
Total current assets		72,268	96,782	96,782
TOTAL ASSETS		928,259	1,044,699	1,033,157
RESERVES AND LIABILITIES				
Retained earnings		138,171	158,698	147,156
Total reserves		138,171	158,698	147,156
LIABILITIES				
Deferred Income	17	506,870	579,389	579,389
Bank Borrowings	16	84,504	91,561	91,561
Total non-current liabilities		591,374	670,950	670,950
Payables	15	198,714	215,051	215,051
Total current liabilities		198,714	215,051	215,051
TOTAL RESERVES AND LIABILITIES		928,259	1,044,699	1,033,157

These financial statements were approved by the Local council on 25th April 2017 and signed on its behalf by


Philip Vella
Mayor


Jason Curmi
Executive Secretary

Statement of Changes in Reserves

For the year ended 31 December 2016

	Retained Funds €
At 1 January 2015 as previously stated	158,713
Prior year Adjustment	11,542
	<hr/>
At 1 January 2015 restated	170,255
Total comprehensive loss for the year	(11,557)
	<hr/>
At 31 December 2015	158,698
	<hr/>
At 1 January 2016 as previously stated	147,156
Prior year Adjustment	11,542
	<hr/>
At 1 January 2016 restated	158,698
Total comprehensive loss for the year	(20,527)
	<hr/>
At 31 December 2016	138,171
	<hr/>

Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 €	2015 €
Cash flow from operating activities			
Net loss for the year		(20,527)	(11,557)
Reconciliation to cash generated from operations:			
Depreciation		117,896	70,978
Amortisation		199	32
Movement in bad debts provision		771	1,013
Interest Receivable		(30)	(185)
Interest Payable		4,772	5,066
		<u>103,081</u>	<u>65,348</u>
Operating profit before working capital changes		103,081	65,348
Decrease / (Increase) in receivables		31,630	(15,931)
(Decrease) in payables		(32,614)	(17,420)
Government grants released		(58,242)	(37,818)
		<u>45,855</u>	<u>(5,822)</u>
Cash generated from / (used in) operating activities		<u>45,855</u>	<u>(5,822)</u>
Cash flows from investing activities			
Interest received		30	185
Purchase of property, plant and equipment		(25,467)	(286,537)
Purchase of intangible fixed assets		(702)	(284)
Receipt of Grant		-	171,097
		<u>(26,139)</u>	<u>(115,539)</u>
Cash (used in) investing activities		<u>(26,139)</u>	<u>(115,539)</u>
Cash flows from financing activities			
Repayment of borrowings		(7,057)	(6,742)
Interest payable		(4,772)	(5,066)
		<u>(11,829)</u>	<u>(11,808)</u>
Cash (used in) financing activities		<u>(11,829)</u>	<u>(11,808)</u>
Net increase / (decrease) in cash in the year		<u>7,887</u>	<u>(133,169)</u>
Cash and cash equivalents at beginning of year		<u>37,920</u>	<u>171,089</u>
Cash and cash equivalents at end of year	14	<u>45,807</u>	<u>37,920</u>

Notes to the Financial Statements

For the year ended 31 December 2016

1 General Information

The Local council Ta Sannat is the local authority of Sannat set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Sannat Road, Sannat, Gozo. As from September 2015, the Local Council started forming part of the Local Enforcement System Agency. These financial statements were approved for issue by the Council Members on 25th April 2017. The Local

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 period under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can choose to apply only the requirements of IFRS 1 First time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards:
IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross reference. Applicable to annual periods beginning on or after 1 January 2016.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that in formation should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply, clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

Standards, amendments and interpretations to existing standards that are not yet effective

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

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guide lines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

Identify the contract with the customer

Identify the performance obligations in the contract

Determine the transaction price

Allocate the transaction price to the performance obligations in the contracts

Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017 however not yet endorsed for use in the EU.

The Council is 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 anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Asset

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

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:

	%
Building Improvements	2%
Machinery	20%
Land	0%
Trees	0%
Buildings	1%
Office furniture and fittings	8%
Construction works	10%
Urban Improvements (Street Furniture)	10%
Special Projects	10%
Office Equipment	20%
Motor Vehicles	20%
Plant and Machinery	20%
Computer equipment	25%
Plants	10%
Litter Bins	Replacement Basis
Playground Furniture	100%
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100%

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

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

Impairment of Assets

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

Amounts receivable

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

Related Parties

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

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

Government grants

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

Foreign currencies

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

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

Profits and losses

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

Cash and cash equivalents

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

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statement'.

Capital management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instrument

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

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

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

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

Financial assets

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

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

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

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

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

Financial Liabilities

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

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

3 Funds received from central government

	2016 €	2015 €
In terms of section 55 of the Local	217,883	210,933
Other Government Income	56,242	43,059
	<u>274,125</u>	<u>253,992</u>

4 Income raised under Local Enforcement System

	2016 €	2015 €
Administration Income from Contraventions	928	1,604
	<u>928</u>	<u>1,604</u>

5 General Income

	2016 €	2015 €
Community Services	1,265	1,128
Cultural Events	245	1,823
Contributions	10,405	56
Income from Permits	3,269	1,812
Document and information charges	103	1,363
	<u>15,287</u>	<u>6,182</u>

6 Loss for the year

	2016 €	2015 €
Loss for the year is stated after charging:		
Staff Salaries	61,868	63,586
Amortisation of Intangible assets	199	32
Depreciation of property, plant and equipment	117,896	70,978
	=====	=====

Staff Salaries

	2016 €	2015 €
Mayor's Remuneration	7,229	7,048
Mayor and Councillors' Allowances	6,400	6,400
Executive Secretary salary and allowances	28,590	27,993
Employees' Salaries	15,932	18,467
Social security contributions	3,717	3,677
	=====	=====
	61,868	63,586

Average number of persons employed

Employees	2	2
Mayor and Councillors	5	5
	-----	-----

7 Operations and Maintenance

	2016 €	2015 €
<i>Repairs and upkeep</i>		
Road and street pavements	2,354	3,207
Street signs	1,275	1,575
Public Property	-	1,484
Other repairs and upkeep	5,154	3,727
	=====	=====
	8,783	9,993

Contractual services:

Refuse collection	17,103	18,225
Bring-in sites and tipping fees	11,275	10,508
Bulky refuse collection	809	612
Road and street cleaning	10,311	10,269
Cleaning and maintenance of public conveniences	1,659	1,698
Cleaning and maintenance of parks and gardens	4,227	18,391
Cleaning of council premises	1,815	-
Street lighting	5,864	4,994
	=====	=====
	53,063	64,697

Total operations and maintenance expenses

	=====	=====
	61,846	74,690
	=====	=====

8 Administration and other expenditure

	2016 €	2015 €
Utilities	7,298	4,930
Materials and supplies	4,716	815
Rent	2,252	1,278
National and international memberships	1,030	610
Office services	8,788	8,478
Transport	761	609
Travelling expenses	684	-
Information services	1,926	3,236
Other contractual services	951	123
Professional services	14,175	9,212
Community and hospitality	17,997	21,650
Depreciation	117,898	70,978
Amortisation	199	32
Increase in Provision for bad debts	771	1,013
Lease of equipment	2,965	513
Penalties	-	6,701
	<u>182,411</u>	<u>130,178</u>

9 Finance Income

	2016 €	2015 €
Bank Interest receivable	30	185
	<u>30</u>	<u>185</u>

10 Finance Costs

	2016 €	2015 €
Interest payable	4,708	5,022
Bank charges	64	44
	<u>4,772</u>	<u>5,066</u>

11 Intangible Fixed Assets

	Computer Software €	Total €
Cost		
At 1 January 2016	284	284
Additions	702	702
	<u> </u>	<u> </u>
At 31 December 2016	986	986
	<u> </u>	<u> </u>
Provision for amortisation		
At 1 January 2016	32	32
Charge for the year	199	199
	<u> </u>	<u> </u>
At 31 December 2016	231	231
	<u> </u>	<u> </u>
Net Book Value		
At 31 December 2016	755	755
	<u> </u>	<u> </u>

12 Property, plant and equipment

a)

	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2015	376,214	25,964	3,272	59,489	6,796	1,184	5,471	807,843	-	1,286,233
Additions	-	839	-	9,503	-	-	-	21,936	254,259	286,537
Reclassifications	-	-	-	-	-	-	-	-	-	-
Disposals/Impairment	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	376,214	26,803	3,272	68,992	6,796	1,184	5,471	829,779	254,259	1,572,770
Depreciation										
At 1 January 2015	143,875	7,015	3,272	22,678	3,087	893	4,707	206,882	-	392,409
Charge for the year	16,334	1,718	-	4,270	623	51	175	47,807	-	70,978
Reclassifications	-	-	-	-	-	-	-	-	-	-
On Disposals/Impairment	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	160,209	8,733	3,272	26,948	3,710	944	4,882	254,689	-	463,387
Grants										
At 1 January 2015	-	-	-	19,553	-	-	-	35,055	-	161,718
At 31 December 2015	107,100	-	-	-	-	-	-	-	-	-
Net Book Amount										
At 31 December 2015	108,905	18,070	-	22,491	3,086	240	569	540,025	254,259	947,665

12 Property, plant and equipment
b)

	Construction	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant and Machinery	Computer Equipment	Special Programmes	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2016	375,214	26,803	3,272	68,992	6,796	1,184	5,471	829,779	254,259	1,572,770
Additions	-	-	-	7,761	-	-	952	12,430	4,324	25,467
Reclassifications	-	-	-	-	-	-	-	254,259	(254,259)	-
At 31 December 2016	376,214	26,803	3,272	76,753	6,796	1,184	6,423	1,096,468	4,324	1,598,237
Depreciation										
At 1 January 2016	160,209	8,733	3,272	26,948	3,710	944	4,882	254,689	-	463,387
Charge for the year	23,548	1,354	-	4,492	618	48	290	87,546	-	117,896
At 31 December 2016	183,757	10,087	3,272	31,440	4,328	992	5,172	342,235	-	581,283
Grants										
At 1 January 2016	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	107,100	-	-	19,553	-	-	-	35,065	-	161,718
Net Book Amount										
At 31 December 2016	85,357	16,716	-	25,760	2,468	192	1,251	719,168	4,324	855,238

13 Receivables

	2016 €	2015 €
Amounts receivable	2,373	3,728
Prepayments and accrued income	23,638	54,684
Other receivables	450	450
	<u>26,461</u>	<u>58,862</u>
	=====	=====

Amounts receivable

General receivables are analysed as follows:

	2016 €	2015 €
Within credit period	1,468	1,105
Exceeded credit period but not impaired	905	2,623
	<u>2,373</u>	<u>3,728</u>
	=====	=====

Note

Receivables are net of provision for doubtful debts of Eur 1,784 (2015 : Eur 1,013)

14 Cash and cash equivalents

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

	2016 €	2015 €
Bank Balances	45,752	37,795
Cash in Hand	55	125
	<u>45,807</u>	<u>37,920</u>
	=====	=====

15 Payables

	2016 €	2015 €
Amounts payable	117,714	35,848
Accruals	15,082	129,562
Deferred income within one year	54,097	37,820
Loan payable within one year	11,821	11,821
	<u>198,714</u>	<u>215,051</u>
	=====	=====

16 Long Term borrowings

	2016 €	2015 €
Bank loan	84,504	91,561
Loan repayable from 1 to 2 years	11,821	11,821
Loan repayable from 2 to 5 years	35,464	35,464
Loan repayable over 5 years	37,219	44,276
	84,504	91,561

The loan taken out by Sannat Local Council, with the approval of the Ministry of Finance carried an interest

- funds received from the government shall be channelled to an account held with the bank;
- to authorise the bank to settle loan instalments, fees and costs which may be due;
- to retain at all times sufficient funds in account.

17 Deferred income

	2016 €	2015 €
Government Grants		
At 1 January	617,209	483,930
Increase in year	-	171,097
	617,209	655,027
Released in year	(56,242)	(37,818)
At 31 December	560,967	617,209
Current deferred income	54,097	37,820
Non-current deferred income	506,870	579,389
Deferred Government Grants		
Deferred between one and two years	46,910	53,033
Deferred between two and five years	114,923	136,839
Deferred in five years or more	345,037	389,517
	506,870	579,389

18 Capital commitments

	2016 €	2015 €
Total capital commitments	-	142,800
(i) Approved but not yet contracted for:		
Special Programmes	-	61,100
Playing field	-	60,200
	-	121,300
(ii) Contracted for but not provided in Financial Statements		
Special Programmes	-	20,000
Office Equipment	-	1,500
	-	21,500

19 Prior year Adjustment

The prior year adjustment amounting to Eur 11,542 relates to the reconstruction of the fixed asset register.

In view of this, the Financial Statements for the year ended 31 December 2015 have been restated to reflect this correction. There is no effect on the figures for the year ended 31 December 2016.

The effect of the restatement on each financial statement line is summarised below:

	2015 Originally Reported €	Adjustment €	2015 Restated €
Retained earnings	(147,156)	(11,542)	(158,698)
Non-Current Assets	936,375	11,542	947,917

20 Related Parties

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Local Enforcement System Agency	Joint control
Gozo Regional Committee	Joint control
Central Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti ghall-iSports	No control
Mitts Limited	No control
Ministry for the Family	No control
Malta Communications Authority	No control
Green MT	No control

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

	2016 €	2015 €
Annual Financial Allocation	217,883 =====	210,933 =====

Key management compensation

Transactions with key management personnel are disclosed in note 6.

Ultimate controlling party

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

21 Financial Risk Management

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

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

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

Receivables from related parties	€ 2,373 =====
----------------------------------	---------------------

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 €45,807. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net assets position of €138,171 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

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

Interest rate risk

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

22 Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates

	2016 €	2015 €
<i>Current Assets</i>		
Trade and other receivables	26,461	58,862
Cash and cash equivalents	45,807	37,920
	<u>72,268</u>	<u>96,782</u>
	=====	=====
<i>Current Liabilities</i>		
Financial liabilities measured at amortised costs:		
Payables	198,714	215,051
	<u>198,714</u>	<u>215,051</u>
	=====	=====

23 Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to

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TA' SANNAT LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL

Opinion

We have audited the accompanying financial statements of Ta' Sannat Local Council, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 25.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the Local Council's Statement of Financial Position on page 4 which shows that as at 31st December 2016, the current liabilities of the Local Council exceeded its current assets by €126,446. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Local Council will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

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REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.


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

RSM Malta
Certified Public Accountants

Date: 25th April 2017