

KUNSILL LOKALI XAGHRA

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19th April 2016

RSM Malta
Cobalt House, Level 2,
Notabile Road,
Mrieħel BKR 3000

Dear Sirs,

We confirm that the following information in connection with your audit of the financial statements of the Local Council for the year ended 31st December 2015 is, to the best of our knowledge and belief, true and fair, bearing in mind the requirements of the Local Councils Act, Cap. 363, the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.

1 General

To the best of our knowledge and belief, all transactions undertaken by the Local Council have been properly recorded in the accounting records and these financial statements, and all relevant records have been given to you.

- (a) We acknowledge the Council's responsibility for the fair presentation in the financial statements of the financial position, financial performance and changes in financial position in conformity with generally accepted accounting principles.
- (b) All minutes of the Council meetings and all financial and accounting records and related data have been made available to you. We are not aware of any accounts, transactions or material agreements not fairly described and properly recorded in the financial and accounting records underlying the financial statements.
- (c) We are not aware of:-
 - (1) any irregularities involving Council members or employees who have significant roles in the system of internal accounting control or any irregularities involving other employees which could have a material effect on the financial statements, or
 - (2) any violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as the basis for providing for a loss.

...has complied with all aspects of contractual agreements that would have a material effect on financial statements in the event of non-compliance.

Accounting Policies

The accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous year's financial statements.

3 Audit Adjustments

We have reviewed the list of audit adjustments relating to the year ended 31st December 2015 and authorize their inclusion in the financial statements to that date.

We believe that the effects of those uncorrected financial statement misstatements aggregated by you during the course of your audit are immaterial both individually and in the aggregate, to the financial statements taken as a whole. We believe that no adjustment is required to be made in respect of these items in the financial statements for the year ended 31st December 2015.

4 Statement of comprehensive income € 8,197

Except as disclosed in the financial statements, the results for the year were not materially affected by:-

- (a) transactions of a sort not usually undertaken by the Local Council
- (b) circumstances of an exceptional or non-recurrent nature
- (c) charges or credits relating to prior periods or
- (d) any change in the basis of accounting.

Any expenditure included in the financial statements was properly made in connection with the carrying on of the Council's operations. All income and expenditure properly attributable to the Local Council has been accounted for in the books.

5 Property, plant and equipment € 1,958,506

- (a) The Local Council has satisfactory title to all property, plant and equipment included in the financial statements.
- (b) The property, plant and equipment to which the Local Council has satisfactory title are included in the financial statements.
- (c) All amounts of expenditure capitalized in respect of property, plant and equipment as detailed in the financial statements represent expenditure incurred in acquiring additional assets or improving existing assets. No expenditure capitalized is of a revenue nature.

6 Receivables € 257,217

Balances included in the financial statements are all valid receivables or prepayments. A provision has been made against specific debts which are known or may be expected to be irrecoverable.

Other Current Assets

€ 261,219

Other current assets shown in the Council's statement of financial position represent cash in hand and at bank. Cash at bank is deposited with reputable banks and consequently the credit risk is deemed to be low.

8 Liabilities

(€ 1,626,629)

All known liabilities of material amount as at 31st December 2015 are shown in the financial statements including the liability for all purchases to which title has passed prior to 31st December 2015. We confirm that we have provided you with all the invoices relating to expenditure incurred during the year ended 31st December 2015 that were not paid till the end of the year, as well as with all the information relating to purchase orders made and completed in the said year, for which the respective invoice has not been issued till 31st December 2015.

9 Capital Commitments

At 31st December 2015, there were no commitments for capital expenditure other than those listed in the notes to the financial statements.

10 Contingent Liabilities

There were no contingent liabilities as at 31st December 2015.

11 Events After the Reporting Period

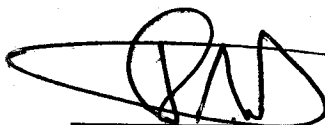
Events since the statement of financial position date have been fully taken into account in so far as they have a bearing on the amounts attributable to assets and/or liabilities at that date and have not made the present financial position substantially different from that shown by the statement of financial position.

12 Laws and Regulations

We confirm that the Local Council has complied with all laws and regulations relevant to its activities during the year under audit and that we have made available all such relevant information necessary for audit purposes.



Joseph Cordina
Mayor



Ivan Attard
Executive Secretary

XAGHRA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2015

Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Randall Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2015

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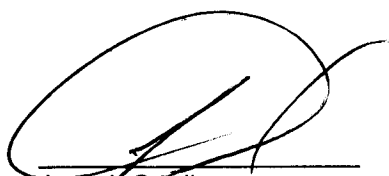
Financial Statements for the year ended 31 December 2015

Statement of Local Council Members' and Executive Secretary's Responsibilities

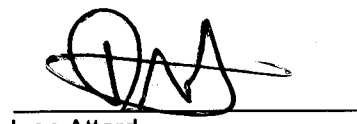
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it 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.

Approved by the Council and signed on its behalf on the 18 April 2016 by:



Joseph Cordina
Mayor



Ivan Attard
Executive Secretary

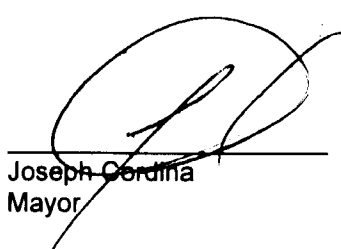
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,958,506	1,323,202
Current Assets			
Receivables	4	257,217	56,041
Cash and Cash Equivalents	5	261,219	241,750
		518,436	297,791
Total Assets		€ 2,476,942	€ 1,620,993
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		850,313	842,116
Non-current Liabilities			
Deferred income	6	740,466	253,935
Non-current payables	7	246,019	134,212
		986,485	388,147
Current Liabilities			
Payables	7	640,144	390,730
Total reserves and liabilities		€ 2,476,942	€ 1,620,993

The notes on pages 8 to 22 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 18 April 2016 and signed on its behalf by:



Joseph Cordina
Mayor



Ivan Attard
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 €	2014 €
REVENUE			
Funds received from central government	8	589,697	563,558
General Income	10	18,644	8,433
		<u>608,341</u>	<u>571,991</u>
EXPENDITURE			
Personal emoluments	11	(85,878)	(80,016)
Operations and maintenance	12	(200,531)	(213,263)
Administration and other expenditure	13	(313,988)	(230,755)
		<u>(600,397)</u>	<u>(524,034)</u>
Operating surplus for the year		<u>7,944</u>	<u>47,957</u>
Investment income	9	253	761
		<u>€ 8,197</u>	<u>€ 48,718</u>
Total Comprehensive Income for the year			

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Retained Funds 2015 €	Retained Funds 2014 €
At 1 January	842,116	793,398
Total Comprehensive Income for the year	8,197	48,718
At 31 December	<u>€ 850,313</u>	<u>€ 842,116</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Note	2015 €	2014 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		8,197	48,718
Adjustments for:			
Depreciation		185,702	99,269
Investment Income		(253)	(761)
Deferred income released		(91,201)	(11,200)
		<u>102,445</u>	<u>136,026</u>
Operating Profit before working capital changes			
(Increase)/ decrease in Receivables		(201,176)	20,665
Increase in Payables		382,512	102,734
		<u></u>	<u></u>
Net Cash generated from/ (used in) operating activities		283,781	259,425
		<u></u>	<u></u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(821,006)	(361,953)
Investment Income		253	761
New grants received		631,313	166,590
		<u>(189,440)</u>	<u>(194,602)</u>
Net Cash used in Investing Activities			
		<u>94,341</u>	<u>64,823</u>
Net movement in Cash and Cash Equivalents			
Cash and Cash Equivalents at the beginning of year		121,132	56,309
Cash and Cash Equivalents at the end of year	5	<u>€ 215,473</u>	<u>€ 121,132</u>

The notes on pages 8 to 22 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General Information

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8th September Avenue, Xaghra, Gozo.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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).

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

(b) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

The new and revised standards that became effective for annual periods beginning on or after 1 January 2015 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the council. These include the following.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The council has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(b) Standards, amendments and interpretations to existing standards - continued

- the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on trade receivables
- the new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 8 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The council has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The Group's only investment made to date in a joint arrangement (note 7.2) is characterised as a joint venture in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would not have a material impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement and that they will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(c) Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

(d) Local Enforcement System

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

(e) Property, Plant and Equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic 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 financial reporting 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 Local 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 year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(f) Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

(g) 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.

(h) 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 amounts of the asset in 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.

(i) 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 presentation currency.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(l) 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. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

(m) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

(n) 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 2015 – continued

(n) 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'.

(o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2015	21,397	28,148	324,228	42,145	1,999,509	5,956	366,457	2,787,840
Additions	-	-	2,531	-	570,309	-	248,166	821,006
Reclassifications	-	-	-	-	581,589	-	(581,589)	-
At 31 Dec 2015	€ 21,397	€ 28,148	326,759	€ 42,145	€ 3,151,407	€ 5,956	€ 33,034	€ 3,608,846
Grants and other reimbursements								
At 1 Jan 2015	-	-	-	-	(176,237)	-	-	(176,237)
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2015	€ -	€ -	€ -	€ -	€ (176,237)	€ -	€ -	€ (176,237)
Depreciation								
At 1 Jan 2015	(18,065)	(21,241)	(176,034)	(42,145)	(1,027,441)	(3,475)	-	(1,288,401)
Charge for the year	(241)	(1,262)	(15,035)	-	(168,927)	(237)	-	(185,702)
At 31 Dec 2015	€ (18,306)	€ (22,503)	€ (191,069)	€ (42,145)	€ (1,196,368)	€ (3,712)	€ -	€ (1,474,103)
Net Book Value								
At 31 Dec 2015	€ 3,091	€ 5,645	€ 135,690	€ -	€ 1,778,802	€ 2,244	€ 33,034	€ 1,958,506

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings €	Office & Computer Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Plant and Equipment €	Assets Under Construction €	Total €
Cost								
At 1 Jan 2014	21,397	24,348	321,659	42,145	1,962,418	5,956	47,964	2,425,887
Additions	-	3,800	2,569	-	37,091	-	318,493	361,953
Reclassifications	-	-	-	-	-	-	-	-
At 31 Dec 2014	€ 21,397	€ 28,148	€ 324,228	€ 42,145	€ 1,999,509	€ 5,956	€ 366,457	€ 2,787,840
Grants and other reimbursements								
At 1 Jan 2014	-	-	-	-	(176,237)	-	-	(176,237)
Additions	-	-	-	-	-	-	-	-
At 31 Dec 2014	€ -	€ -	€ -	€ -	€ (176,237)	€ -	€ -	€ (176,237)
Depreciation								
At 1 Jan 2014	(17,805)	(20,252)	(159,734)	(42,145)	(946,276)	(2,920)	-	(1,189,132)
- Charge for the year	(260)	(989)	(16,300)	-	(81,165)	(555)	-	(99,269)
At 31 Dec 2014	€ (18,065)	€ (21,241)	€ (176,034)	€ (42,145)	€ (1,027,441)	€ (3,475)	€ -	€ (1,288,401)
Net Book Value								
At 31 Dec 2014	€ 3,332	€ 6,907	€ 148,194	€ -	€ 795,831	€ 2,481	€ 366,457	€ 1,323,202

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

4. Receivables	2015	2014
	€	€
Accounts receivable	3,577	6,890
Prepayments and accrued income	253,640	49,151
	<u>€ 257,217</u>	<u>€ 56,041</u>

	2015	2014
	€	€
Receivables		
Within the current period	253,640	51,360
Exceeded credit period but not yet impaired	3,577	4,681
	<u>€ 257,217</u>	<u>€ 56,041</u>

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2015	2014
	€	€
Bank Balances:		
Ordinary funds	260,000	240,644
Cash in hand	1,219	1,106
Overdrawn balances	(45,746)	(120,618)
	<u>215,473</u>	<u>121,132</u>
Transfer to payables	45,746	120,618
	<u>€ 261,219</u>	<u>€ 241,750</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

	2015	2014
	€	€
6. Deferred Income		
Between one and two years	74,067	24,154
Between two and five years	174,523	59,200
Over five years	491,876	170,581
	<u>€ 740,466</u>	<u>€ 253,935</u>
	2015	2014
	€	€
Opening balance	274,972	119,582
Increase in grants	631,313	166,590
Release of grants	(91,201)	(11,200)
	<u>815,084</u>	<u>274,972</u>
Closing balance	815,084	274,972
Less: Current portion	(74,618)	(21,037)
	<u>€ 740,466</u>	<u>€ 253,935</u>
Non-current portion		
	2015	2014
	€	€
7. Payables		
Accounts payable	186,321	87,548
Other payables	5,562	5,762
Accruals	573,916	289,977
Deferred income within one year	74,618	21,037
Overdrawn bank balances	45,746	120,618
	<u>886,163</u>	<u>524,942</u>
Less: Non-current payables	(246,019)	(134,212)
	<u>€ 640,144</u>	<u>€ 390,730</u>
	2015	2014
	€	€
Non-current payables		
Between one and two years	63,900	37,204
Between two and five years	110,403	69,387
Over five years	71,716	27,621
	<u>€ 246,019</u>	<u>€ 134,212</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

8. Funds received from Central Government	2015	2014
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	476,661	484,476
Supplementary Government Income	8,903	13,950
Other Government Income	104,133	65,132
	<u>€ 589,697</u>	<u>€ 563,558</u>
9. Investment income	2015	2014
Bank Interest Receivable	<u>€ 253</u>	<u>€ 761</u>
10. General Income	2015	2014
	€	€
Income from permits	5,536	4,462
Income from tender documents	1,123	1,055
Contributions and donations	11,985	2,916
	<u>€ 18,644</u>	<u>€ 8,433</u>
11. Personal Emoluments	2015	2014
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria	8,219	10,302
Mayor's and Councillors' Allowance	7,204	8,800
Executive Secretary salary and allowances	28,183	28,793
Employees' Salaries	36,775	27,309
Social Security Contributions	5,497	4,812
Total	<u>€ 85,878</u>	<u>€ 80,016</u>

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

12. Operations and Maintenance

Operations and maintenance includes, inter alia:	2015	2014
Repairs and Upkeep:	€	€
Road and Street Pavements (patching works)	70,829	108,783
Street signs and markings	7,582	3,055
Other repairs and upkeep	14,178	7,815
Total	€ 92,589	€ 119,653

Contractual Services:	2015	2014
	€	€
Refuse Collection (including bins on wheels)	40,327	41,317
Bulky Refuse Collection (incl tipping fees)	22,036	19,014
Road and street cleaning (mechanical and manual)	21,070	19,865
Cleaning and maintenance of Public Conveniences	4,829	4,705
Cleaning and maintenance of parks and gardens	-	262
Street Lighting	19,680	8,447
	€ 107,942	€ 93,610
Total Operations and Maintenance Expenses	€ 200,531	€ 213,263

13. Administration and other expenditure

	2015	2014
	€	€
Utilities	4,107	5,313
Rent	2,850	5,000
National and International Memberships	973	960
Office Services	7,368	13,697
Travel	13,710	4,777
Transport	6,545	7,117
Information services	3,576	4,115
Professional Services	31,432	9,387
Community and Hospitality	16,851	11,162
Cultural events	40,874	69,958
Depreciation	185,702	99,269
	€ 313,988	€ 230,755

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

14. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control

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

	2015	2014
Significant control		
Revenue:		
Annual financial allocation	€ 476,661	€ 484,476

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

15. Capital Commitments

Details of capital commitments are as follows	2015 €	2014 €
Contracted for but not provided for	-	329,918
Approved but not contracted for	213,640	60,000
	€ 213,640	€ 389,918
Contracted for but not provided for:		
PPP Scheme	-	102,247
Measure 313	-	227,671
	€ -	€ 329,918
Approved but not contracted for:		
Construction of Civic centre	60,000	60,000
Landscaping project	123,640	-
Planters and trees	30,000	-
	€ 213,640	€ 60,000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015 – continued

16. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

16.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2015 €	2014 €
Class of financial assets – carrying amounts		
Trade and other receivables	257,217	56,041
Cash and Cash Equivalents	261,219	241,750
	<u>€ 518,436</u>	<u>€ 297,791</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2015	2014
Payables	€ 640,144	€ 390,730
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

16. Risk management objectives and policies - continued**16.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

16.4 Summary of the financial assets and liabilities by category

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

Current Assets	2015	2014
	€	€
Loans and receivables:		
Trade and other receivables	257,217	56,041
Cash and Cash Equivalents	261,219	241,750
	<u>€ 518,436</u>	<u>€ 297,791</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>€ 640,144</u>	<u>€ 390,730</u>

16.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

17. Fair value estimation

At 31 December 2015 and 31 December 2014, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

