

IŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2015



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

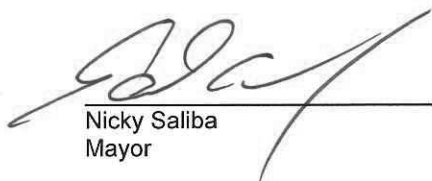
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2015

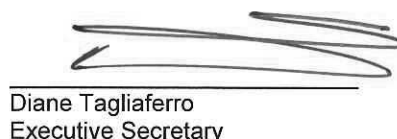
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it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



Nicky Saliba
Mayor



Diane Tagliaferro
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	467,494	472,743
Income raised under Local Enforcement System	5	14,769	906
General Income	6	7,858	7,887
		<u>490,121</u>	<u>481,536</u>
 EXPENDITURE			
Personal emoluments	8	(76,694)	(72,111)
Operations and maintenance expenses	9	(203,524)	(236,894)
Administration and other expenditure	10	(179,852)	(222,983)
		<u>(460,070)</u>	<u>(531,988)</u>
 Operating profit/(loss) for the year		30,051	(50,452)
 Finance income	11	362	1,860
 TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>30,413</u></u>	<u><u>(48,592)</u></u>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,322,164	1,107,913
		<u>1,322,164</u>	<u>1,107,913</u>
Current Assets			
Receivables	13	81,664	101,672
Cash and Cash Equivalents	14	217,114	154,691
		<u>298,778</u>	<u>256,363</u>
Total Assets		<u>1,620,942</u>	<u>1,364,276</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		800,777	770,364
		<u>800,777</u>	<u>770,364</u>
Non-Current Liabilities			
Deferred income	16	532,841	344,742
		<u>532,841</u>	<u>344,742</u>
Current Liabilities			
Payables	15	231,000	212,753
Deferred income	16	56,324	36,417
		<u>287,324</u>	<u>249,170</u>
Total Reserves and Liabilities		<u>1,620,942</u>	<u>1,364,276</u>

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


Nicky Saliba
Mayor


Diane Tagliaferro
Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds €
At 1 January 2014	818,956
Total Comprehensive Loss for the year	(48,592)
At 31 December 2014	770,364
At 1 January 2015	770,364
Total Comprehensive Income for the year	30,413
At 31 December 2015	800,777

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 €	2014 €
Note		
Cash flows from Operating Activities		
Total comprehensive income/(loss) for the year	30,413	(48,592)
Reconciliation to cash generated from operations:		
Depreciation	108,225	140,268
Increase in provision for doubtful debts	442	683
Grant released	(30,895)	(60,227)
Interest receivable	(362)	(1,860)
Operating Profit before Working Capital Changes	107,823	30,272
Decrease in Receivables	19,566	24,234
Increase/(decrease) in Payables	18,247	(50,192)
Cash generated from operating activities	145,636	4,314
Cash flows from Investing Activities		
Interest received	362	1,860
Purchase of property, plant & equipment	(322,476)	(150,587)
Receipt of grant	238,901	126,727
Cash generated used in investing activities	(83,213)	(22,000)
Cash flows from Financing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	62,423	(17,686)
Cash and Cash Equivalents at the Beginning of the year	154,691	172,377
Cash and Cash Equivalents at the End of the year	217,114	154,691

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The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

The Iż-Żebbuġ (Gozo) Local Council is the local Authority of Iz-Zebbug (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Church Street, Iż-Żebbuġ, Gozo. These financial statements were approved for issue by the Council Members on 26th April 2016. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

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

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

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

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

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

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

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

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue: and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

The amendments to IFRS 11, 'Joint Arrangements', 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.

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

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

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

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

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

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

Impairment of Assets

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

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

Accounting Policies and Reporting Procedures (cont.)

Amounts receivable

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

Borrowings

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

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

Other payables

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

Financial instruments

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

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

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

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

Financial assets

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

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

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 period ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

Financial liabilities

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

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

Related parties

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

Revenue

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

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

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also received income from the Joint Committee under the pooling system.

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 income statement 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 € at the rates of exchange prevailing at the date of the Statement of Financial Position.

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

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

Profits and losses

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

Cash and cash equivalents

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

Capital Management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive 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.

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

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

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

4. Funds received from central government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act	419,382	405,344
Supplementary Government Income	13,474	525
Other Government Income	3,743	6,647
Grants Released	30,895	60,227
	<u>467,494</u>	<u>472,743</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**5. Local Enforcement system**

	2015	2014
	€	€
Administrative charges to Regional Committees/LESA	1,063	906
Income from Joint Committee	13,706	-
	<u>14,769</u>	<u>906</u>

6. General Income

	2015	2014
	€	€
Community services	580	-
Contributions and donations	50	2,940
Tender Documents/Info Charges	1,530	1,015
Temporary permits	5,611	3,932
Other Income	87	-
	<u>7,858</u>	<u>7,887</u>

7. Surplus for the year

	2015	2014
	€	€
Surplus for the year is stated after charging		
Staff salaries	76,694	72,111
Depreciation of non-current assets	<u>108,225</u>	<u>140,268</u>

8. Personal Emoluments

	2015	2014
	€	€
Mayor's Honoraria	7,048	6,868
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	29,002	28,020
Employees' Salaries	30,285	26,899
Social Security Contributions	3,959	3,924
	<u>76,694</u>	<u>72,111</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**9. Operations and Maintenance**

	2015	2014
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	37,277	29,320
Street Signs and markings	7,693	9,885
Public property	12,411	11,776
	<u>57,381</u>	<u>50,981</u>
<i>Contractual Services:</i>		
Waste Disposal	26,075	28,169
Refuse Collection	46,478	38,305
Bulky Refuse Collection	1,295	1,075
Hiring of skips	8,456	11,958
Cleaning and Maintenance of Non-Urban Roads	9,186	48,174
Cleaning and Maintenance of Public Conveniences	12,511	12,399
Cleaning and Maintenance of Parks and Gardens	12,813	10,533
Cleaning and Maintenance of Soft Areas	1,530	918
Cleaning and Maintenance of Beach and Coastal areas	3,765	3,938
Road & Street Cleaning	3,668	996
Street Lighting	20,332	29,448
Local enforcement expenses	34	-
	<u>146,143</u>	<u>185,913</u>
 Total Operations and Maintenance Costs	 <u>203,524</u>	 <u>236,894</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**10. Administration and other expenditure**

	2015	2014
	€	€
Utilities	5,506	5,017
Other repairs and upkeep	615	7,430
Rent	4,950	6,324
National and International Memberships	660	824
Office Services	3,639	4,817
Transport and Travel	1,630	2,671
Information Services	4,729	6,914
Insurance Coverage	1,317	1,341
Bank charges	62	92
Professional Services	8,851	8,816
Community and Hospitality	4,547	3,359
Social and cultural events	33,274	32,641
Other expenses	1,405	1,786
Increase in provision for doubtful debts	442	683
Depreciation and amortisation	108,225	140,268
	<u>179,852</u>	<u>222,983</u>

11. Finance Income

	2015	2014
	€	€
Bank Interest Receivable	362	1,860
	<u>362</u>	<u>1,860</u>

IZ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

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

12. Property, plant and equipment

	Office Furniture/ Fittings €	Office/ Computer Equipment €	Plant & Machinery €	Urban Improvements €	Assets under Construction €	New Street Signs €	Construction/ Special Programmes €	Total €
Cost								
At 1 January 2014	29,229	26,082	5,620	374,050	-	58,919	1,716,978	2,210,878
Additions	2,104	3,135	-	74,058	-	-	71,290	150,587
Assets Capitalised	-	-	-	-	-	-	-	-
At 31 December 2014	31,333	29,217	5,620	448,108	-	58,919	1,788,268	2,361,465
Depreciation								
At 1 January 2014	13,167	20,546	2,168	232,969	-	58,919	701,017	1,028,786
Charge for the year	1,276	1,339	631	43,624	-	-	93,398	140,268
At 31 December 2014	14,443	21,885	2,799	276,593	-	58,919	794,415	1,169,054
Grants								
At 1 January 2014	-	-	-	-	-	-	84,498	84,498
At 31 December 2014	-	-	-	-	-	-	84,498	84,498
Net Book values								
At 31 December 2014	16,890	7,332	2,821	171,515	-	-	909,355	1,107,913

ĠŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

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

12. Property, plant and equipment (cont.)

	Office Furniture/ Fittings €	Office/ Computer Equipment €	Plant & Machinery €	Urban Improvements €	Assets under Construction €	New Street Signs €	Construction/ Special Programmes €	Total €
Cost								
At 1 January 2015	31,333	29,217	5,620	448,108	-	58,919	1,788,268	2,361,465
Additions	125	350	-	16,504	-	-	305,497	322,476
Reclassification	-	-	-	-	-	-	-	-
At 31 December 2015	31,458	29,567	5,620	464,612	-	58,919	2,093,765	2,693,941
Depreciation								
At 1 January 2015	14,443	21,885	2,799	276,593	-	58,919	794,415	1,169,054
Charge for the year	1,276	1,681	564	16,922	-	-	87,782	108,225
On disposal	-	-	-	-	-	-	-	-
At 31 December 2015	15,719	23,566	3,363	293,515	-	58,919	882,197	1,277,279
Grants								
At 1 January 2015	-	-	-	-	-	-	84,498	84,498
At 31 December 2015	-	-	-	-	-	-	84,498	84,498
Net Book values								
At 31 December 2015	15,739	6,001	2,257	171,097	-	-	1,127,070	1,322,164

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**13. Receivables**

	2015	2014
	€	€
Accounts receivables	3,371	2,255
Provision for doubtful debts	(1,125)	(683)
Prepayments and accrued income	79,418	100,100
	<u>81,664</u>	<u>101,672</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	79,811	99,871
Exceeded credit period but not impaired	1,853	1,801
Impaired and provided for	1,125	683
Provision for doubtful debts	(1,125)	(683)
	<u>81,664</u>	<u>101,672</u>

Included in the accounts receivable are amounts due from related parties amounting to €3,371 (2014 : €2,255). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

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

	2015	2014
	€	€
Cash at Bank	217,044	154,621
Cash in Hand	70	70
	<u>217,114</u>	<u>154,691</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**15. Payables**

	2015	2014
	€	€
Payables	170,722	64,605
Accruals	60,278	148,148
	<u>231,000</u>	<u>212,753</u>

Included in the accounts payable are amounts due to related parties amounting to €191 (2014 : €5,843). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2015	2014
	€	€
Government grants		
At 1 January	381,159	314,659
Increase in year	238,901	126,727
	<u>620,060</u>	<u>441,386</u>
Released in year	(30,895)	(60,227)
	<u>589,165</u>	<u>381,159</u>
Current Deferred Income	<u>56,324</u>	<u>36,417</u>
Non-Current Deferred Income	<u>532,841</u>	<u>344,742</u>
Deferred Government Grants		
Deferred between one and two years	50,930	32,937
Deferred between two and five years	125,410	81,104
Deferred in five years or more	356,501	230,701
	<u>532,841</u>	<u>344,742</u>
Deferred after five years or more:		
Government Grants	<u>356,501</u>	<u>230,701</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**17. Capital Commitments**

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	55,169	182,431
- Contracted for but not provided in the financial statements	-	26,065
(i) Approved but not yet contracted for:		
Paving works at Triq Ulisse M'forn	35,613	28,256
Pavements - Triq il-Wied	10,728	-
Resurfacing of Triq il-Luzzu	8,828	-
Pjazza l-Assunta & Madonna tal-Virtut project	-	154,175
	55,169	182,431
(i) Contracted for but not provided in the Financial Statements:		
Resurfacing Triq ta' Habel it-Twil	-	26,065
	-	26,065

18. Contingent liabilities

There were no contingent liabilities in respect of bank guarantees at year end. However, at year end the council has trade dispute with Road Construction (Eur394), WasteServ (Eur113) and Gatt Tarmac (Eur29,735).

19. Ultimate controlling party

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

20. Financial Risk Management

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.

Credit risk

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**20. Financial Risk Management (cont.)****Summary of financial assets and liabilities by category:**

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	81,664	101,672
Cash and Cash Equivalents	217,114	154,691
	<u>298,778</u>	<u>256,363</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>231,000</u>	<u>212,753</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of Euro 67,778 (2014: €43,610) 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 price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

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

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**21. Related party transactions**

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 Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2015			2014		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	435,999			412,516		
Transactions with regions	14,769			906		
	<u>450,768</u>	<u>490,121</u>	<u>92</u>	<u>413,422</u>	<u>481,536</u>	<u>86</u>
<i>Expenditure</i>						
Transactions with government entities	23,892			22,489		
Key personnel remuneration	76,694			72,111		
	<u>100,586</u>	<u>460,070</u>	<u>22</u>	<u>94,600</u>	<u>531,988</u>	<u>18</u>

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

22. Fair values estimation

At 31 December 2015 and at 31 December 2014, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.*

LOCAL COUNCIL IZ-ZEBBUG (GOZO)**Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Iz-Zebbug (Gozo) set out on pages 4 to 24, which comprise the statement of financial position as at 31st December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and the Council, as well as evaluating the overall presentation of the financial statements.

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

RSM Malta

Cobalt House, Level 2
Notabile Road,
Mriehel BKR 3000, Malta.

T +356 2278 7000

F +356 2149 3318

www.rsm.com.mt

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

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.

Other Matter

The financial statements of the Local Council Iz-Zebbug (Gozo) for the year ended 31 December 2014 were audited by Spiteri Bailey & Co. who expressed an unqualified opinion on those financial statements on 28 April 2015. As from 1 January 2016, Spiteri Bailey & Co. merged its practice with the incoming auditors, RSM Malta.



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

RSM Malta
Certified Public Accountants

26 / 04 / 16