

**Nadur Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2016**

**Prepared by  
M. Camilleri**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2016**

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

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes 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.

Approved by the Council and signed on its behalf on the 26 April 2017 by:

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Edward Said  
Mayor

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Sue Ellen Bugeja  
Executive Secretary

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

	Notes	31 December 2016 €	31 December 2015 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>1,559,002</u>	<u>1,703,355</u>
		<u>1,559,002</u>	<u>1,703,355</u>
<b>Current Assets</b>			
Receivables	4	12,186	46,557
Cash and Cash Equivalents	5	<u>41,580</u>	<u>47,092</u>
		<u>53,766</u>	<u>93,649</u>
<b>Total Assets</b>		<u><u>1,612,768</u></u>	<u><u>1,797,004</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		633,689	653,232
<b>Non-current liabilities</b>			
Long term borrowings	6	42,417	49,579
Non-current payables	6	74,601	99,467
Deferred income grants	7	497,052	549,969
<b>Current liabilities</b>			
Payables	8	365,009	444,757
<b>Total reserves and liabilities</b>		<u><u>1,612,768</u></u>	<u><u>1,797,004</u></u>

The notes on pages 8 to 23 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 26 April 2017 and signed on its behalf by:

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Edward Said  
Mayor

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Sue Ellen Bugeja  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2016

	Notes	2016 €	2015 €
<b>REVENUE</b>			
Funds received from central government	9	514,484	463,346
Funds raised under Local Enforcement System	10	1,739	3,401
General Income	11	23,828	27,786
		<u>540,051</u>	<u>494,533</u>
<b>EXPENDITURE</b>			
Personal emoluments	12	(83,067)	(61,045)
Operations and maintenance	13	(205,447)	(205,370)
Administration and other expenditure	14	(268,302)	(255,095)
		<u>(556,816)</u>	<u>(521,510)</u>
<b>Operating (Loss) for the year</b>		(16,765)	(26,977)
Investment income	15	36	52
Finance cost	16	(2,814)	(2,546)
<b>Total Comprehensive (Loss) for the year</b>		<u>(19,543)</u>	<u>(29,471)</u>

The notes on pages 8 to 23 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2016

	Retained Earnings 2016 €	Retained Earnings 2015 €
At 1 January	653,232	682,703
Total Comprehensive (Loss) for the year	(19,543)	(29,471)
	<hr/>	<hr/>
At 31 December	<u>633,689</u>	<u>653,232</u>

The notes on pages 8 to 23 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2016

	Note	2016 €	2015 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (Loss) for the year		(19,543)	(29,471)
Adjustments for:			
Depreciation		152,507	125,095
Deferred income amortised		(58,219)	(24,884)
Investment Income		(36)	(52)
Interest Payable		2,814	2,546
<b>Operating Profit before Working Capital Changes</b>		<u>77,523</u>	<u>73,234</u>
(Increase)/Decrease in receivables		34,371	10,090
Increase/(Decrease) in payables		(80,579)	(108,907)
<b>Net Cash generated from / (used in) operating Activities</b>		<u>31,315</u>	<u>(25,583)</u>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(8,154)	(353,929)
New grants received		54,530	356,426
Refund of grants		(55,713)	-
Investment Income		36	52
Interest Payable		(2,814)	(2,546)
<b>Net Cash (used in)/generated from investing activities</b>		<u>(12,115)</u>	<u>3</u>
<b>Cash flows from Financing Activities</b>			
Movement in bank loan		(7,162)	(7,727)
<b>Net Cash (used in) financing activities</b>		<u>(7,162)</u>	<u>(7,727)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		12,038	(33,307)
Cash and Cash Equivalents at the Beginning of Year		(2,579)	30,728
<b>Cash and Cash Equivalents at the End of Year</b>	5	<u>9,459</u>	<u>(2,579)</u>

The notes on pages 8 to 23 are an integral part of the financial statements.

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

**1. General Information**

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, 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**

**Annual Improvements:** 2016 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.

**New and amended standards adopted by the council**

During the year under review, the Local Council has adopted 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 chose 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.



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

**b. Standards, amendments and interpretations to existing standards - continued**

**New and amended standards adopted by the council - continued**

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 — Clarifies that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid;

IAS 34 — Clarifies the meaning of 'elsewhere in the interim report' and requires 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 information 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 period under review and were not yet effective. 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 guidelines. 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.

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

**b. Standards, amendments and interpretations to existing standards - continued**

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

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.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. Its effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

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; and
- 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.

Amendments to 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 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.

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

**c. Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably.

**d. Local Enforcement System**

During 2016 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 and the Law Enforcement System Agency 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.

**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 periods 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.

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

**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.

**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.

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

**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.

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 as 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.

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

**o. Critical accounting estimates and judgements - continued**

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).

**p. Borrowings**

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, are measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

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

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

**3a Property, Plant and Equipment**

	Trees	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2016	6,812	32,299	28,201	31,981	537,239	13,942	2,027,571	136,328	138,150	399,262	3,351,785
Reclassification	-	-	-	-	-	-	399,262	-	-	(399,262)	-
Additions this year	-	375	1,130	644	6,005	-	-	-	-	-	8,154
At 31 December 2016	6,812	32,674	29,331	32,625	543,244	13,942	2,426,833	136,328	138,150	-	3,359,939
<b>Grants and other reimbursements</b>											
At 1 January 2016	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
<b>Accumulated Depreciation</b>											
At 1 January 2016	-	(20,097)	(20,697)	(28,363)	(326,693)	(13,942)	(881,494)	(53,034)	(6,153)	-	(1,350,473)
Charge this year	-	(830)	(1,877)	(919)	(20,643)	-	(125,976)	(948)	(1,314)	-	(152,507)
At 31 December 2016	-	(20,927)	(22,574)	(29,282)	(347,336)	(13,942)	(1,007,470)	(53,982)	(7,467)	-	(1,502,980)
<b>Net book value</b>											
At 31 December 2016	6,812	11,747	6,757	3,343	195,908	-	1,189,747	14,005	130,683	-	1,559,002

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

	Trees	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2015	6,100	32,299	22,682	31,516	535,660	13,942	2,005,273	136,328	138,150	75,906	2,997,856
Additions this year	712	-	5,519	465	1,579	-	22,298	-	-	323,356	353,929
At 31 December 2015	6,812	32,299	28,201	31,981	537,239	13,942	2,027,571	136,328	138,150	399,262	3,351,785
<b>Grants and other reimbursements</b>											
At 1 January 2015	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
<b>Accumulated Depreciation</b>											
At 1 January 2015	-	(19,230)	(18,657)	(27,375)	(304,585)	(13,942)	(783,824)	(51,982)	(5,783)	-	(1,225,378)
Charge this year	-	(867)	(2,040)	(988)	(22,108)	-	(97,670)	(1,052)	(370)	-	(125,095)
At 31 December 2015	-	(20,097)	(20,697)	(28,363)	(326,693)	(13,942)	(881,494)	(53,034)	(6,153)	-	(1,350,473)
<b>Net book value</b>											
At 31 December 2015	6,812	12,202	7,504	3,618	210,546	-	916,461	14,953	131,997	399,262	1,703,355



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

<b>4 Receivables</b>	2016	2015
	€	€
Accounts receivable	10,533	10,831
Accrued income	-	34,051
Prepayments	1,653	1,675
	<u>12,186</u>	<u>46,557</u>

**Receivables**

Within the current period	7,110	40,778
Exceeded credit period but not yet impaired	5,076	5,779
	<u>12,186</u>	<u>46,557</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 flows comprise the following amounts in the Local Council's statement of financial position:

	2016	2015
	€	€
Bank Balances:		
Ordinary funds	41,547	47,056
Cash in hand	33	36
Overdrawn balances	(32,121)	(49,671)
	9,459	(2,579)
Transfer to payables	32,121	49,671
Cash at bank and in hand	<u>41,580</u>	<u>47,092</u>

**6 Non-current Liabilities**

	2016	2015
	€	€
Borrowings	42,417	49,579
Non-current liability	74,601	99,467
	<u>117,018</u>	<u>149,046</u>

The Council has a loan facility with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears interest of 1.75% over the Central Bank Intervention rate and is repayable in full by June 2026.

The facility is secured by:

(a) First General Hypothec over the Council's assets for Euro 116,469.

(b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

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

<b>Non-current payables</b>	2016	2015
Non-current liabilities may be analysed as follows:	€	€
Due between 1 to 2 years	34,315	34,315
Due between 2 to 5 years	78,078	102,945
Due after 5 years	4,625	11,786
	<u>117,018</u>	<u>149,046</u>

<b>7 Deferred Income Grants</b>	2016	2015
	€	€
Deferred Income 1 to 2 years	47,585	53,439
Deferred Income 2 to 5 years	117,091	131,269
Deferred Income over 5 years	332,376	365,261
	<u>497,052</u>	<u>549,969</u>

	2016	2015
	€	€
Opening balance	609,087	277,545
Increase in grants	54,530	356,426
Refund of funds	(55,713)	-
Release of grants	(58,219)	(24,884)
Closing balance	549,685	609,087
Less Current portion	(52,633)	(59,118)
Non-current portion	<u>497,052</u>	<u>549,969</u>

<b>8 Payables</b>	2016	2015
	€	€
Accounts payable	254,832	211,620
Accruals	15,975	114,900
Deferred income grants within one year	52,633	59,118
Borrowings	9,448	9,448
Overdrawn balances	32,121	49,671
	<u>365,009</u>	<u>444,757</u>

<b>9 Funds received from Central Government</b>	2016	2015
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	434,414	420,845
Other Government Income	80,070	42,501
	<u>514,484</u>	<u>463,346</u>

<b>10 Income raised from Local Enforcement System</b>	2016	2015
	€	€
Administrative income from contraventions	1,739	3,401
	<u>1,739</u>	<u>3,401</u>

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

<b>11 General Income</b>	2016	2015
	€	€
Cultural activities	148	10,822
Community services	1,671	3,065
Contributions and other income	3,888	2,880
Income from tender documents	1,993	1,005
Income from E.U. Project funding	-	3,959
Income from permits	16,128	6,055
	<u>23,828</u>	<u>27,786</u>

<b>12 Personal Emoluments</b>	2016	2015
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria and allowance	9,029	8,449
Councillors' allowances	4,800	4,800
Executive Secretary salary and allowances	31,409	12,728
Employees' Salaries	32,964	31,919
Social Security Contributions	4,865	3,149
	<u>83,067</u>	<u>61,045</u>

<b>13 Operations and Maintenance</b>	2016	2015
	€	€
Operations and maintenance includes, inter alia:		
<b>Repairs and Upkeep:</b>		
Road and street pavements	10,399	21,943
Street signs and road markings	1,953	2,880
Public property	4,321	7,653
Other	1,259	3,120
Total	<u>17,932</u>	<u>35,596</u>

**Contractual Services:**

Refuse Collection (including bins on wheels)	68,611	71,277
Bulky Refuse Collection (incl. open skips)	30,752	22,671
Road and Street Cleaning (mechanical and manual)	18,582	21,866
Cleaning and Maintenance of Public Conveniences	3,412	5,382
Cleaning and maintenance - parks and gardens	257	5,655
Local Enforcement System - expenses	299	588
Street lighting	15,302	9,888
Other	50,300	32,447
	<u>187,515</u>	<u>169,774</u>
Total Operations and Maintenance Expenses	<u>205,447</u>	<u>205,370</u>

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

<b>14 Administration and other expenditure</b>	2016	2015
	€	€
Utilities	15,738	11,766
Other repairs and upkeep	6,437	4,806
National and International Memberships	2,319	970
Rent	2,547	2,904
Office Services	8,759	5,237
Travel	7,443	3,692
Transport	4,571	5,778
Information services	8,248	17,606
Other contractual services	1,466	1,450
Professional Services	29,938	39,272
Community and Hospitality	28,329	36,519
Depreciation	152,507	125,095
	<u>268,302</u>	<u>255,095</u>
<b>15 Investment income</b>	2016	2015
	€	€
Bank Interest Receivable	36	52
	<u>36</u>	<u>52</u>
<b>16 Finance cost</b>	2016	2015
	€	€
Interest on bank loan	2,252	2,546
Interest paid to third parties	562	-
	<u>2,814</u>	<u>2,546</u>
<b>17 Capital Commitments</b>	2016	2015
	€	€
Capital expenditure approved and contracted for	-	-
Capital expenditure approved but not yet contracted for	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
Further analysis as follows:		
Capital expenditure approved and Contracted for:		
None	-	-
	<u>-</u>	<u>-</u>
Capital expenditure approved but not yet contracted for:		
Embellishment of Nadur Square with		
Installation of New Flower Pots	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

The capital projects are subject to the receipt of funding from the Urban Improvement Fund with the Planning Authority.

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

**18 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	Limited / Non-significant control
Ministry for Gozo	No control

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

	2016	2015
Significant control:		
Revenue	€	€
Annual financial allocation	<u>434,414</u>	<u>420,845</u>

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 of the locality.

**19 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.

**19.1 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:

	2016	2015
Class of financial assets – carrying amounts	€	€
Trade and other receivables	12,186	46,557
Cash and Cash Equivalents	<u>41,580</u>	<u>47,092</u>
	<u>53,766</u>	<u>93,649</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.

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

**19.2 Liquidity risk**

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

	2016	2015
	€	€
Payables	<u>365,009</u>	<u>444,757</u>
	<u><u>365,009</u></u>	<u><u>444,757</u></u>

**19.3 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.

**19.4 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:

	2016	2015
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	12,186	46,557
Cash and Cash Equivalents	<u>41,580</u>	<u>47,092</u>
	<u>53,766</u>	<u>93,649</u>
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Borrowings	<u>42,417</u>	<u>49,579</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	355,561	435,309
Borrowings	<u>9,448</u>	<u>9,448</u>
	<u><u>365,009</u></u>	<u><u>444,757</u></u>

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

**19.5 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.

**20 Fair value estimation**

At 31 December 2016 and 31 December 2015, 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.

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

**Independent Auditor's report**