



**FGURA LOCAL COUNCIL**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2015**



**Prepared by**

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## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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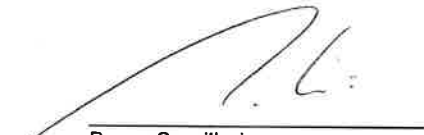

**Statement of Local Council Members' and Executive Secretary's Responsibilities**

**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, 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 19th April 2016 and signed on its behalf by

  
Byron Camilleri  
Mayor  
Christopher Cutajar  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
<b>INCOME</b>			
Funds received from Central Government	4	588,463	590,051
Income raised under Council Bye-Laws	5	16,295	6,175
Income raised under Local Enforcement System	6	11,895	6,257
General Income	7	15,168	28,701
		<u>631,821</u>	<u>631,184</u>
<b>EXPENDITURE</b>			
Personal emoluments	9	(132,682)	(125,837)
Operations and maintenance	10	(235,110)	(239,297)
Administration and other expenditure	11	(178,349)	(179,335)
Other income/expenditure	12	(1,589)	3,217
		<u>(547,730)</u>	<u>(541,252)</u>
<b>Operating surplus for the year</b>		84,091	89,932
Finance income	13	787	2,549
Finance costs	14	(361)	(76)
		<u>426</u>	<u>2,473</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>84,517</b></u>	<u><b>92,405</b></u>


The notes on pages 8 to 28 form an integral part of these financial statements

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	15	2,021,492	2,074,187
Fair Value through profit and loss	16	-	14,338
Government Grants receivable	18	17,104	17,104
Intangible asset	17	187	247
		<u>2,038,783</u>	<u>2,105,876</u>
<b>Current Assets</b>			
Inventories	19	-	875
Receivables	20	41,461	50,316
Cash and Cash Equivalents	21	441,452	395,817
		<u>482,913</u>	<u>447,008</u>
<b>Total Assets</b>		<u><b>2,521,696</b></u>	<u><b>2,552,884</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		<u>1,803,875</u>	<u>1,719,358</u>
		<u>1,803,875</u>	<u>1,719,358</u>
<b>Non-Current Liabilities</b>			
Borrowings	22	407,267	430,866
Other financial liabilities	23	18,888	23,609
Deferred income	25	<u>172,674</u>	<u>192,944</u>
		<u>598,829</u>	<u>647,419</u>
<b>Current Liabilities</b>			
Borrowings	22	23,814	23,492
Other financial liabilities	23	4,722	4,722
Payables	24	<u>90,456</u>	<u>157,893</u>
		<u>118,992</u>	<u>186,107</u>
<b>Total Equity and Liabilities</b>		<u><b>2,521,696</b></u>	<u><b>2,552,884</b></u>

These financial statements were approved by the Local Council on 19th April 2016 and signed on its behalf by:



Byron Camilleri  
Mayor



Christopher Cutajar  
Executive Secretary

The notes on pages 8 to 28 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	1,626,953
Total Comprehensive Income for the year	92,405
<b>At 31 December 2014</b>	<b>1,719,358</b>
At 1 January 2015	1,719,358
Total Comprehensive Income for the year	84,517
<b>At 31 December 2015</b>	<b>1,803,875</b>

The notes on pages 8 to 28 form an integral part of these financial statements

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	Note	2015 €	2014 €
<b>Cash flows from Operating Activities</b>			
<b>Profit for the year</b>		84,517	92,405
Reconciliation to cash generated from operations:			
Depreciation		86,277	91,713
Provision for bad debts		(1,589)	-
Interest receivable		(787)	(2,549)
Grants foregone		1,695	-
Decrease in fair value of Government Stocks		362	-
Grant released		(20,346)	(23,963)
Operating Profit before Working Capital Changes		150,129	157,606
Movement in inventories		875	-
Movement in receivables		8,748	(15,870)
Movement in other receivables		-	-
Movement in payables		(65,666)	2,447
<b>Cash generated from operating activities</b>		<b>94,086</b>	<b>144,183</b>
<b>Cash flows from Investing Activities</b>			
Interest received		787	2,549
Purchase of property, plant & equipment		(38,151)	(101,888)
Proceeds from redemption of Malta Government Stocks		13,976	-
Grants foregone		(1,695)	-
Receipt of grant		-	51,200
<b>Cash generated from investing activities</b>		<b>(25,083)</b>	<b>(48,139)</b>
Proceeds from bank borrowings		-	-
Repayment of bank and other borrowings		(23,368)	(39,801)
<b>Cash generated from financing activities</b>		<b>(23,368)</b>	<b>(39,801)</b>
Net Increase in Cash and Cash Equivalents		45,635	56,243
Cash and Cash Equivalents at the Beginning of the year		395,817	339,574
<b>Cash and Cash Equivalents at the End of the year</b>	21	<b>441,452</b>	<b>395,817</b>

The notes on pages 8 to 28 form an integral part of these financial statements

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

**1. General Information**

The Fgura Local Council is the local Authority of Fgura set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 68, Dar il-Kunsill, Triq il-Kamnu, Fgura. These financial statements were approved for issue by the Council Members on 19th 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 Council*

The Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

Certain new standards, amendments and interpretation to existing standards, have been published by the date of authorisation or issue of these financial statements but are mandatory for the Council's accounting periods beginning after 1 January 2015, including IFRS 9, 'Financial instruments', amongst other pronouncements.

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 reflects 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 important standards and amendments not yet adopted by the 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.

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

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

**Accounting Policies and Reporting Procedures (cont.).**

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.

*Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

*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.

*Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

*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.

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

**Accounting Policies and Reporting Procedures (cont.)**

*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.

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.

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

**Accounting Policies and Reporting Procedures (cont.)**

*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 Income Statement was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also provided services to the South East Regional Committee for; share of cleaning expense, share of electronic infrastructure and Council employees attending Tribunal sittings.

*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.

*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 Cash Flow Statement, 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.

**Notes to the Financial Statements for the period ended 31 December 2015 (cont.)****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, 1993	530,109	513,316
Supplementary Income	27,694	52,772
Other Government Income	10,314	-
Grants Released	20,346	23,963
	<u>588,463</u>	<u>590,051</u>

**5. Income raised under Council Bye-Laws**

	2015	2014
	€	€
Permits related to construction	14,764	4,824
Other Permits	30	140
Courses	750	828
Kiosks deposits	751	383
	<u>16,295</u>	<u>6,175</u>

**6. Income raised under Law Enforcement System**

	2015	2014
	€	€
Contraventions Received	1,413	1,095
Contraventions Accrued	-	(3,555)
Commission from all regions/LESA	10,482	8,717
	<u>11,895</u>	<u>6,257</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****7. General Income**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Community Services	-	15
Cultural Activities	1,372	3,507
Sponsorships	-	50
Liabilities written off	-	7,114
Joint Committee Tribunal Sitings	-	2,306
Refund of expenses FJC	519	1,097
General Income	10,475	74
Nuisance	835	4
Media Charges/Adverts on Street Furniture	117	908
Tender Documents Fees	1,700	2,325
Other re-imbursements	-	11,151
Donations	150	150
	<u>15,168</u>	<u>28,701</u>

**8. Surplus for the year**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Surplus for the year is stated after charging		
Staff salaries	132,682	125,837
Depreciation of property, plant & equipment	<u>86,277</u>	<u>91,713</u>

**9. Personal Emoluments**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Mayor's Honoraria	10,573	10,302
Councillors' Allowances	11,114	11,114
Executive Secretary Salary and Allowances	32,536	31,265
Employees' Salaries	70,061	64,967
Social Security Contributions	8,398	8,189
	<u>132,682</u>	<u>125,837</u>



**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****10. Operations and Maintenance**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<i>Repairs and Upkeep:</i>		
Materials and supplies	1,321	1,292
Cleaning Materials and supplies	173	84
Operating cleaning material and supplies	248	-
Sundry Materials and supplies	-	67
Repair and Upkeep Pavements	92	-
Repair and Upkeep Roads	18,886	20,739
Other Repair and Upkeep	489	8,392
Public Property	237	112
Street Signs	5,037	3,011
Sundry repairs	78	-
Street Markings	5,525	714
	<u>32,086</u>	<u>34,411</u>
<i>Contractual Services:</i>		
Waste Disposal	79,646	79,443
Refuse Collection	55,101	55,151
Bulky Refuse Collection	9,474	10,302
Road & Street Cleaning	30,573	31,620
Contract Management Fees	2,691	2,637
Cleaning & Maintenance Soft Areas	16,252	17,642
Street Lighting	8,632	7,004
Law Enforcement System	655	1,087
	<u>203,024</u>	<u>204,886</u>
<b>Total Operations and Maintenance Costs</b>	<u>235,110</u>	<u>239,297</u>

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****11. Administration and other expenditure**

	<b>2015</b>	<b>2014</b>
	€	€
Utilities	9,965	10,014
Repairs and Maintenance	4,040	1,503
Rent	14,505	14,262
National and International Memberships	130	796
Office Services	11,770	11,614
Transport	3,342	4,447
Information Services	2,248	1,914
Insurance Coverage	3,227	2,933
Bank Charges	143	201
Cleaning Council Premises	2,441	2,621
Professional Services	21,196	8,962
Other Support Services	7,112	5,173
Social and Cultural Events	10,111	19,909
Sundry Minor Expenses	1,842	2,053
Asset Disposals Account	-	1,220
Depreciation	86,277	91,713
	<u>178,349</u>	<u>179,335</u>

**12. Other Income and Expenses**

	<b>2015</b>	<b>2014</b>
	€	€
Bad debt write off	-	338
Movement in provision for doubtful debts	1,589	(3,555)
	<u>1,589</u>	<u>(3,217)</u>

**13. Investment Income**

	<b>2015</b>	<b>2014</b>
	€	€
Investment income	787	2,549
	<u>787</u>	<u>2,549</u>

**14. Finance costs**

	<b>2015</b>	<b>2014</b>
	€	€
Movement in provision for fair value of investments	361	76
	<u>361</u>	<u>76</u>



FGURA LOCAL COUNCIL

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

15. Property, plant and equipment

	Trees	Construc. Works	Furniture & Fittings	New Street Signs	Urban Impr	Office Equipment	Plant & Machinery	Motor vehicles	Acquisition of Property	Property held for dev	Assets not yet Cap	Total
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
At 1 January 2014	7,055	1,567,424	33,687	11,735	443,291	41,967	1,685	11,586	1,001	1,170,800	3,644	3,293,875
Additions	3,400	-	1,188	-	43,840	3,059	49	-	-	45,508	4,844	101,888
Disposals	-	-	(2,097)	-	-	(5,966)	-	-	-	-	-	(8,063)
At 31 December 2014	10,455	1,567,424	32,778	11,735	487,131	39,060	1,734	11,586	1,001	1,216,308	8,488	3,387,700
<b>Depreciation</b>												
At 1 January 2014	-	735,646	19,211	11,735	182,793	34,088	1,197	8,681	205	-	-	993,556
Reclassification	-	-	(28)	-	-	28	-	-	-	-	-	-
Charge for the year	-	75,687	1,119	-	12,122	2,096	100	581	8	-	-	91,713
Eliminated on disposal	-	-	(1,387)	-	-	(5,456)	-	-	-	-	-	(6,843)
At 31 December 2014	-	811,333	18,915	11,735	194,915	30,756	1,297	9,262	213	-	-	1,078,426
<b>Grants</b>												
At 1 January 2014	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
<b>Net Book values</b>												
At 31 December 2014	10,455	564,414	13,863	-	248,806	8,304	437	2,324	788	1,216,308	8,488	2,074,187

FGURA LOCAL COUNCIL

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

15. Property, plant and equipment (cont.)

	Trees	Construc. Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant & Machinery	Motor vehicles	Acquisition of Property	Property held for dev	Assets not yet Cap	Total
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
At 1 January 2015	10,455	1,567,424	32,778	11,735	487,131	39,060	1,734	11,586	1,001	1,216,308	8,488	3,387,700
Additions	47	4,099	929		1,015	67	479			20,056	6,832	33,524
Reclassification												
At 31 December 2015	10,502	1,571,523	33,707	11,735	488,146	39,127	2,213	11,586	1,001	1,236,364	15,320	3,421,224
<b>Depreciation</b>												
At 1 January 2015		811,333	18,915	11,735	194,915	30,756	1,297	9,262	213			1,078,426
Charge for the year		68,588	1,104		14,103	1,766	184	465	9			86,219
At 31 December 2015		879,921	20,019	11,735	209,018	32,522	1,481	9,727	222			1,164,645
<b>Grants</b>												
At 1 January 2015												
At 31 December 2015		191,677			43,410							235,087
<b>Net Book values</b>												
At 31 December 2015	10,502	499,925	13,688		235,718	6,605	732	1,859	779	1,236,364	15,320	2,041,492

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**16. Financial assets at fair value through comprehensive income**

	<b>Government Stocks (2015) - 6.1% €</b>	<b>Total €</b>
<i>Held to Maturity</i>		
<b>Cost</b>		
At 1 January 2014	13,976	<b>13,976</b>
Additions	-	-
At 31 December 2014	<u>13,976</u>	<u><b>13,976</b></u>
<b>Fair Value Provision</b>		
At 1 January 2014	679	<b>679</b>
Movement	(1,041)	<b>(1,041)</b>
At 31 December 2014	<u>(362)</u>	<u><b>(362)</b></u>
<b>Net Book value</b>		
At 31 December 2014	<u><b>14,338</b></u>	<u><b>14,338</b></u>

	<b>Government Stocks (2015) - 6.1% €</b>	<b>Total €</b>
<i>Held to Maturity</i>		
<b>Cost</b>		
At 1 January 2015	13,976	<b>13,976</b>
Additions	-	-
Redemption	(13,976)	<b>(13,976)</b>
At 31 December 2015	<u>-</u>	<u>-</u>
<b>Fair Value Provision</b>		
At 1 January 2015	(362)	<b>(362)</b>
Movement	362	<b>362</b>
At 31 December 2015	<u>-</u>	<u>-</u>
<b>Net Book values</b>		
At 31 December 2015	<u><b>-</b></u>	<u><b>-</b></u>

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

	<b>Computer software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2014	473	473
Additions	-	-
	<hr/>	<hr/>
At 31 December 2014	473	473
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2014	143	143
Charge for the year	82	82
	<hr/>	<hr/>
At 31 December 2014	225	225
	<hr/>	<hr/>
<b>Net Book value</b>		
At 31 December 2014	247	247
	<hr/>	<hr/>

	<b>Computer software</b>	<b>Total</b>
	<b>€</b>	<b>€</b>
<b>Cost</b>		
At 1 January 2015	473	473
Additions	-	-
	<hr/>	<hr/>
At 31 December 2015	473	473
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2015	225	225
Charge for the year	61	61
	<hr/>	<hr/>
At 31 December 2015	286	286
	<hr/>	<hr/>
<b>Net Book value</b>		
At 31 December 2015	187	187
	<hr/>	<hr/>

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****18. Government Grants**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Balance at the beginning of the year	38,304	20,604
Increase	-	51,200
Received	-	(33,448)
Forgone	(1,696)	(52)
	<u>36,608</u>	<u>38,304</u>
At 31 December 2014	36,608	38,304
	<u>19,504</u>	<u>21,200</u>
<b>Amount Receivable within one year</b>	<b>19,504</b>	<b>21,200</b>
	<u>17,104</u>	<u>17,104</u>
<b>Amount Receivable beyond one year</b>	<b>17,104</b>	<b>17,104</b>

**19. Inventories**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Stocks comprise of:		
Council medals, badges, videos and ties	-	875
	<u>-</u>	<u>875</u>

**20. Receivables**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Receivables	496	17,237
Government grants receivable	19,504	21,200
Other Related Undertakings	8,383	56
	<u>28,363</u>	<u>38,493</u>
Prepayments, accrued income and deferred expenditure	13,098	11,823
	<u>41,461</u>	<u>50,316</u>

*Receivables**Credit period analysis:*

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Within credit period	3,779	6,777
Exceeded credit period but not impaired	5,080	10,516
Impaired and provided for	398,866	398,419
Provision for doubtful debts	(398,866)	(398,419)
	<u>8,859</u>	<u>17,293</u>
	<u>-</u>	<u>338</u>
Impaired and written off	-	338

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****21. Cash & cash equivalents**

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

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Cash at Bank	440,920	395,285
Cash in Hand	532	532
	<u>441,452</u>	<u>395,817</u>

**22. Borrowings**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<b>Non-current</b>		
Bank borrowings	<u>407,267</u>	<u>430,866</u>
<b>Current</b>		
Bank borrowings	<u>23,814</u>	<u>23,492</u>
<b>Borrowings</b>		
Repayable between one and two years	23,814	23,492
Repayable between two and five years	77,363	4,386
Repayable in five years or more	<u>306,090</u>	<u>402,988</u>
	<u>407,267</u>	<u>430,866</u>
<b>Repayable after five years or more:</b>		
Bank Loan	<u>306,090</u>	<u>402,988</u>

The Bank Loans are guaranteed by the Central Government and secured by a 1<sup>st</sup> General Hypothec over the Local Council Fgura assets and a Special Hypothec on Houses 126 and 128, Hompesch Road, Fgura Special Hypothec and Privilege on Comprehensive Insurance Policy over the new premises. Loans attract interest at 3.35% and 4.4% (2014 – 3.35% and 4.4%) and are repayable in monthly instalments of €2054.72 and €1,269.15 (2014 - €2,054.72 and €1,269.15) inclusive of accumulated interest.

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

**23. Amount payable under the PPP agreement**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<b>Non-current</b>		
Public Private Partnership (PPP) Agreement	<u>18,888</u>	<u>23,609</u>
<b>Current</b>		
Public Private Partnership (PPP) Agreement	<u>4,722</u>	<u>4,722</u>
<b>Borrowings</b>		
Repayable between one and two years	4,357	4,722
Repayable between two and five years	14,531	14,166
Repayable in five years or more	-	4,721
	<u>18,888</u>	<u>23,609</u>
<b>Repayable after five years or more:</b>		
Public Private Partnership (PPP) Agreement	<u>-</u>	<u>4,721</u>

Amount payable under the PPP agreement is repayable in annual payments up to 2020. Balance payable under the scheme, inclusive of interest is €23,610.

**24. Payables**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Payables	51,627	110,395
Government Grants - Deferred Income	18,375	20,146
Accruals	<u>20,454</u>	<u>27,352</u>
	<u>90,456</u>	<u>157,893</u>

Included in the accounts payable are amounts due to related parties amounting to €32,093 (2014 : €28,419). These amounts are unsecured, interest free and repayable on demand.

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****25. Deferred Income**

	2015	2014
	€	€
<b>Government grants</b>		
At 1 January	213,090	185,905
Increase in year	-	51,200
	213,090	237,105
Released in year	(20,346)	(23,963)
Forgone	(1,695)	(52)
At 31 December	191,049	213,090
<b>Current Deferred Income</b>	18,375	20,146
<b>Non-Current Deferred Income</b>	172,674	192,944
<b>Deferred Government Grants</b>		
Deferred between one and two years	16,597	15,727
Deferred between two and five years	40,779	38,358
Deferred in five years or more	115,298	141,635
	172,674	195,720
<b>Deferred after five years or more</b>	115,298	141,635

**26. Contingent Liability and Assets**

The Constitutional Court passed a judgement on the 8 January 2010, reversing the judgement passed by the Court of Appeals on the 28 March 2008 that had awarded the Council Eur3,494. In addition the judgement also included that the Council is liable to pay two-thirds (2/3) of the procedural expenses incurred by both the Constitutional Court and the Court of First Instance. The amount involved cannot as yet be quantified.

One of the Council's contractors, who had completed the assigned works in relation to the Demolition and Excavation works at site of the New Administrative Offices, is claiming that the total amount certified by the Council's Architect is Eur5,140 less than it should be.

A person claimed that she suffered injuries due to the bad state of a pavement in Triq it-Taghlim in Fgura, way back in November 2010. The Council is attending the hearings in Court related to this case. The amount involved cannot as yet be quantified.

The Council has a commitment letter from the Department for Justice, Culture and Local Government for the grant of Eur100,000 for assistance for the Completion of Works at the Civic Centre.



**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****27. Capital Commitments**

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	100,000	243,750
- Contracted for but not provided in the financial statements	164,929	183,000
	<u>164,929</u>	<u>183,000</u>
(i) Approved but not yet contracted for:		
Construction		
Special Programmes (Library Extension)	-	35,000
Finishing (excluding apertures) at New Council Premises	10,000	68,750
Electrical and engineering services at New Council Premises	90,000	90,000
Urban Improvements	-	50,000
	<u>100,000</u>	<u>243,750</u>
(i) Contracted for but not provided in the Financial Statements:		
Construction (Resurfacing of Triq Bugexrem and Pavements)	93,380	100,000
Construction (Resurfacing of Triq Kent)	71,549	-
Special Programme - Smartphone software App.	-	4,000
Special Programme - Bocci Club & Triq il-Pitirross	-	79,000
	<u>164,929</u>	<u>183,000</u>

The Council will only consider additional projects if additional sources of funding will be found.

**28. 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.

**29. Financial Risk Management**

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

**Notes to the Financial Statements for the year ended 31 December 2015 (cont.)****29. Financial Risk Management (cont.)***Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank 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.

**Summary of financial assets and liabilities by category:**

	2015	2014
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	28,182	38,493
Cash and Cash Equivalents	441,452	395,817
	<u>469,634</u>	<u>434,310</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>51,295</u>	<u>110,395</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 441,452. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 363,921 (2014: €281,047) 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 two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

*Market risks*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

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

**29. Financial Risk Management (cont.)**

*Other risks*

The Council's interest rate risk arises from long term borrowings. 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.

**30. 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
Inland Revenue Department	No control
Local Enforcement System Agency	No 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 20 and 24. 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.

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

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

	Related party activity €	2015 Total activity €	%	Related party activity €	2014 Total activity €	%
<i>Income</i>						
Transactions with central government	568,117			566,088		
Transactions with regions/LESA	11,895			6,257		
	<u>580,012</u>	<u>631,821</u>	<u>92</u>	<u>572,345</u>	<u>631,184</u>	<u>91</u>
<i>Expenditure</i>						
Transactions with government entities	81,188			80,722		
Key personnel remuneration	132,682			125,837		
	<u>213,870</u>	<u>547,730</u>	<u>39</u>	<u>206,559</u>	<u>541,252</u>	<u>38</u>

**32. 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.

## **Fgura Local Council**

### **Financial statements for the year ended 31 December 2015**

#### **Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Fgura Local Council which comprise the statement of financial position as at 31 December 2015, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Respective responsibilities of the Local Council and Local Government auditor***

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

#### ***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 of 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

#### ***Basis for qualified opinion***

1. Up to 31 August 2011 the council operated the Local Enforcement System (LES). At that date the council had outstanding debtors which by 31 December 2015 were either received or provided for. During our audit work we noted that a particular LES report generated from the IT system is indicating that during the year ended 31 December 2015 the council received more cash than that shown by other reports printed from the same IT system. This casts doubt on the integrity of the data being generated from the IT system.
2. The accounting treatment applied to measure long-term creditors relating to PPP projects, shown in note 23, does not satisfy the requirements of IAS 39 *Financial Instruments: Recognition & Measurement*, which requires that such creditors are accounted for at amortised cost.

**Fgura Local Council**

**Financial Statements for the year ended 31 December 2015**

**Report of the Local Government auditor to the Auditor General (continued)**

***Qualified opinion***

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 above, the financial statements give a true and fair view of the financial position of Fgura Local Council as at 31 December 2015, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended and have been properly prepared in accordance with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 and International Financial Reporting Standards.



Mark Bugeja  
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Certified Public Accountants

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19 April 2016