



FGURA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2016



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2016

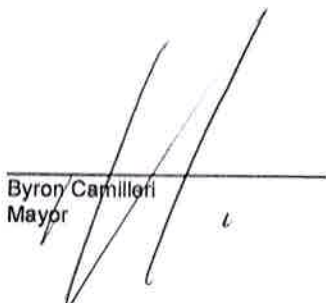
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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2016


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

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

This statement was approved by the Local Council on the 18th April 2017 and signed on its behalf by



Byron Camilleri
Mayor



Beverly Saliba
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016 €	2015 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	627,999	588,463
Income raised under Council Bye-Laws	5	19,729	16,295
Income raised under Local Enforcement System	6	10,628	11,895
General Income	7	5,299	15,168
		<u>663,655</u>	<u>631,821</u>
 EXPENDITURE			
Personal emoluments	9	(132,499)	(132,682)
Operations and maintenance	10	(238,919)	(235,110)
Administration and other expenditure	11	(181,084)	(178,349)
Other income/expenditure	12	-	(1,589)
		<u>(552,502)</u>	<u>(547,730)</u>
 OPERATIVE SURPLUS FOR THE YEAR		111,153	84,091
 Finance income	13	195	787
Finance costs	14	-	(361)
		<u>195</u>	<u>426</u>
 TOTAL COMPREHENSIVE INCOME FOR THE YEAR		111,348	84,517

The notes on pages 8 to 27 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		2016 €	2015 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	1,976,513	2,021,492
Intangible asset	16	140	187
Government Grants receivable	17	17,104	17,104
		<u>1,993,757</u>	<u>2,038,783</u>
Current Assets			
Receivables	18	94,276	41,461
Cash and Cash Equivalents	19	613,472	441,452
		<u>707,748</u>	<u>482,913</u>
Total Assets		<u>2,701,505</u>	<u>2,521,696</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,915,223</u>	<u>1,803,875</u>
		<u>1,915,223</u>	<u>1,803,875</u>
Non-Current Liabilities			
Borrowings	20	382,161	407,267
Other financial liabilities	21	14,166	18,888
Deferred Income	23	256,077	172,674
		<u>652,404</u>	<u>598,829</u>
Current Liabilities			
Borrowings	20	24,809	23,815
Other financial liabilities	21	4,722	4,722
Payables	22	104,347	90,455
		<u>133,878</u>	<u>118,992</u>
Total Equity and Liabilities		<u>2,701,505</u>	<u>2,521,696</u>

These financial statements were approved by the Local Council on the 18th April 2017 and signed on its behalf by:

Byron Camilleri
Mayor


Beverly Saliba
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Retained Funds €
At 1 January 2015	1,719,358
Total Comprehensive Income for the year	84,517
At 31 December 2015	1,803,875
At 1 January 2016	1,803,875
Total Comprehensive Income for the year	111,348
At 31 December 2016	1,915,223

The notes on pages 8 to 27 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 €	2015 €
Cash flows from Operating Activities			
Profit for the year		111,348	84,517
Reconciliation to cash generated from operations:			
Depreciation		76,703	86,277
Provision for bad debts		-	(1,589)
Interest receivable		(195)	(787)
Grants foregone		-	1,695
Decrease in fair value of Government Stocks		-	362
Grant released		(18,375)	(20,346)
Operating Profit before Working Capital Changes		169,481	150,129
Movement in inventories		-	875
Movement in receivables		(27,815)	8,748
Movement in payables		15,670	(65,666)
Cash generated from operating activities		158,330	94,086
Cash flows from Investing Activities			
Interest received		195	787
Purchase of property, plant & equipment		(31,677)	(38,151)
Proceeds from redemption of Malta Government Stocks		-	13,976
Grants foregone		-	(1,695)
Receipt of grant		75,000	-
Cash generated from Investing activities		43,518	(25,083)
Proceeds from bank borrowings		-	-
Repayment of bank and other borrowings		(28,834)	(23,368)
Cash generated from financing activities		(28,834)	(23,368)
Net Increase in Cash and Cash Equivalents		172,020	45,635
Cash and Cash Equivalents at the Beginning of the year		441,452	395,817
Cash and Cash Equivalents at the End of the year	19	613,472	441,452

The notes on pages 8 to 27 form an integral part of these financial statements

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

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-Karmnu, Fgura. These financial statements were approved for issue by the Council Members on the 18th April 2017. 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 reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

Notes to the Financial Statements for the year ended 31 December 2016 (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 year ended 31 December 2016 (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 year ended 31 December 2016 (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. 28.

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

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act, 1993	546,450	530,109
Supplementary Income	53,588	27,694
Other Government income	9,586	10,314
Grants Released	18,375	20,346
	<u>627,999</u>	<u>588,463</u>

5. Income raised under Council Bye-Laws

	2016	2015
	€	€
Permits related to construction	18,660	14,764
Other Permits	286	30
Courses	300	750
Kiosks deposits	483	751
	<u>19,729</u>	<u>16,295</u>

6. Income raised under Law Enforcement System

	2016	2015
	€	€
Contraventions Received	1,216	1,413
Commission from all regions/LESA	9,412	10,482
	<u>10,628</u>	<u>11,895</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 2016 (cont.)**7. General Income**

	2016	2015
	€	€
Community Services	99	-
Cultural Activities	1,475	1,372
Refund of expenses FJC	-	519
General Income	1,318	10,475
Nuisance	164	835
Media Charges/Adverts on Street Furniture	500	117
Tender Documents Fees	550	1,700
Other re-imbursements	1,193	-
Donations	-	150
	<u>5,299</u>	<u>15,168</u>

8. Surplus for the year

	2016	2015
	€	€
Surplus for the year is stated after charging		
Staff salaries	132,499	132,682
Depreciation of property, plant & equipment	<u>76,703</u>	<u>86,277</u>

9. Personal Emoluments

	2016	2015
	€	€
Mayor's Honoraria	10,843	10,573
Councillors' Allowances	11,039	11,114
Executive Secretary Salary and Allowances	29,640	32,536
Employees' Salaries	72,639	70,061
Social Security Contributions	8,338	8,398
	<u>132,499</u>	<u>132,682</u>

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**10. Operations and Maintenance**

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Materials and supplies	2,825	1,321
Cleaning Materials and supplies	383	173
Operating cleaning material and supplies	38	248
Repair and Upkeep Pavements	-	92
Repair and Upkeep Roads	12,658	18,886
Other Repair and Upkeep	1,407	489
Public Property	243	237
Street Signs	7,153	5,037
Sundry repairs	112	78
Street Markings	5,617	5,525
	<u>30,436</u>	<u>32,086</u>
<i>Contractual Services:</i>		
Waste Disposal	85,072	79,646
Refuse Collection	55,196	55,101
Bulky Refuse Collection	10,212	9,474
Road & Street Cleaning	30,305	30,573
Contract Management Fees	2,662	2,691
Cleaning & Maintenance Soft Areas	15,787	16,252
Street Lighting	8,497	8,632
Law Enforcement System	752	655
	<u>208,483</u>	<u>203,024</u>
Total Operations and Maintenance Costs	<u>238,919</u>	<u>235,110</u>

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

11. Administration and other expenditure

	2016	2015
	€	€
Utilities	11,874	9,965
Repairs and Maintenance	5,688	4,040
Rent	14,710	14,505
National and International Memberships	566	130
Office Services	13,582	11,770
Transport	1,960	3,342
Information Services	681	2,248
Insurance Coverage	3,242	3,227
Bank Charges	167	143
Cleaning Council Premises	2,436	2,441
Professional Services	19,456	21,196
Other Support Services	7,094	7,112
Social and Cultural Events	21,548	10,111
Sundry Minor Expenses	1,377	1,842
Depreciation	76,703	86,277
	<u>181,084</u>	<u>178,349</u>

12. Other Income and Expenses

	2016	2015
	€	€
Movement in provision for doubtful debts	-	1,589
	<u>-</u>	<u>1,589</u>

13. Investment Income

	2016	2015
	€	€
Investment income	195	787
	<u>195</u>	<u>787</u>

14. Finance costs

	2016	2015
	€	€
Movement in provision for fair value of investments	-	361
	<u>-</u>	<u>361</u>

FIGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

15. Property, plant and equipment

	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 €
Cost												
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	57	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
Depreciation												
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
Grants												
At 1 January 2015	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
At 31 December 2015	-	-	-	-	-	-	-	-	-	-	-	-
Net Book values												
At 31 December 2015	10,502	499,925	13,688	-	235,718	6,605	732	1,859	779	1,236,364	15,320	2,021,492

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2016 (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 development €	Assets not yet Capitalised €	Total €
Cost												
At 1 January 2016	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
Additions	-	-	967	-	649	3,234	-	-	-	26,827	-	31,677
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	10,502	1,571,523	34,674	11,735	488,795	42,361	2,213	11,586	1,001	1,263,191	15,320	3,452,901
Depreciation												
At 1 January 2016	-	879,921	20,019	11,735	209,018	32,522	1,481	9,727	222	-	-	1,164,645
Charge for the year	-	61,686	951	-	11,878	1,616	146	372	7	-	-	76,656
At 31 December 2016	-	941,607	20,970	11,735	220,896	34,138	1,627	10,099	229	-	-	1,241,301
Grants												
At 1 January 2016	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
Net Book values												
At 31 December 2016	10,502	438,239	13,704	-	224,489	8,223	586	1,487	772	1,263,191	15,320	1,976,513

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

16. Intangible Assets

	Computer software €	Total €
Cost		
At 1 January 2015	473	473
Additions	-	-
At 31 December 2015	473	473
Depreciation		
At 1 January 2015	225	225
Charge for the year	61	61
At 31 December 2015	286	286
Net Book value		
At 31 December 2015	187	187
	Computer software €	Total €
Cost		
At 1 January 2016	473	473
Additions	-	-
At 31 December 2016	473	473
Depreciation		
At 1 January 2016	286	286
Charge for the year	47	47
At 31 December 2016	333	333
Net Book value		
At 31 December 2016	140	140

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

17. Government Grants

	2016 €	2015 €
Balance at the beginning o the year	36,608	38,304
Increase	27,000	-
Received	-	-
Forgone	-	(1,696)
At 31 December 2015	63,608	36,608
Amount Receivable within one year	46,504	19,504
Amount Receivable beyond one year	17,104	17,104

18. Receivables

	2016 €	2015 €
Receivables	415	476
Government grants receivable	46,504	19,504
Other Related Undertakings	6,815	8,383
	26,734	28,363
Prepayments, accrued income and deferred expenditure	40,542	13,098
	94,276	41,461

Receivables

Credit period analysis:

	2016 €	2015 €
Within credit period	5,245	3,779
Exceeded credit period but not impaired	1,985	5,080
Impaired and provided for	395,398	398,866
Provision for doubtful debts	(395,398)	(398,866)
	7,230	8,859

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

19. Cash & cash equivalents

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

	2016	2015
	€	€
Cash at Bank	612,947	440,920
Cash in Hand	525	532
	<u>613,472</u>	<u>441,452</u>

20. Borrowings

	2016	2015
	€	€
Non-current		
Bank borrowings	<u>382,161</u>	<u>407,267</u>
Current		
Bank borrowings	<u>24,809</u>	<u>23,815</u>
Borrowings		
Repayable between one and two years	24,809	23,815
Repayable between two and five years	80,419	77,363
Repayable in five years or more	<u>276,933</u>	<u>306,089</u>
	<u>382,161</u>	<u>407,267</u>
Repayable after five years or more:		
Bank Loan	<u>276,933</u>	<u>306,089</u>

The Bank Loans are guaranteed by the Central Government and secured by a 1st 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% (2015 – 3.35% and 4.4%) and are repayable in monthly instalments of €2054.72 and €1,269.15 (2015 - €2,054.72 and €1,269.15) inclusive of accumulated interest.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

21. Amount payable under the PPP agreement

	2016	2015
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	<u>14,166</u>	<u>18,888</u>
Current		
Public Private Partnership (PPP) Agreement	<u>4,722</u>	<u>4,722</u>
Borrowings		
Repayable between one and two years	4,722	4,357
Repayable between two and five years	9,444	14,531
Repayable in five years or more	-	-
	<u>14,166</u>	<u>18,888</u>

Amount payable under the PPP agreement is repayable in annual payments up to 2020. Balance payable under the scheme, inclusive of interest is €18,888.

22. Payables

	2016	2015
	€	€
Payables	61,803	51,627
Government Grants - Deferred Income	16,597	18,375
Accruals	<u>25,947</u>	<u>20,453</u>
	<u>104,347</u>	<u>90,455</u>

Included in the accounts payable are amounts due to related parties amounting to €32,093 (2015 : €36,235). These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**23. Deferred Income**

	2016	2015
	€	€
Government grants		
At 1 January	191,049	213,090
Increase in year	100,000	-
	<u>291,049</u>	<u>213,090</u>
Released in year	(18,375)	(20,346)
Forgone	-	(1,695)
	<u>-</u>	<u>(1,695)</u>
At 31 December	<u>272,674</u>	<u>191,049</u>
 Current Deferred Income	 <u>16,597</u>	 <u>18,375</u>
 Non-Current Deferred Income	 <u>256,077</u>	 <u>172,674</u>
 Deferred Government Grants		
Deferred between one and two years	14,993	16,597
Deferred between two and five years	36,846	40,779
Deferred in five years or more	204,238	115,298
	<u>256,077</u>	<u>172,674</u>
 Deferred after five years or more	 <u>204,238</u>	 <u>115,298</u>

24. 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 Eur200,000 for assistance for the Completion of Works at the Civic Centre.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**25. Capital Commitments**

	2016	2015
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	949,750	100,000
- Contracted for but not provided in the financial statements	<u>259,929</u>	<u>164,929</u>
(i) Approved but not yet contracted for:		
Construction		
Special Programmes (Library Extension)	36,750	-
Various Finishing Works at New Council Premises	713,000	100,000
Various Pavements around the Locality	<u>200,000</u>	<u>-</u>
	<u>949,750</u>	<u>100,000</u>
(i) Contracted for but not provided in the Financial Statements:		
Construction (Resurfacing of Triq Buqexrem and Pavements)	93,380	93,380
Construction (Resurfacing of Triq Kent)	71,549	71,549
Construction (Resurfacing of Triq San Gwann)	95,000	-
Special Programme - Bocci Club & Triq il-Pitirross	-	-
	<u>259,929</u>	<u>164,929</u>

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

26. 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.

27. 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 2016 (cont.)**27. 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:

	2016	2015
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	53,734	28,363
Cash and Cash Equivalents	613,472	441,452
	<u>667,206</u>	<u>469,815</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>61,803</u>	<u>51,627</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 613,472. 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 573,870 (2015: €363,921) 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 2016 (cont.)

27. 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.

28. 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 18 and 22. 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 2016 (cont.)**28. Related party transactions (cont.)**

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

	Related party activity €	2016 Total activity €	%	Related party activity €	2015 Total activity €	%
<i>Income</i>						
Transactions with central government	609,624			568,117		
Transactions with regions/LESA	10,628			11,895		
	<u>620,252</u>	<u>663,655</u>	<u>93</u>	<u>580,012</u>	<u>631,821</u>	<u>92</u>
<i>Expenditure</i>						
Transactions with government entities	85,072			81,188		
Key personnel remuneration	132,499			132,682		
	<u>217,571</u>	<u>552,502</u>	<u>39</u>	<u>213,870</u>	<u>547,730</u>	<u>39</u>

29. Fair values estimation

At 31 December 2016 and at 31 December 2015, 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.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Fgura Local Council set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2016, and of its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

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 2016 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 2016 the council received more cash than that shown by other report 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 21, does not satisfy the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, which requires that such creditors are accounted for at amortised cost.

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

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

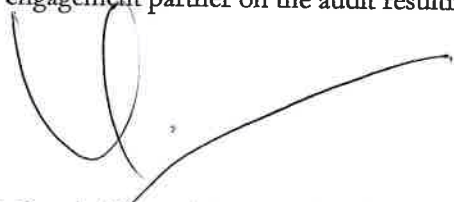
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a long horizontal stroke.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Malta

18 April 2017