

**PIETA LOCAL COUNCIL**

**Report and Financial Statements**

**for the year ended 31 December 2015**

Prepared by :

NEXIA BT

**REGISTRY**

- 1 JUN 2016

NATIONAL AUDIT OFFICE

# PIETA LOCAL COUNCIL

## Contents

|                                                                                 | Page   |
|---------------------------------------------------------------------------------|--------|
| Statement of Council Members' and Executive Secretary's Responsibilities Report | 2      |
| Report of the Independent Local Government Audit to the Auditor                 | 3 - 4  |
| Statement of Comprehensive Income                                               | 5      |
| Statement of Financial Position                                                 | 6      |
| Statement of Changes in Equity                                                  | 7      |
| Statement of Cash Flows                                                         | 8      |
| Notes to the Financial Statements                                               | 9 - 26 |

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

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The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 28.4.16. and signed on its behalf by:



**Mr Keith Tanti**  
Mayor



**Mr Simon Cauchi**  
Executive Secretary

**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 Pieta Local Council which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive 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 auditors***

As described in page 2, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***Auditors' 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. The amounts disclosed in notes 15 and 23 do not satisfy the requirements of the quantitative disclosures relating to credit risk. This contravenes the requirements of IFRS 7, *Financial Instruments: Disclosures*.
2. The information disclosed in note 2 in relation to new standards adopted by the council and other standards in issue but not yet effective does not capture all the changes since 31 December 2014 and as such, does not meet the requirements on IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
3. Although the financial statements disclose the fact that certain fixed assets of the council are hypothecated in favour of a bank as a security for loans as required by IAS 16 *Property, Plant and Equipment*, the value of the hypothec is disclosed at Lm43,000 rather than EUR100,163..
4. The financial statements do not disclose the relevant lease commitments arising on leased areas, the maturity of such commitments and a description of the lease arrangements as required by IAS 17 *Leases*.

**Financial statements for the year ended 31 December 2015****Report of the Local Government auditor to the Auditor General (continued)**

5. The company's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.
6. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures 1996.
7. The council has a negative FSI index which is lower than the minimum positive balance of 10% of the annual Government allocation allowed by the Local Councils (Financial) Procedures.

**Qualified opinion**

In our opinion, except for the effects of the matters described in paragraphs 1, 2, 3, 4 & 5 above, the financial statements give a true and fair view of the financial position of Pieta Local Council as of 31 December 2015 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 9 to 13.

Because of the matters set out in paragraphs 6 and 7 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 1, 2, 3, 4 & 5 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without further qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 6 which shows that at 31 December 2015, the Council's current liabilities exceeded current assets EUR11,745. The significance of this deficiency casts doubts as to whether the Council will be able to meet its liabilities as they fall due.



*This copy of the audit report has been signed by  
Ernestino Riolo (Partner) for and on behalf of*

**Mazars Malta**

Certified Public Accountants

Attard

28 April 2016

**Statement of Comprehensive Income**  
for the year ended 31 December 2015

|                                        | Notes | 2015<br>€      | 2014<br>€       |
|----------------------------------------|-------|----------------|-----------------|
| Funds received from Central Government | 5     | 355,936        | 324,964         |
| Income raised from Council Bye-Laws    | 7     | 10,308         | 3,151           |
| Local enforcement income               | 6     | 9,705          | 9,555           |
| Finance income                         | 8     | 87             | 160             |
| General income                         | 9     | 77,456         | 55,715          |
|                                        |       | <u>453,492</u> | <u>393,545</u>  |
| <b>Expenditure</b>                     |       |                |                 |
| Personal emoluments                    | 10    | 97,753         | 92,976          |
| Operations and maintenance             | 11    | 195,217        | 174,959         |
| Administrative and other expenditure   | 12    | 123,459        | 146,056         |
| Finance costs                          | 13    | 185            | 475             |
|                                        |       | <u>416,614</u> | <u>414,466</u>  |
| <b>Net Profit/(Loss) for the year</b>  |       | <u>36,878</u>  | <u>(20,921)</u> |

# PIETA LOCAL COUNCIL

## Statement of Financial Position

at 31 December 2015

|                                                        | Notes | 2015<br>€ | 2014<br>€ |
|--------------------------------------------------------|-------|-----------|-----------|
| <b>ASSETS</b>                                          |       |           |           |
| <b>Non-current assets</b>                              |       |           |           |
| Property, plant and equipment                          | 14    | 531,796   | 568,874   |
| <b>Current assets</b>                                  |       |           |           |
| Trade and other receivables                            | 15    | 122,856   | 59,352    |
| Cash at bank and in hand                               | 16    | 130,940   | 133,155   |
|                                                        |       | 253,796   | 192,507   |
| <b>Total assets</b>                                    |       | 785,592   | 761,381   |
| <b>RESERVES AND LIABILITIES</b>                        |       |           |           |
| <b>Capital and reserves</b>                            |       |           |           |
| Retained earnings                                      |       | 316,325   | 279,447   |
| <b>Total Reserves</b>                                  |       | 316,325   | 279,447   |
| Long-term borrowings                                   | 17    | -         | 816       |
| Deferred income                                        | 18    | 166,528   | 151,661   |
| Creditors amounts falling due after more than one year | 19    | 60,688    | 89,126    |
|                                                        |       | 227,216   | 241,603   |
| Short term borrowings                                  | 17    | 807       | 6,166     |
| Creditors amounts falling due within one year          | 19    | 241,244   | 234,165   |
|                                                        |       | 242,051   | 240,331   |
| <b>Total liabilities</b>                               |       | 469,267   | 481,934   |
| <b>Total Reserves and liabilities</b>                  |       | 785,592   | 761,381   |

The financial statements were approved by the Council on 28.4.16 and signed on its behalf by:

  
\_\_\_\_\_  
Mr Keith Tanti  
Mayor

  
\_\_\_\_\_  
Mr Simon Canchi  
Executive Secretary

# PIETA LOCAL COUNCIL

## Statement of Changes in Equity for the year ended 31 December 2015

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|                          | Retained<br>earnings<br>€ |
|--------------------------|---------------------------|
| At 1 January 2014        | 300,368                   |
| Net deficit for the year | (20,921)                  |
| At 31 December 2014      | <u>279,447</u>            |
| At 1 January 2015        | 279,447                   |
| Net surplus for the year | 36,878                    |
| At 31 December 2015      | <u>316,325</u>            |

# PIETA LOCAL COUNCIL

## Statement of Cash Flows for the year ended 31 December 2015

|                                                            | Notes | 2015<br>€       | 2014<br>€       |
|------------------------------------------------------------|-------|-----------------|-----------------|
| <b>Net cash flows from /(used in) operating activities</b> |       |                 |                 |
| Surplus/(Deficit) for the year                             |       | 36,878          | (20,921)        |
| Depreciation                                               |       | 50,664          | 83,257          |
| Interest received                                          |       | (87)            | (160)           |
| Interest paid                                              |       | 185             | 475             |
| Loss on reversal of devolution                             |       | 13,349          | -               |
| Bad debts written off                                      |       | 174             | -               |
| Provision for Bad Debts                                    |       | -               | (10,495)        |
|                                                            |       | <u>101,163</u>  | <u>52,157</u>   |
| (Increase) in trade and other receivables                  |       | (47,947)        | 21,807          |
| (Decrease) in trade and other payables                     |       | (38,485)        | (38,387)        |
| Government Grant released                                  |       | (43,568)        | (16,022)        |
| Net cash flows from /(used in) operating activities        |       | <u>48,133</u>   | <u>19,555</u>   |
| <b>Net cash flows used in investing activities</b>         |       |                 |                 |
| Acquisition of property, plant and equipment               |       | (73,720)        | (27,530)        |
| Interest received                                          |       | 87              | 160             |
| Net cash flows used in investing activities                |       | <u>(73,633)</u> | <u>(27,370)</u> |
| <b>Cash flows from financing activities</b>                |       |                 |                 |
| Grants Received                                            |       | 29,645          | 22,481          |
| Interest paid                                              |       | (185)           | (475)           |
| Repayment of short-term bank borrowings                    |       | (6,175)         | (5,883)         |
| Deferred income                                            |       | -               | (1,743)         |
| Net cash flows from financing activities                   |       | <u>23,285</u>   | <u>24,875</u>   |
| <b>Movement in cash and cash equivalents</b>               |       |                 |                 |
| Movement in cash and cash equivalents                      |       | <u>(2,215)</u>  | <u>6,565</u>    |
| Cash and cash equivalents at start of year                 |       | <u>133,155</u>  | <u>126,590</u>  |
| Cash and cash equivalents at end of year                   |       | <u>130,940</u>  | <u>133,155</u>  |
| <b>Cash and cash equivalents</b>                           |       |                 |                 |
| Cash at bank and in hand                                   |       | 139,451         | 176,014         |
| Bank balance overdrawn                                     |       | (8,511)         | (42,859)        |
|                                                            |       | <u>130,940</u>  | <u>133,155</u>  |

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

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### 1. General information

The Pieta Local Council is a local government set up by the Local Council Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

### 2. Accounting policies

#### *Accounting convention and basis of preparation*

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the company. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

New and revised standards that are effective for annual periods beginning on or after 1 January 2014.

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

#### Offsetting Financial Assets and Financial Liabilities ( Amendments to IAS 32).

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas :

- The meaning of currently has a legally enforceable right of set off
- That some gross settlement systems may be considered equivalent to net settlement

The amendments are effective for annual periods beginning on or after 1 January 2015 and are required to be applied retrospectively. The council members do not anticipate a material impact on the council's financial statements from these amendments.

#### Disclosures - Offsetting Financial Assets and Financial Liabilities ( Amendments to IFRS 7).

## Notes to the Financial Statements

for the year ended 31 December 2015

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Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments : Disclosures' ( IFRS 7) relating to gross and net amounts or recognised financial instruments that a set off in the statements of financial position and subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. The council members do not anticipate a material impact on the council's financial statements from these amendments.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Council.

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories : amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for the managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Council.

### *Property, plant and equipment*

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

## Notes to the Financial Statements

for the year ended 31 December 2015

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Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

### *Impairment of property, plant and equipment*

At the end of each reporting period, the Council reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

|                                       |        |
|---------------------------------------|--------|
| Trees                                 | 0%     |
| Motor Vehicles                        | - 20%  |
| Office Equipment                      | - 20%  |
| Urban improvements (street furniture) | - 10%  |
| Plant and machinery                   | - 20%  |
| Furniture and fittings                | - 7.5% |
| New street signs                      | - 100% |
| Construction works                    | - 10%  |
| Assets not yet capitalised            | - 0%   |
| Playing fields equipment              | - 100% |
| Police station                        | - 10%  |

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

### *Provisions*

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

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### *Foreign currencies*

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

### *Income recognition*

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# PIETA LOCAL COUNCIL

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

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### 3. Critical accounting estimates and judgements

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.

#### *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Law Enforcement System.

#### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Local Government Department, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

### 4. Going concern

The statement of financial position suggests that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds. This factor indicates that the Council may be unable to continue as a going concern, unless with the continued support of its related parties.

### 5. Funds received from Central Government

|                                                        | 2015<br>€      | 2014<br>€      |
|--------------------------------------------------------|----------------|----------------|
| In terms of section 55 of the Local Councils Act, 1993 | 278,534        | 275,905        |
| Other Government Income                                | 77,402         | 49,059         |
|                                                        | <u>355,936</u> | <u>324,964</u> |

# PIETA LOCAL COUNCIL

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

### 6. Local Enforcement income

|                                             | 2015<br>€    | 2014<br>€    |
|---------------------------------------------|--------------|--------------|
| Pre-regional committee contraventions /LESA | 9,705        | 9,555        |
|                                             | <u>9,705</u> | <u>9,555</u> |

### 7. Income raised under Local Council Bye-Laws

|                                            | 2015<br>€     | 2014<br>€    |
|--------------------------------------------|---------------|--------------|
| Income raised under Local Council Bye-Laws | 10,308        | 3,151        |
|                                            | <u>10,308</u> | <u>3,151</u> |

### 8. Finance income

|               | 2015<br>€ | 2014<br>€  |
|---------------|-----------|------------|
| Bank interest | 87        | 160        |
|               | <u>87</u> | <u>160</u> |

### 9. General income

|                  | 2015<br>€     | 2014<br>€     |
|------------------|---------------|---------------|
| Rental Income    | 45,201        | 43,441        |
| Tender Documents | 900           | 2,458         |
| Other income     | 31,355        | 9,816         |
|                  | <u>77,456</u> | <u>55,715</u> |

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

### 10. Personal emoluments

|                                          | 2015<br>€     | 2014<br>€     |
|------------------------------------------|---------------|---------------|
| Personal emoluments include, inter alia: |               |               |
| Mayor's honoraria                        | 7,048         | 6,668         |
| Mayor's and Councillor's Allowances      | 6,400         | 6,400         |
| Executive salary and allowance           | 30,887        | 26,734        |
| Employees' salaries                      | 46,842        | 47,112        |
| Social security costs                    | 6,576         | 6,062         |
|                                          | <u>97,753</u> | <u>92,976</u> |

### 11. Operations and maintenance

|                                                  | 2015<br>€      | 2014<br>€      |
|--------------------------------------------------|----------------|----------------|
| <b>Repairs and upkeep</b>                        |                |                |
| Road and street pavements (patching works)       | 21,094         | 11,168         |
| Office furniture and equipment                   | 245            | 488            |
| Other repairs and upkeep                         | 4,845          | 2,806          |
| Road Markings                                    | 578            | 1,266          |
|                                                  | <u>26,762</u>  | <u>15,728</u>  |
| <b>Contractual services</b>                      |                |                |
| Refuse collection ( including bins on wheel)     | 49,026         | 54,471         |
| Bulky refuse collection ( including open skips)  | 17,858         | 14,435         |
| Road and street cleaning                         | 28,057         | 27,820         |
| Landfil disposal fees                            | 39,408         | 33,346         |
| Contractual Management Services                  | -              | (531)          |
| Street lighting maintenance                      | 19,821         | 8,722          |
| Cleaning and maintenance parks and gardens       | 8,766          | 12,216         |
| Cleaning and maintenance of public conveniences  | -              | -              |
| Cleaning and maintenance council premises        | 1,515          | -              |
| Leasing equipment contract                       | 684            | 1,094          |
| LES related expenditure                          | 419            | 4,627          |
| Other Contractual Services                       | 2,901          | 3,031          |
|                                                  | <u>168,455</u> | <u>159,231</u> |
| <b>Total operations and maintenance expenses</b> | <u>195,217</u> | <u>174,959</u> |

# PIETA LOCAL COUNCIL

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

### 12. Administrative and other expenses

|                                         | 2015<br>€ | 2014<br>€ |
|-----------------------------------------|-----------|-----------|
| Depreciation                            | 50,664    | 83,258    |
| Water, Electricity & Telecommunications | 4,130     | 6,773     |
| Rents                                   | 18,006    | 22,642    |
| National and international memberships  | 52        | 8         |
| Office Services                         | 6,455     | 4,453     |
| Insurance coverage                      | 2,480     | 2,630     |
| Tuition Materials                       | 311       | -         |
| Transport                               | 2,542     | 4,966     |
| Advertising & Public relations          | 75        | 1,315     |
| Professional Services                   | 14,324    | 15,377    |
| Provision for bad debts - LES & General | -         | 10,495    |
| Community and hospitality               | 3,718     | 1,222     |
| Social Events                           | 4,850     | 11,158    |
| Cultural events                         | -         | 1,195     |
| Meetings and conventions                | 2,045     | 80        |
| Sundry minor expenses                   | 63        | 41        |
| Bad debts written off                   | 174       | -         |
| Loss on termination of devolution       | 13,349    | -         |
| Bank charges                            | 221       | 26        |
| Other expenses                          | -         | 5         |
| Total administrative expenses           | 123,459   | 146,056   |

### 13. Finance costs

|                       | 2015<br>€ | 2014<br>€ |
|-----------------------|-----------|-----------|
| Interest on bank loan | 185       | 475       |

# PIETA LOCAL COUNCIL

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

## 14. Property, plant and equipment

|                               | Car Park<br>Fittings &<br>Equipment<br>€ | Police<br>Station<br>€ | Buildings<br>€ | Motor<br>vehicles<br>€ | Office<br>equipment<br>€ | Urban<br>improvements<br>€ | Furniture<br>and fittings<br>€ | New street<br>signs<br>€ | Construction<br>€ | Total<br>€ |
|-------------------------------|------------------------------------------|------------------------|----------------|------------------------|--------------------------|----------------------------|--------------------------------|--------------------------|-------------------|------------|
| <b>Cost</b>                   |                                          |                        |                |                        |                          |                            |                                |                          |                   |            |
| At 1 January 2015             | 10,014                                   | 15,389                 | 142,331        | 3,500                  | 79,229                   | 93,887                     | 32,802                         | 26,205                   | 973,925           | 1,377,288  |
| Disposal                      | (10,014)                                 | (15,389)               |                |                        |                          |                            |                                |                          |                   | (25,403)   |
| Additions                     | -                                        | -                      | -              | -                      | -                        | 26,935                     | -                              | -                        | -                 | 26,935     |
| At 31 December 2015           | -                                        | -                      | 142,331        | 3,500                  | 79,229                   | 120,822                    | 32,802                         | 26,205                   | 973,925           | 1,318,884  |
| <b>Government grants</b>      |                                          |                        |                |                        |                          |                            |                                |                          |                   |            |
| At 1 January 2015             | -                                        | -                      | -              | -                      | 2,637                    | -                          | -                              | -                        | 255,301           | 257,938    |
| Transferred during the year   | -                                        | -                      | -              | -                      | -                        | -                          | -                              | -                        | -                 | -          |
| At 31 December 2015           | -                                        | -                      | -              | -                      | 2,637                    | -                          | -                              | -                        | 255,301           | 257,938    |
| <b>Depreciation</b>           |                                          |                        |                |                        |                          |                            |                                |                          |                   |            |
| At 1 January 2015             | 10,014                                   | 1,116                  | 29,517         | 1,211                  | 28,767                   | 82,470                     | 18,722                         | 26,205                   | 352,448           | 550,479    |
| Charge for the year           | -                                        | 924                    | 1,123          | 418                    | 8,735                    | 3,459                      | 1,020                          | -                        | 34,985            | 50,666     |
| Reclassification of disposals | (10,014)                                 | (2,040)                | -              | -                      | -                        | -                          | -                              | -                        | -                 | (12,054)   |
| At 31 December 2015           | -                                        | -                      | 30,640         | 1,629                  | 37,502                   | 85,929                     | 19,742                         | 26,205                   | 387,433           | 589,088    |
| <b>Net book value</b>         |                                          |                        |                |                        |                          |                            |                                |                          |                   |            |
| At 31 December 2015           | -                                        | -                      | 111,691        | 1,871                  | 39,090                   | 34,893                     | 13,060                         | -                        | 331,191           | 531,799    |

# PIETA LOCAL COUNCIL

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

## 14. Property, plant and equipment (continued)

|                             | Car Park | Police Station | Buildings | Motor vehicles | Office equipment | Urban improvements | Furniture and fittings | New street signs | Construction works | Total     |
|-----------------------------|----------|----------------|-----------|----------------|------------------|--------------------|------------------------|------------------|--------------------|-----------|
| Cost                        | €        | €              | €         | €              | €                | €                  | €                      | €                | €                  | €         |
| At 1 January 2014           | -        | 15,389         | 142,331   | 3,500          | 78,134           | 68,552             | 31,702                 | 26,205           | 973,925            | 1,349,752 |
| Additions                   | -        | -              | -         | -              | 1,095            | 25,335             | 1,100                  | -                | -                  | 27,530    |
| At 31 December 2014         | -        | 15,389         | 142,331   | 3,500          | 79,229           | 93,887             | 32,802                 | 26,205           | 973,925            | 1,377,282 |
| <b>Government grants</b>    |          |                |           |                |                  |                    |                        |                  |                    |           |
| At 1 January 2014           | -        | -              | -         | -              | 2,637            | -                  | -                      | -                | 255,301            | 257,938   |
| Transferred during the year | -        | -              | -         | -              | -                | -                  | -                      | -                | -                  | -         |
| At 31st December 2014       | -        | -              | -         | -              | 2,637            | -                  | -                      | -                | 255,301            | 257,938   |
| <b>Depreciation</b>         |          |                |           |                |                  |                    |                        |                  |                    |           |
| At 1 January 2014           | 10,014   | -              | 28,383    | 700            | 24,925           | 51,654             | 17,629                 | 26,205           | 307,702            | 467,212   |
| Charge for the year         | -        | 1,116          | 1,134     | 511            | 3,842            | 30,816             | 1,093                  | -                | 44,746             | 83,258    |
| At 31 December 2014         | 10,014   | 1,116          | 29,517    | 1,211          | 28,767           | 82,470             | 18,722                 | 26,205           | 352,448            | 550,470   |
| <b>Net book value</b>       |          |                |           |                |                  |                    |                        |                  |                    |           |
| At 31 December 2014         | (10,014) | 14,273         | 112,814   | 2,289          | 47,825           | 11,417             | 14,080                 | -                | 366,176            | 568,874   |

# PIETA LOCAL COUNCIL

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

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### 15. Trade and other receivables

|                                | 2015<br>€      | 2014<br>€     |
|--------------------------------|----------------|---------------|
| Trade receivables              | 8,115          | 7,352         |
| Prepayments and accrued income | 114,741        | 52,000        |
|                                | <u>122,856</u> | <u>59,352</u> |

Trade receivables are stated net of provision for bad debts of € 37,594. (2014: €37,594)

#### Receivables

General receivables are analysed as follows:

|                                         | 2015<br>€     | 2014<br>€     |
|-----------------------------------------|---------------|---------------|
| Within credit period                    | 8,114         | 4,802         |
| Exceeded credit period but not impaired | 37,594        | 38,368        |
|                                         | <u>45,708</u> | <u>43,170</u> |

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

### 16. Cash at bank and in hand

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

|               | 2015<br>€      | 2014<br>€      |
|---------------|----------------|----------------|
| Cash in hand  | 114            | 4              |
| Bank balances | 130,826        | 133,151        |
|               | <u>130,940</u> | <u>133,155</u> |

### 17. Borrowings

|                                                   | 2015<br>€  | 2014<br>€    |
|---------------------------------------------------|------------|--------------|
| <b>Falling due within one year:</b>               |            |              |
| Bank loan                                         | <u>807</u> | <u>6,166</u> |
| <b>Falling due in between two and five years:</b> |            |              |
| Bank loan                                         | -          | 816          |

*The loan interest rate applied is 4.75%, repayment of €530 on a monthly basis. The Council has a bank guarantee of €2,400.*

*Security: 1 First general hypothec, special hypothec and special privilege for (Loan) Lm 43,000. Latter two charges to embrace property named "Criss Cross" in Triq K.Mifsud Pieta'.*

*Security : 2 Houseowner and householders policy covering property being hypothecated for its replacement value.*

# PIETA LOCAL COUNCIL

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

### 18. Deferred income

|                                     | 2015<br>€      | 2014<br>€      |
|-------------------------------------|----------------|----------------|
| At beginning of the year            | 190,112        | 185,396        |
| Increase in period                  | 45,376         | 22,429         |
|                                     | <u>235,488</u> | <u>207,825</u> |
| Released in period                  | (43,568)       | 17,713         |
| At end of year                      | 191,920        | 190,112        |
| Current deferred income             | (25,392)       | (38,451)       |
| At 31 December 2015                 | <u>166,528</u> | <u>151,661</u> |
| <b>Deferred Government Grants</b>   |                |                |
| Deferred between one and two years  | 47,331         | 30,511         |
| Deferred between one and five years | 21,689         | 35,680         |
| Deferred in five years or more      | 97,508         | 85,470         |
|                                     | <u>166,528</u> | <u>151,661</u> |

### 19. Trade and other payables

|                                                              | 2015<br>€      | 2014<br>€      |
|--------------------------------------------------------------|----------------|----------------|
| Trade payables amounts falling due within more than one year | 60,688         | 89,126         |
| Trade payables due within one year                           | 182,188        | 144,687        |
| Other payables                                               | 7,060          | 7,060          |
| Indirect taxes and social security                           | 5,540          | 22,061         |
| Accruals                                                     | 19,308         | 21,906         |
| Deferred Govt income                                         | 25,392         | 38,451         |
| Other deferred income                                        | 1,756          | -              |
|                                                              | <u>241,244</u> | <u>234,165</u> |
|                                                              | <u>301,932</u> | <u>323,291</u> |

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

### 20. 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 Councils                | Significant control           |
| Central Joint Committee (Local Enforcement) | Joint Control                 |
| Gozo Regional Committee                     | No control                    |
| North Regional Committee                    | No control                    |
| South Eastern Regional Committee            | No control                    |
| Central Regional Committee                  | No control                    |
| Police General Head Quarters                | No control                    |
| Local Councils' Association                 | No control                    |
| Central Bank of Malta                       | No control                    |
| Malta Environment and Planning Authority    | No control                    |
| Malta Communications Authority              | No control                    |
| Water Services Corporation                  | No control                    |
| Enemalta Corporation                        | No control                    |
| Cleansing Services Department               | No control                    |
| Director General - Works Division           | No control                    |
| Department of Inland Revenue                | No control                    |
| Department of Lands                         | No control                    |
| Department of Information                   | No control                    |
| Department for Elderly and Community Care   | No control                    |
| Permanent Secretary - Ministry of Education | No control                    |
| Commissioner for Data Protection            | No control                    |
| Airmalta plc                                | No control                    |
| Bank of Valletta plc                        | No control                    |
| Wasteserv Malta Limited                     | No control                    |
| Malta Information Technology Agency         | No control                    |
| ARMS Ltd                                    | No control                    |
| Malta Sports Council                        | No control                    |
| Ministry of Finance                         | No control                    |

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

|                             | 2015    | 2014    |
|-----------------------------|---------|---------|
|                             | €       | €       |
| Annual Financial Allocation | 278,536 | 269,428 |

## Notes to the Financial Statements

for the year ended 31 December 2015

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### 21. Lease requirements

The Council has the following Rents Receivable:

|             |         |
|-------------|---------|
| - Boathouse | €44,873 |
|-------------|---------|

The Council has the following Rents Payable:

|                    |        |
|--------------------|--------|
| - Boathouse        | €8,716 |
| - Sa Maison Garden | € 466  |

### 22. Events after the reporting date

There were no particular important events affecting the company which occurred since the end of the reporting period.

### 23. Risk management objectives and policies

The council is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flows by minimising the exposure to financial risks.

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

#### *Credit Risk*

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The council exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows :

|                                                       | 2015<br>€ | 2014<br>€ |
|-------------------------------------------------------|-----------|-----------|
| <b>Classes of financial assets - carrying amounts</b> |           |           |
| Trade and other receivables                           | 122,856   | 59,352    |
| Cash and cash equivalents                             | 130,940   | 133,155   |

# PIETA LOCAL COUNCIL

## Notes to the Financial Statements

for the year ended 31 December 2015

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### *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 risks 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 €130,940. This should ensure an ongoing working capital of the Council for the next 12 months.

At 31 December 2015, the Council's financial liabilities have contractual maturities which are summarised below:

|                                    | Current<br>Within 1 Year<br>€ | Non-Current<br>1 to 5 Years<br>€ |
|------------------------------------|-------------------------------|----------------------------------|
| Payables                           | 189,248                       | 60,688                           |
| Indirect taxes and social security | 5,540                         |                                  |
| Accruals                           | 19,308                        |                                  |

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

|          | Current<br>Within 1 Year<br>€ | Non- Current<br>1 to 5 years<br>€ |
|----------|-------------------------------|-----------------------------------|
| Payables | 151,747                       | 89,126                            |
| Accruals | 21,906                        |                                   |

The council has the following Commitments:

|               |         |
|---------------|---------|
| Triq San Luqa | € 8,348 |
| Triq Qrejten  | € 4,736 |

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

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### *Foreign currency risk*

Most of the council's transactions are carried out in Euro. Exposure to currency exchange rates arises from the council's transactions in foreign currencies.

The company's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

### *Interest rate risk*

The council's exposure to interest rate risk is limited to the variable interest rates on borrowings.

## **24. Capital management policies and procedures**

The Council manages its capital to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2014.