

**SANTA LUCIA LOCAL COUNCIL**

**Report and Financial Statements**

**For the year ended 31 December 2015**

*Prepared by: Ms Josianne Debono CPA  
Obo Dconsulta Ltd.*

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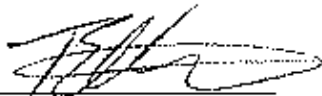
## SANTA LUCIA LOCAL COUNCIL

### STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES For the year ended 31 December 2015

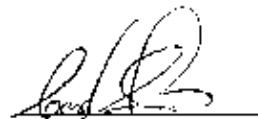
The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations 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.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations 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 Executive Secretary is also responsible to provide 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,

This statement was approved by the Council on 18 April 2016 and signed on its behalf by:



Mr Terrence Ellul  
Mayor



Ms Caroline Silvio  
Executive Secretary

**SANTA LUCIA LOCAL COUNCIL**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2015**

	Notes	Year Ended 2015 €	Year Ended 2014 €
<b>Income</b>			
Funds received from Central Government	4	335,775	337,663
Income from Local Enforcement System	5	3,386	41,078
General income	6	12,757	6,590
		<u>351,918</u>	<u>385,331</u>
<b>Expenditure</b>			
Personal emoluments	7	93,196	90,527
Operations and maintenance	8	136,621	139,765
Administrative and other expenditure	9	114,231	134,142
		<u>344,048</u>	<u>364,434</u>
<b>Operating Surplus for the year</b>		<b>7,870</b>	<b>20,897</b>
Investment income	10	168	779
Finance Costs	10	(651)	(720)
		<u>(483)</u>	<u>59</u>
<b>Surplus for the year</b>	3	<b>7,387</b>	<b>20,956</b>
<b>Total comprehensive income</b>		<b>7,387</b>	<b>20,956</b>

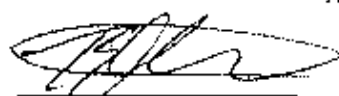
*The notes on pages 6 to 26 form an integral part of these financial statements*

# SANTA LUCIA LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION As at 31 December 2015

	Notes	Year Ended 2015 €	Year Ended 2014 €
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	11	579,566	493,859
Deferred expenditure		10,421	10,421
		<u>589,987</u>	<u>504,280</u>
<i>Current Assets</i>			
Inventories	12	4,651	4,651
Trade and other receivables	13	76,712	56,889
Cash and cash equivalents	14	50,870	59,052
		<u>132,233</u>	<u>120,592</u>
<b>Total assets</b>		<u>722,220</u>	<u>624,872</u>
<b>Reserves and liabilities</b>			
<i>Reserves</i>			
Retained funds		352,276	344,889
<i>Non-current liabilities</i>			
Long-term borrowings	15	13,633	15,156
Deferred income	16	137,154	139,627
Trade and other payables	17	98,878	52,279
		<u>249,665</u>	<u>207,062</u>
<i>Current liabilities</i>			
Short-term borrowings	15	1,982	1,865
Trade and other payables	17	118,297	71,056
		<u>120,279</u>	<u>72,921</u>
<b>Total liabilities</b>		<u>369,944</u>	<u>279,983</u>
<b>Total reserves and liabilities</b>		<u>722,220</u>	<u>624,872</u>

The financial statements were approved by the Council on 18 April 2016 and signed on its behalf by:



Mr Terrence Ellul  
Mayor



Ms Caroline Silvio  
Executive Secretary

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# SANTA LUCIJA LOCAL COUNCIL

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds €	Total Funds €
<b>At 1 January 2014</b>	323,933	323,933
Surplus for the year	20,956	20,956
Total comprehensive income	20,956	20,956
<b>At 31 December 2014</b>	<b>344,889</b>	<b>344,889</b>
<b>At 1 January 2015</b>	344,889	344,889
Surplus for the year	7,387	7,387
Total comprehensive income	7,387	7,387
<b>At 31 December 2015</b>	<b>352,276</b>	<b>352,276</b>
Equity Interest	352,276	352,276

*The notes on pages 6 to 26 form an integral part of these financial statements.*

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CASH FLOWS  
For the year ended 31 December 2015

	Notes	2015 €	2014 €
<b>Cash flows from operating activities</b>			
Surplus for the year		7,387	20,956
<i>Adjustments for:</i>			
Depreciation		50,363	46,462
Provision for bad debts		(140)	38,015
Interest payable		651	720
Grants Released		(17,975)	(11,733)
Interest receivable		(168)	(779)
Operating Surplus before working capital changes		40,118	93,641
<i>Movements in working capital:</i>			
Movement in trade and other receivables		(19,823)	(43,712)
Movement in trade and other payables		85,918	(54,357)
<b>Net cash flows from operating activities</b>		106,213	(4,428)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(136,070)	(45,706)
Interest received		216	866
Interest paid		(651)	(720)
<b>Net cash flows from investing activities</b>		(136,505)	(45,560)
<b>Cash flows from financing activities</b>			
Grants received		23,607	20,000
Bank loan repayment		(1,497)	(1,429)
<b>Net cash flows from financing activities</b>		22,110	18,571
<b>Net movement in cash and cash equivalents</b>		(8,182)	(31,417)
Cash and cash equivalents at beginning of year		59,052	90,469
<b>Cash and equivalents at end of year</b>	14	50,870	59,052

*The notes on pages 6 to 26 form an integral part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**1. General Information**

The Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Trejjet il Girasol, Santa Lucija SL/C 1050, Malta. These financial statements were approved for issue by the Council Member on 13 April 2016. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

**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, 1993 (Chap. 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, 1993 (Cap 363).

***Standards, amendments and interpretations that are not yet effective***

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 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.

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**2. Accounting Policies and Reporting Procedures - continued**

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

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Local Council is considering the implications of these standards and their impact on the Council's financial results and position.

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 Local Council.

***Property, plant and equipment***

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. Accounting Policies and Reporting Procedures - continued

*Property, plant and equipment - continued*

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

*Impairment of property, plant and equipment*

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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, 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 profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. Accounting Policies and Reporting Procedures - continued

*Impairment of financial assets other than inventories*

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events: significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner 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 in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Accounting Policies and Reporting Procedures - continued

#### *Cash and cash equivalents*

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

#### *Receivables*

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### *Related Parties*

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 - 'Related Party Disclosure.'

#### *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.

#### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in statement of comprehensive income on a systematic basis over the years in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 2. Accounting Policies and Reporting Procedures - continued

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

#### *Financial instruments*

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

#### *Financial assets*

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

#### *Loans and receivables*

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 company's trade receivables and cash and cash equivalents fall into this category of financial instruments.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

**2. Accounting Policies and Reporting Procedures - continued**

*Financial instruments - continued*

*Financial liabilities*

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

*Foreign currencies*

*Functional and presentation currency*

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. 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 year, 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.

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. Accounting Policies and Reporting Procedures - continued

*Payables*

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

*Judgements in applying accounting policies and key sources of estimating uncertainty*

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in Note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

*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.

# SANTA LUCIA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 3. Surplus for the year

*Surplus for the year is stated after charging:*

	2015	2014
	€	€
Personnel Emoluments (Note 7)	93,196	90,527
Depreciation on property, plant and equipment (Note 11)	50,363	46,462

### 4. Funds Received from Central Government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act, 1993	306,131	295,940
Other supplementary government income	29,644	41,723
	<u>335,775</u>	<u>337,663</u>

### 5. Income raised under Local Enforcement System

	2015	2014
	€	€
Contraventions - note (i)	3,386	41,078
	<u>3,386</u>	<u>41,078</u>

(i) In accordance with the Local 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, up to the 31 August 2011, was based on cash received from the Joint Committee.
- As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Região Nofsinhar'. The Council's income from the Local Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:
  - a) Receipts of funds from the Joint Committee up to the 31 August 2011;
  - b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.



**SANTA LUCIA LOCAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

**6. General Income**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
Community services	300	40
Permits	1,025	621
Contributions	4,183	2,399
Other General income	5,999	2,328
Document charges	1,250	1,202
	<b>12,757</b>	<b>6,590</b>

**7. Personnel Emoluments**

	<b>2015</b>	<b>2014</b>
	<b>€</b>	<b>€</b>
<i>Personnel emoluments include:</i>		
Mayor's Honoraria	5,337	6,868
Council Members' Allowance	8,124	6,400
Executive Secretary's Salary	27,875	26,689
Employees' Salaries	46,154	44,978
Social Security Contributions	5,706	5,592
	<b>93,196</b>	<b>90,527</b>

SANTA LUCIA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. Operations and Maintenance

	2015	2014
	€	€
<i>Operations and maintenance includes:</i>		
<b>Repairs and Upkeep</b>		
Road and Street Pavements	6,077	500
Road Markings & signs	1,318	3,203
Other Repairs & Upkeep	19,605	19,240
Council Property	4,167	1,402
	<u>31,167</u>	<u>24,345</u>
<b>Contractual Services</b>		
Waste Disposal	17,106	16,776
Refuse Collection	23,527	28,737
Bulky Refuse Collection	3,847	4,412
Open Skips	295	826
Road and Street Cleaning	13,490	13,082
Cleaning and Maintenance – Parks and Gardens	25,088	24,755
Cleaning and Maintenance – Public Conveniences	4,553	7,617
Cleaning Council Premises	4,078	3,808
Street Lighting	6,565	8,596
Other Contractual Service	6,905	6,811
	<u>105,454</u>	<u>115,420</u>
<b>Total Operations and Maintenance</b>	<u>136,621</u>	<u>139,765</u>

# SANTA LUCIJA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 9. Administrative and Other Expenses

	2015	2014
	€	€
Utilities	7,285	6,832
Operating Materials & Supplies	3,857	3,050
Uniforms	86	110
National and International memberships	301	380
Conference and participation expenses	1,855	716
Office Services	6,203	10,557
Transport expenses	2,012	2,270
Training expenses	1,150	-
Travelling expenses	681	1,454
Insurance Coverage	2,874	2,078
Bank Charges	143	170
Information services	5,852	341
Library expenses	1,445	-
Professional services	9,527	8,357
ICT expenses	2,896	2,467
Community Services and Social Events	10,166	5,467
Sundry Minor Expenses	484	76
Rent	7,191	5,340
Provision for doubtful debts	(140)	38,015
Depreciation	50,363	46,462
	<u>114,231</u>	<u>134,142</u>

### 10. Finance Income and cost

#### 10.1 Investment Income

	2015	2014
	€	€
Bank interest receivable	<u>168</u>	<u>779</u>

#### 10.2 Finance Cost

	2015	2014
	€	€
Loan interest paid	<u>651</u>	<u>720</u>

**SANTA LUCIJA LOCAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

**11. Property, plant and equipment**

Cost	Council Premises €	Construction Works & Special Programmes €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Office & Computer Equipment €	Plant & machinery €	Street Paving €	Assets under Construction €	Total €
At 1 January 2015	31,447	686,660	33,457	19,722	92,303	32,729	19,806	121,395	12,000	1,049,519
Additions	-	128,215	1,503	-	-	2,573	3,779	-	-	136,070
Transfer from assets under construction	-	12,000	-	-	-	-	-	-	(12,000)	-
At 31 December 2015	31,447	826,875	34,960	19,722	92,303	35,302	23,585	121,395	-	1,185,589
<b>Government Grants</b>										
At 1 January & 31 December 2015	-	104,182	-	-	-	-	-	-	-	104,182
<b>Depreciation</b>										
At 1 January 2015	2,350	239,863	18,206	19,722	53,986	21,853	13,724	81,774	-	451,478
Charge for the year	290	38,480	1,152	-	3,019	2,134	1,503	3,785	-	50,363
At 31 December 2015	2,640	278,343	19,358	19,722	57,005	23,987	15,227	85,559	-	501,841
<b>N.B. V. at 31 December 2015</b>	<b>28,807</b>	<b>444,350</b>	<b>15,602</b>	<b>-</b>	<b>35,298</b>	<b>11,315</b>	<b>8,358</b>	<b>35,836</b>	<b>-</b>	<b>579,566</b>

# SANTA LUCIA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

### 11. Property, plant and equipment - continued

Cost	Construction Works & Special Programmes	Office Furniture & Fittings	New Street Signs	Urban Improvements	Office & Computer Equipment	Plant & machinery	Street Paving	Assets under Construction	Total
€	€	€	€	€	€	€	€	€	€
At 1 January 2014	31,447	661,901	32,238	19,722	90,824	26,840	19,446	121,395	- 1,003,813
Additions	-	24,759	1,219	-	1,479	5,889	360	- 12,000	45,706
At 31 December 2014	31,447	686,660	33,457	19,722	92,303	32,729	19,806	121,395	1,049,519
Government Grants									
At 1 January & 31 December 2014	-	104,182	-	-	-	-	-	-	104,182
Depreciation									
At 1 January 2014	2,057	205,165	17,064	19,722	50,706	20,310	12,403	77,589	- 405,016
Charge for the year	293	34,698	1,142	-	3,280	1,543	1,321	4,185	- 46,462
At 31 December 2014	2,350	239,863	18,206	19,722	53,986	21,853	13,724	81,774	- 451,478
N.B.V. at 31 December 2014	29,097	342,615	15,251	-	38,317	10,876	6,082	39,621	12,000 493,859

## SANTA LUCIA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

#### 12. Inventories

Inventories consist of books and souvenirs held by the council at the end of the year.

#### 13. Trade and Other Receivables

	2015	2014
	€	€
<b>Falling due within One Year</b>		
LES and trade receivables (i)	81,295	81,005
Provision for doubtful debts	(73,508)	(73,648)
	<u>7,787</u>	<u>22</u>
Other receivables	116	116
Prepayments	507	1,748
Accrued income	<u>68,302</u>	<u>47,668</u>
	<u><b>76,712</b></u>	<u><b>56,889</b></u>

- (i) LES debtors amount to €71,408. As these are all older than 2 years, the full amount has been provided for. Trade receivables are net of a provision for doubtful debts amounting to €2,100 for an amount due from Green MT.

#### 14. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of financial position:

	2015	2014
	€	€
Petty cash	1	79
Bank balances - Current accounts	869	8,973
Bank balances - Term deposits	<u>50,000</u>	<u>50,000</u>
	<u><b>50,870</b></u>	<u><b>59,052</b></u>

# SANTA LUCIJA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 15. Borrowings

The Council has a loan facility of €26,290 with APS Bank Limited in connection with the purchase of property used to house the administrative offices of the Council. This is repayable in monthly instalments of €179 over a period of 20 years and bears interest at the rate of 1.75% over the base.

The facility is secured by:

- (a) First General Hypothec over the Council's assets;
- (b) Guarantee issued by the Housing Authority for €25,157;
- (c) Contractual obligation to register in favour of the Bank a First Special Hypothec and Special Privilege over shop numbers 5,6 & 8 in Binja Faqqani, Trejjet il-Girasol, Santa Lucija;
- (d) Pledge over insurance policy covering the property and over a Term Deposit.

	2015	2014
	€	€
Amounts falling due within one year	1,982	1,865
<b>Short-term borrowings</b>	<b>1,982</b>	<b>1,865</b>
Amounts falling due between 1 and 2 years	3,816	2,411
Amounts falling due between 2 and 5 years	4,090	5,384
Amounts falling due after 5 years	5,727	7,361
<b>Long-term borrowings</b>	<b>13,633</b>	<b>15,156</b>
<b>Total borrowings</b>	<b>15,524</b>	<b>17,021</b>

### 16. Deferred Income

	2015	2014
	€	€
Balance at the beginning of the year	158,660	150,393
Grant Received during the year	23,607	20,000
Released to income	(17,975)	(11,733)
Balance at the end of the year	164,292	158,660
<b>Current Deferred Income due within one year (note 17)</b>	<b>(27,138)</b>	<b>(19,033)</b>
<b>Non- Current Deferred Income due after more than one year</b>	<b>137,154</b>	<b>139,627</b>

*Non- current deferred income is analysed as follows:*

Amount to be released between 1 and 2 years	13,904	9,504
Amount to be released between 2 and 5 years	33,738	23,180
Amount to be released after 5 years	89,512	106,943
	<b>137,154</b>	<b>139,627</b>

# SANTA LUCIJA LOCAL COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 16. Deferred Income – continued

Deferred income represents grant agreements entered into under the Urban Improvements Fund (UIF), Alternative Energy LC scheme and the Public Private Partnership (PPP) scheme up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the assets in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

### 17. Trade and Other Payables

	2015	2014
	€	€
<i>Amounts falling due within one Year:</i>		
Trade payables	20,632	9,241
Accruals for capital creditors (i)	37,530	14,331
Accruals	32,997	28,451
Deferred Income (note 16)	27,138	19,033
	<u>118,297</u>	<u>71,056</u>
<i>Amounts falling due after more than one year:</i>		
Long term capital creditors (ii)	<u>98,878</u>	<u>52,279</u>

- (i) Short-term accrual for capital creditor represents the amount payable to contractors for resurfacing works carried out at Triq Inez Soler, Triq Gulietta Lopez and Triq il-Gnien under the PPP scheme.
- (ii) Other amounts due relating to the project mentioned in (i) above which was completed during 2015 amounted to €82,086 which are payable over a period of seven (8) years and this amount is disclosed under Long Term payables.



## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

#### 18. Capital commitments

	2015	2014
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Approved but not yet contracted for	-	-
(ii) Contracted for and provided in the financial statements (see note below)	140,215	-
(iii) Contracted for but not provided in the financial statements (see note below)	-	83,326

(ii) The amounts contracted for and provided in financial statements related to commitments for road resurfacing works carried out in Triq il-Gnien. These works form part of the PPP programme to be repayable over a period of nine (9) years and have been completed during 2015.

(iii) No amounts have been contracted for and not provided in 2015 financial statements. Comparative amount relates to commitments as at 31 December 2014 for road resurfacing works to be carried out on Triq il-Gnien (€83,326) – also forming part of the PPP programme to be repayable over a period of nine (9) years.

#### 19. Contingent liabilities

As at 31 December 2015, the end of the reporting year, Santa Lucija Local council has no pending court cases and/or litigation which might result in a future contingent liability

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

#### 20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Santa Lucija Local council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Council carried out the following significant transactions with its related parties having significant control.

Name of Entity	2015	2014
	€	€
Department of Local Government – Annual Financial Allocation	<u>306,131</u>	<u>295,940</u>

#### 21. Financial Risk Management

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

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

#### 21. Financial Risk Management - continued

##### *Liquidity risk*

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

2015				
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Bank borrowings	1,074	1,074	8,592	5,869
	<hr/>	<hr/>	<hr/>	<hr/>
2014				
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Bank borrowings	1,074	1,074	8,592	7,596
	<hr/>	<hr/>	<hr/>	<hr/>

##### *Interest Rate risk*

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

##### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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.

## SANTA LUCIJA LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

#### 21. Financial Risk Management - continued

##### *Capital management*

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

#### 22. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements – 18 April 2016, by the council members.

# SANTA LUCIA LOCAL COUNCIL

## BUDGET TO ACTUAL COMPARISON FOR THE YEAR

	Budget	Actual	Variance
	2015	2015	Bud-Act
	€	€	€
<b>Income</b>			
Funds received from Central Government	360,314	335,775	(24,539)
Income raised under Council Bye-Laws	1,100	-	(1,100)
Income from Local Enforcement System	4,800	3,386	(1,414)
Investment Income	700	168	(532)
General Income	6,700	12,757	6,057
<b>Total Income</b>	<b>373,614</b>	<b>352,086</b>	<b>(21,528)</b>
<b>Expenditures</b>			
<i>Personal emoluments</i>	<b>92,488</b>	<b>93,196</b>	<b>(708)</b>
<i>Operations and maintenance:</i>			
Repairs and Upkeep	27,700	31,167	(3,467)
Waste Disposal	15,788	17,106	(1,318)
Refuse Collection	31,000	23,527	7,473
Bulky Refuse Collection	3,000	3,847	(847)
Open Skips	-	295	(295)
Bins on Wheels	1,000	-	1,000
Road & Street Cleaning	17,000	13,490	3,510
Cleaning and Maintenance - Parks and Gardens	25,000	25,088	(88)
Cleaning and Maintenance - Public Conveniences	10,000	4,553	5,447
Cleaning Council Premises	3,500	4,078	(578)
Street Lighting	-	6,565	(6,565)
Other Contractual Service	10,000	6,905	3,095
<b>Total Operations and maintenance</b>	<b>143,988</b>	<b>136,621</b>	<b>7,367</b>

# SANTA LUCIA LOCAL COUNCIL

## BUDGET TO ACTUAL COMPARISON FOR THE YEAR

	Budget	Actual	Variance
	2015	2015	Bud-Act
	€	€	€
<i>Administrative expenses:</i>			
Utilities	6,700	7,285	(585)
Operating Materials & Supplies	4,000	3,857	143
Office Hospitality	3,500	-	3,500
Uniforms	-	86	(86)
National and International memberships	1,000	301	699
Conference and participation expenses	-	1,855	(1,855)
Office Services	7,600	6,203	1,397
Transport expenses	2,000	2,012	(12)
Training expenses	1,100	1,150	(50)
Travelling expenses	3,500	681	2,819
Insurance Coverage	3,000	2,874	126
Bank Charges	150	143	7
Information services	3,500	5,852	(2,352)
Librarian expenses	-	1,445	(1,445)
Professional services	8,700	9,527	(827)
ICF expenses	6,500	2,896	3,604
Incidental Expenses	100	484	(384)
Rent	6,482	7,191	(709)
Community	2,500	10,166	(7,666)
Lease of equipment	1,000	-	1,000
Depreciation	56,061	50,363	5,698
Provision for doubtful debts	-	(140)	(140)
Total Administrative expenses	<b>117,393</b>	<b>114,231</b>	<b>2,882</b>
Finance costs	<b>700</b>	<b>651</b>	<b>49</b>
<b>Total budgeted surplus / Variance of the year</b>	<b>19,045</b>	<b>7,387</b>	<b>(11,658)</b>

# SANTA LUCIA LOCAL COUNCIL

## BUDGET TO ACTUAL COMPARISON FOR THE YEAR

	Budget	Actual	Variance
	2015	2015	Bud Act
	€	€	€
<i>Capital Expenditure</i>			
Construction	83,362	128,215	(44,853)
Furniture & Fittings	-	1,503	(1,503)
Plant & Machinery	-	3,779	(3,779)
Office & Computer Equipment	-	2,573	(2,573)
<b>Total Capital Expenditure/Variance for the year</b>	<b>83,362</b>	<b>136,070</b>	<b>(52,708)</b>

## **SANTA LUCIJA LOCAL COUNCIL**

### **REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SANTA LUCIJA LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**

We have audited the accompanying financial statements of Santa Lucija Local Council, which comprise the Statement of Financial Position as at 31 December 2015, and the Statement of Profit or Loss and Other 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 1, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.



## **SANTA LUCIJA LOCAL COUNCIL**

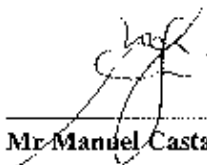
### **REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SANTA LUCIJA LOCAL COUNCIL TO THE DIRECTOR OF AUDIT - Continued**

#### **Opinion**

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

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements comply with the Local Councils Act, the Financial Regulations issued in terms of this act and the Local Councils (Financial) Procedures.

  
\_\_\_\_\_  
**Mr. Manuel Castagna**

For and on behalf of  
**Nexia BT**  
**Certified Public Accountants**

**The Penthouse, Suite 2**  
**Capital Business Centre, Entrance C**  
**Triq taz-Zwejt**  
**San Gwann SGN 3000**  
**Malta**

**Date: 18 April 2016**