

# **Siggiewi Local Council**

Report and Financial Statements

for the year ended 31 December 2015

Prepared by:

**GMM & Associates (Malta) Limited**

**Table of Contents**

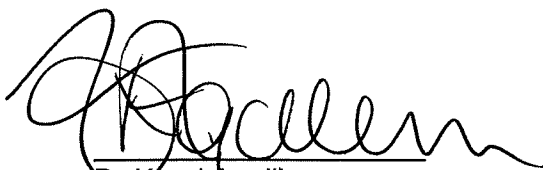
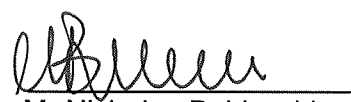
<b>Section</b>	<b>Page</b>
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Local Government Auditor to the Auditor General	4-5
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015	6
Statement of Financial Position as at 31 December 2015	7
Statement of Changes in Equity for the year ended 31 December 2015	8
Statement of Cash Flows for the year ended 31 December 2015	9
Notes to the Financial Statements for the year ended 31 December 2015	10-27

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

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

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

This statement was approved by the Council on 2nd of May 2016 and signed on its behalf by:

  
Dr Karol Aquilina  
Mayor  
Mr Nicholas Baldacchino  
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 Siggiewi 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 3, 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 auditors' 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.

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

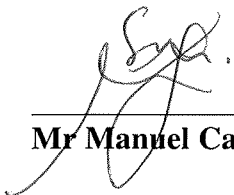
**Report of the Local Government Auditor to the Auditor General – Continued**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Siggiewi 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 do not fully comply with the Local Councils Act, the Financial Regulations issued in terms of this act and the Local Councils (Financial) Procedures, as they exclude the budgeted figures for the year and the depreciation is not calculated on a monthly basis.



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**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: 2 May 2016**

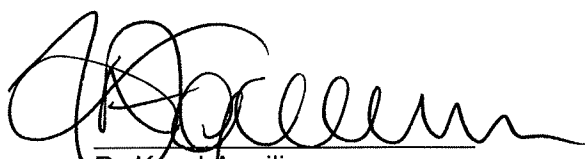
**Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2015**

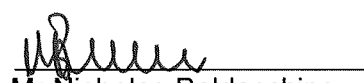
		2015	2014
	Notes		
		Euro	Euro
<b>Income</b>			
Funds received from central government	4	778,692	755,304
Income raised under Local Council Bye-Laws	5	18,537	11,021
Income raised under Local Enforcement System	6	10,442	13,625
Investment Income	7	154	383
General Income	8	11,466	13,847
		<u>819,291</u>	<u>794,180</u>
 <b>Expenditure</b>			
Personal emoluments	9	117,005	105,892
Operations and maintenance	10	403,853	349,098
Administration and other expenditure	11	311,288	280,419
		<u>(832,146)</u>	<u>(735,409)</u>
 <b>(Deficit) / Surplus for the year</b>		<u>(12,855)</u>	<u>58,771</u>
<b>Total Comprehensive (Loss) / Income</b>		<u><u>(12,855)</u></u>	<u><u>58,771</u></u>

**Statement of Financial Position  
as at 31 December 2015**

	Notes	2015 Euro	2014 (restated) Euro
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	12	<u>2,075,042</u>	<u>1,796,330</u>
<b>Current Assets</b>			
Receivables	13	64,616	69,692
Cash and Cash Equivalents	14	<u>93,079</u>	<u>201,575</u>
		<u>157,695</u>	<u>271,267</u>
<b>Total assets</b>		<u><u>2,232,737</u></u>	<u><u>2,067,597</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Funds		<u>1,439,678</u>	<u>1,452,533</u>
<b>Non-current Liabilities</b>			
Trade payables	15	36,553	35,906
Deferred Income	15	<u>608,141</u>	<u>424,166</u>
		<u>644,694</u>	<u>460,072</u>
<b>Current Liabilities</b>			
Payables	15	<u>148,365</u>	<u>154,992</u>
<b>Total reserves and liabilities</b>		<u><u>2,232,737</u></u>	<u><u>2,067,597</u></u>

The financial statements were approved by the Council on the 2<sup>nd</sup> of May 2016 and were signed on its behalf by:

  
Dr Karol Aquilina  
Mayor

  
Mr Nicholas Baldacchino  
Executive Secretary

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

	<b>Notes</b>	<b>Retained Funds</b>
		<b>Euro</b>
<b>Balance at 31 December 2013</b>		1,393,762
Surplus for the year		<u>58,771</u>
Total Comprehensive Income		<u>58,771</u>
<b>Balance at 31 December 2014 as restated</b>		<u>1,452,533</u>
<b>Balance at 31 December 2014 as previously stated</b>		1,362,347
Prior year adjustment	<b>3</b>	<u>90,186</u>
<b>Balance at 1 January 2015</b>		1,452,533
Deficit for the year		<u>(12,855)</u>
Total Comprehensive Loss		<u>(12,855)</u>
<b>Balance at 31 December 2015</b>		<u>1,439,678</u>



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

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>Note</b>		
<b>Cash flow from operating activities</b>		
(Deficit) / Surplus for the year	(12,855)	58,771
Adjustments for:		
Depreciation	103,993	118,467
Interest receivable	(154)	(383)
	<u>90,984</u>	<u>176,855</u>
Movement in payables	(9,294)	9,415
Movement in receivables	<u>8,389</u>	<u>22,359</u>
Cash generated from operations	<u>90,079</u>	<u>208,629</u>
<i>Net cash from operating activities</i>	<u>90,079</u>	<u>208,629</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(382,705)	(332,223)
Interest received	<u>154</u>	<u>383</u>
<i>Net cash used in investing activities</i>	<u>(382,551)</u>	<u>(331,840)</u>
<b>Cash flows from financing activities</b>		
Movement in long-term payables	<u>183,976</u>	<u>211,761</u>
<i>Net cash from financing activities</i>	<u>183,976</u>	<u>211,761</u>
<b>Net (Decrease)/ Increase in cash and cash equivalents</b>	<u>(108,496)</u>	<u>88,550</u>
Cash and cash equivalents at beginning of year	<u>201,575</u>	<u>113,025</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>93,079</u></u>	<u><u>201,575</u></u>

14

**Notes to the Financial Statements  
for the year ended 31 December 2015****1. General Information**

The Siggiewi Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Siggiewi Civic Centre - 18, Pjazza San Nikola, Siggiewi. The Local Council's presentation as well as the functional currency are denominated in €. The financial statements were authorised for issue by the Council on the 22<sup>nd</sup> of February 2016.

**2. 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 have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in Conjunction with the Minister Responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363).

These financial Statements are prepared under the historical cost Convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the local councils act (Cap 363), the Financial Regulations issued in terms of this act and the Local councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the international reporting standards.

**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**

.....continued

**2. 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.

**3. Accounting policies****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.

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. However as from 1st October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

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

.....continued

**3. Accounting policies - Continued**

**Property, plant and equipment**

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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 the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a yearly 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:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

**Related Parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

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

.....continued

**3. Accounting policies - Continued****Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

**Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, 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 as 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. The amount of the provision is recognised in the Statement of Income and Expenditure.

**Payables and borrowings**

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

**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.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

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

.....continued

**3. Accounting policies - Continued****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 the Statement of Comprehensive Income on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate, in line with the Office Local Council Department based on IAS 20.

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 the Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

**Foreign currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro which is the Council's functional and present currency.

**Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

**Cash and cash equivalents**

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

**Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

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

.....continued

**3. Accounting policies - Continued****Capital management policies and procedures.**

The council's Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective is to ensure the council's ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**Financial Instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

***Financial assets***

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

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

**Financial liabilities**

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest-related charges are included within 'finance costs'.

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

.....continued

**Prior Year Adjustment**

The comparative Statement of Financial Position and Statement of Changes in Equity were restated to correct the omission of the reversal of accruals amounting to €90,186. As at 31 December 2014, the Local Council recognised accruals of €90,186 for uncertified work by Steel Structures Co Ltd which were brought forward from 2013. In 2015, the Council confirmed with Steel Structures Co Ltd that they did not have any pending invoices and hence, the reversal of the accrual from 2013.

During the year a prior year adjustment was included to correct the above, and the effects have been described below:

Effect on 2014:

	<b>As previously stated</b>	<b>Movement</b>	<b>As restated</b>
Retained Funds	€1,362,347	€90,186	€1,452,533
Accruals	€90,186	(€90,186)	€ Nil



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

.....continued

	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>4. Funds received from central government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	725,932	702,124
Supplementary Government Income	<u>52,760</u>	<u>53,180</u>
	<u>778,692</u>	<u>755,304</u>
	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>5. Income raised from Bye-Laws</b>		
Income raised under Local Council Bye-Laws	<u>18,537</u>	<u>11,021</u>
	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>6. Local Enforcement Income</b>		
Regional Committees	<u>10,442</u>	<u>13,625</u>
	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>7. Investment Income</b>		
Bank interest	<u>154</u>	<u>383</u>
	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>8. General Income</b>		
Income from other activities	6,152	11,816
Income from tender documents	1,950	1,050
Contributions	<u>3,364</u>	<u>980</u>
	<u>11,466</u>	<u>13,846</u>

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

.....continued

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>9. Personal Emoluments</b>		
Mayor's allowance	12,173	11,902
Executive Secretary salary	30,343	29,440
Employees' wages and salaries	60,886	48,898
Councillors' allowances	7,200	7,800
Social Security Contributions	6,403	7,852
	<u>117,005</u>	<u>105,892</u>

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>10. Operations and Maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	70,817	65,156
Walkways	38,340	33,976
Street signs	13,952	10,739
	<u>123,109</u>	<u>109,872</u>

<b>Contractual services:</b>		
Refuse collection (including bins on wheels)	50,912	58,429
Bulky refuse collection (including open skips)	65,513	34,135
Road and Street Cleaning (mechanical and manual)	49,397	35,559
Cleaning and Maintenance of Non-Urban Roads	49,158	46,813
Cleaning and Maintenance of Public Conveniences	6,784	7,213
Cleaning and Maintenance of Parks and Gardens	31,403	33,314
Cleaning and Maintenance of Beaches & Catchment Areas	1,115	850
Street Lighting	16,589	20,546
Local Enforcement Expenses	9,873	2,368
	<u>280,744</u>	<u>239,226</u>
	<u>403,853</u>	<u>349,098</u>

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

.....continued

	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>11. Administration and other expenditure</b>		
Utilities	12,933	13,503
Other repairs and upkeep	13,228	24,742
Rent	3,320	5,675
National and International Memberships	82	35
Office Services	30,978	7,996
Transport	5,786	2,622
Information Services	11,133	6,383
Other contractual services	9,907	11,320
Professional services	48,365	31,278
Community and hospitality	389	17,413
Social events	6,872	10,613
Cultural events	60,370	28,213
Increase in Provision for Bad Debts	3,932	2,159
Depreciation	103,993	118,467
	<u>311,288</u>	<u>280,419</u>

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

.....continued

**12a. Property, Plant and Equipment**

<b>Cost</b>	<b>Council Premises Euro</b>	<b>Office Furniture Euro</b>	<b>New Street Signs Euro</b>	<b>Office Equipment Euro</b>	<b>Urban Improvements Euro</b>	<b>Special Prg. Re-surf Euro</b>	<b>Total Euro</b>
As at 1 January 2015	511,030	4,693	25,283	29,814	636,595	2,748,242	3,955,657
Additions	21,897	1,860	-	5,979	345,151	7,818	382,705
As at 31 December 2015	532,927	6,553	25,283	35,793	981,746	2,756,060	4,338,362
<b>Grants and Other Reimbursements</b>							
As at 1 January 2015	-	-	-	-	-	(591,618)	(591,618)
Additions	-	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	-	(591,618)	(591,618)
<b>Depreciation</b>							
As at 1 January 2015	4,976	982	25,283	18,982	75,671	1,441,815	1,567,709
Charge for the year	4,775	417	-	2,992	17,756	78,053	103,993
Disposals							
As at 31 December 2015	9,751	1,399	25,283	21,974	93,427	1,519,868	1,671,702
<b>Net Book Value</b>							
As at 31 December 2015	523,176	5,154	-	13,819	888,319	644,574	2,075,042

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

.....continued

**12b. Property, Plant and Equipment**

<b>Cost</b>	<b>Council Premises</b>	<b>Office Furniture</b>	<b>New Street Signs</b>	<b>Office Equipment</b>	<b>Urban Improvements</b>	<b>Special Prg. Re-surf</b>	<b>Total</b>
As at 1 January 2014	511,030	3,446	25,283	26,199	358,354	2,699,122	3,623,434
Additions	-	1,247	-	3,615	278,241	49,120	332,223
Disposals							
As at 31 December 2014	511,030	4,693	25,283	29,814	636,595	2,748,242	3,955,657
<b>Grants and Other Reimbursements</b>							
As at 1 January 2014	-	-	-	-	-	(591,618)	(591,618)
Additions	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	-	(591,618)	(591,618)
<b>Depreciation</b>							
As at 1 January 2014	-	682	25,283	15,016	62,183	1,346,079	1,449,243
Charge for the year	4,976	300	-	3,966	13,489	95,736	118,467
Disposals	-	-	-	-	-	-	-
As at 31 December 2014	4,976	982	25,283	18,982	75,671	1,441,815	1,567,709
<b>Net Book Value</b>							
As at 31 December 2014	506,054	3,711	-	10,832	560,923	714,809	1,796,330

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

.....continued

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>13a. Receivables</b>		
Trade receivables	31,638	34,108
Provision for doubtful debts	(1,560)	(1,560)
LES	59,076	55,144
LES Provision	(59,076)	(55,144)
Other receivables	8,269	9,433
Prepayments	768	2,428
Accrued income	24,998	24,866
Accruals with positive balance	-	-
Advance payments to suppliers	503	417
	<u>64,616</u>	<u>69,692</u>

**13b. Receivables**

**Trade Receivables are analysed as follows:**

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Within Credit Period	1,473	5,725
Exceeded Credit Period	30,165	28,383
Provision for Doubtful Debts	(1,560)	(1,560)
	<u>30,078</u>	<u>32,548</u>

**14. Cash and Cash Equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Cash at bank	111,710	246,393
Bank balances overdrawn	(18,631)	(44,818)
Cash and cash equivalents at year-end	<u>93,079</u>	<u>201,575</u>

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

.....continued

	2015 Euro	2014 (restated) Euro
<b>15. Payables</b>		
<b><i>Current Liabilities</i></b>		
Trade payables	87,854	119,868
Accruals	17,607	-
Debtor negative balance	-	28
Deferred income	42,903	35,096
	<u>148,365</u>	<u>154,992</u>
<b><i>Non-Current Liabilities</i></b>		
Deferred Income	608,141	424,166
Trade Payables	36,553	35,906
<b>Total Payables</b>	<u>644,694</u>	<u>460,072</u>
<b><i>Deferred Income</i></b>	<b>Euro</b>	<b>Euro</b>
Balance at the beginning of the year	459,262	200,171
Increase	211,564	280,376
Released to Income	(19,782)	(21,285)
Balance at the end of the year	<u>651,044</u>	<u>459,262</u>
Short-Term Deferred Income	<u>42,903</u>	<u>35,096</u>
Long-Term Deferred Income	<u>608,141</u>	<u>424,166</u>

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

.....continued

**16. Capital Commitments**

The council does not have any capital commitments which have been contracted for, but have not been provided for in the financial statements as at 31 December 2015.

The council does not have any capital commitments which have been authorised by the council, but have not yet been contracted for as at 31 December 2015.

**17. Contingent Liabilities**

A contingent liability exists with Mr. Darmanin who is seeking compensation from the Siggiewi Local Council of € 539.99 together with consequential expense and interest accruing on the amount not paid from the 17<sup>th</sup> of June 2014 including legal fees.

Another contingent liability exists as there is a court case against the council in which the claimant is seeking € 13,500 for damages, together with consequential court expenses and interest accruing on the amount. The case is still ongoing.

Moreover, the council has a guarantee in favour of related parties amounting to € 3,000.

**18. Post Balance Sheet event**

There were no particular important events affecting the operation of the council since the end of the accounting period.

**19. Financial Risk Management**

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

*ii) Credit Risk*

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.



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

.....continued

**19. Financial Risk Management (continued)**

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. Assets recognised at the end of the reporting period and is summarised as follows:

<b>Classes of Financial assets – Carrying Amounts</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Trade & Other Receivables (Note 13)	64,616	73,006
Cash and Cash Equivalents (Note 14)	93,079	201,575
	<u>157,695</u>	<u>274,581</u>

The Maximum Exposure to Credit Risk for Trade Receivables at the reporting Date, net of impairment losses, by type of customer is as follows:

<b>Classes of Financial assets – Carrying Amounts</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	30,078	32,548
	<u>30,078</u>	<u>32,548</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Councils Trade receivables there are no balances which are past due and which have not been provided for.

	<b>2015 Euro</b>	<b>2014 Euro</b>
Current	1,472	4,165
30 Days	-	334
60 Days	-	287
90 Days	237	-
120+ Days	28,368	27,762
	<u>30,077</u>	<u>32,548</u>

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

.....continued

**Financial risk management ... Continued**

*iii) Fair Values*

As at 31<sup>st</sup> December 2015, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

*iv) Liquidity risk*

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year.

<b>2015</b>				
	<b>Less than 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
Payables	87,854	-	-	-
Accruals	14,294	-	-	-

<b>2014</b>				
	<b>Less than 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
Payables	119,868	-	-	-
Accruals	-	-	-	-

**Fair Value Estimation**

The nominal Values less Estimated Credit Adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

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

.....continued

**Financial risk management ... Continued**

**Summary of Financial Assets and Liabilities**

The carrying amounts of the councils financial Assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>Current Assets</b>		
Receivables		
Trade and Other Receivables	64,616	73,006
Cash and Cash Equivalents	93,079	201,575
	<u>157,695</u>	<u>274,581</u>
<b>Current Liabilities</b>		
Financial Liabilities measured at amortised Cost:		
Payables	87,854	119,868
Accruals	14,294	-
	<u>102,148</u>	<u>119,868</u>

**20. Related Party Transactions**

**Identity of Related Parties**

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Siggiewi Local Council.

The Siggiewi Local Council Has the following related parties exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – South Joint Committee for Local enforcement, South Regional Committee
- III. No Control– Malta Post, Courts of Justice, Waste Services Malta Ltd

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

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	725,932	702,124
LES	10,442	13,625