



FGURA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2017

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2017**

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

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

This statement was approved by the Local Council on the 24th April 2018 and signed on its behalf by

IFFIRMATA

Pierre Dalli
Mayor

IFFIRMATA

Beverly Saliba
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	637,972	627,999
Income raised under Council Bye-Laws	5	25,804	19,729
Income raised under Local Enforcement System	6	15,375	10,628
General Income	7	2,609	5,299
		<u>681,760</u>	<u>663,655</u>
 Expenditure			
Personal emoluments	9	(139,860)	(132,499)
Operations and maintenance	10	(293,665)	(238,919)
Administrative and other expenditure	11	(207,017)	(181,084)
		<u>(640,542)</u>	<u>(552,502)</u>
 Operating Surplus for the year		41,218	111,153
 Investment income	12	196	195
 Surplus for the year		<u>41,414</u>	<u>111,348</u>

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 €	2016 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	2,190,366	1,976,513
Intangible asset	14	105	140
Government Grants receivable	15	17,104	17,104
		<u>2,207,575</u>	<u>1,993,757</u>
Current Assets			
Receivables	16	288,917	94,276
Cash and Cash Equivalents	17	432,777	613,472
		<u>721,694</u>	<u>707,748</u>
Total Assets		<u><u>2,929,269</u></u>	<u><u>2,701,505</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		1,956,637	1,915,223
		<u>1,956,637</u>	<u>1,915,223</u>
Non-Current Liabilities			
Borrowings	18	357,449	382,161
Other financial liabilities	19	9,444	14,166
Deferred income	21	441,084	256,077
		<u>807,977</u>	<u>652,404</u>
Current Liabilities			
Borrowings	18	25,752	24,809
Other financial liabilities	19	4,722	4,722
Payables	20	134,181	104,347
		<u>164,655</u>	<u>133,878</u>
Total Equity and Liabilities		<u><u>2,929,269</u></u>	<u><u>2,701,505</u></u>

These financial statements were approved by the Local Council on the 24th April 2018 and signed on its behalf by:

IFFIRMATA

 Pierre Dalli
 Mayor

IFFIRMATA

 Beverly Saliba
 Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained Funds €
At 1 January 2016	1,803,875
Surplus for the year 2016	111,348
	<hr/>
At 31 December 2016	1,915,223
	<hr/> <hr/>
At 1 January 2017	1,915,223
Surplus for the year 2017	41,414
	<hr/>
At 31 December 2017	1,956,637
	<hr/> <hr/>

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 €	2016 €
	Note	
Cash flows from Operating Activities		
Surplus for the year	41,414	111,348
Reconciliation to cash generated from operations:		
Depreciation	77,930	76,703
Interest receivable	(196)	(195)
Grant released	(16,597)	(18,375)
Operating Profit before Working Capital Changes	<u>102,551</u>	169,481
(Decrease) / Increase in receivables	5,359	(27,815)
Increase in payables	<u>31,438</u>	15,670
Cash generated from operating activities	<u><u>139,348</u></u>	<u><u>157,336</u></u>
Cash flows from Investing Activities		
Interest received	196	195
Purchase of property, plant & equipment	(291,914)	(31,677)
Receipt of grant	-	75,000
Cash (used in) / generated from investing activities	<u>(291,718)</u>	<u>43,518</u>
Repayment of bank and other borrowings	<u>(28,325)</u>	(28,834)
Cash used in financing activities	<u>(28,325)</u>	<u>(28,834)</u>
Net (decrease) / Increase in Cash and cash equivalents	<u>(180,695)</u>	172,020
Cash and cash equivalents at the Beginning of the year	<u>613,472</u>	441,452
Cash and cash equivalents at the end of the year	<u><u>432,777</u></u>	<u><u>613,472</u></u>
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The notes on pages 8 to 26 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2017

1. General Information

The Fgura Local Council is the local Authority of Fgura set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 68, Dar il-Kunsill, Triq il-Karmnu, Fgura. These financial statements were approved for issue by the Council Members on the 24th April 2018. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative. Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

2. Accounting Policies and Reporting Procedures

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. It's effective for annual periods beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

2. Accounting Policies and Reporting Procedures

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leases

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

Impairment of Assets

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

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

Accounting Policies and Reporting Procedures (cont.)

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

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

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

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also provided services to the South East Regional Committee for; share of cleaning expense, share of electronic infrastructure and Council employees attending Tribunal sittings.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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

Cash and cash equivalents

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

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

4. Funds received from central government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act, 1993	594,484	546,450
Supplementary Government income	5,037	53,588
Other Government income	21,854	9,586
Grants Released	16,597	18,375
	637,972	627,999

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

5. Income raised under Council Bye-Laws

	2017	2016
	€	€
Permits related to construction	24,808	18,660
Other Permits	238	286
Courses	-	300
Kiosks deposits	758	483
	<u>25,804</u>	<u>19,729</u>

6. Income raised under Law Enforcement System

	2017	2016
	€	€
Contraventions Received	660	1,216
Distributions from LESA	5,048	-
Commission from all regions/LESA	9,667	9,412
	<u>15,375</u>	<u>10,628</u>

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

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

7. General Income

	2017	2016
	€	€
Community Services	-	99
Cultural Activities	1,900	1,475
General Income	273	1,318
Nuisance	213	164
Media Charges/Adverts on Street Furniture	173	500
Tender Documents Fees	50	550
Other re-imbursements	-	1,193
	<u>2,609</u>	<u>5,299</u>

8. Surplus for the year

	2017	2016
	€	€
Profit for the year is stated after charging		
Staff salaries	139,860	132,499
Depreciation of property, plant & equipment	77,930	76,703
	<u>139,860</u>	<u>132,499</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

9. Personal Emoluments

	2017	2016
	€	€
Mayor's Honoraria	10,806	10,843
Councillors' Allowances	10,854	11,039
Executive Secretary Salary and Allowances	33,757	29,640
Employees' Salaries	75,543	72,639
Social Security Contributions	8,900	8,338
	<u>139,860</u>	<u>132,499</u>

10. Operations and Maintenance

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Materials and supplies	2,293	2,825
Cleaning Materials and supplies	145	383
Operating cleaning material and supplies	-	38
Repair and Upkeep Roads	52,229	12,658
Other Repair and Upkeep	3,265	1,407
Public Property	107	243
Street Signs	7,235	7,153
Sundry repairs	1,890	112
Street Markings	6,362	5,617
	<u>73,526</u>	<u>30,436</u>
<i>Contractual Services:</i>		
Waste Disposal	89,560	85,072
Refuse Collection	56,499	55,196
Bulky Refuse Collection	11,244	10,212
Road & Street Cleaning	35,051	30,305
Contract Management Fees	2,708	2,662
Cleaning & Maintenance Soft Areas	15,932	15,787
Street Lighting	8,371	8,497
Law Enforcement System	774	752
	<u>220,139</u>	<u>208,483</u>
Total Operations and Maintenance Costs	<u>293,665</u>	<u>238,919</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

11. Administrative and other expenditure

	2017	2016
	€	€
Utilities	12,152	11,874
Repairs and Maintenance	5,714	5,688
Rent	15,443	14,710
National and International Memberships	354	566
Office Services	10,948	13,582
Transport	4,404	1,960
Information Services	3,481	681
Insurance Coverage	3,166	3,242
Bank Charges	422	167
Cleaning Council Premises	2,437	2,436
Professional Services	31,813	19,456
Other Support Services	7,879	7,094
Social and Cultural Events	28,184	21,548
Sundry Minor Expenses	1,762	1,377
Loss on disposal of Property, plant and equipment	928	-
Depreciation	77,930	76,703
	<u>207,017</u>	<u>181,084</u>

12. Investment Income

	2017	2016
	€	€
Investment income	196	195
	<u>196</u>	<u>195</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

13. Property, plant and equipment

	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improv €	Office Equip €	Plant & Machinery €	Motor vehicles €	Acq. of Prop €	Property held for Devel. €	Assets not yet Capitalied €	Total €
Cost												
At 1 January 2017	10,502	1,571,523	34,674	11,735	488,795	42,361	2,213	11,586	1,001	1,263,191	15,320	3,452,901
Additions	-	127,754	476	-	1,225	797	55	-	-	14,789	146,818	291,914
Disposal	-	-	-	-	-	(3,944)	(110)	-	-	-	-	(4,054)
At 31 December 2017	10,502	1,699,277	35,150	11,735	490,020	39,214	2,158	11,586	1,001	1,277,980	162,138	3,740,761
Depreciation												
At 1 January 2017	-	941,607	20,970	11,735	220,896	34,138	1,627	10,099	229	-	-	1,241,301
Charge for the year	-	51,498	348	-	23,614	779	122	297	8	-	-	76,666
Eliminated on disposal	-	-	-	-	-	(2,555)	(104)	-	-	-	-	(2,659)
At 31 December 2017	-	993,105	21,318	11,735	244,510	32,362	1,645	10,396	237	-	-	1,315,308
Grants												
At 1 January 2017	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
Net Book values												
At 31 December 2017	10,502	514,495	13,832	-	202,100	6,852	513	1,190	764	1,277,980	162,138	2,190,366

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

13. Property, plant and equipment (cont.)

	Trees	Construc. Works	Furniture & Fittings	New Street Signs	Urban Improv	Office Equipt	Plant & Mach	Motor vehicles	Acq. of Prop	Property held for Devel.	Assets not yet Capita	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2016	10,502	1,571,523	33,707	11,735	488,146	39,127	2,213	11,586	1,001	1,236,364	15,320	3,421,224
Additions	-	-	967	-	649	3,234	-	-	-	26,827	-	31,677
At 31 December 2016	10,502	1,571,523	34,674	11,735	488,795	42,361	2,213	11,586	1,001	1,263,191	15,320	3,452,901
Depreciation												
At 1 January 2016	-	879,921	20,019	11,735	209,018	32,522	1,481	9,727	222	-	-	1,164,645
Charge for the year	-	61,686	951	-	11,878	1,616	146	372	7	-	-	76,656
At 31 December 2016	-	941,607	20,970	11,735	220,896	34,138	1,627	10,099	229	-	-	1,241,301
Grants												
At 1 January 2016	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
Net Book values At 31 December 2016	10,502	438,239	13,704	-	224,489	8,223	586	1,487	772	1,263,191	15,320	1,976,513

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

14. Intangible Assets

	Computer software €	Total €
Cost		
At 1 January 2017	473	473
	<hr/>	<hr/>
At 31 December 2017	473	473
	<hr/>	<hr/>
Depreciation		
At 1 January 2017	333	333
Charge for the year	35	35
	<hr/>	<hr/>
At 31 December 2017	368	368
	<hr/>	<hr/>
Net Book value At 31 December 2017	105	105
	<hr/> <hr/>	<hr/> <hr/>
	Computer software €	Total €
Cost		
At 1 January 2016	473	473
	<hr/>	<hr/>
At 31 December 2016	473	473
	<hr/>	<hr/>
Depreciation		
At 1 January 2016	286	286
Charge for the year	47	47
	<hr/>	<hr/>
At 31 December 2016	333	333
	<hr/>	<hr/>
Net Book value At 31 December 2016	140	140
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

15. Government Grants

	2017	2016
	€	€
Balance at the beginning of the year	63,608	36,608
Increase	200,000	27,000
Received	(2,000)	-
Forgone	-	-
	<hr/>	<hr/>
At 31 December 2016	261,608	63,608
	<hr/> <hr/>	<hr/> <hr/>
Amount Receivable within one year	244,504	46,504
	<hr/>	<hr/>
Amount Receivable beyond one year	17,104	17,104
	<hr/>	<hr/>

16. Receivables

	2017	2016
	€	€
Receivables	380	415
Government grants receivable	244,504	46,504
Other Related Undertakings	25,618	6,815
	<hr/>	<hr/>
	270,502	53,734
Prepayments, accrued income and deferred expenditure	18,415	40,542
	<hr/>	<hr/>
	288,917	94,276
	<hr/> <hr/>	<hr/> <hr/>

Receivables

Credit period analysis:

	2017	2016
	€	€
Within credit period	23,856	5,245
Exceeded credit period but not impaired	2,142	1,985
Impaired and provided for	394,501	395,398
Provision for doubtful debts	(394,501)	(395,398)
	<hr/>	<hr/>
	25,998	7,230
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

17. Cash & cash equivalents

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

	2017	2016
	€	€
Cash at Bank	432,252	612,947
Cash in Hand	525	525
	<u>432,777</u>	<u>613,472</u>

18. Borrowings

	2017	2016
	€	€
Non-current		
Bank borrowings	<u>357,449</u>	<u>382,161</u>
Current		
Bank borrowings	<u>25,752</u>	<u>24,809</u>
Borrowings		
Repayable within one year	25,752	24,809
Repayable between two and five years	83,480	80,419
Repayable in five years or more	<u>248,217</u>	<u>276,933</u>
	<u>357,449</u>	<u>382,161</u>
Repayable after five years or more:		
Bank Loan	<u>248,217</u>	<u>276,933</u>

The Bank Loans are guaranteed by the Central Government and secured by a 1st General Hypothec over the Local Council Fgura assets and a Special Hypothec on Houses 126 and 128, Hompesch Road, Fgura Special Hypothec and Privilege on Comprehensive Insurance Policy over the new premises. Loans attract interest at 3.35% and 4.4% (2016 – 3.35% and 4.4%) and are repayable in monthly instalments of €2054.72 and €1,269.15 (2016 - €2,054.72 and €1,269.15) inclusive of accumulated interest.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

19. Amount payable under the PPP agreement

	2017	2016
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	<u>9,444</u>	<u>14,166</u>
Current		
Public Private Partnership (PPP) Agreement	<u>4,722</u>	<u>4,722</u>
Borrowings		
Repayable between one and two years	4,722	4,722
Repayable between two and five years	4,722	9,444
Repayable in five years or more	<u>-</u>	<u>-</u>
	<u>9,444</u>	<u>14,166</u>

Amount payable under the PPP agreement is repayable in annual payments up to 2020. Balance payable under the scheme, inclusive of interest is €14,166.

20. Payables

	2017	2016
	€	€
Payables	90,609	61,803
Government Grants - Deferred Income	14,993	16,597
Accruals	<u>28,579</u>	<u>25,947</u>
	<u>134,181</u>	<u>104,347</u>

Included in the accounts payable are amounts due to related parties amounting to €46,089 (2016 : €32,093). These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

21. Deferred Income

	2017	2016
	€	€
Government grants		
At 1 January	272,674	191,049
Increase in year	<u>200,000</u>	<u>100,000</u>
	472,674	291,049
Released in year	(16,597)	(18,375)
Forgone	<u>-</u>	<u>-</u>
At 31 December	<u>456,077</u>	<u>272,674</u>
Current Deferred Income	<u>14,993</u>	<u>16,597</u>
Non-Current Deferred Income	<u>441,084</u>	<u>256,077</u>
Deferred Government Grants		
Deferred between one and two years	13,546	14,993
Deferred between two and five years	33,295	36,846
Deferred in five years or more	<u>394,243</u>	<u>204,238</u>
	<u>441,084</u>	<u>256,077</u>
Deferred after five years or more	<u>394,243</u>	<u>204,238</u>

22. Contingent Liability and Assets

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

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

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

The Council has a commitment letter from the Department for Justice, Culture and Local Government for the grant of Eur200,000 for assistance for the Completion of Works at the Civic Centre.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

23. Capital Commitments

	2017	2016
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	949,750
- Contracted for but not provided in the financial statements	<u>757,762</u>	<u>259,929</u>
(i) Approved but not yet contracted for:		
Construction		
Special Programmes (Library Extension)	-	36,750
Various Finishing Works at New Council Premises	-	713,000
Various Pavements around the Locality	-	200,000
	<u>-</u>	<u>949,750</u>
(i) Contracted for but not provided in the Financial Statements:		
Construction (Resurfacing of Triq Buqexrem and Pavements)	-	93,380
Construction (Resurfacing of Triq Kent)	-	71,549
Construction (Resurfacing of Triq San Gwann)	-	95,000
Various Finishing Works at New Council Premises	<u>757,762</u>	<u>-</u>
	<u>757,762</u>	<u>259,929</u>

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

24. Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

25. Financial Risk Management

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

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

25. Financial Risk Management (cont.)

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Summary of financial assets and liabilities by category:

	2017	2016
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	270,502	53,734
Cash and Cash Equivalents	432,777	613,472
	<u>703,279</u>	<u>667,206</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	90,609	61,803
Bank Borrowings	25,752	24,809
	<u>116,361</u>	<u>86,612</u>
Non-Current Liabilities		
Borrowings	<u>357,449</u>	<u>382,161</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 432,777 This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €357,039 (2016: €573,870) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

25. Financial Risk Management (cont.)

Interest Rate Risk

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

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

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

26. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Inland Revenue Department	No control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)

26. Related party transactions (cont.)

The amounts due from / to related parties at year-end are disclosed in notes 16 and 20. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2017			2016		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	621,375			609,624		
Transactions with regions/LESA	15,375			10,628		
	636,750	681,760	93	620,252	663,655	93
<i>Expenditure</i>						
Transactions with government entities	89,560			85,072		
Key personnel remuneration	139,860			132,499		
	229,420	640,542	36	217,571	552,502	39

27. Fair values estimation

At 31 December 2017 and at 31 December 2016, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

Report of the Local Government Auditors to the Auditor General

