



**LUQA LOCAL COUNCIL**

**FINANCIAL STATEMENTS**

**1 JANUARY – 31 DECEMBER 2016**

**Prepared by:**  
Joseph Piscopo  
*Certified Public Accountant*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

Financial Year Ending 31st December 2016

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Profit or Loss and Other 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.

Approved by the Council and signed on its behalf on 20<sup>th</sup> April 2017 by:

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John Schembri  
*Mayor*

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Michael Portelli  
*Executive Secretary*

## **REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE LUQA LOCAL COUNCIL TO AUDITOR GENERAL**

### **Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the financial statements of Luqa Local Council, set out on pages 5 to 24, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements give a true and fair view of the statement of financial position of Luqa Local Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### **Basis for Qualified Opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Included in receivables is a balance of € 28,946 relating to a debit balance on a particular supplier's account. There is a dispute of € 91,140 with the supplier, since the latter is claiming that the balance should be € 62,194 in credit. The fact that a supplier's balance is in debit in the Council's accounts and that no reconciliations are performed with supplier indicate that the balance could be materially misstated. There were no alternative procedures that we could adopt to confirm the correctness of this balance.

#### **Responsibilities of the Executive Secretary**

The Executive Secretary is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Executive Secretary determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

## **REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE LUQA LOCAL COUNCIL TO AUDITOR GENERAL**

### **Report on the Audit of the Financial Statements**

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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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: 20th April 2017**

**STATEMENT OF FINANCIAL POSITION**

As At 31 December 2016

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	<u>1,195,629</u>	<u>1,243,241</u>
		<u>1,195,629</u>	<u>1,243,241</u>
<b>Financial Asset</b>			
Available for sale investments	4	<u>211,795</u>	<u>211,605</u>
		211,795	211,605
<b>Current Assets</b>			
Trade and other receivables	5	36,972	104,820
Cash at bank and in hand	6	<u>297,982</u>	<u>190,729</u>
		<u>334,954</u>	<u>295,549</u>
<b>TOTAL ASSETS</b>		<u><u>1,742,378</u></u>	<u><u>1,750,395</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained Fund		1,294,697	1,248,265
Investment revaluation reserve		<u>11,795</u>	<u>11,605</u>
		<u>1,306,492</u>	<u>1,259,870</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred income grants	9	<u>285,408</u>	<u>234,358</u>
<b>Current Liabilities</b>			
Short term borrowings	7	8,253	13,429
Trade and other payables	8	<u>142,225</u>	<u>242,738</u>
		<u>150,478</u>	<u>256,167</u>
<b>TOTAL LIABILITIES</b>		<u><u>435,886</u></u>	<u><u>490,525</u></u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>1,742,378</u></u>	<u><u>1,750,395</u></u>

The notes on pages 9 to 24 are an integral part of the financial statements.

These financial statements were approved by the Local Council on 20th April 2017 and signed on its behalf by:

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John Schembri  
Mayor

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Michael Portelli  
Executive Secretary

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year Ended 31 December 2016

	Notes	2016 €	2015 €
<b>REVENUE</b>			
Funds received from central government	10	485,865	583,535
Income raised under Local Council Bye-Laws	11	10,651	6,813
Income raised under Law Enforcement System	12	4,695	5,503
General Income	14	<u>27,706</u>	<u>13,199</u>
		<u>528,917</u>	<u>609,050</u>
<b>EXPENDITURE</b>			
Personal Emoluments	15	(111,410)	(108,154)
Operations and maintenance	16	(159,717)	(146,329)
Administration and other expenditure	17	<u>(211,409)</u>	<u>(338,742)</u>
		<u>(482,536)</u>	<u>(593,225)</u>
<b>OPERATING INCOME FOR THE YEAR</b>		46,381	15,825
Investment Income	13	<u>51</u>	<u>94</u>
<b>INCOME FOR THE YEAR</b>		<u>46,432</u>	<u>15,919</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Increase in fair value of available-for-sale investments	4	190	106
<b>TOTAL COMPERHENSIVE INCOME FOR THE YEAR</b>		<u><u>46,622</u></u>	<u><u>16,025</u></u>

The notes on pages 9 to 24 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

As At 31 December 2016

	Retained Funds €	Investment Revaluation Reserve €	Total €
At 1 January 2015	1,232,346	11,499	1,243,845
Profit for the year	<u>15,919</u>	<u>-</u>	<u>15,919</u>
Total comprehensive loss for the year	1,248,265	11,499	1,259,764
Other Comprehensive income Movement for the year	<u>-</u>	<u>106</u>	<u>106</u>
At 31 December 2015	<u>1,248,265</u>	<u>11,605</u>	<u>1,259,870</u>
At 1 January 2016	1,248,265	11,605	1,259,870
Profit for the year	<u>46,432</u>	<u>-</u>	<u>46,432</u>
Total comprehensive loss for the year	1,294,697	11,605	1,306,302
Other Comprehensive income Movement for the year	<u>-</u>	<u>190</u>	<u>190</u>
At 31 December 2016	<u>1,294,697</u>	<u>11,795</u>	<u>1,306,492</u>

The notes on pages 9 to 24 are an integral part of the financial statements.



**STATEMENT OF CASH FLOWS**

As At 31 December 2016

	Notes	2016 €	2015 €
<b>Cash Flows from Operating Activities</b>			
Income for the year		46,432	15,919
Adjustments for:			
Depreciation		153,111	263,481
Decrease in Provision for doubtful debts		(6,006)	-
Deferred income released		(75,399)	(189,263)
Interest receivable		(51)	(94)
Operating Profit before Working Capital Changes		118,087	90,043
Movement in Receivables		67,898	22,091
Movement in Payables		(34,737)	1,179
Cash generated from operations		151,248	113,313
Net Cash inflow from operating activities		151,248	113,313
<b>Cash Flows from Investing Activities</b>			
Interest received		51	94
Purchase of property, plant and equipment		(105,499)	(210,357)
Cash used in investing activities		(105,448)	(210,263)
<b>Cash flows from Financing Activities</b>			
Grants received		66,629	112,155
Cash flows generated from Financing Activities		66,629	112,155
Net increase in Cash and Cash Equivalents		112,429	15,205
Cash and Cash Equivalents at the Beginning of year		177,300	162,095
Cash and Cash Equivalents at the End of year		289,729	177,300
Cash at bank and in hand	6	297,982	190,729
Bank balances overdrawn	7	(8,253)	(13,429)
		289,729	177,300

The notes on pages 9 to 24 are an integral part of the financial statements.

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

### **1. General Information**

The Luqa Local Council is the local authority of Luqa setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, 173, New Street, Luqa.

### **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.

#### **a. 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).

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

#### **b. Standards, amendments and interpretations to existing standards**

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

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.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **b. Standards, amendments and interpretations to existing standards (continued)**

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 9 has not yet been adopted by the EU. The Council is considering the implications of the standard and its 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.

### **c. Revenue recognition**

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

### **d. Local Enforcement System**

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

### **e. Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss 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:

## 2. Accounting Policies and Reporting Procedures (continued)

### e. Property, Plant and Equipment (continued)

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

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 financial reporting 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 Local 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.

### f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **g. 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.

### **h. 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 amounts of the asset in 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.

### **i. 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.

### **j. 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.

### **k. Cash and 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.

### **l. 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. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **m. Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Local Council.

### **n. 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, and available-for-sale 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.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **n. Financial Instruments (continued)**

#### **Financial assets (continued)**

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'.

### **o. 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

## 3. Property, plant and equipment

2016	Property Improvements	Council Building	Office Furniture /Fittings	Office Equipment	Computer Equipment	Office Equipment	Social Areas	Urban Improvements	New Street Signs	Construction Equipment	Playground Equipment	Trees	Special Programmes	Machinery	Motor Vehicle	Total
€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>																
At 1 January 2016	-	179,426	51,855	14,584	10,587	-	590,652	21,424	2,027,988	158,353	5,066	42,264	3,197	10,000	3,115,396	
Reclassifications	117,351	(8,490)	(8,490)	-	-	306,615	(130,878)	-	(284,599)	-	-	-	-	-	-	-
Additions	1,168	4,615	4,615	-	160	58,893	-	-	-	40,598	-	-	65	-	105,499	
At 31 December 2016	118,519	179,426	47,980	14,584	10,747	365,509	459,774	21,424	1,743,389	198,951	5,066	42,264	3,262	10,000	3,220,855	
<b>Grants and other reimbursements</b>																
At 1 January 2016	-	-	-	-	-	-	(21,433)	-	(615,211)	-	-	-	(30,133)	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	-	(21,433)	-	(615,211)	-	-	-	(30,133)	-	-	(664,777)
<b>Accumulated depreciation</b>																
At 1 January 2016	(26,514)	-	(21,225)	(13,587)	(9,603)	-	(186,031)	(21,424)	(752,419)	(158,353)	(154)	(10,314)	(1,977)	(5,777)	(1,207,378)	
Reclassifications	26,514	(26,514)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the period	-	(9,201)	(1,995)	(237)	(229)	(36,551)	(21,435)	-	(41,582)	(40,598)	-	-	(181)	(257)	(845)	(153,111)
At 31 December 2016	-	(35,715)	(23,220)	(13,824)	(9,832)	(36,551)	(207,466)	(21,424)	(794,001)	(198,951)	(154)	(10,495)	(2,234)	(6,022)	(1,360,489)	
<b>Net book value</b>																
At 31 December 2016	179,426	82,804	24,760	760	915	328,958	230,875	0	336,177	0	4,912	1,636	1,028	3,378	1,195,629	



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

2015	Property Furniture /Fittings	Office	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction Equipment	Playground Equipment	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>														
At 1 January 2015	179,426	35,170	14,436	10,587	337,991	21,424	1,951,045	-	5,066	42,264	3,197	10,000	294,523	2,935,039
Additions/Transfers	-	16,685	148	-	252,751	-	76,943	158,353	-	-	-	-	(294,523)	210,357
At 31 December 2015	179,426	51,855	14,584	10,587	590,652	21,424	2,027,988	158,353	5,066	42,264	3,197	10,000	-	3,115,396
<b>Grants and other reimbursements</b>														
At 1 January 2015	-	-	-	-	(21,433)	-	(613,211)	-	-	(30,133)	-	-	-	(664,777)
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	(21,433)	-	(613,211)	-	-	(30,133)	-	-	-	(664,777)
<b>Accumulated depreciation</b>														
At 1 January 2015	(24,977)	(19,423)	(13,300)	(9,383)	(159,622)	(21,424)	(678,951)	-	(154)	(10,123)	(1,705)	(4,833)	-	(945,897)
Charge for the period	(1,537)	(1,802)	(287)	(220)	(26,409)	-	(73,466)	(158,353)	-	(191)	(272)	(94)	-	(263,481)
At 31 December 2015	(26,514)	(21,225)	(13,587)	(9,603)	(186,031)	(21,424)	(752,419)	(158,353)	(154)	(10,314)	(1,977)	(5,777)	-	(1,207,378)
<b>Net book value</b>														
At 31 December 2015	152,912	30,630	997	984	383,188	-	662,338	-	4,912	1,817	1,220	4,223	-	1,243,241

#### 4. Available for sale investments

	2016	2015
	€	€
Valletta Fund Management Money Fund	211,605	211,499
Investment Growth	<u>190</u>	<u>106</u>
	<u>211,795</u>	<u>211,605</u>

The investment income consists of the La Vallette Management money fund held with Bank of Valletta. The fair value changes on available-for-sale financial assets is being recognised directly in equity, and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

#### 5. Receivables

	2016	2015
	€	€
Trade Receivables	34,972	35,241
LES receivables	403,911	409,917
Allowance for doubtful debts	(403,911)	(409,917)
Prepayments and accrued income	<u>2,000</u>	<u>69,579</u>
	<u>36,972</u>	<u>104,820</u>

#### Provision for doubtful debts

	2016	2015
	€	€
Balance on 1 January	409,917	409,917
Movements during the year	<u>(6,006)</u>	<u>-</u>
Balance on 31 December	<u>403,911</u>	<u>409,917</u>

<b>6. Cash at bank and in hand</b>	2016	2015
	€	€
Bank Balances:		
Current Accounts	156,759	121,665
Savings Accounts	141,213	69,032
Cash in Hand	10	32
	<u>297,982</u>	<u>190,729</u>
<b>7. Borrowings</b>	2016	2015
	€	€
<b>Falling due within one year:</b>		
Bank balances overdrawn	8,253	13,429
	<u>8,253</u>	<u>13,429</u>
<b>8. Payables</b>	2016	2015
	€	€
Trade payables	31,213	91,328
Other payables and accruals	79,055	59,634
Deferred income short term	31,957	91,776
Current Liabilities	<u>142,225</u>	<u>242,738</u>
<b>9. Deferred Income</b>	2016	2015
	€	€
Deferred Income - between 1 - 2 years	28,717	38,284
Deferred Income - between 2 - 5 years	69,869	67,746
Deferred Income - over 5 years	186,822	128,328
	<u>285,408</u>	<u>234,358</u>
	2016	2015
	€	€
Opening balance	326,134	403,242
Increase in grants	66,629	112,155
Release of grants	(75,399)	(189,263)
Closing balance	317,364	326,134
Less Current portion	31,957	91,776
Non-current portion	<u>285,408</u>	<u>234,358</u>

<b>10. Funds received from Central Government</b>	2016	2015
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	379,936	368,386
Supplementary Government Income	21,308	18,061
Other Government Income	84,621	197,088
	<u>485,865</u>	<u>583,535</u>
<b>11. Income raised under Local Council Bye-Laws</b>	2016	2015
	€	€
Income raised under Local Council Bye-Laws	10,651	6,813
	<u>10,651</u>	<u>6,813</u>
<b>12. Local Enforcement System Income</b>	2016	2015
	€	€
Regional Committees - Administrative Fees	4,695	5,503
	<u>4,695</u>	<u>5,503</u>
<b>13. Investment Income</b>	2016	2015
	€	€
Bank Interest Receivable	51	94
	<u>51</u>	<u>94</u>
<b>14. General Income</b>	2016	2015
	€	€
Sundry Contributions & donations	27,106	13,199
Income from tender documents	600	-
	<u>27,706</u>	<u>13,199</u>
<b>15. Personal Emoluments</b>	2016	2015
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	12,442	12,173
Councillors' Allowance	7,200	7,200
Executive Secretary's salary	32,399	31,525
Employees' salaries	52,651	50,998
Social Security Contributions	6,718	6,258
	<u>111,410</u>	<u>108,154</u>

<b>16. Operations and Maintenance</b>	2016	2015
	€	€
Operations and maintenance includes:		
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	4,521	3,892
Signs and Road Markings	4,547	5,422
Other Repairs	13,967	11,252
	<u>23,035</u>	<u>20,566</u>
<b>Contractual Services</b>		
Refuse Collection (including bins on wheels)	44,070	45,494
Refuse disposal fee	46,462	42,047
Bulky Refuse Collection (including open skips)	2,987	2,723
Road and Street Cleaning (mechanical and manual)	19,274	8,868
Cleaning and Maintenance of Public Conveniences	3,790	3,670
Cleaning and Maintenance of Parks and Gardens	13,775	16,645
Local Enforcement expenses	217	587
Street Lighting	6,107	5,729
	<u>136,682</u>	<u>125,763</u>
<b>Total Operations and Maintenance Expenses</b>	<u>159,717</u>	<u>146,329</u>
<b>17. Administration and other expenditure</b>		
	2016	2015
	€	€
Utilities	10,159	8,674
Material & Supplies	2,678	8,043
Rent	1,246	1,794
Office Services	1,803	2,036
Transport	1,923	1,745
Travel	-	202
Memberships	3,610	-
Information services	3,324	9,515
Insurance and bank charges	1,920	1,309
Professional Services	14,071	21,295
Training	4,662	3,349
Community services and events	18,278	16,326
Other office expenses	630	973
Increase in allowance for bad debts	(6,006)	-
Depreciation	153,111	263,481
	<u>211,409</u>	<u>338,742</u>

## 18. Related Parties

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

Significant control:	2016	2015
	€	€
Annual financial allocation	379,936	368,386
Supplementary Government Income	21,308	18,061
	<u>401,244</u>	<u>386,447</u>

The ultimate controlling party of the local 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.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

## 19. Contingent liabilities

A contingent liability exists with Fogg Insurance who is seeking compensation from Luqa Local Council of € 491.76. However, the Local Council is resisting such claims on the basis that in the opinion of the Council, the defendant should be another party and not the Council, since the road on which the car accident occurred falls under the responsibility of Transport Malta, rather than the Council. No provision has been made in these financial statements in respect of such actions.

## 20. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks. The most significant financial risks to which the council is exposed are described below.

### 20.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

## 20. Risk management objectives and policies (continued)

### 20.1 Credit risk (continued)

Class of financial assets – carrying amounts	2016	2015
	€	€
Trade and other receivables	36,972	104,820
Gross investments	211,795	211,605
Cash and Cash Equivalents	<u>289,729</u>	<u>177,300</u>
	<u>538,496</u>	<u>493,725</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### 20.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due. The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

Current payables within one year	2016	2015
	€	€
Trade payables	31,213	91,328
Other payables and accruals	<u>79,055</u>	<u>59,634</u>
Financial Liabilities	<u>110,268</u>	<u>150,962</u>

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

## 20. Risk management objectives and policies (continued)

### 20.2 Liquidity risk (continued)

	2016	2015
	€	€
Less than 6 months	68,692	54,974
6 to 12 months	137,384	193,249
1 to 5 years	686,692	226,497
	<u>892,768</u>	<u>474,720</u>

### 20.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

### 20.4 Summary of the financial assets and liabilities by category

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2016	2015
	€	€
<b>Non-Current Assets</b>		
Investments	<u>211,795</u>	<u>211,605</u>
<b>Current Assets</b>	2016	2015
Loans and receivables:	€	€
Trade and other receivables	36,972	104,820
Cash and Cash Equivalents	<u>289,729</u>	<u>177,300</u>
	<u>326,701</u>	<u>282,120</u>
<b>Current Liabilities</b>	2016	2015
Financial liabilities measured amortised at cost:	€	€
Trade payables	31,213	91,328
Other payables and accruals	<u>79,055</u>	<u>59,634</u>
Financial Liabilities	<u>110,268</u>	<u>150,962</u>



## **20. Risk management objectives and policies (continued)**

### **20.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

### **21. Fair value estimation**

At 31 December 2016 and 31 December 2015, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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