

**GHAXAQ LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2016**

Prepared by: Laurence Manicaro  
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On behalf of Parker Randall Turner  
Chartered Certified Accountants & Auditors  
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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

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**Financial Statements for the year ended 31 December 2016**

**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 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.

Approved by the Council and signed on its behalf on the 4 April 2017 by:

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Darren Abela  
Mayor

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Fiona Said  
Executive Secretary

**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	753,619	806,868
<b>Current Assets</b>			
Receivables	4	80,829	79,700
Cash and Cash Equivalents	5	154,070	217,416
		<u>234,899</u>	<u>297,116</u>
<b>Total Assets</b>		<u>€ 988,518</u>	<u>€ 1,103,984</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		616,836	615,829
<b>Non-current Liabilities</b>			
Deferred income	6	166,955	187,816
Non-current payables	7	104,665	108,885
		<u>271,620</u>	<u>296,701</u>
<b>Current Liabilities</b>			
Payables	7	100,062	191,454
<b>Total reserves and liabilities</b>		<u>€ 988,518</u>	<u>€ 1,103,984</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 4 April 2017 and signed on its behalf by:

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Darren Abela  
Mayor

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Fiona Said  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2016

	Notes	2016 €	2015 €
<b>REVENUE</b>			
Funds received from central government	8	357,716	370,677
Funds raised under Local Enforcement System	9	7,402	3,736
Investment income	10	60	171
General Income	11	8,393	9,334
		<u>373,571</u>	<u>383,918</u>
<b>EXPENDITURE</b>			
Personal emoluments	12	(93,653)	(80,994)
Operations and maintenance	13	(134,826)	(142,060)
Administration and other expenditure	14	(144,085)	(144,088)
		<u>(372,564)</u>	<u>(367,142)</u>
<b>Total Comprehensive Income for the year</b>		<u>€ 1,007</u>	<u>€ 16,776</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2016

	Retained Funds 2016 €	Retained Funds 2015 €
At 1 January	615,829	599,053
Total Comprehensive (Loss)/ income for the year	1,007	16,776
At 31 December	<u>€ 616,836</u>	<u>€ 615,829</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2016

	Note	2016 €	2015 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Income for the year		1,007	16,776
Adjustments for:			
Depreciation		77,581	86,330
Investment Income		(60)	(171)
Deferred income released		(20,890)	(36,355)
Operating Profit before working capital changes		<u>57,638</u>	<u>66,580</u>
(Increase)/ decrease in receivables		(1,129)	1,790
(Decrease)/ increase in payables		(79,612)	33,439
Net Cash (used in)/ generated from operating activities		<u>(23,103)</u>	<u>101,809</u>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(24,332)	(36,976)
Investment Income		60	171
Net Cash used in Investing Activities		<u>(24,272)</u>	<u>(36,805)</u>
Net movement in Cash and Cash Equivalents		<u>(47,375)</u>	<u>65,004</u>
Cash and Cash Equivalents at the beginning of year		194,452	129,448
Cash and Cash Equivalents at the end of year	5	<u>€ 147,077</u>	<u>€ 194,452</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

### **1. General Information**

Ghaxaq Local Council is the local authority of Xewkija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 15, Vjal il-Labour, Ghaxaq.

### **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**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2016 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

#### **New and amended standards adopted by the council**

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

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

#### **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The council has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on trade receivables
  
- The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018.

#### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The council has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

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

**IFRS 16 ‘Leases’**

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 ‘Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for ‘on-balance sheet’ by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

**(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

**(d) Local Enforcement System**

During 2016 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the LESA and various Regional Committees for contraventions paid at the Council.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**(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:

	%
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
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playing field equipment	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
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 year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**(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 years 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.

**(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 presentation 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**(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.

**(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 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 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

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

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'.

### **(o) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS adopted by the EU 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).

## GHAXAQ LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 – continued

#### 3. PROPERTY, PLANT AND EQUIPMENT

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	New Street Signs €	Construction €	Special Prog. €	Total €
<b>Cost</b>										
At 1 Jan 2016	24,701	22,682	17,799	26,571	26,645	49,265	14,884	1,398,172	233,433	1,814,152
Additions	-	1,150	290	580	-	-	-	22,312	-	24,332
At 31 Dec 2016	€ 24,701	€ 23,832	€ 18,089	€ 27,151	€ 26,645	€ 49,265	€ 14,884	€ 1,420,484	€ 233,433	€ 1,838,484
<b>Grants and other reimbursements</b>										
At 1 Jan 2016	-	-	-	2,637	-	-	-	9,548	232,912	245,097
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2016	€ -	€ -	€ -	€ 2,637	€ -	€ -	€ -	€ 9,548	€ 232,912	245,097
<b>Depreciation</b>										
At 1 Jan 2016	2,692	15,076	13,022	14,838	22,782	37,801	14,884	640,732	360	762,187
Charge for the year	219	635	926	2,160	706	1,095	-	71,825	15	77,581
At 31 Dec 2016	€ 2,911	€ 15,711	€ 13,948	€ 16,998	€ 23,488	€ 8,896	€ 14,884	€ 712,557	€ 375	€ 839,768
<b>Net Book Value</b>										
At 31 Dec 2016	€ 21,790	€ 8,121	€ 4,141	€ 7,516	€ 3,157	€ 10,369	€ -	€ 698,379	€ 146	€ 753,619

## GHAXAQ LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 – continued

#### 3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Property €	Office Furniture & Fittings €	Plant & Mach. €	Computer Equipment €	Office Equipment €	Urban Improv. €	New Street Signs €	Construction €	Special Prog. €	Total €
<b>Cost</b>										
At 1 Jan 2015	24,701	21,500	17,799	16,673	25,481	49,265	14,884	1,373,440	233,433	1,777,176
Additions	-	1,182	-	9,898	1,164	-	-	24,732	-	36,976
At 31 Dec 2015	€ 24,701	€ 22,682	€ 17,799	€ 26,571	€ 26,645	€ 49,265	€ 14,884	€ 1,398,172	€ 233,433	€ 1,814,152
<b>Grants and other reimbursements</b>										
At 1 Jan 2015	-	-	-	2,637	-	-	-	9,548	232,912	245,097
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2015	€ -	€ -	€ -	€ 2,637	€ -	€ -	€ -	€ 9,548	€ 232,912	245,097
<b>Depreciation</b>										
At 1 Jan 2015	2,471	14,508	11,954	13,408	21,840	36,590	14,884	559,859	343	675,857
Charge for the year	221	568	1,068	1,430	942	1,211	-	80,873	17	86,330
At 31 Dec 2015	€ 2,692	€ 15,076	€ 13,022	€ 14,838	€ 22,782	€ 37,801	€ 14,884	€ 640,732	€ 360	€ 762,187
<b>Net Book Value</b>										
At 31 Dec 2015	€ 22,009	€ 7,606	€ 4,777	€ 9,096	€ 3,863	€ 11,464	€ -	€ 747,892	€ 161	€ 806,868



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

<b>4 Receivables</b>	2016	2015
	€	€
Accounts receivable	6,860	4,762
Prepayments and accrued income	73,969	74,938
	<u>€ 80,829</u>	<u>€ 79,700</u>
	2015	2015
	€	€
<b>Receivables</b>		
Within the current period	112,368	111,239
Amounts against which a provision was made	(31,539)	(31,539)
	<u>€ 80,829</u>	<u>€ 79,700</u>

Accounts receivable include an amount of € 31,539 being LES debtors which date back prior to the setting up of the Zejtun Joint Committee. A provision for bad debts for the full amount has been created as the amount due are not recoverable.

**5 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2016	2015
	€	€
<b>Bank Balances:</b>		
Current account	48,953	48,953
Savings account	104,890	168,392
Cash in hand	227	71
Overdrawn balances	(6,993)	(22,964)
	<u>147,077</u>	<u>194,452</u>
Transfer to payables	6,933	22,964
	<u>€ 154,070</u>	<u>€ 217,416</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

	2016	2015
	€	€
<b>6 Deferred Income</b>		
Between one and two years	16,731	15,668
Between two and five years	40,494	31,336
Over five years	109,730	140,812
	<u>€ 166,955</u>	<u>€ 187,816</u>

	2016	2015
	€	€
Opening balance	206,536	242,891
Increase in grants	-	-
Release of grants	(20,890)	(36,355)
Closing balance	<u>185,646</u>	<u>206,536</u>
Less: Current portion	(18,691)	(18,720)
Non-current portion	<u>€ 166,955</u>	<u>€ 187,816</u>

	2016	2015
	€	€
<b>7 Payables</b>		
Accounts payable	154,203	238,651
Accruals	24,840	20,004
Deferred income within one year	18,691	18,720
Overdrawn bank balances	6,993	22,964
	<u>204,727</u>	<u>300,339</u>
Less: Non-current payables – PPP Scheme	(104,665)	(108,885)
	<u>€ 100,062</u>	<u>€ 191,454</u>

	2016	2015
	€	€
Non-current payables		
Between one and two years	22,459	22,459
Between two and five years	56,536	61,045
Over five years	25,670	25,381
Closing balance	<u>€ 104,665</u>	<u>€ 108,885</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

<b>8 Funds received from Central Government</b>	2016	2015
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	320,860	310,589
Other Government Income	15,966	14,470
Release of grants to income statement	20,890	36,355
Waste disposal costs paid by DLG	-	9,263
	<u>€ 357,716</u>	<u>€ 370,677</u>
<b>9 Income raised from Local Enforcement System</b>	2016	2015
	€	€
LES Administration fees	€ 7,402	€ 3,736
<b>10 Investment income</b>	2016	2015
Bank Interest Receivable	€ 60	€ 171
<b>11 General Income</b>	2016	2015
	€	€
Income from permits	8,283	6,140
Income from tender documents	110	975
Contributions and donations	-	2,219
	<u>€ 8,393</u>	<u>€ 9,334</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

<b>12 Personal Emoluments</b>	2016	2015
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	7,229	7,049
Mayor and Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	29,496	33,399
Employees' Salaries	44,263	28,219
Social Security Contributions	6,265	5,927
<b>Total</b>	<b>€ 93,653</b>	<b>€ 80,994</b>
<b>13 Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:	2016	2015
Repairs and Upkeep:	€	€
Road patching	2,056	11,334
Road markings	684	299
Street signs	712	2,515
Other repairs and upkeep	1,414	2,460
<b>Total</b>	<b>€ 4,866</b>	<b>€ 16,608</b>
<b>Contractual Services:</b>	2016	2015
	€	€
Refuse Collection	34,661	50,990
Bulky Refuse Collection	9,473	5,485
Road and street cleaning (mechanical and manual)	27,898	23,655
Waste disposal	30,751	28,609
Hire of Bins on Wheels	100	1,693
Cleaning and maintenance of Public Conveniences	4,400	4,720
Cleaning and maintenance of parks and gardens	892	1,290
Cleaning and maintenance of council premises	319	-
Street Lighting	21,053	8,860
Other contractual services	413	150
	<b>€ 129,960</b>	<b>€ 125,452</b>
<b>Total Operations and Maintenance Expenses</b>	<b>€ 134,826</b>	<b>€ 142,060</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

<b>14 Administration and other expenditure</b>	2016	2015
	€	€
Utilities	8,056	6,432
Materials and supplies	13,549	11,865
Office Services	5,577	4,070
Rent	770	750
Transport	1,326	988
Information services	3,650	3,446
Professional Services	9,424	18,926
Community and Hospitality	19,296	8,436
National meetings / memberships	1,873	2,845
Les expenditure	2,983	-
Depreciation	77,581	86,330
	<u>€ 144,085</u>	<u>€ 144,088</u>

**15. Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2016	2015
Significant control		
Revenue:		
Annual financial allocation	€ 320,860	€ 310,589
	<u>€ 320,860</u>	<u>€ 310,589</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**15. Related Parties Disclosures – Continued**

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.

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.

**16. Capital Commitments**

The Local Council does not have any capital commitments as at 31 December 2016. The projects that the company intends to carry out are the projects already started under the Private Partnership Agreement. These projects have been already accounted for. The balance due on Private Partnership Agreement is disclosed in note 7 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**17. 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.

**17.1 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:

	2016	2015
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	80,829	79,700
Cash and Cash Equivalents	154,070	217,416
	<u>€ 234,899</u>	<u>€ 297,116</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 notes 4 and 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**17. Risk management objectives and policies - continued**

**17.2 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.

	2016	2015
Payables	€ 186,036	€ 281,619

**17.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), 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.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016 – continued

**17. Risk management objectives and policies - continued****17.4 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:

<b>Current Assets</b>	2016	2015
	€	€
Loans and receivables:		
Trade and other receivables	80,829	79,700
Cash and Cash Equivalents	154,070	217,416
	<u>€ 234,899</u>	<u>€ 297,116</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	€ 186,036	€ 281,619
	<u>€ 186,036</u>	<u>€ 281,619</u>

**17.5 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, the capital level as at the end of the reporting period is deemed adequate by the Council.

**18 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.

**Financial Statements for the year ended 31 December 2016**

**Independent Auditor's report**