

Local Council Marsaskala

Annual Audit Report

for the year ended 31 December 2017



Prepared by:
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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 a 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

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

This statement was approved by the Council on 15 March 2018 and signed on its behalf by:


Marie-Calleja
Mayor


Josef Grech
Executive Secretary

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Marsascala Local Council set out on pages 4 to 27 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is 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 and the members of the Local Council are responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council’s financial reporting process.

Auditor's responsibilities for the audit of the financial statements

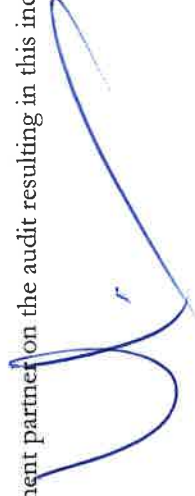
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the ISAs, we exercise professional judgement 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However future events or conditions may cause the Council 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Mirichel Bypass
Birkirkara BKR 3000
Malta

15 March 2018

Local Council Marsaskala

Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 €	2016 €
Revenue			
Funds received from Central Government	3	1,017,722	900,067
Income raised under Local Council Bye-Laws	4	549	4,648
Income raised under Local Enforcement System	5	20,548	11,551
General Income	7	41,859	43,457
		<u>1,080,678</u>	<u>959,723</u>
Expenditure			
Personal Emoluments	8	(160,614)	(157,437)
Operations and maintenance	9	(478,726)	(500,260)
Administration and other expenditure	10	(267,716)	(283,741)
		<u>(907,056)</u>	<u>(941,438)</u>
Operating profit for the year		173,622	18,285
Finance income	6	1,630	1,609
		<u>175,252</u>	<u>19,894</u>
Profit for the year			

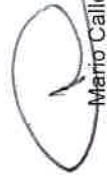
The notes on pages 8 to 27 form an integral part of these financial statements.

Local Council Marsaskala

Statement of Financial Position
as at 31 December 2017

	Notes	2017 €	2016 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,295,110	1,220,657
Intangible assets	11	2,585	2,522
		<u>1,297,695</u>	<u>1,223,179</u>
Current Assets			
Receivables	13	41,333	30,336
Cash and cash equivalents	14	832,133	700,806
		<u>873,466</u>	<u>731,142</u>
Total Assets		<u>2,171,161</u>	<u>1,954,321</u>
RESERVES			
Retained earnings		1,401,834	1,226,582
Total reserves		<u>1,401,834</u>	<u>1,226,582</u>
Non-Current Liabilities			
Non-current Deferred Income	16	572,079	525,561
		<u>572,079</u>	<u>525,561</u>
Current Liabilities			
Trade and other payables	15	197,248	202,178
		<u>197,248</u>	<u>202,178</u>
Total Liabilities		<u>769,327</u>	<u>727,739</u>
Total reserves and liabilities		<u>2,171,161</u>	<u>1,954,321</u>

These financial statements were approved by the Local Council on 15th March 2018 and signed on its behalf by:


Mario Calleja
Mayor


Josef Garsch
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2017

	Retained Funds	Total
	€	€
At 1 January 2016	1,206,688	1,206,688
Profit for the year	19,894	19,894
At 31 December 2016	<u>1,226,582</u>	<u>1,226,582</u>
At 1 January 2017	1,226,582	1,226,582
Profit for the year	175,252	175,252
At 31 December 2017	<u>1,401,834</u>	<u>1,401,834</u>

Statement of Cash Flows
for the year ended 31 December 2017

	2017	2016
	€	€
Net profit for the year	175,252	19,894
Reconciliation to cash generated from operations:		
Amortisation and Depreciation	150,014	163,532
Loss on disposal of non current assets	416	1,046
Movement in Provision for Doubtful Debts	(1,053)	(1,636)
Interest receivable	(1,630)	(1,609)
Government grant released	(67,087)	(87,621)
Operating surplus before working capital changes	255,912	93,606
(Increase) /decrease in receivables	(1,196)	553
(Increase)/decrease in other receivables	(8,919)	40,322
(Decrease) / increase in payables	(15,490)	9,323
Increase/(decrease) in other payables	1,570	(57,319)
Cash generated from operating activities	231,877	86,485
Cash flow from investing activities		
Interest received	1,801	3,504
Purchase of intangible fixed assets	(744)	(242)
Purchase of property, plant & equipment	(224,202)	(56,614)
Grants received	122,595	40,820
Cash (used in) investing activities	(100,550)	(12,532)
Net increase in cash in the year	131,327	73,953
Cash and equivalents at beginning of year	700,806	626,853
Cash and equivalents at end of year	832,133	700,806

1. General Information

The Marsaskala Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Members on 15 March 2018. The Local Council's company's presentation as well as functional currency is €.

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 ters of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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 Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2017.

IAS 7 - 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Subject to adoption by the EU, the amendments are effective for annual periods beginning on or after 1 January 2017.

New standards and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

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. IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

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

The Councillors 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 Councillors anticipate 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.

Directive No 1/2017 issued by the Department for Local Government. As from 1st January 2018, the capital approach according to IAS 20 Accounting for Government Grants & Disclosure of Government Assistance is going to be adopted. Also with respect to depreciation, as from 1st January 2018, the Council is going to adopt the straight line method on a monthly basis as its depreciation method.

Intangible Assets

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

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	%
Trees	0
Buildings	0
Office Furniture and Fittings	1
Construction Works	7.5
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	10
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	20
Plants	25
Litter Bins	100
Playground Furniture	Replacement Basis
Traffic Signs	100
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	Replacement Basis
	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 end of the reporting period. 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 company 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.

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.

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 income statement on a straight-line basis over the period of the lease.

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. Interest income is recognised in the profit or loss as it accrues.

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council. As from October 2015 LESEA took over the administration of the Local Enforcement System.

Government grants

Government grants relating to costs are deferred and recognised in the income statement 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 profit or loss over the expected lives of the related assets.

Profits and losses

Only losses 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 equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Financial instruments

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

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

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

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

Financial assets

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risks 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.'

Critical Accounting Estimates and Judgements

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.

Capital management policies

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from central government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act	859,668	737,137
Supplementary Government Income	75,488	68,897
Other Government Income	82,566	94,033
	<u>1,017,722</u>	<u>900,067</u>

4. Income raised from Bye-Laws

	2017	2016
	€	€
Bye-Laws - Advertising on Street Furniture	549	4,648
	<u>549</u>	<u>4,648</u>

5. Local Enforcement Income

	2017	2016
	€	€
Income from LES administration fees	12,157	11,551
LESA income distribution	8,391	-
	<u>20,548</u>	<u>11,551</u>

Local Council Marsaskala

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

6. Investment Income	2017	2016
	€	€
Bank Interest	1,630	1,609
	<u>1,630</u>	<u>1,609</u>
	<u>1,630</u>	<u>1,609</u>
7. General Income	2017	2016
	€	€
Green MT Income	2,618	3,142
WSC Permits	620	781
General Income	230	630
Tender Documents/Info. Charges	200	-
Media Advertising	1,269	420
Donations	300	175
Contributions	300	300
EU Local	6,869	-
Erasmus plus	-	7,153
Income from Permits	29,453	30,856
	<u>41,859</u>	<u>43,457</u>
	<u>41,859</u>	<u>43,457</u>
8. Personal Emoluments	2017	2016
	€	€
Mayor's Allowance	12,618	12,443
Councillors' Allowance	9,600	9,600
Executive Secretary Salary and Allowances	33,852	33,025
Employees' Salaries	93,918	92,154
Social Security Contributions	10,626	10,215
	<u>160,614</u>	<u>157,437</u>
	<u>160,614</u>	<u>157,437</u>

9. Operations and Maintenance	2017 €	2016 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	47,785	94,738
Repair to motor vehicle	366	1,681
Signs	7,409	8,454
Road Markings	5,907	-
Office Furniture and Equipment	1,970	352
Plant & Equipment	1,917	160
Sundry Repairs	-	410
Other repairs and Upkeep	19,402	17,981
Council Property	40	-
	<u>84,796</u>	<u>123,776</u>
<i>Contractual Services:</i>		
Waste Disposal	130,534	122,429
Refuse Collection	111,330	110,264
Bulky Refuse Collection	23,117	20,430
Hire of Open Skips	-	59
Cleaning Services	1,446	1,559
Road & Street Cleaning	46,634	46,050
Cleaning & Maintenance Non-Urban Roads	7,854	4,850
Cleaning - Public Conveniences	25,029	22,146
Cleaning - Council Premises	2,911	2,960
Cleaning & Maintenance Parks & Gardens	21,850	22,446
Street Lighting	22,946	22,994
Local Enforcement Expenses	279	297
	<u>393,930</u>	<u>376,484</u>
	<u>478,726</u>	<u>500,260</u>

10. Administration and other expenditure	2017	2016
	€	€
Utilities	17,611	19,414
Uniforms	1,421	244
Sundry materials & supplies	12,340	10,957
Rent	18,116	15,989
European Organisations	350	350
Participation fee - Nat. Mtg.	980	324
Membership - Local Organisations	900	900
Erasmus plus	-	9,820
Carnival expenses	8,023	6,018
Printing	4,919	6,301
Stationery	1,678	1,260
Subscriptions	1,856	1,769
Couriers	-	810
Postages	572	909
Other Office Services	2,124	-
Transport	1,260	2,156
Travel	1,057	1,523
Information Services	17,167	8,693
Insurance Coverage	2,590	2,715
Bank Charges	249	216
IT Development Services	4,407	3,472
Legal services	970	764
Accountancy services	6,805	7,655
Professional services	50	-
Other support services	4,855	3,859
Entertainment	2,398	2,311
Other Hospitality Costs	111	1,298
Annual General Meeting	318	234
Social Events	2,869	5,805
Community Services	1,911	4,760
Sundry Minor Expenses	307	96
Provision for LES receivables	(1,053)	(1,636)
Loss on disposal of non-current assets	416	1,046
Twinning expenses	125	177
Amortisation and Depreciation	150,014	163,532
	<u>267,716</u>	<u>283,741</u>

11. Intangible fixed assets

	Computer Software €	Total €
Cost		
At 1 January 2016	6,982	6,982
Additions	242	242
Disposals	(1,069)	(1,069)
At 31 December 2016	<u>6,155</u>	<u>6,155</u>
Amortisation		
At 1 January 2016	3,812	3,812
On disposals	(993)	(993)
Charge for year	814	814
At 31 December 2016	<u>3,633</u>	<u>3,633</u>
Net book values		
At 31 December 2016	<u>2,522</u>	<u>2,522</u>
Cost		
At 1 January 2017	6,155	6,155
Additions	744	744
At 31 December 2017	<u>6,899</u>	<u>6,899</u>
Amortisation		
At 1 January 2017	3,633	3,633
Charge for year	681	681
At 31 December 2017	<u>4,314</u>	<u>4,314</u>
Net book values		
At 31 December 2017	<u>2,585</u>	<u>2,585</u>

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

12. Property, plant and equipment	Trees		Construction Works		New Street Improvements		Urban Plant, Furniture & fittings		Office Motor vehicles		Assets under construction		Total
	€	€	€	€	€	€	€	€	€	€	€	€	
Cost													
At 1 January 2016	42,852	1,951,015	59,544	1,040,508	46,983	22,883	11,006	3,180,118	5,327	2,578	56,614	(8,828)	
Additions	245	-	-	50,702	1,943	1,146	-	2,578	-	-	-	-	
Disposals	-	-	-	-	(8,828)	-	-	(8,828)	-	-	-	-	
At 31 December 2016	43,097	1,951,015	59,544	1,091,210	40,098	24,029	11,006	3,227,904	7,905	7,905	56,614	(8,828)	
Grants													
At 1 January 2016	-	157,421	-	25,102	-	-	-	182,523	-	-	-	-	
At 31 December 2016	-	157,421	-	25,102	-	-	-	182,523	-	-	-	-	
Depreciation													
At 1 January 2016	-	1,032,640	59,544	532,996	24,001	11,102	9,581	1,669,664	-	-	(7,858)	-	
On disposals	-	-	-	-	(7,858)	-	-	-	-	-	-	-	
Charge for the year	-	76,096	-	80,298	5,106	934	284	162,718	-	-	162,718	-	
At 31 December 2016	-	1,108,736	59,544	613,294	21,249	12,036	9,865	1,824,724	-	-	162,718	-	
Net book values													
At 31 December 2016	43,097	684,858	-	452,814	18,849	11,993	1,141	1,220,657	7,905	7,905	56,614	(8,828)	

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

12. Property, plant and equipment	Trees	Construction Works	New Street Improvements	Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Motor Vehicles	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2017	43,097	1,951,015	59,544	59,544	1,091,210	40,098	24,029	11,006	7,905	3,227,904
Additions	-	198,933	-	-	17,072	1,804	710	-	5,683	224,202
Disposals	-	-	-	-	-	(2,398)	-	-	-	(2,398)
At 31 December 2017	43,097	2,149,948	59,544	59,544	1,108,282	39,504	24,739	11,006	13,588	3,449,708
Grants										
At 1 January 2017	-	157,421	-	-	25,102	-	-	-	-	182,523
At 31 December 2017	-	157,421	-	-	25,102	-	-	-	-	182,523
Depreciation										
At 1 January 2017	-	1,108,736	59,544	59,544	613,294	21,249	12,036	9,865	-	1,824,724
On disposals	-	-	-	-	-	(1,982)	-	-	-	(1,982)
Charge for the year	-	81,767	-	-	62,354	4,051	933	228	-	149,333
At 31 December 2017	-	1,190,503	59,544	59,544	675,648	23,318	12,969	10,093	-	1,972,075
Net book values										
At 31 December 2017	43,097	802,024	-	-	407,532	16,186	11,770	913	13,588	1,295,110

13. Receivables	2017 €	2016 €
Receivables	11,641	10,719
Other receivables	687	466
Accrued income	18,905	8,610
Financial assets	<u>31,233</u>	<u>19,795</u>
Prepayments	10,100	10,541
	<u>41,333</u>	<u>30,336</u>

Receivables

General receivables are analysed as follows:

	2017 €	2016 €
Within credit period	225	890
Exceeded credit period but not impaired	11,416	9,829
	<u>11,641</u>	<u>10,719</u>

Receivables are stated after a specific provision for bad debts amounting to € 275 (2016 : € 0).

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 334,339 (2016: € 335,667).

Other receivables

	2017 €	2016 €
Exceeded credit period but not impaired	<u>687</u>	<u>467</u>

Other receivables are stated after a provision for doubtful debts amounting to € 3,983 (2016 : € 3,983).

The movement in the provision for doubtful debts is as follows:

	2017 €	2016 €
Balance at 1 January	339,650	341,286
(Decrease) in provision for LES Debtors	<u>(1,053)</u>	<u>(1,636)</u>
Balance at 31 December	<u>338,597</u>	<u>339,650</u>

14. Cash and equivalents			
	2017	2016	
	€	€	
Bank Balances	831,826	700,443	
Cash in Hand	307	363	
	<u>832,133</u>	<u>700,806</u>	
	<u><u>832,133</u></u>	<u><u>700,806</u></u>	
15. Payables			
	2017	2016	
	€	€	
Payables	95,273	110,763	
Accruals	33,761	32,191	
Financial Liabilities	<u>129,034</u>	<u>142,954</u>	
Deferred income	68,214	59,224	
	<u>197,248</u>	<u>202,178</u>	
	<u><u>197,248</u></u>	<u><u>202,178</u></u>	
16. Deferred income			
	2017	2016	
	€	€	
Government grants			
Balance at the beginning of the year	584,785	593,257	
Increase during year	122,595	79,149	
Released during year	<u>(67,087)</u>	<u>(87,621)</u>	
	<u>640,293</u>	<u>584,785</u>	
	<u><u>640,293</u></u>	<u><u>584,785</u></u>	
Current Deferred Income	68,214	59,224	
Non-Current Deferred Income	<u>572,079</u>	<u>525,561</u>	
	<u><u>572,079</u></u>	<u><u>525,561</u></u>	
Deferred Government Grants			
Deferred within one year	68,214	59,224	
Deferred between one and five years	196,738	180,740	
Deferred in five years or more	<u>375,341</u>	<u>344,821</u>	
	<u>640,293</u>	<u>584,785</u>	
	<u><u>640,293</u></u>	<u><u>584,785</u></u>	

17. Capital commitments

	2017	2016
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	<u>509,000</u>	<u>145,000</u>
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	495,000	130,000
Urban Improvements	10,000	12,000
Office equipment	3,000	3,000
Office furniture & fittings	1,000	-
	<u>509,000</u>	<u>145,000</u>

18. 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
Fgura Joint Committee (Local Enforcement)	Joint control
Local Enforcement System Agency	No control
Gozo Regional Committee	No control
North Regional Committee	No control
South Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Communication Authority	No control
Malta Tourism Authority	No control
Malta Transport Authority	No control
Department of Lands	No control
Department of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Airmalta plc	No control
Jobs plus	No control
Arms Limited	No control
Planning Authority	No control
Environment and Resources Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Commissioner for Data Protection	No control

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

	2017	2016
	€	€
Annual Financial Allocation	859,668	737,137

Key management compensation

Transactions with key management personnel are disclosed in note 8.

19. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

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

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

Categories of financial instruments

<i>Financial assets</i>	2017	2016
	€	€
Cash and bank balances	832,133	700,806
Receivables	41,333	30,336
	<u>873,466</u>	<u>731,142</u>
Financial liabilities		
Trade payables	95,273	110,763
Accruals	33,761	32,191
	<u>129,034</u>	<u>142,954</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below.

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:

<i>Classes of financial assets - carrying amounts</i>	2017	2016
	€	€
Receivables	41,333	30,336
Cash and cash equivalents	832,133	700,806
	<u>873,466</u>	<u>731,142</u>