



**MTARFA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2017**

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**MTARFA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2017**

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**MTARFA LOCAL COUNCIL  
STATEMENT OF LOCAL COUNCIL MEMBERS' AND  
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the 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 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, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.

\_\_\_\_\_  
Daniel John Attard  
Mayor

\_\_\_\_\_  
Josette Micallef  
Executive Secretary

Date: 19 April 2018

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**MTARFA LOCAL COUNCIL**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

		<b>2017</b>	2016
	Notes	<b>Euro</b>	Euro
<b>REVENUE</b>			
Funds received from Government	3	<b>319,356</b>	307,708
Income raised under Law Enforcement system	4	<b>0</b>	841
Income raised from Bye-Laws	5	<b>2,526</b>	4,212
General income	6	<b>8,375</b>	14,022
		-----	-----
		<b>330,257</b>	326,783
		-----	-----
<b>EXPENDITURE</b>			
Personnel emoluments	7	<b>70,968</b>	75,411
Operations and maintenance	8	<b>120,582</b>	117,281
Administration and other expenditure	9	<b>123,515</b>	118,506
		-----	-----
		<b>315,065</b>	311,198
		-----	-----
<b>OPERATING PROFIT FOR THE YEAR</b>		<b>15,192</b>	15,585
Finance Income	10	<b>46</b>	47
<b>PROFIT FOR THE YEAR</b>		<b>15,238</b>	15,632
		-----	-----

The notes on pages 10 to 28 form an integral part of these financial statements

**MTARFA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2017**

	Notes	31 December 2017	31 December 2016
		Euro	Euro
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<u>447,501</u>	<u>475,932</u>
<b>Current Assets</b>			
Inventories	12	938	961
Trade and other receivables	13	20,876	23,970
Cash and cash equivalents	14	<u>182,799</u>	<u>171,863</u>
<b>Total Current Assets</b>		<u>204,613</u>	<u>196,794</u>
<b>TOTAL ASSETS</b>		<u>652,114</u>	<u>672,726</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>253,990</u>	<u>238,752</u>
<b>Non-Current Liabilities</b>			
Deferred Income	15	<u>322,371</u>	<u>355,570</u>
		<u>322,371</u>	<u>355,570</u>
<b>Current Liabilities</b>			
Trade and other payables	16	43,211	43,770
Deferred Income	15	<u>32,542</u>	<u>34,634</u>
<b>Total Current Liabilities</b>		<u>75,753</u>	<u>78,404</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>652,114</u>	<u>672,726</u>

The notes on pages 10 to 28 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 19 April 2018 and signed on its behalf by:

\_\_\_\_\_  
Daniel John Attard  
Mayor

\_\_\_\_\_  
Josette Micallef  
Executive Secretary

**MTARFA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2017**

	Retained Funds Euro
At 1 January 2016	223,120
Profit for the year	<u>15,632</u>
At 31 December 2016	<u>238,752</u>
<b>At 1 January 2017</b>	<b>238,752</b>
<b>Profit for the Year</b>	<b><u>15,238</u></b>
<b>At 31 December 2017</b>	<b><u>253,990</u></b>

The notes on pages 10 to 28 form an integral part of these financial statements



**MTARFA LOCAL COUNCIL  
STATEMENT OF CASH FLOWS  
For the year ended 31 December 2017**

	Notes	Year 2017 Euro	Year 2016 Euro
<b>Profit for the year</b>		15,238	15,632
<b>Reconciliation to cash generated from Operations:</b>			
Depreciation		45,633	52,299
Provision for Bad Debts		0	(950)
Interest receivable		(46)	(47)
Government Grant Released		<u>(35,284)</u>	<u>(35,850)</u>
<b>Operating Profit before Working Capital changes</b>		<b>25,541</b>	<b>31,084</b>
<b>Movement in working capital</b>			
Decrease/(Increase) in Inventories		23	(961)
Decrease in Trade and other receivables		3,094	7,170
(Decrease) in Trade and Other Payables		<u>(566)</u>	<u>(62,623)</u>
<b>Net cash inflow/(outflow) from operating activities</b>		<u><b>28,092</b></u>	<u><b>(25,330)</b></u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(17,202)	(5,986)
Interest received		<u>46</u>	<u>47</u>
<b>Net cash (outflow) from investing activities</b>		<u><b>(17,156)</b></u>	<u><b>(5,939)</b></u>
<b>Cash flows from financing activities</b>			
Grants received		<u>0</u>	<u>32,241</u>
<b>Net cash inflow from financing activities</b>		<u><b>0</b></u>	<u><b>32,241</b></u>
<b>Movement in cash and cash equivalents</b>		<b>10,936</b>	<b>972</b>
Cash and cash equivalents at beginning of year		171,863	170,891
<b>Cash and cash equivalents at end of year</b>	14	<u><b>182,799</b></u>	<u><b>171,863</b></u>

The notes on pages 10 to 28 form an integral part of these financial statements

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

**1. GENERAL INFORMATION**

Mtarfa Local Council is the local authority of Mtarfa incorporated in accordance with the Local Councils Act 1993. The office of the Council is at 'Town Centre', Triq ir-Rigiment Maltin, Mtarfa. The Local Council's presentation as well as functional currency are denominated in €.

The financial statements were authorised for issue by the Council on the 19 April 2018.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

**Accounting convention**

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

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**

During the year the Council has applied the following International Financial reporting Standards as adopted by the EU which have been mandatorily effective for the year ending 31 December 2017:

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

On 12 May 2014 the IASB issued Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The issue also introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments finally add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

On 18 December 2014 the IASB issued Amendments to IAS 1 Disclosure Initiative. It clarifies that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all the parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; provides clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and gives additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Standards and Interpretations issued by the IASB but not yet adapted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2017 and cannot be applied by the entities preparing their financial statements in accordance with IFRS as adopted by the EU:

- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued December 2016)
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014)
- Amendments to IAS 7 Disclosure Initiative (issued January 2016);

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.

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

***Property, plant and equipment***

Property, plant and equipment are 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	100.0
Street Lights	100.0

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

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

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

***Related parties***

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

***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.

***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. The Buildings of the Mtarfa Local Council premises are leased for a period of 30 years.

***Amounts Receivable***

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. The amount of the provision is the difference between the carrying amount 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 recognized in the Statement of Comprehensive Income.

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

***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.

***Payables and Borrowings***

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

***Government Grants***

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

Directive issued in 2017 by the Department of Local Councils, instructs the Council to adopt the alternative capital approach available in IAS 20, as from 1 January 2018.

***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 €, which is the Council's functional and presentation currency.

***Inventory***

Inventory is calculated at lower of cost and net realisable value.

***Profits and Losses***

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

***Cash and Cash Equivalents***

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

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

***Local Enforcement System***

Mtarfa Local Council formed part of the Tramuntana Joint Committee from September 2002 until 31 August 2011. As from 1st September 2011, the Mtarfa Local Council forms part of the North Regional Committee.

***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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – ‘Presentation of Financial Statements’.

***Capital Management Policies and Procedures***

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

***Financial Instruments***

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

Financial assets and financial liabilities are measured initially at fair value plus transaction 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:

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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 a counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

**3. FUNDS RECEIVED FROM GOVERNMENT**

	<b>1 Jan 2017- 31 Dec 2017</b>	1 Jan 2016- 31 Dec 2016
	<b>Euro</b>	Euro
In terms of Section 55 of the Local Councils Act, 1993	<b>254,075</b>	250,478
Other Supplementary Government Income	<b><u>65,281</u></b>	<u>57,230</u>
	<b><u>319,356</u></b>	<u>307,708</u>

**4. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM**

	<b>1 Jan 2017 - 31 Dec 2017</b>	1 Jan 2016 - 31 Dec 2016
	<b>Euro</b>	Euro
Fines and penalties	<b><u>0</u></b>	<u>841</u>
	<b><u>0</u></b>	<u>841</u>



**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. INCOME RAISED FROM BYE-LAWS**

	1 Jan 2017 - 31 Dec 2017 Euro	1 Jan 2016 - 31 Dec 2016 Euro
Courses and skip permits	<u>2,526</u>	<u>4,212</u>
	<u>2,526</u>	<u>4,212</u>

**6. GENERAL INCOME**

	1 Jan 2017-31 Dec 2017 Euro	1 Jan 2016-31 Dec 2016 Euro
Tender Documents	27	149
Permits	2,429	1,528
Library Services	800	600
LUNF Project	0	4,390
Norway Grants Study Tour	0	3,154
General Income	5,119	4,201
	<u>8,375</u>	<u>14,022</u>

**7. PERSONNEL EMOLUMENTS**

	1 Jan 2017-31 Dec 2017 Euro	1 Jan 2016-31 Dec 2016 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	7,345	7,229
Mayor's and Councillors' Allowances	6,772	6,028
Executive Secretary Salary and Allowances	29,398	28,615
Employees' Salaries	23,234	28,805
Social Security Contributions	4,219	4,734
	<u>70,968</u>	<u>75,411</u>
Average number of people employed		
Employees	3	3
Mayor & Councillors	5	5

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. OPERATIONS AND MAINTENANCE EXPENSES**

	<b>1 Jan 2017- 31 Dec 2017 Euro</b>	<b>1 Jan 2016- 31 Dec 2016 Euro</b>
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Plant & Equipment	756	845
Road/Street Pavements	2,085	0
Road signs and markings	6,482	3,647
Council property	6,416	5,736
Office furniture & equipment	628	1,427
Other repairs and upkeep	4,940	5,902
	<u>21,307</u>	<u>17,557</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	26,824	26,823
Tipping Fees	18,159	21,201
Bulky refuse collection	1,955	1,526
Road and street cleaning	13,965	13,965
Cleaning and maintenance public conveniences	5,608	4,920
Cleaning and maintenance parks and gardens	21,301	20,495
Cleaning and maintenance council premises	1,356	946
Other Contractual Services	5,301	6,751
Street Lighting and security	4,679	2,958
LES related expenditure	127	139
	<u>99,275</u>	<u>99,724</u>
<b>TOTAL OPERATIONS &amp; MAINTENANCE EXPENSES</b>	<u><b>120,582</b></u>	<u><b>117,281</b></u>

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	<b>1 Jan 2017- 31 Dec 2017</b>	<b>1 Jan 2016-31 Dec 2016</b>
	<b>Euro</b>	<b>Euro</b>
<b>9. ADMINISTRATION AND OTHER EXPENDITURE</b>		
Depreciation	<b>45,633</b>	52,299
Professional Fees	<b>16,096</b>	10,942
Advertising and public relations expenses	<b>318</b>	251
Bank charges	<b>46</b>	51
Late payment interest	<b>32</b>	0
Fuel	<b>60</b>	80
Community services	<b>37,305</b>	29,489
Conference and participation expenses	<b>613</b>	1,801
Insurance	<b>1,101</b>	1,191
Library Expenses	<b>2,989</b>	2,549
Penalties – DLG	<b>0</b>	100
Postages	<b>159</b>	218
Printing and stationery	<b>1,623</b>	2,123
Publications	<b>1,627</b>	823
Rent	<b>7,331</b>	7,351
Provision for bad debts (others)	<b>0</b>	(950)
Staff Training and Uniforms	<b>0</b>	1,080
Office Services	<b>1,490</b>	1,742
Sundry Minor Expenses	<b>387</b>	0
Telecommunications	<b>2,579</b>	1,741
Transport expenses	<b>1,750</b>	1,792
Water and Electricity	<b>2,376</b>	3,833
<b>TOTAL ADMINISTRATIVE AND OTHER EXPENSES</b>	<b>123,515</b>	118,506
	<b>1 Jan 2017- 31 Dec 2017</b>	<b>1 Jan 2016-31 Dec 2016</b>
	<b>Euro</b>	<b>Euro</b>
<b>10. FINANCE INCOME</b>		
Bank Interest	<b><u>46</u></b>	<u>47</u>
	<b><u>46</u></b>	<u>47</u>

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**11a. PROPERTY, PLANT AND EQUIPMENT**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
<b>Cost</b>										
At 1 January 2017	42,865	14,737	9,569	38,068	293,334	449,433	6,981	7,624	0	862,611
Additions	659	870	950	0	1,169	0	0	490	13,064	17,202
Disposals/Transfers	0	0	0	0	0	0	0	0	0	0
At 31st December 2017	43,524	15,607	10,519	38,068	294,503	449,433	6,981	8,114	13,064	879,813
<b>Grants</b>										
At 1 January 2017	0	0	0	0	51,246	0	0	0	0	51,246
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2017	0	0	0	0	51,246	0	0	0	0	51,246
<b>Depreciation</b>										
At 1 January 2017	23,928	10,865	7,788	38,068	170,169	79,065	0	5,550	0	335,433
Charge for the period	1,416	797	610	0	6,983	35,386	0	441	0	45,633
Released on disposal	0	0	0	0	0	0	0	0	0	0
At 31st December 2017	25,344	11,662	8,398	38,068	177,152	114,451	0	5,991	0	381,066
<b>Net Book Value</b>										
At 31st December 2017	18,180	3,945	2,121	0	66,105	334,982	6,981	2,123	13,064	447,501

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**11b. PROPERTY, PLANT AND EQUIPMENT(cont...)**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
<b>Cost</b>										
At 1 January 2016	42,725	12,597	9,569	38,068	290,865	190,433	10,740	7,624	257,763	860,384
Additions	140	2,140	0	0	2,469	0	0	0	1,237	5,986
Disposals/Transfers	0	0	0	0	0	259,000	-3,759	0	-259,000	-3,759
At 31st December 2016	42,865	14,737	9,569	38,068	293,334	449,433	6,981	7,624	0	862,611
<b>Grants</b>										
At 1 January 2016	0	0	0	0	51,246	0	0	0	0	51,246
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2016	0	0	0	0	51,246	0	0	0	0	51,246
<b>Depreciation</b>										
At 1 January 2016	22,403	10,099	7,195	38,068	162,425	37,913	3,759	5,031	0	286,893
Charge for the period	1,525	766	593	0	7,744	41,152	0	519	0	52,299
Released on disposal	0	0	0	0	0	0	-3,759	0	0	-3,759
At 31st December 2016	23,928	10,865	7,788	38,068	170,169	79,065	0	5,550	0	335,433
<b>Net Book Value</b>										
At 31st December 2016	18,937	3,872	1,781	0	71,919	370,368	6,981	2,074	0	475,932

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. INVENTORIES**

	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
Books and other publications	<u><b>938</b></u>	<u><b>961</b></u>

**13. TRADE AND OTHER RECEIVABLES**

	<b>2017 Euro</b>	<b>2016 Euro</b>
Amount invoiced but not yet settled	<b>4,060</b>	7,216
Provision for Bad Debts (General)	<b>(3,750)</b>	(3,750)
Law Enforcement System Debtors	<b>37,267</b>	37,267
Provision for Bad LES Debts	<b>(37,267)</b>	(37,267)
Other debtors	<b>0</b>	2,476
Deposit Payments	<b>973</b>	0
Prepayments	<b>5,712</b>	6,519
Accrued income	<b>13,881</b>	11,509
	<u><b>20,876</b></u>	<u><b>23,970</b></u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Trade debtors are analysed as follows:

Within credit period	<b>212</b>	2,630
Exceeded credit period(past due) but not impaired	<b>98</b>	836
Exceeded credit period(past due) and impaired	<b>3,750</b>	3,750
	<u><b>4,060</b></u>	<u><b>7,216</b></u>

**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. 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 Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	<b>2017</b>	<b>2016</b>
	<b>Euro</b>	<b>Euro</b>
Petty cash and cash in hand	1,645	170
Bank balances		
- BOV current account	20,664	28,724
- BOV savings accounts	<u>160,490</u>	<u>142,969</u>
<b>Cash and Cash Equivalent in Statement of Financial Position</b>	<b><u>182,799</u></b>	<b><u>171,863</u></b>

**15. DEFERRED INCOME**

	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Government Grants</b>		
At beginning of year	390,204	403,264
(Decrease)/Increase in period	<u>(7)</u>	<u>22,790</u>
	390,197	426,054
Released in period	<u>(35,284)</u>	<u>(35,850)</u>
At end of year	<u>354,913</u>	<u>390,204</u>
<b>Current Deferred Income</b>	<b><u>32,542</u></b>	<b><u>34,634</u></b>
<b>Non-Current Deferred Income</b>	<b><u>322,371</u></b>	<b><u>355,570</u></b>
<b>Maturity Analysis of Non-Current Deferred Income</b>		
Between one and two years	28,864	61,752
Between two and five years	71,074	72,215
In five years or more	<u>222,433</u>	<u>221,603</u>
	<u>322,371</u>	<u>355,570</u>

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. TRADE AND OTHER PAYABLES**

	<b>2017</b>	<b>2016</b>
	<b>Euro</b>	<b>Euro</b>
Payables	26,172	26,836
Other Creditors	699	0
Accruals	<u>16,340</u>	<u>16,934</u>
	<u><b>43,211</b></u>	<u><b>43,770</b></u>

Trade Payables are analysed as follows:

	<b>2017</b>	<b>2016</b>
	<b>Euro</b>	<b>Euro</b>
Within credit period	26,172	26,836
Exceeded credit period	<u>0</u>	<u>0</u>
	<u><b>26,172</b></u>	<u><b>26,836</b></u>

Accruals include estimates for goods and services received prior to 31 December 2017 and for which invoices have not yet been received by the Local Council.

**17. CONTINGENT LIABILITIES**

The Council has no contingent liabilities as at 31<sup>st</sup> December 2017.

**18. CAPITAL COMMITMENTS**

	<b>As at 31 Dec 2017</b>	<b>As at 31 Dec 2016</b>
	<b>Euro</b>	<b>Euro</b>
i- Capital expenditure that has been contracted for but not provided for in the financial statements	<b>0</b>	<b>0</b>
ii- Capital expenditure that has been approved but not yet contracted for.	<b>25,600</b>	<b>31,200</b>



**MTARFA LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. FAIR VALUES ESTIMATION**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**20. RELATED PARTY TRANSACTIONS**

The Mtarfa Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Joint Committee for Local Enforcement, Central Regional Committee for Local Enforcement
- iii. No Control – Local Councils Association, Commissioner for Data Protection, Department of Information, Koperattiva Tabelli u Sinjali, Kunsill Malti għall-Isport, Permanent Secretary Justice Cultural & Local Government, Ufficju Gbir tal-Kera, Housing Authority, Kunsill Nazzjonali tal-Ktieb, Agricultural & Rural Paying Agency, Gozo Channel, Maltapost plc., Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Isla Local Council and WasteServ Malta Limited.

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

	<b>2017</b>	<b>2016</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	<b>254,075</b>	250,478
<u>Key Management Emoluments</u>		
Executive Secretary	<b>29,049</b>	28,554
Mayor's Honoraria	<b>7,345</b>	7,229
Mayor & Councillors' Allowances	<b>6,772</b>	6,028

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**21. FINANCIAL RISK MANAGEMENT**

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

*Market Risk*

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

*Credit Risk*

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	<b>2017</b>	<b>2016</b>
	€	€
<b>Classes of financial assets - carrying amounts</b>		
Trade and other receivables	<b>1,283</b>	5,942
Cash and cash equivalents	<b><u>182,799</u></b>	<u>171,863</u>
	<b><u>184,082</u></b>	<u>177,805</u>

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**21. FINANCIAL RISK MANAGEMENT (continued)**

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there is a balance of €3,750 (2016 - €3,750) which is past due and which has been provided for.

	<b>2017</b>	2016
	<b>Euro</b>	Euro
0-30 days	<b>212</b>	2,630
31-60 days	<b>155</b>	151
61-90 days	<b>0</b>	727
91-120 days	<b>0</b>	0
121-365 days	<b>(57)</b>	(42)
Over 365 days	<b><u>3,750</u></b>	<u>3,750</u>
	<b><u>4,060</u></b>	<u>7,216</u>

*Foreign Currency Risk*

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

*Interest Rate Risk*

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments.

**MTARFA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**21. FINANCIAL RISK MANAGEMENT (continued)**

At 31 December 2017, the Council's financial liabilities have contractual maturities which are summarised below:

	<b>Current within 1 year €</b>	<b>Non-Current 1 to 5 years €</b>	<b>Non-Current later than 5 years €</b>
<b>Payables</b>	<u><b>26,172</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	<b>Current Within 1 year €</b>	<b>Non-Current 1 to 5 Years €</b>	<b>Non-Current later than 5 years €</b>
<b>Payables</b>	<u><b>26,836</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

**22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	<b>2017 €</b>	<b>2016 €</b>
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	1,283	5,942
Cash and cash equivalents	<u>182,799</u>	<u>171,863</u>
	<u><b>184,082</b></u>	<u><b>177,805</b></u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	<u>26,172</u>	<u>26,836</u>
	<u><b>26,172</b></u>	<u><b>26,836</b></u>