



IŻ-ŻEBBUĠ (GOZO) LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2017

Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 24
Report of the Local Government Auditor to the Auditor General	25 - 28

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

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

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

This statement was approved by the Local Council on the 20th April 2018 and signed on its behalf by

Nicky Saliba
Mayor

Ryan Debrincat
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
		€	€
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	579,576	506,133
Income raised under Local Enforcement System	5	3,714	948
General Income	6	16,239	9,957
		<u>599,529</u>	<u>517,038</u>
EXPENDITURE			
Personal emoluments	8	(80,874)	(79,521)
Operations and maintenance expenses	9	(226,518)	(200,993)
Administrative and other expenditure	10	(256,023)	(231,688)
		<u>(563,415)</u>	<u>(512,202)</u>
Operating surplus for the year		36,114	4,836
Finance income	11	234	294
Total comprehensive income for the year		<u>36,348</u>	<u>5,130</u>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017 €	2016 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>1,286,007</u>	1,262,064
		<u>1,286,007</u>	<u>1,262,064</u>
Current Assets			
Receivables	13	22,965	6,968
Cash and Cash Equivalents	14	<u>173,588</u>	<u>163,285</u>
		<u>196,553</u>	<u>170,253</u>
Total Assets		<u><u>1,482,560</u></u>	<u><u>1,432,317</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		<u>842,255</u>	805,907
		<u>842,255</u>	<u>805,907</u>
Non-Current Liabilities			
Deferred income	16	<u>478,761</u>	454,728
		<u>478,761</u>	<u>454,728</u>
Current Liabilities			
Payables	15	114,479	123,509
Deferred income	16	<u>47,065</u>	<u>48,173</u>
		<u>161,544</u>	<u>171,682</u>
Total Reserves and Liabilities		<u><u>1,482,560</u></u>	<u><u>1,432,317</u></u>

These financial statements were approved by the Local Council on 20th April 2018 and signed on its behalf by:

Nicky Saliba
Mayor

Ryan Debrincat
Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Retained Funds €
At 1 January 2016	800,777
Surplus for the year 2016	5,130
	<hr/>
At 31 December 2016	805,907
	<hr/> <hr/>
At 1 January 2017	805,907
Surplus for the year 2017	36,348
	<hr/>
At 31 December 2017	842,255
	<hr/> <hr/>

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	€	€
Note		
Cash flows from Operating Activities		
Total comprehensive income for the year	36,348	5,130
Reconciliation to cash generated from operations:		
Depreciation	128,233	128,730
Increase in provision for doubtful debts	1,618	373
Grant released	(48,255)	(55,706)
Interest receivable	(234)	(294)
Operating Profit before Working Capital Changes	117,710	78,233
(Increase) / Decrease in Receivables	(17,615)	74,323
Decrease in Payables	(9,030)	(107,491)
Cash generated from operating activities	91,065	45,065
Cash flows from Investing Activities		
Interest received	234	294
Purchase of property, plant & equipment	(152,176)	(68,630)
Repayment of grants	-	(30,558)
Receipt of grant	71,180	-
Cash generated used in investing activities	(80,762)	(98,894)
Cash flows from Financing Activities		
Net Increase / (Decrease) in Cash and Cash Equivalents	10,303	(53,829)
Cash and Cash Equivalents at the Beginning of the year	163,285	217,114
Cash and Cash Equivalents at the End of the year	173,588	163,285
16		

The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

The Iż-Żebbuġ (Gozo) Local Council is the local Authority of Iz-Zebbug (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Church Street, Iż-Żebbuġ, Gozo. These financial statements were approved for issue by the Council Members on 20th April 2018. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

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

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

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. The Local Council has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

New Standards and amendments not yet adopted:

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

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

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

2. Accounting Policies and Reporting Procedures

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

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

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

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

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

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. It's effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

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

Amendments to IAS 40 Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. Annual Improvements in Annual Improvements 2012-2014 Cycle include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Local Council. The package also includes amendments to IFRS 12 which is mandatorily effective for the Local Council in the current year. Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**3. Accounting Policies and Reporting Procedures**

IFRIC 22 Foreign Currency Transactions and Advance Consideration. Addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

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

Property, plant and equipment

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

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

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

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

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.

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

Accounting Policies and Reporting Procedures (cont.)

Amounts receivable

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

Borrowings

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

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

Other payables

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

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and 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'.

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

Accounting Policies and Reporting Procedures (cont.)

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

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

Financial liabilities

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

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

Related parties

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

Revenue

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

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

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also received income from LESA under the pooling system.

Government grants

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

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.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Notes to the Financial Statements for the period ended 31 December 2017 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Borrowing costs*

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

Profits and losses

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

Cash and cash equivalents

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

Capital Management

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

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

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

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

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

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

4. Funds received from central government

	2017	2016
	€	€
In terms of section 55 of the Local Councils Act	498,755	433,074
Supplementary Government Income	32,566	15,710
Other Government Income	-	1,643
Grants Released	48,255	55,706
	<u>579,576</u>	<u>506,133</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**5. Local Enforcement system**

	2017	2016
	€	€
Administrative charges to Regional Committees	720	948
Distribution from LESA	<u>2,994</u>	-
	<u>3,714</u>	<u>948</u>

6. General Income

	2017	2016
	€	€
Community services	88	1,848
Contributions and donations	-	600
Tender Documents/Info Charges	-	500
Temporary permits	9,239	6,753
Other Income	<u>6,912</u>	256
	<u>16,239</u>	<u>9,957</u>

7. Surplus for the year

	2017	2016
	€	€
Profit for the year is stated after charging		
Staff salaries	80,874	79,521
Depreciation of non-current assets	<u>128,233</u>	<u>128,730</u>

8. Personal Emoluments

	2017	2016
	€	€
Mayor's Honoraria	7,345	7,229
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	33,181	32,802
Employees' Salaries	30,077	29,083
Social Security Contributions	<u>3,871</u>	4,007
	<u>80,874</u>	<u>79,521</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**9. Operations and Maintenance**

	2017	2016
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	56,366	66,712
Street Signs and markings	9,976	6,754
Public property	7,047	12,976
	<u>73,389</u>	<u>86,442</u>
<i>Contractual Services:</i>		
Waste Disposal	30,649	29,059
Refuse Collection	56,973	41,792
Bulky Refuse Collection	6,476	3,436
Hiring of skips	5,029	10,229
Cleaning and Maintenance of Non-Urban Roads	8,531	232
Cleaning and Maintenance of Public Conveniences	11,767	9,951
Cleaning and Maintenance of Parks and Gardens	6,582	11,545
Cleaning and Maintenance of Soft Areas	2,424	1,224
Cleaning and Maintenance of Beach and Coastal areas	-	4,813
Road & Street Cleaning	2,823	450
Other contractual services	694	-
Street Lighting	20,738	1,799
Local enforcement expenses	443	21
	<u>153,129</u>	<u>114,551</u>
Total Operations and Maintenance Costs	<u>226,518</u>	<u>200,993</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**10. Administrative and other expenditure**

	2017	2016
	€	€
Utilities	4,842	6,913
Other repairs and upkeep	6,523	513
Rent	7,466	4,647
National and International Memberships	2,923	762
Office Services	9,352	5,590
Transport and Travel	6,627	4,211
Information Services	4,989	10,764
Insurance Coverage	1,027	1,175
Bank charges	152	76
Professional Services	23,385	15,501
Community and Hospitality	10,162	6,924
Social and cultural events	39,154	38,854
Training	1,692	-
Other expenses	1,074	1,123
Twinning expenses	6,804	4,235
Increase in provision for doubtful debts	1,618	373
Penalties	-	1,297
Depreciation and amortisation	128,233	128,730
	<u>256,023</u>	<u>231,688</u>

11. Finance Income

	2017	2016
	€	€
Bank Interest Receivable	234	294
	<u>234</u>	<u>294</u>

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

12. Property, plant and equipment

	Office Furniture/ Fittings €	Office/ Computer Equipment €	Plant & Machinery €	Urban Improvements €	Assets under Construction €	New Street Signs €	Construction/ Special Programmes €	Total €
Cost								
At 1 January 2017	32,410	30,767	5,620	478,242	-	59,235	2,146,297	2,752,571
Additions	760	1,904	-	15,419	50,150	-	83,943	152,176
At 31 December 2017	33,170	32,671	5,620	493,661	50,150	59,235	2,230,240	2,904,747
Depreciation								
At 1 January 2017	16,971	25,114	3,814	312,349	-	59,235	988,526	1,406,009
Charge for the year	1,287	1,539	361	16,981	-	-	108,065	128,233
At 31 December 2017	18,258	26,653	4,175	329,330	-	59,235	1,096,591	1,534,242
Grants								
At 1 January 2017	-	-	-	-	-	-	84,498	84,498
At 31 December 2017	-	-	-	-	-	-	84,498	84,498
Net Book values								
At 31 December 2017	14,912	6,018	1,445	164,331	50,150	-	1,049,151	1,286,007

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

12. Property, plant and equipment (cont.)

	Office Furniture/ Fittings €	Office/ Computer Equipment €	Plant & Machinery €	Urban Improvements €	Assets under Construction €	New Street Signs €	Construction/ Special Programmes €	Total €
Cost								
At 1 January 2016	31,458	29,567	5,620	464,612	-	59,235	2,093,449	2,683,941
Additions	952	1,200	-	13,630	-	-	52,848	68,630
Assets Capitalised	-	-	-	-	-	-	-	-
At 31 December 2016	<u>32,410</u>	<u>30,767</u>	<u>5,620</u>	<u>478,242</u>	<u>-</u>	<u>59,235</u>	<u>2,146,297</u>	<u>2,752,571</u>
Depreciation								
At 1 January 2016	15,719	23,566	3,363	295,299	-	59,235	880,097	1,277,279
Charge for the year	1,252	1,548	451	17,050	-	-	108,429	128,730
At 31 December 2016	<u>16,971</u>	<u>25,114</u>	<u>3,814</u>	<u>312,349</u>	<u>-</u>	<u>59,235</u>	<u>988,526</u>	<u>1,406,009</u>
Grants								
At 1 January 2016	-	-	-	-	-	-	84,498	84,498
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,498</u>	<u>84,498</u>
Net Book values								
At 31 December 2016	<u>15,439</u>	<u>5,653</u>	<u>1,806</u>	<u>165,893</u>	<u>-</u>	<u>-</u>	<u>1,073,273</u>	<u>1,262,064</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**13. Receivables**

	2017	2016
	€	€
Accounts receivables	9,974	3,747
Prepayments and accrued income	12,991	3,221
	<u>22,965</u>	<u>6,968</u>

Receivables

General receivables are analysed as follows:

	2017	2016
	€	€
Within credit period	17,931	3,531
Exceeded credit period but not impaired	5,034	3,437
Impaired and provided for	33,654	32,036
Provision for doubtful debts	(33,654)	(32,036)
	<u>22,965</u>	<u>6,968</u>

Included in the accounts receivable are amounts due from related parties amounting to €9,974 (2016 : €4,120). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

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

	2017	2016
	€	€
Cash at Bank	102,684	163,215
Cash and Cheques in Hand	70,904	70
	<u>173,588</u>	<u>163,285</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**15. Payables**

	2017	2016
	€	€
Accounts payable	27,171	79,091
Other payables	3,316	-
Accruals	83,992	44,418
	<u>114,479</u>	<u>123,509</u>

Included in the accounts payable are amounts due to related parties amounting to €4,205 (2016 : €2,324). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2017	2016
	€	€
Government grants		
At 1 January	502,901	589,165
Repayment to paying agency	-	(30,558)
Increase in year	71,180	-
	<u>574,081</u>	<u>558,607</u>
Released in year	(48,255)	(55,706)
At 31 December	<u>525,826</u>	<u>502,901</u>
Current Deferred Income	<u>47,065</u>	<u>48,173</u>
Non-Current Deferred Income	<u>478,761</u>	<u>454,728</u>
Deferred Government Grants		
Deferred between one and two years	45,825	43,548
Deferred between two and five years	112,764	107,139
Deferred in five years or more	320,172	304,041
	<u>478,761</u>	<u>454,728</u>
Deferred after five years or more:		
Government Grants	<u>320,172</u>	<u>304,041</u>

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**17. Capital Commitments**

	2017	2016
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	79,400	60,416
- Contracted for but not provided in the financial statements	141,034	39,925
	141,034	39,925
(i) Approved but not yet contracted for:		
Printing of Book about locality written by Profs Horatio	6,400	-
Resurfacing of New Street in Triq Ħal Sagħtrija	73,000	-
Alley Church Street	-	18,870
War Monument	-	1,400
Railings Sqaq Anton Mallia	-	6,671
Paving works at Triq Santa Marija	-	33,475
	79,400	60,416
(i) Contracted for but not provided in the Financial Statements:		
Galvanised Steel Canopy for Bocci pitch	7,702	-
Re-surfacing Triq Għar Qawqla	52,172	-
War Monument Żebbuġ	1,400	-
Railings at Sqaq Anton Mallia and Triq Onici	13,562	-
Xwejni Quay	38,199	-
Re-surfacing Triq Għajn Mhelel (over Xwejni Public Convenience)	18,000	-
Public Convenience - Xwejni	10,000	39,925
	141,034	39,925

18. Contingent liabilities and Assets

There were no contingent liabilities in respect of bank guarantees at year end. The Council had received a judicial letter from a individual who had claimed Eur3,821 in damages of his motor vehicle in prior year. No further communication took place in the year under review. The Council is assessing this claim. Furthermore, at year end the council has a trade dispute with Gatt Tarmac for Eur29,735.

The Council has a signed commitment letter with the Gozo Regional Committee for the grant of €9,615 on resurfacing of Triq Ghar Qawqla. Works have started in 2018.

19. Ultimate controlling party

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

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**20. Financial Risk Management**

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.

Credit risk

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

Summary of financial assets and liabilities by category:

	2017	2016
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	22,965	6,968
Cash and Cash Equivalents	173,588	163,285
	196,553	170,253
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	114,479	123,509

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro173,588. This should ensure an ongoing working capital of the Council for the next 12 months.

Going Concern Risk

The Council had a net profit of €36,348 (2016: €5,130) during the year ended 31 December 2017, and as at that date, the Council had a net current asset position of €35,009 (2015: deficit €1,429). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

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

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**20. Financial Risk Management (cont.)***Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

21. 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
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2017 (cont.)**21. Related party transactions (cont.)**

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

	Related party activity	2017		Related party activity	2016	
	€	Total activity	%	€	Total activity	%
		€			€	
<i>Income</i>						
Transactions with central government	531,321			450,427		
Transactions with regions	3,714			948		
	535,035	599,529	89	451,375	517,038	87
<i>Expenditure</i>						
Transactions with government entities	34,838			32,277		
Key personnel remuneration	80,874			79,521		
	115,712	563,415	21	111,798	512,202	22

22. Fair values estimation

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

Report of the Local Government Auditors to the Auditor General

