

HAL GHARGHUR LOCAL COUNCIL
AUDITED REPORT AND
FINANCIAL STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2016

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HAL GHARGHUR LOCAL COUNCIL

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HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2016

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 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.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 2nd May 2017 and signed on its behalf by:


Giljan Aquilina
Mayor


Maria Tanti
Executive Secretary

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016

	Notes	Year Ended 2016 €	Year Ended 2015 €
Income			
Funds received from Central Government	3	275,794	260,217
Income from Law Enforcement System	4	2,459	2,230
General Income	5	13,947	14,003
		<u>292,200</u>	<u>276,450</u>
Expenditure			
Personal emoluments	7	62,235	59,306
Operations and maintenance	8	76,909	80,557
Administrative and other expenditure	9	109,425	108,113
		<u>248,569</u>	<u>247,976</u>
Net Operating Profit for the year		43,631	28,474
Investment income	10	32	93
		<u>32</u>	<u>93</u>
Net Profit		43,663	28,567

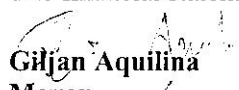
The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2016

	Notes	Year Ended 2016 €	Year Ended 2015 €
Assets			
<u><i>Non-current assets</i></u>			
Property, plant and equipment	11	626,546	610,760
Intangible Assets	12	992	1,239
Total non-current assets		627,538	612,117
<u><i>Current assets</i></u>			
Inventories	13	2,408	-
Trade and other Receivables	14	25,913	23,223
Cash and cash equivalent	15	160,132	111,636
Total current assets		188,453	134,858
Total assets		815,991	746,975
Reserves and liabilities			
<u><i>Reserves</i></u>			
Retained Earnings		562,145	518,482
Total Reserves		562,145	518,482
<u><i>Non-current liabilities</i></u>			
Deferred Income	16	149,077	166,902
Total non-current liabilities		149,077	166,902
<u><i>Current liabilities</i></u>			
Trade and Other Payables	17	104,769	61,592
Total current liabilities		104,769	61,592
Total liabilities		253,846	228,493
Total reserves and liabilities		815,991	746,975

The financial statements were approved by the Council on 2nd May 2017 and signed on its behalf by:


Giljan Aquilina
Mayor


Maria Tanti
Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2016**

	Retained Earnings €	Total Earnings €
At 1 January 2015	509,595	509,595
Prior year adjustment	(19,680)	(19,680)
Total comprehensive profit for the year	28,567	28,567
At 31 December 2015	<u>518,482</u>	<u>518,482</u>
At 1 January 2016	518,482	518,482
Total comprehensive profit for the year	43,663	43,663
At 31 December 2016	<u>562,145</u>	<u>562,145</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CASHFLOWS

For the year ended 31 December 2016

	Notes	2016 €	2015 €
Operating activities			
Profit for the year		43,663	28,567
<u>Adjustments to reconcile profit with net cash flows:</u>			
Depreciation/amortisation		56,000	57,242
Amortisation of grants made by council		1,800	2,400
Interest receivable	10	(32)	(93)
Movement in provision for doubtful debts		(1,480)	
Adjustment re comfort chairs		(9,940)	
Grants released during the year	16	(21,013)	(24,263)
Write off of cash in transit		(349)	
<u>Working capital adjustments</u>			
Movement in inventories		(2,408)	-
Movement in receivables		(2,690)	1,156
Movement in payables		2,368	912
Cash flows from operating activities		65,919	65,921
Interest received		32	93
Net cash flows from operating activities		65,951	66,014
 Investing activities			
Purchase of property, plant and equipment	12	(29,457)	(16,806)
Net cash generated from/used in investing activities		(29,457)	(16,806)
 Cash flows from financing activities			
Grants received		12,003	2,329
Net cash generated by financing activities		12,003	2,329
 Net movement in cash and cash equivalents in the year		48,497	51,537
Cash and cash equivalents at beginning of year	15	111,635	60,098
Cash and equivalents at end of year		160,132	111,635
Total Cash in hand and at bank at year end	15	160,132	111,635

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

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1. General Information

The Hal Gharghur Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq San Nikola, Hal Gharghur, GHR 1162, Malta. These financial statements were approved for issue by the Council Member on the 1st February 2017.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Parliamentary Secretariat for Cultural and Government under the Ministry of Tourism.

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, 1993 (Chap. 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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IAS 24 - Related party disclosures (effective 1 January 2011)

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL-SAFI LOCAL COUNCIL

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

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New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013). This IFRS addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council

HAL GHARGHUR LOCAL COUNCIL

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

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the Statement of Financial Position approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment and Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement Basis
Litter Bins	Replacement Basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement Basis
Plants	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 loss. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 recognized 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 Comprehensive Income Statement during the financial year in which they are incurred.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... Continued

Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... Continued

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statement.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

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Cash and cash equivalents

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

Receivables

Receivables are recognized initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

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

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organization of courses, cultural, sporting and social activities is only recognized on a cash basis.

Income from investment activities is recognized when the rights of receipt have been established.

Interest income from financial assets is recognized when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognized until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Foreign currencies

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in Total Comprehensive Income for the period in which they are incurred.

The notes on pages 6 to 27 form an integral part of these financial statements.

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

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General Payables

Payables and accrued expenditure are recognized initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognized over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

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3. Funds Received from Central Government

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act, 1993	230,449	223,685
Supplementary Income	24,332	12,270
Other Government Income	21,013	24,262
	<u>275,794</u>	<u>260,217</u>

4. Income raised under Law Enforcement System

	2016	2015
	€	€
LES share of joint committee results	109	34
Income from Regional Committees	2,350	2,196
	<u>2,459</u>	<u>2,230</u>

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

5. General Income

	2016	2015
	€	€
Cultural activities	342	900
Refunds – Green MT	-	1,560
Income from permits	9,467	7,083
Documentation and info charges		1,050
Income from adverts & sponsorships	2,414	170
Other general income	1,725	3,240
	<u>13,947</u>	<u>14,003</u>

6. Profit for the year

	Notes	2016	2015
		€	€
Personal Emoluments	7	62,235	59,306
Depreciation on property, plant and equipment & amortization of intangible assets	11 & 12	55,933	57,242

7. Personnel emoluments

	2016	2015
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria	7,228	8,114
Councillors' Allowance	6,400	5,333
Executive Secretary's Salary and Allowance	12,590	8,932
Employees' Salaries	30,283	32,068
Social Security Contributions	3,370	2,528
Overtime	2,364	2,329
	<u>62,235</u>	<u>59,304</u>

The average number of personnel for the year was 4 FTEs (full time equivalents) - 3.50 FTEs in 2015. These figures exclude four councilors as they are recipients of allowances only. In September 2016 the part time executive secretary was replaced by a full timer.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

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8. Operations and Maintenance

	2016	2015
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	1,353	993
Road Markings & Signs	5,674	7,287
Public property	99	94
Office furniture & equipment	-	135
Plant & machinery	755	59
Other repairs	792	2,104
	8,673	10,672
Contractual Services:		
Refuse collection	23,572	26,343
Bulky refuse collection	2,522	2,808
Bring in sites/tipping fees	19,956	18,244
Roads and street cleaning	13,626	14,796
Cleaning and maintenance public conveniences	2,945	2,635
Cleaning and maintenance parks and gardens	2,465	2,918
LES expenditure	139	183
Other contractual services	3,011	1,958
	68,236	69,885
TOTAL OPERATIONS AND MAINTENANCE	76,909	80,557

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

9. Administration and Other Expenses

	2016	2015
	€	€
Utilities	5,535	5,647
Cleaning Materials & Supplies	640	540
Rent	4,758	3,873
Operating materials and supplies	1,769	1,602
Street lighting	4,449	6,045
e-government services	1,225	1,742
Bank charges	210	268
Insurance coverage	1,662	1,395
Participation fees and memberships	1,065	232
Advertising & Public relations expenses	2,064	2,787
ICT expenses	1,538	1,075
Legal and professional fees	8,931	2,915
Other minor expenses	-	181
Office services	1,911	1,935
Community and Hospitality	16,504	15,641
Depreciation	55,753	57,045
Amortisation of intangibles	247	197
Library & information service expenses	1,900	1,886
Amortisation of prepaid expenditure	1,800	2,400
Movement in Provisions on Bad Debts	(129)	707
Movement in inventories of books	(2,408)	-
TOTAL ADMINISTRATION AND OTHER EXPENSES	109,425	108,113

10. Investment income

	2016	2015
	€	€
Bank - interest receivable	32	93

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL CHARGHUR LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2016

..... continued

11. Property, plant and equipment	Council Admin Offices		Office Furniture & Fittings		New Street Signs		Urban Improve.		Office & Equip.		Plant & machinery		Special Programmes		Assets Under Constructio		Total
	Buildings €	1%	Construction Works €	10%	7.5%	100%	10%	25%	20%	10%	Nil	€	€	€	€	€	€
Depreciation rate																	
Cost																	
At 1 January 2016	107,992		251,718		29,985	14,908	129,502	20,839	31,846	1,212,193	4,631	1,803,614					
Additions	-		72,055		294	-	1,670	572	-	117	1,462	76,170					
Disposals/transfers																	
At 31 December 2016	107,992		323,773		30,279	14,908	131,172	21,411	31,846	1,212,310	1,462	1,875,153					
Government Grants																	
At 1 January & 31 December 2016																	
Depreciation																	
At 1 January 2016	(10,358)		(122,901)		(17,840)	(14,908)	(72,654)	(18,649)	(21,063)	(425,975)	-	(704,348)					
Current charge	(972)		(16,051)		(882)	-	(6,030)	(939)	(1,415)	(29,284)	-	(55,753)					
At 31 December 2016	(11,330)		(138,952)		(18,722)	(14,908)	(78,684)	(19,588)	(22,478)	(455,259)	-	(760,101)					
N.B.V. at 31 December 2016	96,662		184,821		11,557	-	52,488	1,823	9,368	268,545	1,462	626,546					
N.B.V. at 31 December 2015	97,634		128,817		12,145	-	56,848	2,190	10,783	297,712	4,631	610,760					

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL CHARGHUR LOCAL COUNCIL

Notes to the Financial Statements For the year ended 31 December 2016

..... continued

11. Property, plant and equipment

	Council Admin Offices	Construction Works	Office Furniture & Fittings	New Street Signs	Urban Improve.	Office & Equip.	Plant & machinery	Special Programmes	Assets Under Constructio	Total
	Buildings €	€	€	€	€	€	€	€	€	€
Depreciation rate	1%	10%	7.5%	100%	10%	25%	20%	10%	Nil	
Cost										
At 1 January 2015	107,992	251,128	29,313	14,908	120,772	20,225	31,624	1,206,334		1,782,296
Additions	-	590	672	-	8,730	614	222	5,859	4,631	21,318
Disposals/transfers										-
At 31 December 2015	107,992	251,718	29,985	14,908	129,502	20,839	31,846	1,212,193	4,631	1,803,614
Government Grants										
At 1 January 2015								(479,906)	-	(479,906)
Movement								(8,600)	-	(8,600)
At 31 December 2015								(488,506)	-	(488,506)
Depreciation										
At 1 January 2015	(9376)	(109,356)	(16,928)	(14,908)	(66,650)	(15,404)	(21,063)	(393,618)	-	(647,303)
Current charge	(982)	(13,545)	(912)	-	(6,004)	(3,245)	-	(32,357)	-	(57,045)
At 31 December 2015	(10,358)	(122,901)	(17,840)	(14,908)	(72,654)	(18,649)	(21,063)	(425,975)	-	(704,348)
N.B.V. at 31 December 2015	97,634	128,817	12,145	-	56,848	2,190	10,783	297,712	4,631	610,760

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

12. Intangible Assets

	2016	2015
	€	€
Cost of software		
Opening Balance	2,300	2,300
Additions	-	-
Disposals	-	-
Closing Balance	<u>2,300</u>	<u>2,300</u>
 Depreciation		
Opening Balance	1,061	864
Charge for the year	247	197
Closing Balance	<u>1,308</u>	<u>1,061</u>
 Net Book Value	<u>992</u>	<u>1,239</u>

Note:

Actual cash capital outlay on tangible and intangible assets during the year amounted to €29,457 (2015: €16,806)

13. Inventories

	2016	2015
	€	€
Inventory of books for sale	2,408	-
	<u>2,408</u>	<u>-</u>

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

14. Trade and other Receivables

	2016	2015
	€	€
Amounts owed by related parties (note i)	2,206	2,755
Other receivables (note i)	9,883	4,542
LES debtors	27,092	27,302
Provision for doubtful debts	(31,120)	(31,249)
Prepayments , prepaid expenditure & accrued income (note ii)	17,851	19,873
	<u>25,913</u>	<u>23,223</u>

	2016	2015
	€	€
<i>Note i - Credit period analysis:</i>		

Within credit period	5,299	867
Exceeded credit period but not impaired	2,722	2,483
Impaired and provided for	4,027	3,947
Provision for doubtful debts	(4,027)	(3,947)
	<u>8,021</u>	<u>3,350</u>

Note ii - Prepaid Expenditure

Includes prepaid expenditure relating to PPP grants made by council to two local organizations, Banda San Bert and Gharghur Football Club, which is being amortised over the respective periods of the agreements. This prepaid expenditure is for future use of musical and sports services and facilities. The closing balances on these PPP grants amounted to €5,300 at year end (2015: €7,100).

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

16A. Capital Creditors

Non-current Capital creditors at end of current year amounted to €20,576 with amount being due in 2018 in respect of Triq Fra Duminku Mifsud re-surfacing. No comparative figure existed in prior year.

17. Trade and Other Payables

	2016	2015
	€	€
Trade payables	9,969	10,202
Other payables including capital creditors	18,591	6,173
Related party undertakings (note 20)	16,255	7,182
Statutory obligations	406	-
Accruals	39,759	16,280
Deferred income- Grants (note 16)	19,789	21,755
Total Payables	104,769	61,592

18. Capital commitments

The council had no capital commitments at year end as was the case in the previous year, which were either only approved by Council or capital commitments that were also contracted for.

19. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local Council is the Local Councils Department within the Office of the Prime Minister 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.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Gharghur Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Department of Education	No Control
L.E.S.A.	No Control
Local Councils Association	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2016	2015
	€	€
Income - Annual Financial Allocation	230,449	223,685

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the financial statements for the year
Ended 31 December 2016

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks that include market risks, credit risk, liquidity risk and interest risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

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

Where possible, the 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 risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Notes to the financial statements for the year
Ended 31 December 2016

-----Continued

22. Financial Risk Management

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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.

Movement in provision for doubtful debts

	2016	2015
	€	€
Provision at 1 January	3,947	3,240
Movement during the year	(1,480)	707
Provision at 31 December	<u>2,467</u>	<u>3,947</u>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2016, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report. There was no movement in this amount during the year. Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

Credit risk

	2016	2015
	€	€
30 - 60 days	529	867
61 - 90 days	2	150
over 91 days	<u>6,217</u>	<u>6,280</u>
	<u>6,748</u>	<u>7,297</u>

HAL GHARGHUR LOCAL COUNCIL

23. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the council members.

24. Comparative Figures

Comparative figures have been changed to conform to the current year's presentation.

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual comparison for the year 2016

	Budget	Actual	Variance
	2016	2016	Act - Bud
	€	€	€
Income			
Funds received from Central Government	284,335	275,794	(8,541)
Income from bye-laws	4,500	-	(4,500)
Income from Law Enforcement System	1,500	2,459	959
Investment Income	100	32	(68)
Other Income	4,000	13,947	9,947
Total Income	294,435	292,232	(2,203)
	Budget	Actual	Variance
	2016	2016	Bud - Act
	€	€	€
Expenditures			
Personal emoluments	84,400	62,235	22,165
Operations and maintenance:	27,700	28,338	(638)
Administration - other	120,580	101,996	18,584
Other expenditure (depreciation & amortisation)	59,542	56,000	3,542
Total Operations and Maintenance	292,222	248,569	43,653
Net Surplus/(Deficit) for year	2,213	43,663	41,450

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual comparison for the year 2016

	Budget	Actual	Variance
	2016	2016	Bud-Act
	€	€	€
Administrative expenses:			
Utilities	7,500	5,535	1,965
Repairs & Upkeep	11,000	10,828	172
Cleaning & operating materials and supplies	13,000	10,831	2,169
Refuse collection	30,000	26,922	3,078
Bulky refuse collection	3,000	2,522	478
E-Government services	2,000	1,225	775
Bank charges	300	210	90
Insurance coverage	1,500	1,662	(162)
Street lightning	8,000	4,449	3,551
Office services	3,500	1,911	1,589
Training courses	1,000	-	1,000
Travel and Transport costs	4,000	-	4,000
Memberships and international participations	2,500	555	1,965
ICT expenses	2,000	1,538	462
Community and hospitality	13,500	16,505	(3,005)
Local enforcement expenses	-	139	(139)
Professional services	5,000	8,931	(3,931)
Rent	5,000	4,758	242
Information services	7,200	4,474	2,726
Movement in inventories	-	(2,408)	2,408
Movement in provision for bad and doubtful debts	-	(129)	129
Depreciation of tangibles and amortisation of intangible assets	59,542	56,000	3,542
Incidental expenses	580	1,538	462
Total Administrative expenses	180,122	157,996	22,126
Total Emoluments, operations, maintenance and administrative expenses	292,222	248,569	43,653

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual Comparison for the year 2016

	Budget	Actual	Variance
	2016	2016	Bud-Act
	€	€	€
<i>Capital Expenditure</i>			
Construction	85,000	72,055	12,945
Urban Improvement	-	1,256	(1,256)
Office & Computer Equipment	-	866	(866)
Special programmes	-	1,462	(1,462)
Total Capital Expenditure/Variance for the year	85,000	75,639	9,361

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL GHARGHUR
LOCAL COUNCIL TO THE DIRECTOR OF AUDIT**

The notes on pages 6 to 27 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE HAL GHARGHUR
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