



**Ghasri Local Council**

**Financial Statements  
For the year ended 31 December 2017**

**Prepared by:**  
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& Registered Auditor

**Ghasri Local Council**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 December 2017**

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**Ghasri Local Council**

**Financial Statements for the year ending 31 December 2017**

**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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

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

Approved by the Council and signed on its behalf on

25 April

2018 by:



Dr Daniel Attard  
Mayor



Rita Mifsud Attard  
Executive Secretary

**Ghasri Local Council**

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2017**

	Notes	2017 €	2016 €
<b>INCOME</b>			
Funds received from central government	9.	176,440	175,859
General Income	10.	1,723	1,705
Income raised under the Local Enforcement System	11.	2,483	327
		<u>180,646</u>	<u>177,891</u>
<b>EXPENDITURE</b>			
Personal emoluments	12.	(50,829)	(53,496)
Operations and maintenance	13.	(67,922)	(61,860)
Administration and other expenditure	14.	(53,607)	(59,484)
		<u>(172,358)</u>	<u>(174,840)</u>
Operating surplus for the year		8,288	3,051
Investment income	15.	44	28
<b>Total Comprehensive income for the year</b>		<u><u>8,332</u></u>	<u><u>3,079</u></u>


The notes on pages 8 to 22 are an integral part of the financial statements.

**Ghasri Local Council**

**STATEMENT OF FINANCIAL POSITION  
As at 31 December 2017**

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	3.	<u>310,455</u>	326,244
Total non-current assets		<u>310,455</u>	326,244
<b>Current assets</b>			
Inventories	4.	1,892	2,082
Receivables	5.	1,896	1,526
Cash and Cash Equivalents	6.	<u>315,671</u>	40,461
Total current assets		<u>319,459</u>	44,069
Total assets		<u>€ 629,914</u>	<u>€ 370,313</u>
<b>RESERVES AND LIABILITIES</b>			
Retained reserves		342,501	334,169
<b>Non-Current Liabilities</b>			
Deferred income - grants	7.	266,301	22,727
<b>Current Liabilities</b>			
Payables	8.	14,661	10,860
Current Deferred income		<u>6,451</u>	2,557
TOTAL LIABILITIES AND RESERVES		<u>€ 629,914</u>	<u>€ 356,896</u>

The notes on pages 8 to 22 are an integral part of the financial statements. The said financial statements were approved by the Local Council on 25 April 2018.

  
Dr Daniel Attard  
Mayor

  
Rita Mifsud Attard  
Executive Secretary

**Ghasri Local Council**

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2017**

	<b>Retained funds</b>
	<b>Account</b>
	<b>€</b>
Balance as at 1 January 2016	331,090
Total comprehensive income for the year	3,079
	<hr/>
Balance as at 31 December 2016	334,169
Total comprehensive income for the year	8,332
	<hr/>
<b>Balance as at 31 December 2017</b>	<b>€ 342,501</b>

The notes on pages 8 to 22 are an integral part of the financial statements.

**Ghasri Local Council**

**STATEMENT OF CASH FLOW STATEMENT**  
**Year ended 31 December 2017**

	Notes	2017 €	2016 €
<b>Cash Flows from Operating Activities</b>			
Total comprehensive income for the year		<b>8,332</b>	3,079
Adjustments for:			
Depreciation		<b>23,043</b>	25,144
Loss on disposal of property, plant and equipment		<b>186</b>	-
Provision for bad debts		<b>183</b>	434
Grants released		<b>(3,195)</b>	(3,195)
Interest received		<b>(44)</b>	(28)
		<hr/>	<hr/>
Operating profit before Working Capital Changes		<b>28,505</b>	25,434
Movement in working capital:			
Movement in inventories		<b>190</b>	(63)
Movement in receivables		<b>(553)</b>	(338)
Movement in payables		<b>3,801</b>	(19,063)
		<hr/>	<hr/>
<b>Net cash flow from operating Activities</b>		<b>31,943</b>	5,970
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		<b>(7,440)</b>	(935)
Grants received		<b>250,663</b>	-
Interest received		<b>44</b>	28
		<hr/>	<hr/>
Cash flow used in Investing Activities		<b>243,267</b>	(907)
<b>Cash flow from financing activities</b>			
Net increase in Cash and Cash Equivalents		<b>275,210</b>	5,063
Cash and Cash Equivalents at the beginning of year		<b>40,461</b>	35,398
		<hr/>	<hr/>
<b>Cash and Cash Equivalents at the end of year</b>	6.	<b>€ 315,671</b>	<b>€ 40,461</b>

The notes on pages 8 to 22 are an integral part of the financial statements.

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

#### 1. General Information

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri. The financial statements were approved for issue by the Council on 25 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.

##### (a) Accounting convention

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

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

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

###### *New and amended standards adopted by the Local Council :*

During the year, the Local Council has adopted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, does not have material impact on these financial statements.

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.

Other amendments that became effective were not relevant to the Local Council.

###### *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**  
**Year ended 31 December 2017**

**2(b) Accounting policies and Reporting Procedures - Standards, amendments and interpretations to existing standards (Continued)**

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 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 and IFRIC 22 Foreign Currency Transactions and Advance Consideration, both effective for annual periods beginning on or after 1 January 2018, are not relevant to the Local Council.

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.

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

#### 2. Accounting policies and Reporting Procedures (Continued)

##### (c) Revenue recognition

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

##### (d) Local Enforcement System

Ghasri Local Council forms part of the Gozo Regional committee. During 2017 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Regional Committees and LESA for contraventions paid at the Council and distributions from the LESA pooling system that amounted to €2,483.

##### (e) Tangible fixed assets

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

Land	0%
Trees	0%
Buildings	1%
Furniture, fixtures & 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%
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100%

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

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

##### (f) Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**2. Accounting policies and Reporting Procedures (Continued)**

**(g) Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

**(h) Amounts Receivable**

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

**(i) Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and presentation currency.

**(j) Surplus and deficits**

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

**(k) Cash and Equivalents**

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

**(l) Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**2. Accounting policies and Reporting Procedures (Continued)**

**(m) Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**(n) Financial Instruments**

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

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

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

**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.

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

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

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

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**2. Accounting policies and Reporting Procedures (Continued)**

**Financial liabilities**

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

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

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

The preparation of financial statements in conformity with IFRS as adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

**(p) Inventories**

Inventories are shown in the financial statements at the lower of cost and net realisable value. The inventories consist of stamps and vouchers with a face value which is the cost and selling price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3a Tangible fixed assets**

	<b>Cost 01-Jan-17</b>	<b>Disposals</b>	<b>Additions</b>	<b>Cost 31-Dec-17</b>
<b>Cost</b>	<b>€</b>		<b>€</b>	<b>€</b>
Property	129,040		-	<b>129,040</b>
Furniture, fixtures & fittings	18,624		70	<b>18,694</b>
Plant and machinery	487		-	<b>487</b>
Computers and electronic equipment	8,678	(3,959)	-	<b>4,719</b>
Office Equipment	14,514	(2,232)	-	<b>12,282</b>
Urban Improvements	25,161		240	<b>25,401</b>
New Street Signs	2,115		-	<b>2,115</b>
Construction	562,601		7,130	<b>569,731</b>
	<b>761,220</b>	<b>(6,191)</b>	<b>7,440</b>	<b>762,469</b>
<b>Depreciation</b>	<b>01-Jan-17</b>	<b>Released</b>	<b>Depreciation</b>	
Property	20,985		1,085	<b>22,070</b>
Furniture, fixtures & fittings	12,805		436	<b>13,241</b>
Plant and machinery	471		4	<b>475</b>
Computers and electronic equipment	7,586	(3,924)	230	<b>3,892</b>
Office Equipment	11,872	(2,081)	523	<b>10,314</b>
Urban Improvements	18,348		921	<b>19,269</b>
New Street Signs	2,115		-	<b>2,115</b>
Construction	301,883		19,844	<b>321,727</b>
	<b>376,065</b>	<b>(6,005)</b>	<b>23,043</b>	<b>393,103</b>
<b>Grants</b>				
Property		-	-	-
Furniture, fixtures & fittings		-	-	-
Plant and machinery		-	-	-
Computers and electronic equipment		-	-	-
Office Equipment		-	-	-
Urban Improvements		-	-	-
New Street Signs		-	-	-
Construction		58,911	(0)	<b>58,911</b>
		<b>58,911</b>	<b>(0)</b>	<b>58,911</b>
<b>Net book value</b>			<b>2017</b>	<b>2016</b>
			<b>€</b>	<b>€</b>
Property			<b>106,970</b>	108,055
Furniture, fixtures & fittings			<b>5,453</b>	5,819
Plant and machinery			<b>12</b>	16
Computers and electronic equipment			<b>827</b>	1,092
Office Equipment			<b>1,968</b>	2,642
Urban Improvements			<b>6,132</b>	6,813
New Street Signs			-	-
Construction			<b>189,093</b>	201,807
<b>Total fixed assets</b>			<b>€ 310,455</b>	<b>€ 326,244</b>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**3b Tangible fixed assets (Continued)**

<b>Cost</b>	<b>Cost 01-Jan-16</b>	<b>Additions for the year</b>	<b>Cost 31-Dec-16</b>
€	€	€	€
Property	129,040	-	129,040
Furniture, fixtures & fittings	18,624	-	18,624
Plant and machinery	487	-	487
Computers and electronic equipment	8,678	-	8,678
Office Equipment	14,182	332	14,514
Urban Improvements	24,911	250	25,161
New Street Signs	2,115	-	2,115
Construction	562,248	353	562,601
	<u>760,285</u>	<u>935</u>	<u>761,220</u>
<b>Depreciation</b>			
Property	19,890	1,095	20,985
Furniture, fixtures & fittings	12,333	472	12,805
Plant and machinery	463	8	471
Computers and electronic equipment	7,277	309	7,586
Office Equipment	11,265	607	11,872
Urban Improvements	17,601	747	18,348
New Street Signs	2,115	-	2,115
Construction	279,977	21,906	301,883
	<u>350,921</u>	<u>25,144</u>	<u>376,065</u>
<b>Grants</b>			
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	-	-	-
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	58,911	-	58,911
	<u>58,911</u>	<u>-</u>	<u>58,911</u>
<b>Net book value</b>		<b>2016</b>	<b>2015</b>
		€	€
Property		108,055	109,150
Furniture, fixtures & fittings		5,819	6,291
Plant and machinery		16	24
Computers and electronic equipment		1,092	1,401
Office Equipment		2,642	2,917
Urban Improvements		6,813	7,310
New Street Signs		-	-
Construction		201,807	223,360
<b>Total fixed assets</b>		<u>€ 326,244</u>	<u>€ 350,453</u>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**4. Inventories**

	2017 €	2016 €
Ghasri Sub-post office: Inventories of stamps and cards	<u>€ 1,892</u>	<u>€ 2,082</u>

**5. Receivables**

	2017 €	2016 €
Prepayments and accrued income	897	593
Amounts receivable	999	933
	<u>1,896</u>	<u>1,526</u>
<b>Receivables</b>		
Within the credit period	1,232	1,526
Exceeded credit period but not yet impaired	664	-
	<u>1,896</u>	<u>1,526</u>

Amounts receivable are stated after making a provision of doubtful debts of €617 (2016 : €434).

**6. 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:

	2017 €	2016 €
Bank Balances		
Bank Current accounts	2,997	4,969
Savings Account	310,130	33,765
Current Account - Ghasri sub-post office	2,381	1,527
Cash in hand	163	200
<b>Cash at bank and in hand</b>	<u>€ 315,671</u>	<u>€ 40,461</u>



**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**7. Deferred income grants**

	2017 €	2016 €
Between 1 and 2 years	25,606	2,291
Between 2 and 5 years	62,891	5,553
Over 5 years	177,804	14,883
	<u>€ 266,301</u>	<u>€ 22,727</u>

	2017 €	2016 €
Opening balance	25,284	28,479
Increase in grants - Deferred income - Road resurfacing	250,663	-
Release of grants	(3,195)	(3,195)
Closing balance	272,752	25,284
Less Current portion	(6,451)	(2,557)
Non Current portions	<u>266,301</u>	<u>22,727</u>

**8. Payables**

	2017 €	2016 €
Accruals	5,147	4,953
Accounts payable	9,514	5,907
Current Deferred income	6,451	2,557
	<u>€ 21,112</u>	<u>€ 13,417</u>

**9. Funds received from Central Government**

	2017 €	2016 €
In terms of section 55 of the Local Councils Act (CAP 363)	170,477	169,180
Other Government Income	5,963	6,679
	<u>€ 176,440</u>	<u>€ 175,859</u>

**10. General Income**

	2017 €	2016 €
Income from tender documents	5	235
Income from permits	1,112	893
Income from SPO Services	566	503
Contributions and donations	40	74
	<u>€ 1,723</u>	<u>€ 1,705</u>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**11. Income raised under Local Enforcement System**

	2017	2016
	€	€
Administration income from contraventions	247	327
Distributions from LESA pooling system	2,226	-
	<b>€ 2,483</b>	<b>€ 327</b>

**12. Personal Emoluments**

	2017	2016
	€	€
Personal Emoluments include, inter alia:		
Mayor's Honoraria	7,345	7,229
Mayor's and Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	24,055	29,687
Employees' salary	10,611	7,263
Social Security Contributions	2,418	2,917
	<b>€ 50,829</b>	<b>€ 53,496</b>

**13. Operations and Maintenance**

	2017	2016
	€	€
Operations and maintenance includes, inter alia:		
<b><i>Repairs and Upkeep:</i></b>		
Road and Street Pavements (patching works)	24,722	27,287
Sundry Repairs	9	153
Public Property	8,566	2,575
Signs and markings	61	1,043
	<b>€ 33,358</b>	<b>€ 31,058</b>

***Contractual Services:***

	2017	2016
	€	€
Refuse Collection	11,715	11,543
Bulky Refuse Collection	1,599	1,898
Road and Street Cleaning	10,211	11,071
Cleaning and Maintenance - Public Conveniences	2,547	2,721
Cleaning and Maintenance - Soft areas	1,661	180
Cleaning - Council premises	520	520
Street Lighting	3,363	791
Other	2,947	2,078
	<b>€ 34,564</b>	<b>€ 30,802</b>

**Total Operations and Maintenance Expenses**

<b>€ 67,922</b>	<b>€ 61,860</b>
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**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**14. Administration and other expenditure**

	2017	2016
	€	€
Utilities	2,215	2,893
Materials and supplies	632	372
National and International Memberships	520	500
Office Services	1,832	1,875
Transport	2,110	1,196
Rent	396	396
Information services	1,073	1,331
Professional Services	8,219	10,238
Community services and events	13,198	15,105
Provision for bad debts	183	434
Asset Disposal	186	-
Depreciation	23,043	25,144
	<b>€ 53,607</b>	<b>€ 59,484</b>

**15. Investment Income**

	2017	2016
	€	€
Bank Interest Receivable	44	28
	<b>€ 44</b>	<b>€ 28</b>

**16. Capital Commitments**

	2017	2016
	€	€
The Councils's Capital commitments are as follows:		
Approved but not yet contracted for:		
Construction	8,000	8,000
Improvements	13,000	3,000
Equipment	500	800
Special Programmes	671,491	5,000
	<b>€ 692,991</b>	<b>€ 16,800</b>

**Note i**

This amount includes resurfacing works part of which will be covered by the €250,663 already received from Ministry for Gozo as per note 7 and by €378,598 from Measure 4.3. The remaining balance are Water Services Corporation works that will be paid by the Local Council whilst doing the resurfacing works. The Local Council will also receive €10,000 from Restoration Scheme (Ministry for Gozo) to carry out another project.

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

#### 17. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No Control
Malta Environment and Planning	No Control

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

	2017	2016
	€	€
Significant control:		
Revenue:		
Annual Financial allocation	€ 170,477	169,180

The ultimate controlling party of the Local Council is the 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.

#### 18. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

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

##### 18.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2017	2016
	€	€
Class of financial assets - carrying amounts		
Receivables	1,896	1,526
Cash and Cash Equivalents	315,671	40,461
	€ 317,567	€ 41,987

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**18. Risk management objectives and policies (Continued)**

**18.1 Credit risk (Continued)**

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality

The company exercises a prudent credit control policy and accordingly it is not subject to any significant exposure or concentration of credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

**18.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Payables	<b>14,661</b>	10,860
	<b>€ 14,661</b>	<b>€ 10,860</b>

**18.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2017**

**18. Risk management objectives and policies (Continued)**

**18.4 Summary of the financial assets and liabilities by category**

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

<b>Current Assets</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Loans and receivables :		
Receivables	<b>1,896</b>	1,526
Cash and Cash Equivalents	<b>315,671</b>	40,461
	<b>317,567</b>	41,987
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<b>21,112</b>	13,417
	<b>21,112</b>	13,417

**19. Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**20. Fair Value estimation**

At 31 December 2016 and 31 December 2017, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**GHASRI LOCAL COUNCIL****REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Opinion**

We have audited the accompanying financial statements of Ghasri Local Council, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 22.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Basis for Opinion**

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

**Other Information**

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued****Council Responsibilities for the Financial Statements**

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

The Executive Secretary and the Local Council Members are responsible for overseeing the Local Council's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.



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## REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued

### Auditor's Responsibilities for the Audit of the Financial Statements - continued

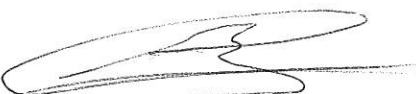
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



*This copy of the audit report has been signed by  
Conrad Borg (Partner)  
for and on behalf of*

RSM Malta  
Certified Public Accountants

Date: 25<sup>th</sup> April 2018