

IL-GUDJA LOCAL COUNCIL

Report and Financial Statements

For the year ended 31 December 2016

*Prepared by: Ms Josianne Debono CPA
Obo Dconsulta Ltd,
(February 2017)*

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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 statement of comprehensive 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.

The Executive Secretary is responsible to ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations 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. The Executive Secretary is also responsible to provide 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.

This statement was approved by the Council on 20th March 2017 and signed on its behalf by:



John M. Calleja
Mayor

Ranier Busuttil
Acting Executive Secretary

II-GUDJA LOCAL COUNCIL

Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2016

	Notes	Year Ended 2016 €	Year Ended 2015 €
Income			
Funds received from Central Government	4	289,763	285,717
Income raised under Council Bye-Laws	5	3,275	2,544
Income from Law Enforcement System	6	2,706	3,209
General Income	7	6,667	9,948
		302,411	301,418
Expenditure			
Personnel emoluments	8	66,548	66,595
Operations and maintenance	9	109,840	104,253
Administrative and other expenses	10	86,493	104,866
		262,881	275,714
Operating Surplus for the year		39,530	25,704
Finance income	11	499	1,094
Surplus for the year		40,029	26,798
Total Comprehensive Income		40,029	26,798


The notes on pages 6 to 28 form an integral part of these financial statements.

II-GUDJA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION As at 31 December 2016

	Notes	Year Ended 2016 €	Year Ended 2015 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	538,294	592,944
		<u>538,294</u>	<u>592,944</u>
<i>Current assets</i>			
Prepaid amounts	13	-	400
Trade and other receivables	14	2,291	7,972
Cash and cash equivalents	15	169,985	97,309
Total current assets		<u>172,276</u>	<u>105,281</u>
Total assets		<u><u>710,570</u></u>	<u><u>698,625</u></u>
Reserves and liabilities			
<i>Reserves</i>			
Retained earnings		550,431	510,402
<i>Non-current liabilities</i>			
Deferred income	16	48,567	45,442
<i>Current liabilities</i>			
Trade and other payables	17	111,572	142,781
		<u>111,572</u>	<u>142,781</u>
Total liabilities		<u>160,139</u>	<u>188,223</u>
Total reserves and liabilities		<u><u>710,570</u></u>	<u><u>698,625</u></u>

The financial statements were approved by the Council on 20th March 2017 and signed on its behalf by:


John M. Calleja
Mayor


Ranier Busuttil
Acting Executive Secretary

The notes on pages 6 to 28 form an integral part of these financial statements.

II-GUDJA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Retained earnings €	Total earnings €
At 1 January 2015	483,604	483,604
Surplus for the year	26,798	26,798
Total comprehensive income	26,798	26,798
At 31 December 2015	510,402	510,402
At 1 January 2016	510,402	510,402
Surplus for the year	40,029	40,029
Total comprehensive income	550,431	550,431
At 31 December 2016	550,431	550,431
Total Equity	550,431	550,431

The notes on pages 6 to 28 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS **For the year ended 31 December 2016**

	Notes	2016 €	2015 €
Cash flows from operating activities			
Surplus for the year		40,029	26,798
<i>Adjustments for:</i>			
Depreciation		54,650	48,984
Provision for Doubtful debts		-	-
Grants released to income		(7,925)	(7,040)
Interest receivable		(499)	(1,094)
		86,255	67,648
<i>Movements in working capital:</i>			
Decrease/(Increase) in receivables		6,269	(1,526)
Increase/(Decrease) in payables		16,267	(2,195)
Net cash flows from operating activities		108,791	63,927
Cash flows from investing activities			
Payments to acquire property, plant and equipment		-	(132,389)
Payments to capital creditors		(47,882)	
Interest received		517	1,112
Net cash flows from investing activities		(47,365)	(131,277)
Cash flows from financing activities			
Grants received		11,250	6,433
Net cash flows from financing activities		11,250	6,433
Net increase/(decrease) in cash and cash equivalents		72,676	(60,917)
Cash and cash equivalents at beginning of year		97,309	158,226
Cash and cash equivalents at end of year	15	169,985	97,309

IL-GUDJA LOCAL COUNCIL

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

1. General Information

Il-Gudja 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 88, Triq Raymond Caruana, Il-Gudja. These financial statements were approved for issue by the Council Members on the _____. 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 Ministry of Justice, Culture and Local Government (MJCL).

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).

Standards, amendments and interpretations that is not yet effective

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Entity is considering the implications of the standard and its impact on the Entity's financial results and position.

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.

II-GUDJA LOCAL COUNCIL

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

..... continued

2. Accounting Policies and Reporting Procedures

Standards, amendments and interpretations that are not yet effective - continued

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

The Local Council is considering the implications of these standards and their 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.

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 balance sheet 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:

II-GUDJA LOCAL COUNCIL

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

..... continued

	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	20
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 surplus. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit and Loss and Other Comprehensive Income during the financial year in which they are incurred.

II-GUDJA LOCAL COUNCIL

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

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Impairment of property, plant and equipment

At the end of each reporting year, 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 re-valued 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 re-valued 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 year, 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.

II-GUDJA LOCAL COUNCIL

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

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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 recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised 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 recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised 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 recognised.

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 recognised for the asset in prior periods.

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

II-GUDJA 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 at banks.

Receivables

Receivables are recognised 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 reorganisation, 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 recognised 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 organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

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

Interest income from financial assets is recognised 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.

II-GUDJA LOCAL COUNCIL

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

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Government grants

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

Government grants are recognised 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 recognised 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 recognised 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.

Financial instruments

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

II-GUDJA LOCAL COUNCIL

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

..... continued

Financial instruments - continued

Loans and receivables

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 entity's trade receivables and cash and cash equivalents 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 counter party default rates for each identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

Financial liabilities

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

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, 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 capitalisation.

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

II-GUDJA LOCAL COUNCIL

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

..... continued

General payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised 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 recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 21, 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.

Provisions

Provisions are recognised 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 recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

II-GUDJA LOCAL COUNCIL

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

..... continued

3. Surplus for the year

	Notes	2016	2015
<i>Surplus for the year is stated after charging:</i>		€	€
Personnel Emoluments	8	66,548	66,595
Depreciation	12	54,650	48,984

4. Funds Received from Central Government

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act, 1993	269,046	260,460
Other Supplementary Government Income (<i>Note i</i>)	16,259	20,303
Urban Improvement Funds released to income	4,458	4,954
	289,763	285,717

Note (i) Other supplementary income include €12,501 representing Wasteserv tipping fees paid by DLC

5. Income raised under Council Bye-Laws

	2016	2015
	€	€
Permits	3,088	2,171
Kiosks	187	373
	3,275	2,544

II-GUDJA LOCAL COUNCIL

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

..... continued

6. Income raised under Law Enforcement System

	2016	2015
	€	€
LES Share of Joint Committee Results	1,039	1,308
Income from Regional Committees	1,667	1,901
	2,706	3,209

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.

As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinhar'. The Council's income from the Local Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of funds from the Joint Committee up to the 31 August 2011;
- b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

II-GUDJA LOCAL COUNCIL

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

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7. General Income

	2016	2015
	€	€
Commission of bills – WSC	1,332	645
Community and Cultural activities	2,494	6,505
Other income	26	74
EU funds	1,890	2,724
Tender document fees	925	-
	6,667	9,948

8. Personnel emoluments

	2016	2015
	€	€
<i>Personnel emoluments include:</i>		
Mayor's honoraria	7,229	7,048
Council members' allowance	5,333	6,400
Acting executive salary and allowance	3,300	6,852
Employees' salaries	48,770	44,439
Social security contributions - employer's share	1,916	1,856
	66,548	66,595

II-GUDJA LOCAL COUNCIL

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

..... continued

9. Operations and Maintenance

	2016	2015
	€	€
<i>Operations and maintenance includes:</i>		
Repairs and upkeep		
Road and street pavements	6,830	1,197
Road markings & signs	3,467	4,477
Maintenance of plant & machinery	17	130
Maintenance of public and council property	155	1,001
Office furniture & equipment	41	302
Other repairs & upkeep	3,834	3,410
	14,344	10,517
Contractual Services		
Operating materials and supplies	102	63
Waste disposal	25,028	26,308
Refuse collection	26,228	22,037
Bulky refuse collection	1,210	1,645
Open skips	3,174	4,278
Road & street cleaning	14,556	15,381
Cleaning & maintenance - public conveniences	4,655	4,655
Cleaning & maintenance of soft Areas	9,500	8,708
Cleaning council premises	1,429	789
Street lighting	9,213	9,788
LES and other contractual services	401	84
	95,496	93,736
Total operations and maintenance	109,840	104,253

II-GUDJA LOCAL COUNCIL

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

..... continued

10. Administrative and Other Expenses

	2016	2015
	€	€
Utilities incl. internet connectivity	4,439	5,479
Cleaning materials & supplies	169	200
Participation fee international & national meetings	-	120
Office services	2,098	2,615
Transport expenses (incl. fuel)	152	143
Information services	456	555
Rent	400	2,400
Library expenses	4,503	4,432
Hire of equipment	-	1,685
Hire of transport	826	1,511
Travelling and entertainment expenses	1,712	7,233
Insurance coverage	1,871	2,184
Bank charges	92	101
Professional services	6,832	7,124
Sports activities	214	756
Community services, social & cultural events	11,877	19,094
Sundry minor expenses	276	250
Unclaimed amount w/off	(4,074)	-
Provision for doubtful debts	-	-
Depreciation	54,650	48,984
	86,493	104,866

11. Investment income

	2016	2015
	€	€
Bank interest on savings	34	86
Bank interest on term deposits	465	1,008
	499	1,094

II-GUDJA LOCAL COUNCIL

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

..... continued

12. Property, plant and equipment

	Trees	Construction & Special Programmes	Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant and Machinery	Assets Not yet Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2016	384	1,326,870	44,282	2,784	112,474	39,950	2,732	114,463	1,643,939
Additions	-	-	-	-	-	-	-	-	-
Transferred to assets in use	-	114,463	-	-	-	-	-	(114,463)	-
At 31 December 2016	384	1,441,333	44,282	2,784	112,474	39,950	2,732	-	1,643,939
Government Grants									
At 1 January & 31 December 2016	-	612,611	-	-	2,050	-	-	-	614,661
Depreciation									
At 1 January 2016	-	291,615	23,590	2,784	88,806	27,506	2,033	-	436,334
Charge for the year	-	48,684	1,500	-	2,065	2,273	128	-	54,650
At 31 December 2016	-	340,299	25,090	2,784	90,871	29,779	2,161	-	490,984
N.B.V. at 31 December 2016	384	488,423	19,192	-	19,553	10,171	571	-	538,294

II-GUDJA LOCAL COUNCIL

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

..... continued

12. Property, plant and equipment - continued

12. Property, plant and equipment - continued									
	Construction Trees & Special Programmes		Furniture & Fittings	New Street Signs	Urban Improve.	Office & Computer Equip.	Plant machinery	Assets Not yet Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2015	384	1,258,696	44,062	2,784	110,989	36,284	2,732	-	1,455,931
Additions	-	68,174	220	-	1,485	3,666	-	114,463	188,008
Transferred to assets in use									
At 31 December 2015	384	1,326,870	44,282	2,784	112,474	39,950	2,732	114,463	1,643,939
Government Grants									
At 1 January & 31 December 2015	-	612,611	-	-	2,050	-	-	-	614,661
Depreciation									
At 1 January 2015	-	248,702	21,976	2,784	86,606	25,405	1,877	-	387,350
Charge for the year	-	42,913	1,614	-	2,200	2,101	156	-	48,984
At 31 December 2015	-	291,615	23,590	2,784	88,806	27,506	2,033	-	436,334
N.B.V. at 31 December 2015	384	422,644	20,692	-	21,618	12,444	699	114,463	592,944

II-GUDJA LOCAL COUNCIL

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

..... continued

13. Prepaid Amounts

	Notes	2016	2015
		€	€
Right of use - Football Ground		400	2,800
Released to Income		(400)	(2,400)
Balance at the end of the year		-	400
Amount to be released within one year		-	(400)
		-	-

The Council entered into an agreement under the Public Private Partnership scheme with the Gudja United Football Club in March 2011 for the right of use by the Council of the football ground. The term of the agreement is for five years.

The Council paid the amount of € 12,000 for the right of use for five years. This expenditure is therefore being amortised over the period of the agreement.

II-GUDJA LOCAL COUNCIL

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

..... continued

14. Trade and other Receivables

Notes

	2016	2015
	€	€
Falling due within One Year		
Receivables (Note i)	67	67
Other related undertakings (Note i)	1,303	1,721
Other receivables (net of provision) (Note i)	-	-
Prepayments, accrued income and deferred expenditure	921	6,184
	2,291	7,972
	2016	2015
	€	€
(i) <i>Credit period analysis:</i>		
Within credit period	207	884
Exceeded credit period but not impaired	1,163	904
Impaired and provided for	2,707	2,707
Provision for doubtful debts	(2,707)	(2,707)
	1,370	1,788

15. Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows comprise the following amounts in the Council's statement of financial position:

	2016	2015
	€	€
Petty cash	211	104
Bank balances: Savings and Current accounts	82,786	10,217
Bank balances: Term Deposits	86,988	86,988
	169,985	97,309

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

..... continued

16. Deferred Income

	2016	2015
	€	€
Balance at the beginning of the year	51,229	49,536
Cost of Grants received/receivable during the year	11,250	8,733
Released to income	(7,925)	(7,040)
Balance at the end of the year	<u>54,554</u>	<u>51,229</u>
 Amount to be released within one year	 <u>5,987</u>	 <u>5,787</u>
 Amount to be released between 1 and 2 years	 <u>5,282</u>	 <u>5,076</u>
 Amount to be released between 2 and 5 years	 <u>12,469</u>	 <u>11,862</u>
 Amount to be released after 5 years	 <u>30,816</u>	 <u>28,504</u>

Deferred income represents grant agreement entered into under the Urban Improvements Fund (UIF) signed with the Malta Environment and Planning Authority and grants received from the Housing Authority during 2013. During 2015 grants have been received from Central government to finance the purchase of Life Long Learning (LLL) equipment and from Regions for AED equipment. There is also a commitment from central government to finance by means of a grant the purchase of Life streaming equipment. All such equipment has already been purchased and capitalised, therefore; grants are released under the income method on a systematic basis over the useful life of the assets in line with the depreciation charge on the projects that were capitalised up the end of the year under review. During 2016 grants have been received from Central government to finance the resurfacing of Triq Hal-Safi. All such work has already been performed and capitalised, therefore; grants are released under the income method on a systematic basis over the useful life of the assets in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

II-GUDJA LOCAL COUNCIL

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

..... continued

17. Trade and Other Payables

	2016	2015
	€	€
Falling due within One Year		
Trade Payables	64,032	104,162
Amounts owed to Joint Committee	35	35
Other Related undertakings	27,097	18,087
Accruals	12,028	12,935
Deferred income- Grants (Note 16)	5,987	5,787
	109,179	141,006
<i>Non-Financial payables</i>		
Salaries and statutory FSS/NIC	2,393	1,775
Total payables	111,572	142,781

18. Capital commitments

	2016	2015
	€	€

Details of capital commitments at the accounting date are as follows:

(i) Approved but not yet contracted for (note a.)	75,000	40,000
---	---------------	---------------

These can be analysed further as follows:

(i) Approved but not yet contracted for:		
- Construction	50,000	40,000
- Urban improvements	25,000	-
	75,000	40,000

- a. Capital commitments approved but not yet contracted for include works to extend the Library Facilities and other road works.

19. Contingent liabilities

Contingencies which are not included in the financial statements amount to € 7,386. These, might give rise to liabilities due by the Local Council in the future.

II-GUDJA LOCAL COUNCIL

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

..... continued

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 Il- Gudja Local Council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Il-Gudja Local Council, but do not have significant control. The Joint Committee (up to the 31 August 2011), 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 Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Head of School - Primary A & B	No Control
Kunsill Malti għall-Isport	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Gudja	No Control
Police Commissioner	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	269,046	260,460

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

..... continued

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks, which 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 minimize 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

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31 December 2016 and 31 December 2015, the contractual maturities on the financial liabilities of the entity were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	2016	2015
	€	€
Less than 6 months	49,808	43,835
6 to 12 months	29,729	58,722
1 to 5 years	32,035	40,224
	111,572	142,781

II-GUDJA LOCAL COUNCIL

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

..... continued

21. Financial Risk Management - continued

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.

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 01 January	2,707	2,707
Movement	-	-
Provision at 31 December	2,707	2,707

22. Post Balance sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

II-GUDJA LOCAL COUNCIL

Budget to Actual comparison for the year

	Budget 2016 €	Actual 2016 €	Variance Bud-Act €
Income			
Funds received from Central Government	279,223	289,763	10,540
Income raised under Council Bye-Laws	9,600	3,275	(6,325)
Income from Law Enforcement System	3,600	2,706	(894)
Investment Income	850	499	(351)
General Income	3,000	6,667	3,667
Total Income	296,273	302,910	6,637
Expenditure			
Personnel emoluments	67,838	66,548	1,290
<i>Operations and maintenance:</i>			
Repairs & upkeep	11,000	14,344	(3,344)
Operating materials and supplies	100	102	(2)
Waste Disposal	26,300	25,028	1,272
Refuse Collection	22,000	26,228	(4,228)
Bulky Refuse Collection	1,700	1,210	490
Bring in Sites	4,200	3,174	1,026
Road & Street Cleaning	15,700	14,556	1,144
Cleaning & Maintenance - Public Conveniences	4,650	4,655	(5)
Cleaning & Maintenance Soft Areas (parks and gardens)	8,700	9,500	(800)
Cleaning Council Premises	770	1,429	(659)
Street Lighting	8,200	9,213	(1,013)
Local Enforcement Expenses	100	401	(301)
Total Operations and maintenance	103,420	109,840	(6,420)

Budget to Actual comparison for the year

	Budget	Actual	Variance
	2016	2016	Bud-Act
	€	€	€
<i>Administrative expenses</i>			
Utilities incl. internet connectivity	3,000	4,439	(1,439)
Cleaning Materials & Supplies	200	169	31
Community, Cultural & Social events	20,000	11,877	8,123
National & International Memberships	-	-	-
Office services	3,000	2,098	902
Transport expenses (incl. fuel)	1,400	978	422
Information services (incl. Library)	7,000	4,959	2,041
Rent	2,400	400	2,000
Travelling expenses	7,000	1,712	5,288
Insurance Coverage	2,200	1,871	329
Bank charges	100	92	8
Professional services	8,800	6,832	1,968
Training	-	-	-
Sport activities	-	214	(214)
Incidental Expenses	400	276	124
Depreciation	57,416	54,650	2,766
Unclaimed amount w/off	-	(4,074)	4,074
Total Administrative expenses	112,916	86,493	26,423
Total budgeted surplus / Variance of the year	12,099	40,029	27,930

Budget to Actual comparison for the year

	Budget	Actual	Variance
	2016	2016	Bud-Act
	€	€	€
<i>Capital Expenditure</i>			
Construction	25,000	-	25,000
Urban Improvement	-	-	-
Furniture & Fittings	-	-	-
Plant & Machinery	-	-	-
Office & Computer Equipment	-	-	-
Asset under construction	-	-	-
Total Capital Expenditure/Variance for the year	25,000	-	25,000

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE IL-GUDJA LOCAL COUNCIL TO THE DIRECTOR OF AUDIT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Il-Gudja Local Council, set out on pages 2 to 28, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Il-Gudja Local Council as at 31 December 2016, 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 EU.

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 entity 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.

Responsibilities of the Executive Secretary

The Executive Secretary is 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 EU, and for such internal control as the Executive Secretary determines are 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 is responsible for assessing the entity'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 the entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' 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.

II-GUDJA LOCAL COUNCIL

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 auditors' report. However, future events or conditions may cause the entity 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 regarding, among other matters, the planned scope and timing of the audit and significant audit figures, 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 comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of

Nexia BT

Certified Public Accountants

The Penthouse, Suite 2

Capital Business Centre, Entrance C

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San Gwann SGN 3000

Malta

Date: 3rd April 2017