

Kalkara Local Council

Annual Report and Financial Statements  
31st December 2015

Prepared by: Adrian Chircop FCCA, M.I.A., C.P.A.



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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's financial position at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the comprehensive income of the Local Council for the year and its financial position as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the local Council (Financial) Procedures, 1996.

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 Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. 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.



Mrs Speranza Chircop  
Mayor

Date: 20<sup>th</sup> April 2016



Ms Elaine Caruana  
Executive Secretary

## **Kalkara Local Council**

### **Financial statements for the year ended 31 December 2015**

#### **Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Kalkara Local Council which comprise the statement of financial position as at 31 December 2015, 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 notes.

#### ***Respective responsibilities of the Local Council and Local Government auditor***

As described on page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Basis for qualified opinion***

1. Included with accrued income at balance sheet date is an amount of € 23,120 for which no supporting documentation was available. Consequently we could not determine whether the said amount is materially misstated.
2. We were not provided with satisfactory explanations and supporting documentation in relation to the opening balance of deferred income of € 69,190 in the statement of financial position. Consequently we could not satisfy ourselves that the reported figure for deferred income shown in the statement of financial position at balance sheet date is not materially misstated.
3. These financial statements do not include:
  - a. all the disclosure requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* regarding new and amended IFRSs that have been adopted by the council
  - b. information about critical accounting estimates and judgements in applying accounting policies made by management as required by IAS 1 *Presentation of financial statements*
  - c. the disclosures required by IAS 16, *Property, Plant and Equipment*, relating to Capital Commitments
  - d. all the quantitative and some of the qualitative disclosures required by IFRS 7 *Financial Instruments: Disclosures* relating to the council's maximum exposure to credit risk, the contractual maturities of the council's liabilities, details of any receivables that are past due but not impaired and categories of financial assets and liabilities at the end of the reporting period.
  - e. proper disclosure on cash payments to acquire property, plant and equipment and cash receipts from grants in the cash flow statements as required by IAS 7 *Statement of Cash Flow*.

**Kalkara Local Council**

**Financial statements for the year ended 31 December 2015**

**Report of the Local Government auditor to the Auditor General (continued)**

***Qualified opinion***

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 above, the financial statements give a true and fair view of the financial position of Kalkara Local Council as at 31 December 2015, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 14.

Because of the matters set out in paragraphs 3 (a) to (e) above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and have not been prepared in accordance with International Financial Reporting Standards.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 5 which shows that at 31 December 2015 the Council's current liabilities exceeded current assets (excluding prepayments) by € 163,111. The significance of this deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due.



Mark Bugeja  
f/Grant Thornton  
Certified Public Accountants

Grant Thornton  
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Swatar BKR 4013

21 April 2016

**Statement of Comprehensive Income**

	Note	2015	2014
		€	€
<b>Income</b>			
Funds received from central government	4	272,011	243,876
Income raised under Local Enforcement System	5	2,120	2,208
Investment Income	6	0	0
General Income	7	9,888	7,680
		<u>284,019</u>	<u>253,764</u>
 <b>Expenditure</b>			
Personal emoluments	8	92,852	71,715
Operations and Maintenance	9	119,437	181,216
Administrative and other Expenditure	10	82,239	115,258
		<u>294,528</u>	<u>368,189</u>
 <b>(Loss)/Profit for the year</b>		<u>(10,509)</u>	<u>(114,425)</u>

**Statement of Financial Position**

	Note	2015	2014
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10A	186,385	182,623
<b>Current assets</b>			
Receivables	12	34,477	40,637
Cash and cash equivalents	13	31,312	17,947
		<u>65,789</u>	<u>58,584</u>
<b>Total Assets</b>		<u>252,174</u>	<u>241,207</u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Fund		<u>(49,627)</u>	<u>(39,058)</u>
<b>Non-current liabilities</b>			
Amounts falling due after one year	14	<u>74,034</u>	<u>72,158</u>
<b>Current liabilities</b>			
Payables	15	<u>227,767</u>	<u>208,107</u>
		<u>227,767</u>	<u>208,107</u>
<b>Total Reserves and Liabilities</b>		<u>252,174</u>	<u>241,207</u>

These Financial Statements were approved by the Local Council on 20<sup>th</sup> April 2016 and are signed on its behalf by:

  
Mrs Speranza Chircop  
Mayor

  
Ms Elaine Caruana  
Executive Secretary

**Statement of Changes in Equity**

	<b>Retained Funds €</b>
<b>At 31<sup>st</sup> December 2013</b>	<b>75,353</b>
Loss for the year	(114,425)
Prior year adjustment	(46)
<b>At 31 December 2014</b>	<b>(39,118)</b>
Loss for the year	(10,509)
Prior year adjustment	0
<b>At 31<sup>st</sup> December 2015</b>	<b><u>(49,627)</u></b>



**Statement of Cash Flows**

	Note	2015	2014
		€	€
<b>Cash flows from operating activities</b>			
(Loss)/Profit for the year		(10,509)	(114,425)
Adjustments for:			
Increase in provision for doubtful LES debtors		0	0
Depreciation		13,815	27,512
Investment income receivable		0	0
Prior year		363	(4,377)
<b>Surplus for the period before working capital movements</b>		3,669	(91,290)
Movement in receivables		6,159	58,675
Movement in payables		21,115	64,788
<b>Net cash (used in)/ generated from operating activities</b>		30,943	32,173
<b>Cash flows from investing activities</b>			
Investment interest receivable		0	0
Payment to acquire property, plant and equipment		(17,578)	(21,472)
<b>Net cash used in investing activities</b>		(17,578)	(21,472)
<b>Cash flows from financing activities</b>			
Grants received during the year		0	0
<b>Net cash flows from financing activities</b>		0	0
<b>Movement in cash and cash equivalents</b>		13,365	10,701
<b>Cash and cash equivalents at the beginning of the year</b>		17,947	7,246
<b>Cash and cash equivalents at the end of year</b>	13	31,312	17,947

## Notes to the Financial Statements

### For the year ended 31 December 2015

#### 1. Statutory Information

Kalkara Local Council is the local authority of Kalkara setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 1/2, Binja tas-Salvatur, Triq Luigi Pisani, Kalkara.

These financial statements are being approved today 20<sup>th</sup> April 2016 by the Council Members.

#### 2. Accounting policies

##### a. Basis of preparation

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 convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European union and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of the Act and the local Councils (Financial) Procedures 1996.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the council's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

*New Standards, interpretations and amendments to published standards effective from 1 January 2014*

The Local Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Local Council's accounting period beginning on or after 1 January 2014. The nature and effect of the new standards, interpretations and amendments adopted by the Local Council are detailed below.

**IFRS 1 – First-time Adoption of International Financial Reporting Standards.**

The Local Council adopted the amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards whereby it has option to use either the IFRSs that are mandatory, if those IFRSs permit early application.

## 2. Accounting policies – continued

### a. Basis of preparation - continued

#### IFRS13 – Fair Value Measurement

The Local Council adopted the amendment which clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial. IFRS 13.52 defines the scope of the portfolio exception whereby an entity is permitted to measure the fair value of a group of financial assets and financial liabilities on a net basis.

#### IAS 16 Property, plant and equipment

The Local Council adopted the amendment to IAS 16, Property, plant and equipment which clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:

- The gross carrying amount is adjusted in a manner consistent with the net carrying amount, or
- Accumulated depreciation is eliminated against the gross carrying amount.

#### IAS 24 – Related party Disclosures

The Local Council adopted the amendment since it clarifies that an entity that provides key management personnel services to a reporting entity is a related party of the reporting entity. To this effect, it is required to disclose separately amounts recognized as an expense for key management personnel services provided by a separate management entity.

#### IAS 37 – Intangible assets

The company adopted the amendment that clarifies the computation of accumulated amortization when intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either the gross carrying amount is adjusted in a manner consistent with the net carrying amount or accumulated amortization is eliminated against the gross carrying amount.

#### *New standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1<sup>st</sup> January 2014. The Local Council has not early adopted these revisions to the requirements of IFRSs are adopted by the EU and the Executive Secretary is of the opinion that there are no requirements that will have a significant impact on the Local Council's financial statements in the period of initial application.

**2. Accounting policies - continued****a. Basis of preparation - continued****Amendments to IAS 16 and IAS 38 – Clarification of Acceptable methods of Depreciation and Amortisation**

The amendments clarify that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate. This can only be rebutted in limited circumstances where either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. Subject to adoption by the EU, these amendments are effective for the financial periods beginning on, or after, 1 January 2016. The local Council is considering the implications of the standard and its impact on the company's financial results and position.

***Compliance with IFRSs as adopted by the European Union***

Regulation 3 of Legal Notice 19 of 2009, Accountancy Profession (Accounting and Auditing Standards) Regulations 2009, published in terms of the Accountancy Profession Act, defines compliance with generally accepted accounting principles and practice as adherence to international accounting standards as adopted by the European Union. This legal notice has come into effect 1 October 2008.

These financial statements have been drawn up in accordance with IFRSs as adopted by the European Union. The change for IFRSs issued by the International Accounting Standards Board to IFRSs as adopted by the European union did not result in any changes to the Local Council's accounting policies.

All references in these financial statements to IAS, IFRS and/or SIC/IFRIC interpretations refer to those adopted by the European Union.

**b. Revenue recognition**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

**c. Functional and presentation currency**

The local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**2. Accounting policies - continued****d. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss 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 costs, then the grant is accounted for when it becomes receivable.

**e. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy h).

**f. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Trees	0%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%

Other plant and equipment are listed on a replacement basis.

**2. Accounting policies - continued****g. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell value in use.

**h. Amount receivables**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amount receivables are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

**i. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with bank, net of bank overdrafts.

**j. Profits and losses**

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

**j. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified liabilities if payment is due within one year or less.

**2. Accounting policies – continued****k. Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**l. Borrowings**

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

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

**m. Capital Management**

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**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 transaction costs. They are measured subsequently as described below.

## 2. Accounting policies - continued

### o. 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 as described below.

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

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 rate 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 considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

### 3. Use of Judgements and Estimates

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements, made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) – Presentation of Financial Statements.



**4. Funds Received from Central Government**

	2015	2014
	€	€
In terms of Section 55 of the Local Councils Act (Cap 363)	240,465	232,372
Other Government Income	31,546	11,504
	<u>272,011</u>	<u>243,876</u>

**5. Local Enforcement System Income**

	2015	2014
	€	€
Contraventions	<u>2,120</u>	<u>2,208</u>

**6. Investment Income**

	2015	2014
	€	€
Bank interest receivable	<u>0</u>	<u>0</u>

**7. General Income**

	2015	2014
	€	€
Donations and Sponsorships	100	150
Income from permits	7,734	6,363
Government grant released	411	567
Community Services	1,643	600
	<u>9,888</u>	<u>7,680</u>

**8. Personal Emoluments**

	2015	2014
	€	€
Mayor's allowance	8,648	8,303
Councillors' allowances	4,260	4,260
Executive Secretary's salary	18,315	13,008
Employees' salaries	35,387	33,025
Employers' NI	26,242	13,119
	<u>92,852</u>	<u>71,715</u>

**9. Operations and Maintenance**

	2015	2014
	€	€
<b>Repairs and upkeep:</b>		
Road asphaltting	223	166
Signs	5,625	2,299
Other	479	0
	<u>6,327</u>	<u>2,465</u>

**Contractual Services:**

Refuse Collection	62,118	115,643
Bulky Refuse Collection	5,103	3,738
Road and street cleaning	21,945	21,592
Hire of skips	400	630
Cleaning and maintenance of Public Conveniences	190	310
Cleaning and maintenance of Parks and Gardens	10,682	9,817
Cleaning and maintenance of Council Premises	1,273	1,237
Local Enforcement system expenses	427	276
Street Lighting	10,118	9,515
Other	854	15,993
	<u>113,110</u>	<u>178,751</u>
	<b>119,437</b>	<b>181,216</b>

## 10. Administration and other expenditure

	2015	2014
	€	€
Utilities	7,711	7,237
Material & supplies	6,520	8,714
Transport	1,410	179
Information services	280	347
Participation National Meetings	380	766
Hospitality costs	0	300
Fuel	1,150	1,844
Rent	7,520	7,520
Office services	6,023	6,473
Lease of equipment	2,129	1,029
Professional services	13,067	14,033
Community services & events	15,619	12,967
Pilot Project re-Performance Indicators	3,067	0
Insurance	1,683	2,136
Increase/ (Decrease) in provision for doubtful debts	1,855	23,978
Depreciation	13,815	27,512
Penalties	0	0
Bank Charges	9	223
	82,239	115,258

Kalkara Local Council

Notes to the Financial Statements  
31st December 2015

Note

10a Property, Plant and Equipment

Cost - as at 1st January 2015

Additions new this year

Cost - as at 31st December 2015

Grants as at 1st January 2015

Transferred during this year

Grants as at 31st December 2015

Acc. Depreciation - as at 1st January 2015

Charge for the year

Acc. Depreciation - as at 31st December 2015

Net book value - as at 31st December 2015

	Office furniture & fittings Eur	Computer equipment Eur	Office equipment Eur	Plant & machinery Eur	Street lights Eur	Urban improvements Eur	Construction Eur	Assets not yet Capitalised Eur	Total Eur
	22,020	16,603	7,009	6,350	4,864	369,168	442,529	48,032	916,575
			2,287					15,293	17,580
	22,020	16,603	9,296	6,350	4,864	369,168	442,529	63,325	934,155
	-	-	-	-	-	112,156	280,523		392,679
	-	-	-	-	-	112,156	280,523		392,679
	14,432	13,146	5,144	2,820	4,864	190,354	110,516		341,276
	550	772	560	645		6,369	4,919		13,815
	14,982	13,918	5,704	3,465	4,864	196,723	115,435		355,091
	7,038	2,685	3,592	2,885	-	60,289	46,571	63,325	186,385

## Notes to the Financial Statements

31st December 2014

Note

10a	<u>Property, Plant and Equipment</u>	Office furniture & fittings		Computer equipment		Office equipment		Plant & machinery		Street lights		Urban Improvements		Construction		Assets: not yet Capitalised		Total
		Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
	Cost - as at 1st January 2014	22,020	14,140	5,982	4,184	3,885	354,334	442,529	48,032	895,106								
	Additions new this year		2,463	1,027	2,166	979	14,834											21,469
	Cost - as at 31st December 2014	22,020	16,603	7,009	6,350	4,864	369,168	442,529	48,032	916,575								
	Grants as at 1st January 2014																	
	Transferred during this year						112,156	280,523										392,679
	Grants as at 31st December 2014						112,156	280,523										392,679
	Acc. Depreciation - as at 1st January 2014	13,785	12,290	4,529	2,305	3,885	167,774	109,196										313,764
	Charge for the year	647	857	615	515	979	22,579	1,320										27,512
	Acc. Depreciation - as at 31st December 2014	14,432	13,147	5,144	2,820	4,864	190,353	110,516										341,276
	Net book value - as at 31st December 2014	7,588	3,456	1,865	3,530	-	66,659	51,490	48,032	182,620								

**12. Receivables**

	2015	2014
	€	€
Debtors	1,016	4,105
Local Enforcement system debtors	0	0
Accrued Income	32,328	35,399
Prepaid expenses	1,133	1,133
	<u>34,477</u>	<u>40,637</u>

Water Services Corporation reinstatements receivables for 2008 and 2009 have not been agreed upon yet and hence not been accounted for.

**13. Cash and cash equivalents**

	2015	2014
	€	€
Cash in hand	0	163
<u>Bank Balances:</u>		
Current accounts	31,229	15,093
Savings accounts	83	2,691
Fixed accounts	0	0
	<u>31,312</u>	<u>17,947</u>

**14. Amounts falling due after one year**

	2015	2014
	€	€
<u>Deferred Income:</u>		
Falling due between one and two years	0	0
Falling due between two and five years	0	0
Falling due after five years	74,034	72,158

**15. Payables**

	2015	2014
	€	€
Creditors	208,994	188,444
Accruals	18,773	19,663
Deferred income	0	0
Bank balances:		
Current accounts	0	0
	<u>227,767</u>	<u>208,107</u>

**16. Capital commitments**

	2015	2014
	€	€
Authorised but not contracted for	<u>0</u>	<u>0</u>

**17. Related party transactions**

During the year, the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in notes 3, 4, 6, 8 and 9 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central regional Committee	No Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Directorate	No Control
Department of Lands	No Control

Wasteserv Malta Ltd  
Bank Of Valletta plc  
HSBC Bank Malta plc

No Control  
No Control  
No Control

The following transactions were carried out with related parties:

	2015	2014
	€	€
a) Funds received from central Government	<u>240,465</u>	<u>227,569</u>
	2015	2014
	€	€
b) Joint Committee Expenses	<u>2,120</u>	<u>2,208</u>

## 18. Financial risk management

### Overview

The Local Council has an exposure to the following risks from the use of financial instruments within its activities

- Credit risk
- Market risk

This note presents information about the local council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Acting Executive Secretary. Accordingly it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

### Credit Risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the local council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.



Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

### **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.

### **Capital management**

It is the policy of the Acting Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Acting Executive Secretary monitors the operations and results of the Local Council.

### **Fair Values**

At 31 December 2015 and 2014 the carrying amounts of cash at bank, debtors, creditors and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the origination of the instruments and their expected realisation.

## **18. Capital commitments**

### **Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2015	2014
	€	€
Contracted but not provided for	0	0

This capital expenditure is financed by the MEPA UIF.