

Kalkara Local Council

**Annual Report
and
Financial Statements**

For the year ended 31st December 2017

Prepared by:

GMM & Associates (Malta) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017

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Financial Statements for the Year ended 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 Wednesday 9th May 2018 by:



Speranza Chircop
Mayor



Elaine Caruana
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017	2016
	Note	€	(restated) €
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3	110,021	111,727
		<u>110,021</u>	<u>111,727</u>
Current Assets			
Trade and Other Receivables	4	2,893	33,834
Cash and Cash Equivalents	5	20,663	55,287
		<u>23,556</u>	<u>89,121</u>
Total Assets		<u>133,577</u>	<u>200,848</u>
RESERVES AND LIABILITIES			
Capital and Reserves			
Retained Funds		(57,527)	(83,863)
Retained Earnings		(27,982)	26,337
		<u>(85,509)</u>	<u>(57,526)</u>
Non-Current Liabilities			
Trade and Other Payables	7	27,733	38,737
Current Liabilities			
Trade and Other Payables	7	191,353	219,637
Total Liabilities		<u>219,086</u>	<u>258,374</u>
TOTAL RESERVES AND LIABILITIES		<u>133,577</u>	<u>200,848</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

Approved by the Council and signed on its behalf on Wednesday 9th May 2018 by:



Speranza Chircop
Mayor



Elaine Caruana
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 €	2016 €
REVENUE			
Funds Received from Central Government	8	267,029	304,321
Income Raised under Local Enforcement System	9	2,258	2,036
General Income	10	4,435	20,307
		<u>273,722</u>	<u>326,664</u>
EXPENDITURE			
Personal Emoluments	11	97,889	92,762
Operations and Maintenance	12	124,538	129,930
Administration and Other Expenditure	13	79,277	77,635
		<u>301,704</u>	<u>300,327</u>
(Deficit)/Surplus for the year		<u>(27,982)</u>	<u>26,337</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Retained Funds €
Balance as At 31 December 2015	(5,554)
Total Comprehensive Deficit	(10,509)
Balance as At 31 December 2015 as restated	<u>(16,063)</u>
Balance as at 31 December 2015 as previously stated	(49,627)
Prior year Adjustment	33,564
Balance as At 31 December 2015 as restated	<u>(16,063)</u>
Total Comprehensive Surplus	26,337
Balance as At 31 December 2016 as previously stated	<u>10,274</u>
Prior year Adjustments	(67,801)
Balance as At 31 December 2016 as restated	<u>(57,526)</u>
Total Comprehensive Deficit	(27,982)
Balance as At 31 December 2017	<u>(85,508)</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2017

	Note	2017 €	2016 €
Cash flows from Operating Activities			
Surplus/(Deficit) for the year		(27,982)	26,337
Adjustments for:			
Depreciation		11,470	12,693
Release of Deferred Income		(7,793)	(7,815)
Grant Adjustment		(6,857)	-
Prior Year		-	6253
		<u>(31,162)</u>	<u>37,468</u>
Movement in Receivables		30,941	643
Movement in Payables		<u>(31,494)</u>	<u>(12,778)</u>
Net Cash (used in)/generated from Operating Activities		<u>(31,715)</u>	<u>25,333</u>
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		<u>(2,907)</u>	<u>(1,360)</u>
Cash Flow (used in Investing Activities)		<u>(2,907)</u>	<u>(1,360)</u>
Movement in Cash and Cash Equivalents		(34,622)	23,973
Cash and Cash Equivalents at the Beginning of year		<u>55,285</u>	<u>31,312</u>
Cash and Cash Equivalents at the End of year	5	<u>20,663</u>	<u>55,285</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

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

1. General Information

Kalkara Local Council is the local authority of Kalkara setup in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 1, Binja tas-Salvatur, Triq Luigi Pisani, Il-Kalkara. The local council's presentation as well as the functional Currency are denominated in Euro. The financial statements were authorised for issue by the council on the 9th May 2018. Kalkara Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

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 revised standards that are effective for annual years beginning on or after 1st January 2016.

A number of new and revised standard are effective for annual years beginning on or after 1st January 2017. Information on these new standards is presented below.

- IAS 7 in respect of Disclosure Initiative which will be effective for the accounting years beginning on or after 1 January 2017.
- IAS 12 in respect of Deferred Tax Assets for Unrealised Losses which will be effective for the accounting years beginning on or after 1 January 2017.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting years beginning on or after 1 January 2018.
- IFRS 9 in respect of Financial Instruments which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 2 in respect of Classification and Measurement of Share-based Payment Transactions which will be effective for the accounting years beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for the accounting years beginning on or after 1 January 2019.
- IFRS 10 and IAS 28 in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, for which the effective accounting year is still to be determined.

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

c. Revenue recognition

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

d. Local Enforcement System

During the year ended 31/12/2017 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

e. Property, Plant and Equipment

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. 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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year 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 years 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.

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.

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

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 present 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 (note 19). The parties that exercise no control are disclosed in note 16.

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 Local 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. They are measured subsequently as described below.

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

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

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.

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 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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

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

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

Prior Year Adjustment

The comparative Statement of Financial Position and Statement of Changes in Equity were restated to adjust for property, plant and equipment included in the balance sheet as 'Assets Not Yet Capitalised' amounting to Eur63,323 which was already included under property, plant and equipment and to adjust for the release of deferred income amounting to Eur4,478. During the year, a prior year adjustment was included to correct the above, and the effects have been described below:

Effect on 2016:

	As previously stated	Movement	As restated
Retained Funds	10,274	(67,801)	(57,526)
Property, plant and equipment	175,052	(63,323)	111,729
Deferred Income	(34,259)	(4,476)	(38,735)

Notes to the Financial Statements for the year ended 31 December 2017 – continued**3a Property, Plant and Equipment**

Tangible Assets	Office Furniture /fittings	Computer Equipment	Office Equipment	Plant & Machinery	New Street Signs & lights	Urban Improvements	Construction	Total
Cost	€	€	€	€	€	€	€	€
At 1st Jan 2017	22,020	17,378	9,296	6,935	4,864	369,168	442,529	872,190
Additions	-	-	385	-	-	2,522	-	2,907
At 31st Dec 2017	22,020	17,378	9,681	6,935	4,864	371,690	442,529	875,097

Grants and other reimbursements

At 1st Jan 2017	-	-	-	-	-	112,156	280,523	392,679
Grants received	-	-	-	-	-	(6,676)	(181)	(6,857)
At 31st Dec 2017	-	-	-	-	-	105,480	280,342	385,822

Accumulated Depreciation

At 1st Jan 2017	15,492	14,652	6,360	4,048	4,864	202,483	119,885	367,784
Charge for the year	473	609	585	527	-	5,252	4,024	11,470
At 31st Dec 2017	15,965	15,261	6,945	4,575	4,864	207,735	123,909	379,254

Net Book Value

At 31st Dec 2017	6,055	2,117	2,736	2,360	-	58,475	38,278	110,021
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At 31st Dec 2016 (restated)

	6,528	2,726	2,936	2,887	-	54,529	42,121	111,727
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Notes to the Financial Statements for the year ended 31 December 2017 – continued**3b Property, Plant and Equipment**

Tangible Assets	Office Furniture /fittings	Computer Equipment	Office Equipment	Plant and Machinery	New Street Signs & lights	Urban Improvements	Construction	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2016	22,020	16,603	9,296	6,350	4,864	369,168	442,529	934,155
Additions	-	775	-	585	-	-	-	1,360
At 31 December 2016	22,020	17,378	9,296	6,935	4,864	369,168	442,529	935,515
Grants and other reimbursements								
At 1 January 2016	-	-	-	-	-	112,156	280,523	392,679
Grants received	-	-	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	112,156	280,523	392,679
Accumulated Depreciation								
At 1 January 2016	14,982	13,918	5,704	3,465	4,864	196,723	115,435	355,091
Charge for the year	510	734	656	583	-	5,760	4,450	12,693
At 31 December 2016	15,492	14,652	6,360	4,048	4,864	202,483	119,885	367,784
Net Book Value								
At 31 December 2016 (restated)	6,528	2,726	2,936	2,887	-	54,529	42,121	111,727
At 31 December 2015	7,038	2,685	3,592	2,885	-	60,289	46,571	123,060

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

4 Trade and Other Receivables	2017	2016
	€	€
Trade Receivables	3,282	2,685
Provision for bad debts	(1,885)	(1,885)
Les Debtors	82,777	82,777
Les Debtors Provision	(82,777)	(82,777)
Accrued income	228	32,329
Financial assets	1,624	33,129
Prepayments	1,269	705
	2,893	33,834
Trade receivables		
Within the credit year	1,177	307
Exceeded credit year but not yet impaired	2,105	2,378
	3,282	2,685

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables, the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being unrelated.

The Council felt the need to make a provision for doubtful debts on an amount receivable from one of its customers. This customer seems to be undergoing financial difficulty so the whole debt is being considered as doubtful.

5 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:	€	€
Ordinary funds	20,663	55,285
Cash in hand	-	-
Cash at bank and in hand	20,663	55,285
Overdrawn bank	-	-
	20,663	55,285

Kalkara Local Council

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

6 Deferred Income	2017	2016
	€	€
Analysis		
Balance brought forward	34,260	74,034
Released to as per prior year	-	(27,311)
Balance as at 01.01.16 Restated	34,260	46,723
Released to income (restated)	(3,317)	(3,339)
	30,943	38,908
Current Portion	(3,210)	(4,648)
	<u>27,733</u>	<u>38,736</u>
Deferred Income Allocation	€	€
Deferred Income 1 to 2 years	7,674	7,749
Deferred Income 2 to 5 years	20,059	8,060
Deferred Income over 5 years	-	22,927
	<u>27,733</u>	<u>38,736</u>
7 Trade and Other Payables	2017	2016
	€	€
Financial Liabilities		
Trade Payables	168,610	168,394
Accruals	19,533	46,595
Deferred Income	3,210	4,648
	<u>191,353</u>	<u>219,637</u>
Non-financial Liabilities		
Deferred Income Portion (restated)	<u>27,733</u>	<u>38,737</u>
Total Current Liabilities	<u>219,086</u>	<u>258,374</u>
8 Funds received from Central Government	2017	2016
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	248,829	248,228
Other Supplementary Government Income	9,498	52,418
Other Government Income	8,702	3,675
	<u>267,029</u>	<u>304,321</u>
9 Income raised under the Law Enforcement System	2017	2016
	€	€
Regional Committees - Administrative Fees	<u>2,258</u>	<u>2,036</u>
10 General Income	2017	2016
	€	€
Income from permits	4,029	14,110
Media Charges	-	310
General	406	5,887
	<u>4,435</u>	<u>20,307</u>

Notes to the Financial Statements for the year ended 31 December 2017 – continued**11 Personal Emoluments**

Personal emoluments include, inter alia:

	2017	2016
	€	€
Mayor's Allowance	8,648	8,648
Councillor's Allowances	4,080	4,170
Executive Secretary salary and allowance	23,163	23,742
Employees' Salary and Allowances	55,391	47,328
Employers' NI	6,606	8,874
	97,888	92,762

12 Operations and Maintenance

Operations and maintenance includes, inter alia:

Repairs and Upkeep:

	2017	2016
	€	€
Road and Street Pavements (patching works)	6,854	5,032
Street Signs	2,692	3,191
Others	3,836	2,702
	13,382	10,925

Contractual Services:

Refuse Collection (including bins on wheels)	46,577	42,496
Bulky Refuse Collection (including open skips)	7,329	6,809
Road and Street Cleaning (mechanical and manual)	10,828	29,931
Tipping fees	24,460	14,733
Cleaning and Maintenance of Public Conveniences	1,151	998
Cleaning and Maintenance of Parks and Gardens	9,317	9,496
Cleaning and Maintenance Beaches	566	3,430
Cleaning – Soft Areas	-	83
Cleaning - Council Premises	-	1,186
Street Lighting	10,926	9,843
	111,154	119,005
Total Operations and Maintenance Expenses	124,536	129,930

Kalkara Local Council

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

13 Administration and other expenditure	2017	2016
	€	€
Utilities	8,469	10,345
Materials & Supplies	6,628	6,601
Rent	9,670	3,995
Local Warden Service	-	48
Office Services	4,080	7,847
Information services (including library)	7,097	280
Professional Services	7,025	13,264
Insurance	1,239	2,753
Community and Hospitality	22,164	11,013
Depreciation	11,470	12,693
Transport Expense	1,160	344
Bank Charges	276	64
	79,277	77,635

14 Capital Commitments

As per instructions of the department of local government, the council is prohibited from incurring and capital commitments, due to the accumulated retained losses incurred in previous years by Kalkara Local Council.

15 Financial Instruments and 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 Authority	No control
Assocjazzjoni Kunsilli Lokali	No control
ARMS Limited	No control
Office of The Attorney General	No control
Police Department	No control
Courts of Justice	No control
Department of Information	No control
Information And Data Protection Commissioner	No control
Malta Library & Information Association	No control
Ministry For Resources and Rural Affairs	No control
Malta Information Technology Agency	No control
Public Broadcasting Services Ltd	No control
WasteServ Malta Ltd	No control

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

	2017	2016
	€	€
Significant control:		
Central Government: Financial allocation for the year	248,829	248,228

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

	2017	2016
	€	€
Joint Committee Expenses	-	-

The ultimate controlling party of Kalkara 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.

16 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.

17.1 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 year, as summarised below:

	2017	2016
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	2,893	33,834
Cash and Cash Equivalents	20,663	55,285
	<u>23,556</u>	<u>89,119</u>

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 4 for further information on impairment or 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 external credit ratings.

Notes to the Financial Statements for the year ended 31 December 2017 – continued**17.2 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.

	2017	2016
	€	€
Payables	168,610	168,394
Accruals and other creditors	22,743	51,245
	<u>191,353</u>	<u>219,637</u>
Long term and short-term borrowings	2017	2016
	€	€
Current within 1 year	191,353	219,637
Due in 1 to 5 years	-	-
Due after 5 years	-	-
	<u>191,353</u>	<u>219,637</u>

17.3 Summary of the financial assets and liabilities by category

The council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a regular basis.

Current Assets	2017	2016
	€	€
Loans and Receivables:	-	-
Trade and Other Receivables	2,893	33,834
Cash and Cash Equivalents	<u>20,663</u>	<u>55,285</u>
	<u>23,556</u>	<u>89,119</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	-	-
Current Liabilities		
Financial liabilities measured at historic costs:		
Trade Payables	168,610	168,394
Accruals and Other Creditors	<u>22,743</u>	<u>51,245</u>
	<u>191,353</u>	<u>219,637</u>

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

17.4 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), 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 surplus or deficit of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial.

17.5 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 and the extent of borrowings, the capital level as at the end of the reporting year is deemed adequate by the Council.

18 Fair value estimation

At 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 year of time between the origination of the instruments and their expected realisation.

Kalkara Local Council

Financial Statements for the year ended 31 December 2017

Independent Auditors' report

