

HAL KIRKOP LOCAL COUNCIL

Annual Report

and

Financial Statements

31 December 2016

Prepared by:
Kevin Farrugia FCCA, FIA, CPA



Kevin Farrugia FCCA, FIA, CPA
Certified Public Accountant - Warrant No. 10891
42, 'Old Rose', Triq Patri Nikol Magro
Qrendi, QRD 1492, Malta. Tel: +356 79467233



Hal Kirkop LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2016

CONTENTS	PAGES
Statement of Council Members' and Executive Secretary Responsibilities	3
Report of the Local Government Auditor to the Auditor General	4 - 5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 24


STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY RESPONSIBILITIES

For the year ended 31 December 2016

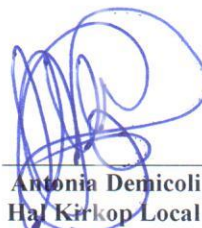
The Local Councils (Financial) Regulations, 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Local Council's Profit or Loss and Other Comprehensive Income for the year and of the Council's Financial Position at the end of the year. 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 Comprehensive Income of the Council for the year and its Financial Position as at the year end, and that they comply with the Local Councils Act, the Local Councils (Financial) Regulations and the Local Councils (Financial) Procedures, 1996 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 1993, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Terence Agius
Hal Kirkop Local Council
Mayor



Antonia Demicoli
Hal Kirkop Local Council
Executive Secretary

REPORT OF THE LOCAL GOVERNMENT AUDITORS' ON THE HAL KIRKOP LOCAL COUNCIL TO THE AUDITOR GENERAL

Report on the Audit of the Financial Statements

We have audited the financial statements of Hal Kirkop Local Council, set out on pages 6 to 24, 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 for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for qualified opinion

The Council did not provide us with any workings for the depreciation charge for the year of €96,174. Thus, we were not able to test the accuracy, of such an amount and hence the net book value of property, plant and equipment.

The financial statements do not include the quantitative disclosures required by IFRS 7.

Qualified 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.

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph above, the financial statements give a true and fair view of the financial position of the Kirkop Local Council as at 31 December 2016, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards adopted by the EU.

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.

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 do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedure, due to the matters described below:

- The fixed asset register was not prepared by the local council, and
- Depreciation is calculated on yearly basis, rather than on a monthly basis.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 2nd May 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016	2015	2015
		€	(as restated) €	(as previously stated) €
Revenue				
Funds received from Central Government	2	215,634	214,977	214,977
Income raised under Local Enforcement System	3	1,607	1,880	1,880
Investment Income	4	43	82	82
General Income	5	130,630	140,727	22,034
Total income for the year		347,914	357,666	238,973
Expenditure				
Personal emoluments	6	77,430	68,631	68,631
Operations and maintenance	7	73,730	72,304	72,304
Administrative and other expenditure	8	134,972	141,099	141,099
Total expenditure for the year		286,132	282,034	282,034
Surplus/(Deficit) for the year		61,782	75,632	(43,061)
Total comprehensive Income/(Expense)		61,782	75,632	(43,061)

The accounting policies and notes on pages 10 to 24 form an integral part of the financial statements.


Hal Kirkop LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016	2015	2015
		€	(as restated) €	(as previously stated) €
ASSETS				
Non Current Assets				
Property, Plant and equipment	9	1,276,551	1,360,028	1,360,028
Current Assets				
Trade and other receivables	10	43,475	87,785	87,785
Cash and Cash Equivalents	11	179,119	119,544	119,544
		225,594	207,329	207,329
Total Assets		1,499,145	1,567,357	1,567,357
RESERVES AND LIABILITIES				
Capital and reserves				
Retained earnings		365,886	304,104	339,765
Total capital and reserves		365,886	304,104	339,765
LIABILITIES				
Non-current Liabilities				
Deferred income	13	988,723	1,094,242	1,174,057
Total non-current liabilities		988,723	1,094,242	1,174,057
Current Liabilities				
Trade and other payables	12	144,536	169,011	53,535
Total current liabilities		144,536	169,011	53,535
Total liabilities		1,133,259	1,263,253	1,227,592
Total equity and liabilities		1,499,145	1,567,357	1,567,357

These financial statements were approved, signed and authorised for issue by the Council on the 2 May 2017 and signed on its behalf by:


Terence Agius
Hal Kirkop Local Council
Mayor


Antonia Demicoli
Hal Kirkop Local Council
Executive Secretary

The accounting policies and notes on pages 10 to 24 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Notes	Retained earnings €
FINANCIAL YEAR ENDED 31 DECEMBER 2015		
At 1 January 2015 - as previously stated		382,826
Prior year adjustment	14	<u>(154,354)</u>
At 1 January 2015 - as restated		228,472
Loss for the year - as previously stated		<u>(43,061)</u>
Prior year adjustment	14	<u>118,693</u>
Profit for the year - as restated		75,632
At 31 December 2015		<u>304,104</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2016		
At 1 January 2016		304,104
Profit for the year		<u>61,782</u>
At 31 December 2016		<u>365,886</u>

The accounting policies and explanatory notes on pages 10 to 24 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016	2015	2015 (as previously stated)
		€	(as restated) €	€
Cash used in operating activities				
Profit/(Loss) for the year		61,782	75,632	(43,061)
Adjustments for:				
Depreciation of property, plant and equipment		96,174	88,785	88,785
Provision for bad debts		(2,839)	1,282	1,282
Bad debts		313	8,410	8,410
Investment income		(43)	(82)	(82)
		<u>155,387</u>	<u>174,027</u>	<u>55,334</u>
Adjustments from working capital changes :				
Movement in trade and other receivables		46,836	35,937	35,937
Grants released to income		(115,476)	(118,693)	1,709
Movements in trade and other payables		(14,518)	(50,461)	(50,461)
		<u>72,229</u>	<u>40,810</u>	<u>42,519</u>
Net Cash generated in operating activities				
Cash used in investing activities				
Acquisition of property, plant and equipment		(12,697)	(70,478)	(70,478)
Investment income		43	82	82
		<u>(12,654)</u>	<u>(70,396)</u>	<u>(70,396)</u>
Net Cash generated in investing activities				
Cash used in financing activities				
Grants received		-	95,450	93,741
Net Cash generated in investing activities		<u>(12,654)</u>	<u>95,450</u>	<u>93,741</u>
Movement in cash flows and cash equivalents		59,575	65,864	65,864
Cash and cash equivalents at the beginning of the year		119,544	53,680	53,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u>179,119</u>	<u>119,544</u>	<u>119,544</u>

The accounting policies and notes on pages 10 to 24 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.1 GENERAL INFORMATION

The Hal Kirkop Local Council is a local government set up by the Local Council Act, 1993. The office of the Council is situated at 31, Triq San Benedittu, Kirkop. The financial statements of the Hal Kirkop Local Council for the year ended 31 December 2016 were approved and authorised for issue by the Council Members on the 2 May 2017.

1.2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euro, which is the Council's functional currency.

BASIS OF PREPARATION

Statement of Compliance

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 (IFRSs) 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.

1.3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements:

Income and revenue recognition

Income and revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the income and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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

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.

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 assets to the asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Council's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Provisions

Provisions are recognised when the Council has a present legal 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.

Trade and other payables

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

Cash and cash equivalents

Cash in hand and at banks and short-term deposits are held to maturity and carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the cash flows statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants relating to costs are deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included under non-current liabilities as deferred government grants and are credited to the Statement of Profit or Loss and Other Comprehensive Income over the expected lives of the related assets.

Standards, amendments and interpretations that are 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 has only two classification categories; amortised cost and fair value. Classification under IFRS 9 will only be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adaption by the EU, IFRS 9 will be effective for financial periods beginning on, or after 1 January 2018. IFRS 9 has not yet been adopted by the EU.

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.

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 Council is considering the implications of the standards and its impact on the Council's financial results and position. There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special projects	10
Urban improvements (street furniture)	10
Office equipment	20
Plant and machinery	20
Motor vehicles	20
Computer equipment	25
Plants	100
New street signs	100
Litter bins	100
Playground furniture	100
Street lights	100
Street mirrors	100

Subsequent costs are included in the asset's carrying amount 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other income/(expenses)' in the income statement.

When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

A revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and building s is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment

At the end of each reporting period the Council reviews the carrying amounts to its property, plant and equipment 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 indivual cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 assets (or cash-generating unit) is reduced to tis recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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, but so that the increased carrying

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future event that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Local Enforcement System.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Department of Local Government, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

2. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2016 EUR	2015 EUR
In terms of section 55 of the Local Council Act 1993	195,594	190,637
Supplementary Government Income – WasteServ allocation	13,843	24,340
Other Government Income	6,197	-
	<u>215,634</u>	<u>214,977</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

	2016 EUR	2015 EUR
LES commissions	1,607	1,880
	<u>1,607</u>	<u>1,880</u>

4. INVESTMENT INCOME

	2016 EUR	2015 EUR
Bank interest	43	82
	<u>43</u>	<u>82</u>

5. GENERAL INCOME

	2016 EUR	2015 (as restated) EUR
General income	8,705	7,892
Government grants released	115,476	118,693
<u>Funds claimed from Southern Regional Committee:</u>		
Cash distribution	3,835	1,749
Special projects	2,614	8,236
ESF income	-	4,157
	<u>130,630</u>	<u>140,727</u>

6. PERSONAL EMOLUMENTS

	2016 EUR	2015 EUR
Salaries and bonuses include, inter alia:		
Mayor's honoraria and allowance	8,828	8,647
Council members' allowance	4,475	4,600
Executive secretary salary	28,616	27,956
Employees' salaries	30,482	23,123
Social security contributions	5,029	4,305
	<u>77,430</u>	<u>68,631</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

7. OPERATIONS AND MAINTENANCE

	2016 EUR	2015 EUR
Repairs and upkeep		
Street signs	3,351	2,289
Other repairs and upkeep	688	3,710
Street markings	3,860	-
	<u>7,899</u>	<u>5,999</u>
Contractual services		
Refuse collection	17,959	17,959
Bulky refuse collection	2,300	2,300
Tipping fees – waste disposal	23,839	26,547
Road and street cleaning	11,256	11,256
Cleaning and maintenance - council premises	2,328	2,368
Cleaning and maintenance – parks and gardens	3,395	3,252
Street lighting	4,754	2,623
	<u>65,831</u>	<u>66,305</u>
Total operations and maintenance	<u>73,730</u>	<u>72,304</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. ADMINISTRATIVE AND OTHER EXPENSES

	2016	2015
	EUR	EUR
Accountancy services	4,986	1,617
Advertising	261	157
Bad debts	313	8,410
Bank charges	124	82
Cleaning material	244	164
Telecommunication costs	2,177	2,365
Decrease in provision for doubtful debts LES Debtors	(839)	(687)
Depreciation of property, plant and equipment	96,174	88,785
Fuel	373	-
Insurance coverage	2,644	1,995
IT Development services	2,527	3,541
Legal services	587	856
Librarian fees	1,046	2,110
Local enforcement charges	115	148
Maintenance of vehicles	316	565
Operational materials	3,097	5,806
Other expenses	1,758	1,148
Other hospitality costs	1,368	1,469
Other support services	3,539	2,609
Participation fee meetings	945	163
Postage	637	175
Printing	271	243
Provisions for bad debts	(2,000)	1,969
Professional fees	1,936	324
Rent	1,337	1,337
Social events	5,957	7,540
Stationery	2,629	3,201
Subscriptions	46	23
Water and electricity	2,404	4,984
Total administrative and other expenditure	134,972	141,099

Hal Kirkop LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. Property, plant and equipment

	Motor Vehicles €	Office Equipment €	Urban Improvements €	Plant and machinery €	Furniture and fittings €	Construction works €	Assets under construction €	Total €
Cost								
At 1 January 2015	4,600	34,962	92,047	2,947	44,380	1,818,739	423,061	2,420,736
Additions	-	2,333	1,205	-	-	66,940	-	70,478
At 31 December 2015	4,600	37,295	93,252	2,947	44,380	1,885,679	423,061	2,491,214
Grants								
At 1 January 2015	-	1,164	-	-	-	543,714	-	544,878
Transferred during the year	-	1,709	-	-	-	-	-	1,709
At 31 December 2015	-	2,873	-	-	-	543,714	-	546,587
Depreciation								
At 1 January 2015	2,292	24,303	48,181	2,865	21,812	396,361	-	495,814
Charge for the year	577	1,509	12,876	21	484	73,318	-	88,785
At 31 December 2015	2,869	25,812	61,057	2,886	22,296	469,679	-	584,599
Net book value								
At 31 December 2015	1,731	8,610	32,195	61	22,084	872,286	423,061	1,360,028

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. Property, plant and equipment (continued)

	Motor Vehicles €	Office Equipment €	Urban Improvements €	Plant and machinery €	Furniture and fittings €	Construction works €	Assets under construction €	Total €
Cost								
At 1 January 2016	4,600	37,295	93,252	2,947	44,380	1,885,679	423,061	2,491,214
Additions	-	2,393	567	-	1,530	8,207	-	12,697
At 31 December 2016	4,600	39,688	93,819	2,947	45,910	1,893,886	423,061	2,503,911
Grants								
At 1 January 2016	-	2,873	-	-	-	543,714	-	546,587
Transferred during the year	-	-	-	-	-	-	-	-
At 31 December 2016	-	2,873	-	-	-	543,714	-	546,587
Depreciation								
At 1 January 2016	2,869	25,812	61,057	2,886	22,296	469,679	-	584,599
Charge for the year	353	2,201	3,788	12	1,771	88,049	-	96,174
At 31 December 2016	3,222	28,013	64,845	2,898	24,067	557,728	-	680,773
Net book value								
At 31 December 2016	1,378	8,802	28,974	49	21,843	792,444	423,061	1,276,551

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10. TRADE AND OTHER RECEIVABLES

	2016 EUR	2015 EUR
Current		
Trade receivables	7,687	9,693
Provision for doubtful debts	(6,610)	(8,610)
Law enforcements system	146,346	147,185
Provision for LES doubtful debts	(146,346)	(147,185)
Prepayments and accrued income	42,398	86,702
	<u>43,475</u>	<u>87,785</u>

11. CASH AND CASH EQUIVALENTS

	2016 EUR	2015 EUR
Petty cash	233	233
Bank balances - current	63,418	44,405
Bank balances - savings	115,468	74,906
	<u>179,119</u>	<u>119,544</u>

12. TRADE AND OTHER PAYABLES

	2016 EUR	2015 (as restated) EUR
Current		
Trade payables	20,650	47,753
Short term deferred income	105,519	115,476
Accruals	14,099	5,782
Other payables	4,268	-
	<u>144,536</u>	<u>169,011</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

13. DEFERRED INCOME

	2016 EUR	2015 (as restated) EUR
At 1 January	1,209,718	1,234,671
Increase	-	93,740
Release to income statement	(115,476)	(118,693)
Deferred income transferred to short term	(105,519)	(115,476)
	<u>988,723</u>	<u>1,094,242</u>
Repayable between one and two years	94,463	-
Repayable between two and five years	232,608	-
Repayable in five years or more	661,652	-
	<u>988,723</u>	<u>-</u>

Deferred income represents amounts from previous years and measures granted from the relevant authorities up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up to the end of the year under review.

14. PRIOR YEAR ADJUSTMENT

The Local Council has revised the deferred income balance as at year-end following a review of government grants provided from 2009 to date. This was done retrospectively, affecting the release to the income statement for 2014 and 2015. The comparative Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows were restated due to this prior year adjustment:

Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity were restated as follows:

	EUR
Retained earnings as at 31 December 2014 as previously stated	382,826
Prior year adjustment	(154,354)
Retained earnings as at 1 January 2015 as restated	<u>228,472</u>
Retained earnings as at 31 December 2015 as previously stated	185,411
Prior year adjustment	118,693
Retained earnings as at 31 December 2015 as restated	<u>304,104</u>
General income as at 31 December 2015 as previously stated	22,034
Prior year adjustment – Deferred income released to income statement	118,693
General income as at 31 December 2015 as restated	<u>140,727</u>

14. PRIOR YEAR ADJUSTMENT (CONTINUED)

Balance sheet:

	EUR
Deferred income as at 31 December 2014 as previously stated	1,080,317
Prior year adjustment	154,354
Deferred income as at 1 January 2015 as restated	1,234,671
Deferred income as at 31 December 2015 as previously stated	1,174,057
Prior year adjustment	35,661
Deferred income as at 31 December 2015 as restated	1,209,718

15. 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 note 2, 3, 4, 5, 7 and 8 to these financial statements. The following material transactions were carried out with related parties:

	2016 EUR	2015 EUR
Funds received from central government	195,594	190,637

16. COMPARATIVES

Certain comparatives have been restated in order to conform to current year's presentation.

17. OTHER INFORMATION

Contingent Liabilities

The Local council is defendant in proceedings in which an individual is claiming compensation for damages amounting to € 15,000 (fifteen thousand Euro), which were allegedly sustained by the plaintiff following works carried out by the Council. The Council is contesting the claim vigorously and the Council members firmly believe that such an action ought to be dismissed. Nevertheless, the outcome of the action remains uncertain and the claim may finally be decided in favour of the Local Council.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

18. FINANCIAL INSTRUMENTS

Financial risk factors

The Council's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management programme focuses on the unpredictability of market conditions and therefore seeks to minimise potential adverse effects on the Council's financial performance. Risk management is carried out by the Council. The Council evaluates, on a periodical basis, financial risk factors based on appropriate skills, experience and supervision.

Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Council's policy is designed to minimise such risks by implementing the necessary safeguards to counter market risks.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (note 11), as well as credit exposures to customers, including outstanding receivables and committed transactions (Note 10). For banks and financial institutions, only independently rated parties are accepted. Risk control assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the year and management does not expect any losses from non-performance by these counterparties.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, comprising trade and other payables (note 12). Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Council maintains flexibility in funding by maintaining availability under committed credit lines. The Council monitors its liquidity on the basis of expected cash flow. This entails projecting cash flows and considering the level of liquid assets necessary to meet the Council's obligations as they fall due.

Capital risk management

The Council's objectives when managing capital are to safeguard its ability to continue to operate as a going concern in order to provide returns for shareholder and to maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Council may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Council monitors capital on the basis of its gearing ratio.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar instruments.
