

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures (cont.)**

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position 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 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 period in which they are incurred.

*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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

*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 amount of the asset and 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.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account 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 after the statement of financial position date.

*Other payables*

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

*Financial instruments*

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures (cont.)**

*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 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.

*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'.

*Related parties*

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

*Revenue*

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

*Local Enforcement System*

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency.

*Government grants*

Government grants relating to costs are deferred and recognised in the statement of 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 in non-current



**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures (cont.)**

liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

*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 €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

*Borrowing costs*

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

*Profits and losses*

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 losses 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.

*Cash and cash 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.

*Capital Management*

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

- that the Council's ability to continue as a going concern is still valid and
- 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"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

**3. Judgments in applying accounting policies and key sources of estimation**

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

In the opinion of the Council, 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.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****4. Funds received from central government**

	2016	2015
	€	€
In terms of section 55 of the Local Councils Act	223,884	216,826
Other Government Income	8,283	7,078
Grants Released	85,162	80,373
	<u>317,329</u>	<u>304,277</u>

**5. Local Enforcement system**

	2016	2015
	€	€
Administration fees to Regional Committees/LESA	681	808
Income from Contraventions	22	4,760
	<u>703</u>	<u>5,568</u>

**6. General Income**

	2016	2015
	€	€
Community Services		-
Rent Receivable	2,950	2,950
Insurance claim	4,001	-
Tender Documents/Info Charges	85	921
Income from Permits	3,435	2,207
Other income	-	6,847
	<u>10,471</u>	<u>12,925</u>

**7. (Deficit)/Surplus for the year**

	2016	2015
	€	€
Profit for the year is stated after charging		
Staff salaries	77,339	66,221
Depreciation of property, plant & equipment	<u>114,993</u>	<u>122,437</u>

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****8. Personal Emoluments**

	2016	2015
	€	€
Mayor's Remuneration	7,228	7,048
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	29,867	29,054
Employees' Salaries	28,885	19,788
Social Security Contributions	4,959	3,931
	<u>77,339</u>	<u>66,221</u>

**9. Operations and Maintenance**

	2016	2015
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching works)	6,262	17,203
Signs and Road Markings	3,562	4,121
Council premises	2,235	266
Ix-Xlendi maintenance and upkeep	5,414	6,831
Other repairs and Upkeep	1,402	13,002
Public Property	1,817	367
	<u>20,692</u>	<u>41,790</u>
<i>Contractual Services:</i>		
Refuse Collection	21,948	20,487
Bulky Refuse Collection	1,347	643
Road & Street Cleaning	4,229	4,612
Cleaning - Public Conveniences	6,729	7,192
Cleaning & Maintaining Parks & Gardens	1,800	1,152
Cleaning & Maintenance of verges	146	1,801
Cleaning & Maintenance of Council premises	1,517	1,373
Tipping fees	8,761	9,920
Insurance	1,569	1,707
Local Enforcement System expenses	-	715
Street Lighting	1,297	8,291
	<u>49,343</u>	<u>57,893</u>
 Total Operations and Maintenance Costs	 <u>70,035</u>	 <u>99,683</u>

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**10. Administration and other expenditure**

	2016	2015
	€	€
Utilities	5,469	7,177
Materials and supplies	430	788
Rent	2,816	2,446
Office repair and upkeep	397	781
National and International Membership	550	510
Office Services	2,113	4,648
Transport	736	398
Information Services	113	1,225
Professional Services	7,401	6,580
Community services and events	18,480	20,200
Bad Debts written off	50	136
Sundry expenses	798	35
Depreciation	114,993	122,437
	<u>154,346</u>	<u>167,361</u>

**11. Finance Income**

	2016	2015
	€	€
Bank Interest Receivable	18	90
	<u>18</u>	<u>90</u>