

# IL-MUNXAR LOCAL COUNCIL

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

### 12. Property, plant and equipment

	Buildings & Improvement €	Office Furniture & Fittings €	Computer & Office Equipment €	Plant & Machinery €	New Street Signs €	Urban Improvem €	Const €	Assets under constr €	Special Program €	Total €
<b>Cost</b>										
At 1 January 2015	3,736	15,583	44,456	1,210	3,785	91,581	164,742	-	1,347,608	1,672,701
Additions	-	-	-	-	-	37,186	6,283	187,088	98,124	328,681
Reclassification	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	3,736	15,583	44,456	1,210	3,785	128,767	171,025	187,088	1,445,732	2,001,382
<b>Depreciation</b>										
At 1 January 2015	565	9,635	35,743	872	3,785	31,269	73,859	-	324,354	480,082
Charge for the year	32	431	1,669	62	-	7,082	8,684	-	104,479	122,439
At 31 December 2015	597	10,066	37,412	934	3,785	38,351	82,543	-	428,833	602,521
<b>Grants</b>										
At 1 January 2015	-	-	-	-	-	-	-	-	202,470	202,470
At 31 December 2015	-	-	-	-	-	-	-	-	-	-
<b>Net Book values</b>										
At 31 December 2015	3,139	5,517	7,044	276	-	90,416	88,482	187,088	814,429	1,196,391

IL-MUNXAR LOCAL COUNCIL

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

12. Property, plant and equipment (cont.)

	Buildings & Improvements	Office Furniture & Fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Const	Assets under construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2016	3,736	15,583	44,456	1,210	3,785	128,767	171,025	187,088	1,445,732	2,001,381
Additions	-	1,059	1,852	-	-	2,141	-	-	-	5,051
Reclassification	-	-	-	-	-	-	-	(187,088)	187,088	-
At 31 December 2016	3,736	16,642	46,308	1,210	3,785	130,908	171,025	-	1,632,820	2,006,434
<b>Depreciation</b>										
At 1 January 2016	597	10,066	37,412	934	3,785	38,351	82,543	-	428,833	602,521
Charge for the year	31	421	1,585	51	-	8,766	8,453	-	95,686	114,991
At 31 December 2016	628	10,487	38,997	985	3,785	47,117	90,996	-	524,519	717,514
<b>Grants</b>										
At 1 January 2016	-	-	-	-	-	-	-	-	202,470	202,470
At 31 December 2016	-	-	-	-	-	-	-	-	-	-
<b>Net Book values</b>										
At 31 December 2016	3,108	6,155	7,311	225	-	83,791	80,029	-	905,831	1,086,451

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****13. Receivables**

	2016	2015
	€	€
Other receivables	2,998	1,881
Prepayments and accrued income	14,762	45,472
	<u>17,760</u>	<u>47,353</u>

*Receivables*

General receivables are analysed as follows:

	2016	2015
	€	€
Within credit period	7,267	45,682
Exceeded credit period but not impaired	10,493	1,671
Impaired and provided for	24,622	934
Provision for doubtful debts	(24,622)	(934)
	<u>17,760</u>	<u>47,353</u>

Included in the accounts receivable are amounts due from related parties amounting to €1,831 (2015 : €2,998). These amounts are unsecured, interest free and repayable on demand.

**14. Cash & cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2016	2015
	€	€
Cash at Bank	195,311	183,880
Cash in Hand	313	317
	<u>195,624</u>	<u>184,197</u>

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****15. Payables**

	2016	2015
	€	€
Payables	13,990	111,518
Other payables	24,050	7,312
Deferred Income	81,702	84,434
Accruals	54,803	49,842
	<u>174,545</u>	<u>253,106</u>

Included in the accounts payable are amounts due to related parties amounting to €5,507 (2015 : €5,239). These amounts are unsecured, interest free and repayable on demand.

**16. Deferred Income**

	2016	2015
	€	€
<b>Government grants</b>		
At 1 January	894,787	793,761
Increase in year	34,533	181,399
Refunds paid	(31,400)	-
	<u>897,920</u>	<u>975,160</u>
Released in year	(85,162)	(80,373)
	<u>812,758</u>	<u>894,787</u>
<b>Current Deferred Income</b>	<u>78,752</u>	<u>84,434</u>
<b>Non-Current Deferred Income</b>	<u>734,006</u>	<u>810,353</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	71,029	62,306
Deferred between two and five years	174,101	191,511
Deferred in five years or more	488,876	556,536
	<u>734,006</u>	<u>810,353</u>
<b>Deferred after five years or more</b>	<u>488,876</u>	<u>556,536</u>

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****17. Capital Commitments**

	2016	2015
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	110,000	-
- Contracted for but not provided in the financial statements	-	12,363
(i) Approved but not yet contracted for:		
Pjazza tal-Munxar (shelters and pavement)	55,000	-
Ix-Xlendi Tower restoration	25,000	-
Decorative luminaries	30,000	-
	110,000	-
(i) Contracted for but not provided in the Financial Statements:		
	-	-
	-	-
Pavements - Pathways - Xlendi	-	12,363
	-	12,363

**18. Ultimate controlling party**

The ultimate controlling party of the local council is 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.

**19. Financial Risk Management**

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.

*Credit risk*

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.



**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****19. Financial Risk Management (cont.)****Summary of financial assets and liabilities by category:**

	2016	2015
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	17,760	47,353
Cash and Cash Equivalents	195,624	184,197
	<u>213,384</u>	<u>231,550</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>92,843</u>	<u>168,672</u>

*Liquidity Risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 195,624. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of Euro 38,839 (2015: deficit €21,556) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

*Foreign Currency Risk*

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

*Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

*Other risks*

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.