

**Tarxien Local Council
Financial Statements
for the year ended 31 December 2016**

Compiled by: Mazars Consulting Ltd



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Financial Statements for the year ended 31 December 2016

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 a statement of the Local Council's income and expenditure 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 Council (Financial) Regulations, 1993 and the Local Council (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 Council (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chev. Paul Farrugia
Mayor



Antonella Galea
Executive Secretary

Date: 26 APRIL 2017

**Statement of Profit or Loss and Other Comprehensive Income for the year ended
31 December 2016**

	Notes	2016 EUR	2015 EUR
Income			
Funds from central Government	5	531,266	527,140
Income raised under LES	6	8,073	9,629
General income	8	20,428	19,601
		559,767	556,370
Expenditure			
Personal emoluments	9	(109,702)	(93,994)
Operations and maintenance	10	(183,889)	(184,951)
Administration and other expenditure	11	(170,405)	(192,883)
Loss on Joint Venture	25	(484)	(1,290)
		464,480	(473,118)
Operating profit for the year		95,287	83,252
Investment Income	7	324	220
Profit for the year		95,611	83,472

Statement of financial position as at 31 December 2016

	Notes	2016 EUR	2015 EUR
ASSETS			
Non-current assets			
Intangible assets	13	281	376
Plant and equipment	12	1,051,977	1,146,060
		1,052,258	1,146,436
Current assets			
Inventory	14	2,750	2,750
Trade and other receivables	15	44,164	58,336
Cash in hand and at bank	16	363,402	191,081
		410,316	252,167
Total assets		1,462,574	1,398,603
EQUITY AND LIABILITIES			
Reserves			
Retained earnings		912,289	816,678
Non-current liabilities			
Long Term creditors	19	42,218	55,520
Deferred Income	18	350,687	387,907
		392,905	443,427
Current liabilities			
Bank Current account	16	18,179	34,589
Trade creditors and other payables	17	101,982	62,707
Deferred Income	18	37,219	41,202
		157,380	138,498
Total reserves and liabilities		1,462,574	1,398,603

These financial statements were approved by the Local Council on 26 APRIL 2017, and signed on its behalf by:


Chev. Paul Farrugia
Mayor


Ms. Antonella Galea
Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2016

	Retained Funds
	EUR
Balance at 31 December 2014	733,206
Profit for the year	<u>83,472</u>
Balance at 31 December 2015	816,678
Profit for the year	95,611
Balance at 31 December 2016	<u>912,289</u>

Statement of Cash flows for the year ended 31 December 2016

	Notes	2016 EUR	2015 EUR
Cash flows from operating activities			
Profit for the year		95,611	83,472
Adjusted for:			
Depreciation		104,272	115,386
Amortization of intangible assets		95	125
Disposal of tangible assets		-	2,368
Adjustment to carrying value of assets		-	2,158
Grant Income released during the year		(41,203)	(45,365)
Provision for doubtful debts movement		10,295	(32,258)
Interest receivable		(324)	(220)
		<u>168,746</u>	<u>125,666</u>
Movement in working capital:			
Receivables		3,877	53,013
Payables		25,973	(23,737)
Net cash generated from operating activities		<u>198,596</u>	<u>154,942</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(10,189)	(19,720)
Grants proceeds for capital expenditure		-	5,977
Interest received		324	220
Net cash used in investing activities		<u>(9,865)</u>	<u>(13,523)</u>
Net movement in cash and cash equivalents		<u>188,731</u>	<u>141,419</u>
Cash and cash equivalents at the beginning of the year		156,492	15,073
Cash and cash equivalents at the end of the year	16	<u>345,223</u>	<u>156,492</u>

Notes to the Financial Statements for the year ended 31 December 2016

1. General Information

Tarxien Local Council is the local authority of Tarxien setup in accordance with the Local Councils Act. The office of the Local Council is situated at 73, Saint Mary Street, Tarxien. These financial statements were approved for issue by the Council Members on 26th April 2017. The Local Council is in charge to maintain cleanliness in the locality, the maintenance and up-keep of public property and enjoys further responsibilities to provide a wide spectrum of services to residents, commercial entities and visitors alike. The Council's role also necessitates that development and up-keep is undertaken in a way that it preserves the natural environment and supports sustainable development. The Council's presentation as well as functional currency is denominated in Euro.

2. Summary of significant accounting policies

The principal accounting policies adopted 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.

2.1 Basis of preparation

These financial statements are 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 with 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.

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

2.1 Basis of preparation cont...

Application of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2016:

- IAS 1 Amendments – Disclosure Initiative (effective from 1 January 2016)

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The adoption of the amendments did not have material impact on the Council's financial statements.

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2016

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Council has not yet adopted. These are as follows:

- IFRS 9 – Financial instruments (effective from 1 January 2018)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments. IFRS 9 has been endorsed on the 22nd November 2016.

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

2.1 Basis of preparation cont...

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

2.1 Basis of preparation cont...

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 16 - Leases

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Council in the period of initial application.

2.2 Significant accounting policies

The principal accounting policies and reporting procedures used by the Council are as follows:

a. 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 Statement of Profit or Loss and Other Comprehensive Income as it accrues.

b. Local Enforcement System

The Tarxien Local Council forms part of the Regjun Xlokk. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Tarxien Local Council. In line with the Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until 31st December 2015.

Prior to 1st September 2011, the Tarxien Local Council formed part of the Southern Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. The share of profit derived from the Joint Committee is accounted for on a cash basis.

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

2.1 Basis of preparation cont...

c. 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:

	%
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
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Traffic Signs	replacement basis
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 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 recognized 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

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

2.2 Significant accounting policies cont...

d. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss and Other Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes available.

Government grants related to assets are presented in the Statement of Financial Position as Deferred Income, which is recognised as income on a systematic basis over the useful life of the asset.

In order to comply with the guidance received from the Department of Local Councils (ref Memo 150/2010) dated 23rd December 2010, the Council adopted the Income Approach as the method of presentation adopted in the financial statements with effect from 1 January 2010.

e. 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 Profit or Loss and Other Comprehensive Income.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

f. 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 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 Profit or Loss and Other Comprehensive Income.

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

2.2 Significant accounting policies cont...

g. Profit and Losses

Only profits 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.

h. Cash and Cash Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

i. Trade and other payables

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

j. Intangible fixed assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a reducing balance basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer Software

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortization to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

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

2.2 Significant accounting policies cont...

j. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

k. 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.

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 are 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.

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

2.2 Significant accounting policies cont...

l. Financial instruments cont...

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

All interest-related charges are included within 'finance costs'.

m. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

n. 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.

The Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date. 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.

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

2.2 Significant accounting policies cont...

o. Critical Accounting Estimates and Judgements

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. Except for the issues highlighted in note 3 below, the Council is of the opinion that the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

p. Inventories

Inventories are valued at the lower of cost and net realizable value.

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

The judgements (apart from those involving estimations) made by the Council in the process of applying the Council's accounting policies, and that can significantly affect the amounts recognised in the financial statements, are discussed below:

i) Amortized cost

In 2013, road works falling within the Public Private Partnership (PPP) scheme were completed. Through this scheme, the Council has entered into a contract whereby the contractor has undertaken road resurfacing works. 40% of the total amount due was settled immediately with the balance to be paid over the next eight years in varying percentages under contractual obligations with the supplier. IAS 39 – Financial Instruments: Recognition & Measurement requires that such loans and receivables are accounted for at amortized cost. The Council accounted for this long term liability by arriving at their present value after applying a discount rate of 5.2 % (equivalent to the cost of debt).

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

4. Assessment of going concern

The Statement of Financial Position on page 5 and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on the annual financial allocation by Central Government, the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above would not let the Council to meet its financial obligations as they fall due without curtailing its future commitments.

5. Funds received from central Government

	2016 EUR	2015 EUR
In terms of section 55 of the Local Councils Act (Cap 363)	477,084	462,498
Supplementary Income	12,017	15,806
Government grant income released	41,203	45,365
Other Grant Income received	962	3,471
	<u>531,266</u>	<u>527,140</u>

6. Local enforcement income

	2016 EUR	2015 EUR
Income raised from LES – Southern Joint Committee	959	1,833
Commission Income for contraventions paid at Council's premises	7,114	7,796
	<u>8,073</u>	<u>9,629</u>

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

7. Investment Income

	2016 EUR	2015 EUR
Bank Interest	<u>324</u>	<u>220</u>

8. General Income

	2016 EUR	2015 EUR
Reinstatement of roads contributions	4,693	6,380
Income from permits	14,785	13,163
Other Income	950	58
	<u>20,428</u>	<u>19,601</u>

9. Personal Emoluments

	2016 EUR	2015 EUR
<i>Key Management Personnel</i>		
Mayor's Honoraria	10,843	10,489
Councilors' Allowance	8,700	8,562
Executive Secretary salary and allowances	<u>31,470</u>	<u>29,675</u>
	<u>51,013</u>	<u>48,726</u>
<i>Operations Personnel</i>		
Employees' salaries	52,204	39,558
Social Security Contributions	<u>6,485</u>	<u>5,710</u>
	<u>58,689</u>	<u>45,268</u>
	<u>109,702</u>	<u>93,994</u>
<i>Average number of people employed</i>		
Employees	4	4
Mayor and Councillors	7	9

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

10. Operations and Maintenance

	2016 EUR	2015 EUR
Repairs and upkeep:		
Road and street pavements (patching works)	9,074	11,429
Road markings and street signs	3,638	2,384
	<u>12,712</u>	<u>13,813</u>
Contractual Services:		
Refuse collection	61,738	61,028
Landfill tipping fees	50,828	49,134
Bulky refuse collection (including open skips)	8,298	6,204
Road and street cleaning (mechanical and manual)	34,029	37,168
Cleaning and maintenance of public conveniences	4,305	4,304
Cleaning and maintenance of parks and gardens	11,979	13,300
	<u>171,177</u>	<u>171,138</u>
	<u>183,889</u>	<u>184,951</u>

11. Administration and other expenditure

	2016 EUR	2015 EUR
Utilities	8,253	6,800
Other repairs and upkeep	1,995	-
Rent and other leases	10,458	11,667
National and international memberships	1,022	180
Office services	4,603	6,298
Travel	1,513	-
Transport	1,321	1,752
Information services	82	494
Other contractual services	5,971	1,682
Professional services	13,868	17,655
Community and hospitality	3,341	1,200
Depreciation and amortization	104,367	115,511
Bank charges	367	299
PPP Loan – implicit interest charge	2,949	(5,280)
Impairment on trade receivables	10,295	32,258
Disposal of assets	-	2,367
	<u>170,405</u>	<u>192,883</u>

12a. Property, plant and equipment

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets not yet Capitalized	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost									
As at 01 Jan 2016	156,118	23,729	16,769	64,250	22,498	9,861	2,099,797	3,585	2,396,607
Additions		4,855	-	-	3,837	1,321		176	10,189
As at 31 Dec 2016	<u>156,118</u>	<u>28,584</u>	<u>16,769</u>	<u>64,250</u>	<u>26,335</u>	<u>11,182</u>	<u>2,099,797</u>	<u>3,761</u>	<u>2,406,796</u>
Grants and other reimbursements									
As at 1 Jan 2016	-	-	-	-	-	-	419,843	-	419,843
Additions	-	-	-	-	-	-	-	-	-
As at 31 Dec 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,843</u>	<u>-</u>	<u>419,843</u>
Accumulated Depreciation									
As at 1 Jan 2016	21,276	12,994	16,769	45,777	13,012	4,929	715,947	-	830,704
Charge for the year	1,348	998	-	1,847	2,384	1,294	96,401	-	104,272
As at 31 Dec 2016	<u>22,624</u>	<u>13,992</u>	<u>16,769</u>	<u>47,624</u>	<u>15,396</u>	<u>6,223</u>	<u>812,348</u>	<u>-</u>	<u>934,976</u>
Net Book Value									
As at 31 Dec 2016	<u>133,494</u>	<u>14,592</u>	<u>-</u>	<u>16,626</u>	<u>10,939</u>	<u>4,959</u>	<u>867,606</u>	<u>3,761</u>	<u>1,051,977</u>

12b. Property, plant and equipment

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets not yet Capitalized	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost									
As at 01 Jan 2015	156,118	25,653	16,865	71,934	30,854	12,536	2,084,171	5,966	2,404,097
Reclassifications	-	-	-	(324)	-	-	2,705	(2,381)	-
Adjustment to carrying value (change in accounting estimate)	-	-	-	-	-	-	(260)	-	(260)
Additions	-	-	-	-	4,847	1,168	13,705	-	19,720
Assets written off at cost	-	(1,924)	(96)	(7,360)	(13,203)	(3,843)	(524)	-	(26,950)
As at 31 Dec 2015	<u>156,118</u>	<u>23,729</u>	<u>16,769</u>	<u>64,250</u>	<u>22,498</u>	<u>9,861</u>	<u>2,099,797</u>	<u>3,585</u>	<u>2,396,607</u>
Grants and other reimbursements									
As at 1 Jan 2015	-	-	-	-	-	-	419,843	-	419,843
Additions	-	-	-	-	-	-	-	-	-
As at 31 Dec 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,843</u>	<u>-</u>	<u>419,843</u>
Accumulated Depreciation									
As at 1 Jan 2015	19,914	13,383	16,865	49,132	23,471	7,077	610,058	-	739,900
Charge for the year	1,362	870	-	3,715	1,615	1,504	106,320	-	115,386
Release of acc depreciation on assets written off	-	(1,259)	(96)	(7,070)	(12,074)	(3,652)	(431)	-	(24,582)
As at 31 Dec 2015	<u>21,276</u>	<u>12,994</u>	<u>16,769</u>	<u>45,777</u>	<u>13,012</u>	<u>4,929</u>	<u>715,947</u>	<u>-</u>	<u>830,704</u>
Net Book Value									
As at 31 Dec 2015	<u>134,842</u>	<u>10,735</u>	<u>-</u>	<u>18,473</u>	<u>9,486</u>	<u>4,932</u>	<u>964,007</u>	<u>3,585</u>	<u>1,146,060</u>

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

13. Intangible assets

	2016 EUR	2015 EUR
<i>Carrying amounts of:</i>		
Computer software	281	376
	Computer Software EUR	Total EUR
Cost		
As at 1 January 2015	3,671	3,671
Additions	-	-
Adjustment to carrying value	(2,300)	(2,300)
As at 31 December 2015	1,371	1,371
Accumulated amortization		
As at 1 January 2015	1,272	1,272
Amortization expense	125	125
Adjustment to carrying value	(402)	(402)
As at 31 December 2015	995	995
Net Book Value		
As at 31 December 2015	376	376
Cost		
As at 1 January 2016	1,371	1371
Additions	-	-
As at 31 December 2016	1,371	1,371
Accumulated amortization		
As at 1 January 2016	995	995
Amortization expense	95	95
As at 31 December 2016	1,090	1,090
Net Book Value		
As at 31 December 2016	281	281

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

14. Inventories

	2016 EUR	2015 EUR
Books and other publications	2,750	2,750
	<u>2,750</u>	<u>2,750</u>

15. Receivables

	2016 EUR	2015 EUR
Trade receivables	175,948	175,630
Impairment recognized on receivables	(135,172)	(124,877)
Prepayments and accrued income	3,388	7,583
	<u>44,164</u>	<u>58,336</u>

Receivables are analyzed as follows:

Within credit period (0 - 30 days)	1,751	-
Exceeded credit period but not impaired (31 days +)	174,197	175,630
Impaired and provided for	(135,172)	(124,877)
	<u>40,776</u>	<u>50,753</u>

Movement in impairment provisions

Balance at beginning of the year	124,877	92,619
Impairment loss recognized on receivables during the year	10,295	32,258
Balance at end of year	<u>135,172</u>	<u>124,877</u>

Impairment recognized on receivables relates to receivables balances due from Water Services Corporation amounting to EUR 48,434 (2015 - EUR 38,139) and all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2015 - EUR86,738).

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

16. Cash and cash equivalents at the end of the year

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2016 EUR	2015 EUR
Bank balances:		
Cash at bank	<u>363,402</u>	<u>191,081</u>
Bank Current Account	<u>(18,179)</u>	<u>(34,589)</u>
	<u>345,223</u>	<u>156,492</u>

The Council entered into an arrangement with the bank to automatically transfer funds from the savings account to the current account on an as need basis, that is when payments are actually presented to the bank. As at the end of year, there were the following unrepresented payments pending on the current account.

17. Payables

	2016 EUR	2015 EUR
Trade creditors	68,421	33,763
Accruals	12,894	10,479
Other payables	11,000	9,282
Liabilities arising from JV in excess of Investment	9,667	9,183
	<u>101,982</u>	<u>62,707</u>

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

18. Deferred Income

Deferred income relates to income received from government grants. According to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, government grants are presented in the Statement of Financial Position as deferred income. The grants are recognized in the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the asset.

	2016 EUR	2015 EUR
At beginning of the year	429,109	468,497
Grants received/receivable during year	-	5,977
Grant income released during the year	(41,203)	(45,365)
At end of the year	<u>387,906</u>	<u>429,109</u>
Deferred Income (Grants) – Current Liabilities	<u>37,219</u>	<u>41,202</u>
Deferred Income (Grants) – Non-Current Liabilities	<u>350,687</u>	<u>387,907</u>
<i>Deferred Government Grants</i>		
Deferred between one and two years	33,629	37,220
Deferred between two and five years	82,675	91,481
	<u>116,304</u>	<u>128,701</u>
<i>Deferred after five years or more:</i>		
Government Grants	<u>234,383</u>	<u>259,206</u>

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

19. Long term creditors

	2016 EUR	2015 EUR
<i>Non - current</i>		
Third party borrowings	42,218	55,520
<i>Borrowings</i>		
Repayable between two and five years	42,218	55,520
Repayable in five years or more	-	-
	42,218	55,520

The third party borrowings relates to an amount payable to a supplier under the Public Private Partnership scheme as per Memo 45/2010. It is repayable over a period of eight years until 2020. The amount is interest-free. The fair value of the loan was arrived at by discounting the value of the loan to its present value using a discount factor of 5.2% (equivalent to the cost of debt).

20. Related Party Transactions

The Government of Malta, specifically the Department of Local Government, is considered to be a related party by virtue of control.

During the year under review, the Council carried out transactions with the following related parties:

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

20. Related Party Transactions cont...

Name of Entity	Nature of Relationship
Department for Local Councils	Significant Control
Southern Harbour District Joint Comm.	Joint Control
Automated Revenue Management Services Ltd	No Control
Commissioner of Police	No Control
Dept of Information	No Control
Education Department	No Control
Enemalta Corporation	No Control
Housing Authority	No Control
Information and Data Protection Commissioner	No Control
Land Department	No Control
Local Council Association	No Control
Malta Tourism Authority	No Control
Malta Transport Authority	No Control
Malta Transport Authority	No Control
Malta Environment & Planning Authority	No Control
Malta Information Technology and Training Services Ltd	No Control
Office of the Prime Minister	No Control
Regjun Centrali	No Control
Regjun Ghawdex	No Control
Regjun Nofsinhar	No Control
Regjun Tramuntana	No Control
Regjun Xlokk	No Control
The Accountant General	No Control
WasteServ Malta Ltd	No Control
Water Services Corp.	No Control
Cassar ship repair (joint venture)	No Control

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

Income	2016 EUR	2015 EUR
Funds received from Central Government	<u>477,084</u>	<u>462,498</u>

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

20. Related Party Transactions cont

During the year, the Council entered into the following transactions with related parties:

	Amounts transacted with related parties (receivables)		Amounts transacted with related parties (payables)	
	2016	2015	2016	2015
	EUR	EUR	EUR	EUR
Joint Control	-	-	-	-
No Control	12,419	23,135	44,983	44,505

Amounts transacted with Related Parties – Receivables relate to trenching works fees and contravention income. Amounts transacted with Related Parties – Payables refer to purchases effected by the Council from related parties.

The following balances were outstanding at the end of the year;

	Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	2016	2015
	EUR	EUR	EUR	EUR
Joint Control	-	1,971	-	-
No Control	16,523	21,164	21,701	17,640

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Balances owed by related parties exclude provision for bad or doubtful debts in respect of the amounts owed by related parties since these exceed two years..

Key Management Compensation

Transactions with key management personnel are disclosed in note 9.

21 Fair values of financial assets and financial liabilities

At 31 December 2016, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities, are not materially different from their carrying amounts.

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

22 Financial risk management

The exposures to risk and the way risks arise, together with the Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of receivables and cash at bank. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The pre-pooling LES debtor balances have been provided for in full. Any income receivable from the LES system is accounted for on a cash basis. Credit risk with respect to receivables is limited due to credit control procedures and the government-owned customers comprising the Council's debtor base. Cash at bank is placed with reliable financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	2016 EUR	2015 EUR
<i>Trade receivables by class:</i>		
Government Owned entities	39,224	45,861
Other receivables	1,552	3,212
	<u>40,776</u>	<u>49,073</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. As at year end, the Council had a positive current net asset position (excluding deferred income related to government grants) of EUR 290,155 (2015: EUR 154,871).

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

22. Financial risk management cont....

31 st December 2016	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	68,421	42,218	-
Accrued and other liabilities	33,561	-	-
	<u>101,982</u>	<u>42,218</u>	<u>-</u>
Bank current account	<u>18,179</u>	<u>-</u>	<u>-</u>
31 st December 2015	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	33,763	55,519	-
Accrued and other liabilities	28,944	-	-
	<u>62,707</u>	<u>55,519</u>	<u>-</u>
Bank current account	<u>34,589</u>	<u>-</u>	<u>-</u>

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 borrowings.

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 trade in any foreign currency transactions.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Council currently does not have any third party loans and operates only on the cash surplus it generates from the LES system.

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

22. Financial risk management cont....

Summary of financial assets and liabilities

The carrying amounts of the Local Council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2016 EUR	2015 EUR
Current Assets		
Loans and receivables:		
Trade and other receivables	44,164	58,336
Cash at bank and in hand	363,402	191,081
	<u>407,566</u>	<u>249,417</u>
Current Liabilities		
Financial liabilities measured at amortized cost:		
Trade and other payables	68,421	33,763
Accrued and other liabilities	33,561	28,944
Bank current account	18,179	34,589
	<u>120,161</u>	<u>97,296</u>

23. Contingent liabilities, Contingent assets and Capital Commitments

Contingent liabilities

The Council has entered into a Local Enforcement Pooling System, losses from which system cannot be quantified at the year-end date and have been excluded from these financial statements.

The Council is involved in a court case along with the Commissioner of Land in respect of land occupied by Mark Farrugia Garden. The Council, on the advice of its legal counsel, does not expect a negative financial impact to this case.

The Council has also been invoked in an arbitration case in relation to motor insurance claim. The Council does not envisage that it is liable to damages since it alleges that the accident did not happen with the village of Tarxien.

The Council is disputing works billed to it by its PPP contractor, amounting to EUR 35,801. The Council sustains that these amounts should be billed to third parties. A credit is being requested by the Council in this regard. Furthermore, the PPP contractor is disputing payments still due from the Council. In the event that the contractor takes the case to a court of law, the Council is confident that it can sufficiently repudiate any claims brought against it.

Contingent assets

The Council has entered into a Local Enforcement Pooling System profits from which system cannot be quantified at the year-end date and have been excluded from these financial statements.

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

23. Contingent liabilities, Contingent assets and Capital Commitments cont...

Capital Commitments

Capital Commitments	2016 EUR	2015 EUR
<i>(i) Details of capital commitments are as follows:</i>		
Authorised but not contracted for		
Major resurfacing of roads	160,000	-
Embellishment works in Triq Kurunell Mas	40,000	25,000
Office furniture	-	6,000
Street furniture	-	5,000
Office equipment	-	2,000
	<u>200,000</u>	<u>38,000</u>
 Contracted for but not provided in the financial statements		
	<u>-</u>	<u>-</u>

Funds from the Urban Improvement Fund of MEPA will partly fund for the Triq Kurunell Mas project.

24. Operating Lease arrangements

Operating leases relate to leases of premises from the Government, a private individual and a motor vehicle lease. Lease terms range between three and fifteen years.

Payments recognized as an expense

	2016 EUR	2015 EUR
Minimum lease payments	<u>10,920</u>	<u>11,650</u>

Non-cancellable operating lease commitments

	2016 EUR	2015 EUR
Not later than 1 year	9,659	7,254
Later than 1 year and not later than 5 years	9,352	6,475
Later than 5 years	1,500	1,750
	<u>20,511</u>	<u>15,479</u>

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

25. Investment in Joint Venture

The Council has a Joint Venture agreement to develop and manage a football pitch in the locality. The Council owns 50% of this venture. The following are the salient point of the Joint Venture agreement:

- the land on which the ground is built, which was devolved to the council by the Department of Lands, remains the property of the Council;
- the mayor of the Council, who acts as chairman of the management committee, has the right to a casting vote in the event of a deadlock;
- legal representation is vested in the chairman of the management committee;
- the contractual agreement does not establish the parties' rights to the assets, and obligations for the liabilities, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

On the basis of the above points, the venture is deemed to be a Joint Venture in accordance with IFRS 11 – Joint Arrangements. The Council has recorded this investment at cost in its separate financial statements. The Council's initial investment cost was EUR46,587. The equity value of the Joint Venture as at 31 December 2016 based on unaudited financial statements stood at negative EUR 19,334 (2014: negative EUR18,367).

In accordance with IAS 28 - Investments in Associates and Joint Ventures, the difference between the original investment cost and the equity value owned by the Council as at year end is recognized in the Statement of Financial Position against the original investment to the extent of the value of the investment. In view of the fact that in 2013, the Council's investment was reduced to zero with the losses incurred by the Joint Venture, liabilities in excess of the original investment cost are being recognized only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the Joint Venture.

In 2016, the Council recognized 50% of the additional losses incurred in the Statement of Profit or Loss, amounting to EUR 484 (2015 – EUR 1,290).

26. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Tarxien Local Council set out on pages 4 to 34 which comprise the statement of financial position as at 31 December 2016, and the statement of 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.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2016, and of its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Southern Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Southern Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Xlokk Regional Committee as from 1 September 2011. Included in LES income of € 8,073 is an amount of € 512 received during the year from Southern Joint Committee. We were unable to determine the amount of further income the Council is entitled to receive from Southern Joint Committee since its audited financial statements for the year ended 31 December 2016 were not made available to us.
2. On 22 April 2004, the council entered into a Joint Venture agreement with a third party. The Statement of Profit or Loss and Other Comprehensive Income includes an amount of € 484 representing the Council's share of loss from this Joint Venture for the year. We were unable to determine whether this amount is mis-stated since the audited accounts of the Joint Venture for the year ended 31 December 2016 were not made available to us.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is 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 and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's 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 auditor's 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.

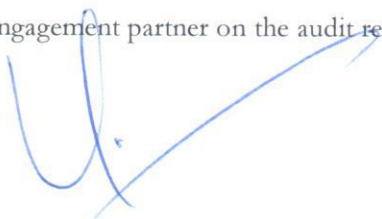
As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However future events or conditions may cause the Council 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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26 April 2017