



MELLIEĦA

**LOCAL COUNCIL MELLIEĦA**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2019**

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2019**

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 comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 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, the Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 10th June 2020 and signed on its behalf by

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Dario Vella  
Mayor

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Carmel Debono  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2019

|  |              | <b>2019</b>               | <b>2018</b>        |
|--|--------------|---------------------------|--------------------|
|  |              | <b>€</b>                  | <b>as Restated</b> |
|  | <i>Notes</i> | <b>€</b>                  | <b>€</b>           |
| <b>Income</b>                                |              |                           |                    |
| Funds received from Central Government       | 4            | <b>1,257,954</b>          | 1,249,400          |
| Income raised under Local Council Bye-Laws   | 5            | <b>2,291</b>              | 3,298              |
| Income raised under Local Enforcement System | 6            | <b>4,033</b>              | 7,520              |
| General Income                               | 7            | <b>72,015</b>             | 81,725             |
|  |              | <u><b>1,336,293</b></u>   | <u>1,341,943</u>   |
| <b>Expenditure</b>                           |              |                           |                    |
| Personal emoluments                          | 9            | <b>(185,760)</b>          | (170,364)          |
| Operations and maintenance                   | 10           | <b>(607,139)</b>          | (592,773)          |
| Administrative and other expenditure         | 11           | <b>(711,640)</b>          | (1,300,262)        |
|  |              | <u><b>(1,504,539)</b></u> | <u>(2,063,399)</u> |
| <b>Operating Deficit for the year</b>        |              | <b>(168,246)</b>          | (721,456)          |
| Finance income                               | 12           | <b>629</b>                | 1,180              |
| <b>Deficit for the year</b>                  |              | <u><b>(167,617)</b></u>   | <u>(720,276)</u>   |

The notes on pages 8 to 27 form an integral part of these financial statements

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

|                                     |    | 2019                    | 31 Dec 2018<br>as Restated | 1 Jan 2018<br>as Restated |
|-------------------------------------|----|-------------------------|----------------------------|---------------------------|
|                                     |    | €                       | €                          | €                         |
| <b>ASSETS</b>                       |    |                         |                            |                           |
| <b>Non-Current Assets</b>           |    |                         |                            |                           |
| Property, plant and equipment       | 13 | 2,393,512               | 2,894,402                  | 3,556,512                 |
| Intangible assets                   | 14 | 4,261                   | 538                        | 808                       |
|                                     |    | <u>2,397,773</u>        | <u>2,894,940</u>           | <u>3,557,320</u>          |
| <b>Current Assets</b>               |    |                         |                            |                           |
| Inventories                         | 15 | 23,243                  | 19,198                     | 10,813                    |
| Receivables                         | 16 | 139,615                 | 259,495                    | 87,045                    |
| Cash and Cash Equivalents           | 17 | 1,116,304               | 1,091,327                  | 791,263                   |
|                                     |    | <u>1,279,162</u>        | <u>1,370,020</u>           | <u>889,121</u>            |
| <b>Total Assets</b>                 |    | <u><u>3,676,935</u></u> | <u><u>4,264,960</u></u>    | <u><u>4,446,441</u></u>   |
| <b>EQUITY AND LIABILITIES</b>       |    |                         |                            |                           |
| <b>Reserves</b>                     |    |                         |                            |                           |
| Retained Fund                       |    | 2,983,873               | 3,151,490                  | 3,914,149                 |
|                                     |    | <u>2,983,873</u>        | <u>3,151,490</u>           | <u>3,914,149</u>          |
| <b>Non-Current Liabilities</b>      |    |                         |                            |                           |
| Long-term borrowings                | 19 | -                       | 14,836                     | 45,496                    |
| Deferred income                     | 20 | 78,130                  | 473,029                    | 15,163                    |
|                                     |    | <u>78,130</u>           | <u>487,865</u>             | <u>60,659</u>             |
| <b>Current Liabilities</b>          |    |                         |                            |                           |
| Payables                            | 18 | 614,932                 | 625,605                    | 471,633                   |
|                                     |    | <u>614,932</u>          | <u>625,605</u>             | <u>471,633</u>            |
| <b>Total Equity and Liabilities</b> |    | <u><u>3,676,935</u></u> | <u><u>4,264,960</u></u>    | <u><u>4,446,441</u></u>   |

These financial statements were approved by the Local Council on 10th June 2020 and signed on its behalf by:

\_\_\_\_\_  
Dario Vella  
Mayor

\_\_\_\_\_  
Carmel Debono  
Executive Secretary

The notes on pages 8 to 27 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2019

|   | <b>Retained<br/>Funds<br/>€</b> |
|---|---------------------------------|
| Restated as at 1 January 2017 (Note 26) | 3,904,493                       |
| Surplus for the year 2017               | 9,656                           |
|   | <hr/>                           |
| <b>Restated at 31 December 2017</b>     | <b>3,914,149</b>                |
|   | <hr/> <hr/>                     |
| Restated as at 1 January 2018           | 3,914,149                       |
| Deficit for the year 2018               | (762,659)                       |
|   | <hr/>                           |
| <b>At 31 December 2018</b>              | <b>3,151,490</b>                |
|   | <hr/> <hr/>                     |
| <b>At 1 January 2019</b>                | <b>3,151,490</b>                |
| <b>Deficit for the year 2019</b>        | <b>(167,617)</b>                |
|   | <hr/>                           |
| <b>At 31 December 2019</b>              | <b>2,983,873</b>                |
|   | <hr/> <hr/>                     |

The notes on pages 8 to 27 form an integral part of these financial statements

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2019

|   | 2019                    | 2018                    |
|---|-------------------------|-------------------------|
|   | €                       | as Restated<br>€        |
|   | Note                    |                         |
| <b>Cash flows from Operating Activities</b>                 |                         |                         |
| <b>Deficit for the year</b>                                 | <b>(167,617)</b>        | <b>(762,659)</b>        |
| Reconciliation to cash generated from operations:           |                         |                         |
| Depreciation  | 420,978                 | 553,896                 |
| Decrease in value of PPE in line with Directive 1/2017      | -                       | 587,397                 |
| Interest receivable   | (629)                   | (1,180)                 |
| Operating Profit before Working Capital Changes             | <u>252,732</u>          | <u>377,454</u>          |
| Increase in inventories                                     | (4,045)                 | (8,385)                 |
| Increase in receivables                                     | (34,985)                | (135,283)               |
| Decrease/(increase) in other receivables                    | 88,348                  | (37,167)                |
| Increase in payables  | 141,470                 | 220,001                 |
| Decrease in other payables                                  | (152,143)               | (66,029)                |
| <b>Cash generated from operating activities</b>             | <u><u>291,377</u></u>   | <u><u>350,591</u></u>   |
| <b>Cash flows from Investing Activities</b>                 |                         |                         |
| Interest received   | 629                     | 1,180                   |
| Purchase of intangible assets                               | (4,396)                 | -                       |
| Purchase of property, plant & equipment                     | (284,343)               | (494,076)               |
| Receipt of grant  | 36,546                  | 473,029                 |
| <b>Cash used in investing activities</b>                    | <u>(251,564)</u>        | <u>(19,867)</u>         |
| <b>Cash flows from Financing Activities</b>                 |                         |                         |
| Decrease in long term third party borrowings                | <u>(14,836)</u>         | <u>(30,660)</u>         |
| Net increase in<br>Cash and Cash Equivalents                | <u>24,977</u>           | <u>300,064</u>          |
| Cash and Cash Equivalents<br>at the Beginning of the year   | <u>1,091,327</u>        | <u>791,263</u>          |
| <b>Cash and Cash Equivalents<br/>at the End of the year</b> | <u><u>1,116,304</u></u> | <u><u>1,091,327</u></u> |
|   | 17                      |                         |

The notes on pages 8 to 27 form an integral part of these financial statements

**Notes to the Financial Statements for the year ended 31 December 2019**

**1. General Information**

The Mellieha Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 126, New Mill Street, Mellieha, MLH 1107. These financial statements were approved for issue by the Council Members on 10th June 2020. The Local Council's presentation as well as functional currency is denominated in €.

**2. Accounting Policies and Reporting Procedures**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

*Accounting convention*

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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).

*New and amended standards adopted by the Local Council:*

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

**IFRS 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*New Standards and amendments not yet effective:*

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

*Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:



**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****Accounting Policies and Reporting Procedures (cont.)***Property, plant and equipment (cont.)*

|                                       | %                 |
|---------------------------------------|-------------------|
| Land                                  | 0                 |
| Trees                                 | 0                 |
| Buildings                             | 1                 |
| Office Furniture and Fittings         | 7.5               |
| Construction Works                    | 10                |
| Urban Improvements (Street Furniture) | 10                |
| Special Projects                      | 10                |
| Office Equipment                      | 20                |
| Motor Vehicles                        | 20                |
| Plant and Machinery                   | 20                |
| Computer Equipment                    | 25                |
| 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 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.

*Leases*

As from 1 January 2019, at inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)**

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

*Leases (cont.)*

- The Council has the right to operate the asset; or
- The Council designed the asset in a way that predetermines how and for what purpose it will be used.

The Council has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

**Short-term leases and leases of low-value assets**

The council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**Notes to the Financial Statements for the period ended 31 December 2019 (cont.)**

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

*Intangible assets*

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

*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.

**Notes to the Financial Statements for the period ended 31 December 2019 (cont.)**

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

*Financial instruments (cont.)*

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 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.

**Notes to the Financial Statements for the period ended 31 December 2019 (cont.)**

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

*Government grants*

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

*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 2019 (cont.)****4. Funds received from central government**

|  | 2019             | 2018             |
|--|------------------|------------------|
|  | €                | €                |
| In terms of section 55 of the Local Councils Act | 1,190,025        | 1,129,804        |
| Supplementary Government Income                  | 212              | 80,812           |
| EU funding                                       | -                | 5,982            |
| Other Government Income                          | 67,717           | 32,802           |
|  | <u>1,257,954</u> | <u>1,249,400</u> |

**5. Income raised from Bye-Laws**

|                                   | 2019         | 2018         |
|-----------------------------------|--------------|--------------|
|                                   | €            | €            |
| Bye-Law - Attivitajiet fil-Beraħ  | 155          | 1,433        |
| Bye-Law - Organisation of Courses | 9            | 160          |
| Bye-Law - Skips                   | 2,127        | 1,705        |
|                                   | <u>2,291</u> | <u>3,298</u> |

**6. Local Enforcement system**

|                                | 2019         | 2018         |
|--------------------------------|--------------|--------------|
|                                | €            | €            |
| Contraventions and other fines | 4,033        | 7,520        |
|                                | <u>4,033</u> | <u>7,520</u> |

**7. General Income**

|  | 2019          | 2018          |
|--|---------------|---------------|
|  | €             | €             |
| Cultural Events & sponsorships from NGOs | 464           | 4,195         |
| Sale of books and other merchandise      | 1,007         | 185           |
| Rent Receivable                          | 233           | 233           |
| General Income                           | 1,381         | 148           |
| Tender Documents/Info Charges            | -             | 1,897         |
| Contributions                            | -             | 10            |
| Refund of expenses                       | 3,753         | 6,292         |
| Income from Permits                      | 65,177        | 68,765        |
|  | <u>72,015</u> | <u>81,725</u> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****8. Deficit for the year**

|   | <b>2019</b>              | <b>2018</b>              |
|---|--------------------------|--------------------------|
|   | <b>€</b>                 | <b>€</b>                 |
| Deficit for the year is stated after charging |                          |                          |
| Staff salaries                                | <b>185,760</b>           | 170,364                  |
| Depreciation of property, plant & equipment   | <b>420,978</b>           | 553,896                  |
|   | <u><u>          </u></u> | <u><u>          </u></u> |

**9. Staff Salaries**

|   | <b>2019</b>              | <b>2018</b>              |
|---|--------------------------|--------------------------|
|   | <b>€</b>                 | <b>€</b>                 |
| Mayor's Remuneration                      | <b>13,692</b>            | 11,194                   |
| Councillors' Allowances                   | <b>16,846</b>            | 11,150                   |
| Executive Secretary Salary and Allowances | <b>35,413</b>            | 34,568                   |
| Employees' Salaries                       | <b>108,448</b>           | 102,497                  |
| Social Security Contributions             | <b>11,361</b>            | 10,955                   |
|   | <u><u>          </u></u> | <u><u>          </u></u> |
|   | <b>185,760</b>           | 170,364                  |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****10. Operations and Maintenance**

|  | 2019           | 2018           |
|--|----------------|----------------|
|  | €              | €              |
| <i>Repairs and Upkeep:</i>             |                |                |
| Road/Street Pavements                  | 52,011         | 51,885         |
| Signs                                  | 23,933         | 29,642         |
| Road Markings                          | 14,872         | 21,502         |
| Other repairs and Upkeep               | 4,020          | 7,538          |
| Council Property                       | 4,517          | 4,003          |
| Repairs and maintenance - litter bins  | 2,373          | 2,078          |
|  | <u>101,726</u> | <u>116,648</u> |
| <i>Contractual Services:</i>           |                |                |
| Refuse Collection                      | 265,379        | 231,563        |
| Bulky Refuse Collection                | 32,393         | 26,565         |
| Open Skips & Bring-In Sites            | 1,469          | 1,263          |
| Road & Street Cleaning                 | 34,389         | 34,389         |
| Cleaning & Maintaining Non-Urban       | 23,777         | 24,303         |
| Cleaning - Public Conveniences         | 59,218         | 57,655         |
| Cleaning - Council Premises            | 3,184          | 3,334          |
| Cleaning & Maintaining Parks & Gardens | 48,876         | 58,814         |
| Street Lighting                        | 36,238         | 31,973         |
| Studies & Consultations                | 328            | 2,227          |
| LES related expenditure                | 162            | 4,039          |
|  | <u>505,413</u> | <u>476,125</u> |
| Total Operations and Maintenance Costs | <u>607,139</u> | <u>592,773</u> |



**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****11. Administration and other expenditure**

|   | 2019           | 2018             |
|---|----------------|------------------|
|   | €              | as Restated<br>€ |
| Utilities   | 15,997         | 16,691           |
| Other repairs and upkeep                                | 6,616          | 2,401            |
| Rent  | 5,550          | 3,728            |
| National and International Memberships                  | 1,418          | 1,748            |
| Office Services   | 2,995          | 2,828            |
| Transport   | 42,011         | 2,583            |
| Travel  | 1,246          | 891              |
| Information Services                                    | 16,753         | 5,541            |
| Lease of Equipment                                      | 2,532          | 3,546            |
| Insurance Coverage                                      | 4,075          | 4,655            |
| Bank Charges  | 875            | 413              |
| Professional Services                                   | 26,765         | 22,898           |
| EU Projects Expenses                                    | 13,487         | -                |
| Tuition for courses and expenses                        | 2,609          | 3,450            |
| Entertainment   | 2,713          | 1,710            |
| Conference Expenses                                     | -              | 45               |
| Cultural Events   | 119,249        | 103,616          |
| Community Services                                      | 17,231         | 15,638           |
| Sundry Minor Expenses                                   | 3,451          | 1,658            |
| General and administrative expenses                     | 172            | 696              |
| Twinning expenses                                       | 4,917          | 6,616            |
| Reduction in value of PPE in line with Directive 1/2017 | -              | 587,397          |
| Depreciation  | 420,978        | 553,896          |
|   | <u>711,640</u> | <u>1,342,645</u> |

**12. Finance Income**

|                          | 2019       | 2018         |
|--------------------------|------------|--------------|
|                          | €          | €            |
| Bank Interest Receivable | 629        | 1,180        |
|                          | <u>629</u> | <u>1,180</u> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****13. Property, plant and equipment (cont.)**

|                            | Property       | Assets<br>under<br>construction | New<br>Street<br>Signs | Urban<br>Improvements<br>& Construction | Plant,<br>machinery<br>&<br>Equipment | Office<br>Furniture<br>& fittings | Special<br>Programmes | Total            |
|----------------------------|----------------|---------------------------------|------------------------|---|---------------------------------------|-----------------------------------|-----------------------|------------------|
|                            | €              | €                               | €                      | €                                       | €                                     | €                                 | €                     | €                |
| <b>Cost</b>                |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 1 January 2019          | 568,224        | 757,767                         | 73,322                 | 694,616                                 | 46,553                                | 184,878                           | 6,992,959             | <b>9,318,319</b> |
| Additions                  | -              | 266,952                         | -                      | 4,338                                   | 10,962                                | 1,946                             | 145                   | <b>284,343</b>   |
| Reclassification           | -              | (378,544)                       | -                      | 210,274                                 | 1,272                                 | 3,189                             | 163,809               | -                |
| <b>At 31 December 2019</b> | <b>568,224</b> | <b>646,175</b>                  | <b>73,322</b>          | <b>909,228</b>                          | <b>58,787</b>                         | <b>190,013</b>                    | <b>7,156,913</b>      | <b>9,602,662</b> |
| <b>Depreciation</b>        |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 1 January 2019          | 16,426         | -                               | 73,322                 | 649,067                                 | 43,112                                | 85,397                            | 4,189,532             | <b>5,056,856</b> |
| Charge for the year        | 1,897          | -                               | -                      | 68,814                                  | 2,550                                 | 13,392                            | 333,652               | <b>420,305</b>   |
| Adjust                     | -              | -                               | -                      | -                                       | -                                     | -                                 | -                     | -                |
| <b>At 31 December 2019</b> | <b>18,323</b>  | <b>-</b>                        | <b>73,322</b>          | <b>717,881</b>                          | <b>45,662</b>                         | <b>98,789</b>                     | <b>4,523,184</b>      | <b>5,477,161</b> |
| <b>Grants</b>              |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 1 January 2019          | -              | -                               | -                      | -                                       | -                                     | -                                 | 1,367,061             | <b>1,367,061</b> |
| At 31 December 2019        | -              | -                               | -                      | -                                       | -                                     | -                                 | 1,731,989             | <b>1,731,989</b> |
| <b>Net Book values</b>     |                |                                 |                        |   |                                       |                                   |                       |                  |
| <b>At 31 December 2019</b> | <b>549,901</b> | <b>646,175</b>                  | <b>-</b>               | <b>191,347</b>                          | <b>13,125</b>                         | <b>91,224</b>                     | <b>901,740</b>        | <b>2,393,512</b> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****13. Property, plant and equipment (cont.)**

|                             | Property       | Assets<br>under<br>construction | New<br>Street<br>Signs | Urban<br>Improvements<br>& Construction | Plant,<br>machinery<br>& Equipment | Office<br>Furniture<br>& fittings | Special<br>Programmes | Total            |
|-----------------------------|----------------|---------------------------------|------------------------|---|------------------------------------|-----------------------------------|-----------------------|------------------|
|                             | €              | €                               | €                      | €                                       | €                                  | €                                 | €                     | €                |
| <b>Cost</b>                 |                |                                 |                        |   |                                    |                                   |                       |                  |
| At 1 January 2018           | 568,224        | 543,417                         | 73,322                 | 545,142                                 | 45,683                             | 184,513                           | 6,863,942             | <b>8,824,243</b> |
| Additions                   | -              | 475,884                         | -                      | 16,957                                  | 870                                | 365                               | -                     | <b>494,076</b>   |
| Reclassification            | -              | (261,534)                       | -                      | 132,517                                 | -                                  | -                                 | 129,017               | -                |
| <b>At 31 December 2018</b>  | <b>568,224</b> | <b>757,767</b>                  | <b>73,322</b>          | <b>694,616</b>                          | <b>46,553</b>                      | <b>184,878</b>                    | <b>6,992,959</b>      | <b>9,318,319</b> |
| <b>Depreciation</b>         |                |                                 |                        |   |                                    |                                   |                       |                  |
| At 1 January 2018 Restated  | 14,357         | -                               | 73,322                 | 545,142                                 | 39,190                             | 64,887                            | 3,178,935             | <b>3,915,833</b> |
| Charge for the year         | 2,069          | -                               | -                      | 103,925                                 | 2,443                              | 17,754                            | 427,435               | <b>553,626</b>   |
| Adjustment Directive 1/2017 | -              | -                               | -                      | -                                       | 1,479                              | 2,756                             | 583,162               | <b>587,397</b>   |
| <b>At 31 December 2018</b>  | <b>16,426</b>  | <b>-</b>                        | <b>73,322</b>          | <b>649,067</b>                          | <b>43,112</b>                      | <b>85,397</b>                     | <b>4,189,532</b>      | <b>5,056,856</b> |
| <b>Grants</b>               |                |                                 |                        |   |                                    |                                   |                       |                  |
| At 1 January 2018           | -              | -                               | -                      | -                                       | -                                  | -                                 | 1,351,898             | <b>1,351,898</b> |
| At 31 December 2018         | -              | -                               | -                      | -                                       | -                                  | -                                 | 1,367,061             | <b>1,367,061</b> |
| <b>Net Book values</b>      |                |                                 |                        |   |                                    |                                   |                       |                  |
| <b>At 31 December 2018</b>  | <b>551,798</b> | <b>757,767</b>                  | <b>-</b>               | <b>45,549</b>                           | <b>3,441</b>                       | <b>99,481</b>                     | <b>1,436,366</b>      | <b>2,894,402</b> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****13. Property, plant and equipment (cont.)**

|                                     | Property       | Assets<br>under<br>construction | New<br>Street<br>Signs | Urban<br>Improvements<br>& Construction | Plant,<br>machinery<br>&<br>Equipment | Office<br>Furniture<br>& fittings | Special<br>Programmes | Total            |
|-------------------------------------|----------------|---------------------------------|------------------------|---|---------------------------------------|-----------------------------------|-----------------------|------------------|
|                                     | €              | €                               | €                      | €                                       | €                                     | €                                 | €                     | €                |
| <b>Cost</b>                         |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 31 December 2017                 | 568,224        | 543,417                         | 73,322                 | 545,142                                 | 45,683                                | 184,513                           | 6,863,942             | 8,824,243        |
| Prior year adjustment               | -              | -                               | -                      | -                                       | -                                     | -                                 | -                     | -                |
| <b>Restated at 31 December 2017</b> | <b>568,224</b> | <b>543,417</b>                  | <b>73,322</b>          | <b>545,142</b>                          | <b>45,683</b>                         | <b>184,513</b>                    | <b>6,863,942</b>      | <b>8,824,243</b> |
| <b>Depreciation</b>                 |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 31 December 2017                 | 14,357         | -                               | 73,322                 | 545,142                                 | 37,619                                | 64,887                            | 3,105,022             | 3,840,349        |
| Prior year adjustment (Note 26)     | -              | -                               | -                      | -                                       | 1,571                                 | -                                 | 73,913                | 75,484           |
| <b>Restated at 31 December 2017</b> | <b>14,357</b>  | <b>-</b>                        | <b>73,322</b>          | <b>545,142</b>                          | <b>39,190</b>                         | <b>64,887</b>                     | <b>3,178,935</b>      | <b>3,915,833</b> |
| <b>Grants</b>                       |                |                                 |                        |   |                                       |                                   |                       |                  |
| At 31 December 2017                 | -              | -                               | -                      | -                                       | -                                     | -                                 | 1,351,898             | 1,351,898        |
| <b>Restated Net Book values</b>     |                |                                 |                        |   |                                       |                                   |                       |                  |
| <b>At 31 December 2017</b>          | <b>553,867</b> | <b>543,417</b>                  | <b>-</b>               | <b>-</b>                                | <b>6,493</b>                          | <b>119,626</b>                    | <b>2,333,109</b>      | <b>3,556,512</b> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****14. Intangible assets**

|                            | <b>Computer<br/>software<br/>€</b> |
|----------------------------|------------------------------------|
| <b>Cost</b>                |                                    |
| At 1 January 2019          | 1,077                              |
| Additions                  | 4,396                              |
|                            | <hr/>                              |
| At 31 December 2019        | <b>5,473</b>                       |
|                            | <hr/>                              |
| <b>Depreciation</b>        |                                    |
| At 1 January 2019          | 539                                |
| Charge for the year        | 673                                |
|                            | <hr/>                              |
| At 31 December 2019        | <b>1,212</b>                       |
|                            | <hr/>                              |
| <b>Net Book value</b>      |                                    |
| <b>At 31 December 2019</b> | <b>4,261</b>                       |
|                            | <hr/> <hr/>                        |
| <b>Cost</b>                |                                    |
| At 1 January 2018          | 1,077                              |
| Additions                  | -                                  |
|                            | <hr/>                              |
| At 31 December 2018        | <b>1,077</b>                       |
|                            | <hr/>                              |
| <b>Depreciation</b>        |                                    |
| At 1 January 2018          | 269                                |
| Charge for the year        | 270                                |
|                            | <hr/>                              |
| At 31 December 2018        | <b>539</b>                         |
|                            | <hr/>                              |
| <b>Net Book value</b>      |                                    |
| <b>At 31 December 2018</b> | <b>538</b>                         |
|                            | <hr/> <hr/>                        |
| <b>Cost</b>                |                                    |
| At 1 January 2017          | -                                  |
| Additions                  | 1,077                              |
|                            | <hr/>                              |
| At 31 December 2017        | <b>1,077</b>                       |
|                            | <hr/>                              |
| <b>Depreciation</b>        |                                    |
| At 1 January 2017          | -                                  |
| Charge for the year        | 269                                |
|                            | <hr/>                              |
| At 31 December 2017        | <b>269</b>                         |
|                            | <hr/>                              |
| <b>Net Book value</b>      |                                    |
| <b>At 31 December 2017</b> | <b>808</b>                         |
|                            | <hr/> <hr/>                        |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****15. Inventories**

|                              | 2019          | 2018          | 2017          |
|------------------------------|---------------|---------------|---------------|
|                              | €             | €             | €             |
| Books and other publications | <u>23,243</u> | <u>19,198</u> | <u>10,813</u> |

**16. Receivables**

|                                | 2019           | 2018           | 2017          |
|--------------------------------|----------------|----------------|---------------|
|                                | €              | €              | €             |
| Receivables                    | 125,944        | 157,476        | 22,193        |
| Prepayments and accrued income | <u>13,671</u>  | <u>102,019</u> | <u>64,852</u> |
|                                | <u>139,615</u> | <u>259,495</u> | <u>87,045</u> |

*Receivables*

General receivables are analysed as follows:

|   | 2019             | 2018             | 2017             |
|---|------------------|------------------|------------------|
|   | €                | €                | €                |
| Within credit period                    | 26,221           | 156,629          | 6,569            |
| Exceeded credit period but not impaired | 99,723           | 847              | 15,624           |
| Impaired and provided for               | 125,024          | 125,525          | 126,107          |
| Provision for doubtful debts            | <u>(125,024)</u> | <u>(125,525)</u> | <u>(126,107)</u> |
|   | <u>125,944</u>   | <u>157,476</u>   | <u>22,193</u>    |

*Local Enforcement System (LES) Debtors*

LES Debtors are stated after a specific provision for doubtful debts amounting to €117,479 (2018 - €117,980).

Included in the accounts receivable are amounts due from related parties amounting to €199,541 (2018 : €164,960). These amounts are unsecured, interest free and repayable on demand.

**17. Cash & cash equivalents**

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

|              | 2019             | 2018             | 2017           |
|--------------|------------------|------------------|----------------|
|              | €                | €                | €              |
| Cash at Bank | 1,116,161        | 1,091,154        | 791,031        |
| Cash in Hand | <u>143</u>       | <u>173</u>       | <u>232</u>     |
|              | <u>1,116,304</u> | <u>1,091,327</u> | <u>791,263</u> |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****18. Payables**

|                              | <b>2019</b>           | <b>2018</b>    | <b>2017</b>    |
|------------------------------|-----------------------|----------------|----------------|
|                              | <b>€</b>              | <b>€</b>       | <b>€</b>       |
| Payables                     | <b>539,873</b>        | 398,403        | 178,402        |
| Other Payables               | -                     | -              | 1,897          |
| Accruals and deferred income | <b>75,059</b>         | 227,202        | 291,334        |
|                              | <b><u>614,932</u></b> | <u>625,605</u> | <u>471,633</u> |

Included in the accounts payable are amounts to related parties amounting to €71,339 (2018 : €79,325). These amounts are unsecured, interest free and repayable on demand.

**19. Borrowings**

|                                      | <b>2019</b> | <b>2018</b>   | <b>2017</b>   |
|--------------------------------------|-------------|---------------|---------------|
|                                      | <b>€</b>    | <b>€</b>      | <b>€</b>      |
| <b>Non-current</b>                   |             |               |               |
| Third party borrowings               | -           | 14,836        | 45,496        |
|                                      | <u>-</u>    | <u>14,836</u> | <u>45,496</u> |
| <b>Borrowings</b>                    |             |               |               |
| Repayable between one and two years  | -           | 14,836        | 31,807        |
| Repayable between two and five years | -           | -             | 13,689        |
|                                      | <u>-</u>    | <u>14,836</u> | <u>45,496</u> |

*Third party loan* was payable to a supplier under the Public Private Partnership scheme as per memo 45/2010 separated into two phases. It was repayable over a period of 7 years up to 2019 (Phase 1) and up to 2020 (Phase 2).

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****20. Deferred income**

|   | <b>2019</b>      | <b>2018</b>    | <b>2017</b>   |
|---|------------------|----------------|---------------|
|   | <b>€</b>         | <b>€</b>       | <b>€</b>      |
| <b>Government grants</b>                        |                  |                |               |
| At 1 January                                    | <b>473,029</b>   | 15,163         | 1,646,990     |
| Increase in year                                | <b>1,927</b>     | 473,029        | -             |
| Adjustment                                      | <b>(75,081)</b>  | -              | -             |
| Deferred Income utilised and transferred to PPE | <b>(321,745)</b> | (15,163)       | -             |
|   | <b>78,130</b>    | 473,029        | 1,646,990     |
| Released in year                                | -                | -              | (155,779)     |
| Adjustment in line with Directive 1/2018        | -                | -              | (1,476,048)   |
|   | <b>78,130</b>    | 473,029        | 15,163        |
|   | <b>78,130</b>    | 473,029        | 15,163        |
| <b>Current Deferred Income</b>                  | <b>-</b>         | <b>-</b>       | <b>-</b>      |
| <b>Non-Current Deferred Income</b>              | <b>78,130</b>    | <b>473,029</b> | <b>15,163</b> |
| <b>Deferred Government Grants</b>               |                  |                |               |
| Deferred between one and two years              | -                | -              | -             |
| Deferred between two and five years             | -                | -              | -             |
| Deferred in five years or more                  | <b>78,130</b>    | 473,029        | 15,163        |
|   | <b>78,130</b>    | 473,029        | 15,163        |
| <b>Deferred after five years or more</b>        | <b>78,130</b>    | 473,029        | 15,163        |



**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****21. Capital commitments**

|   | 2019           | 2018           |
|---|----------------|----------------|
|   | €              | €              |
| Details of capital commitments at the accounting date are as follows: |                |                |
| - Approved but not yet contracted for                                 | 663,851        | 937,736        |
| - Contracted for but not provided in the financial statements         | <u>800,097</u> | <u>536,773</u> |
| (i) Approved but not yet contracted for:                              |                |                |
| New Street Lamps  | 50,000         | 178,229        |
| Road Resurfacing  | -              | 213,507        |
| Triq l-Inkurunazzjoni Embellishment                                   | 306,000        | 306,000        |
| Gnien il-Qighan Improvements  | -              | 1,000          |
| Inkurunazzjoni/Parish Sqr.Panoramic Lift                              | 45,000         | 45,000         |
| Mons F Xuereb/Nahal/Etna Open Space                                   | 100,000        | 100,000        |
| Rehabilitation of ix-Xaghra tat-Tunnara Project                       | 63,696         | -              |
| Selmun Hill Rubble Wall   | 8,920          | -              |
| Development of Green Infrastructure Project                           | 52,735         | -              |
| Family Park - Cat Neutering Facility                                  | 14,000         | -              |
| Street Furniture  | 5,000          | 5,000          |
| Office Equipment & Computer Equipment                                 | 3,500          | 11,500         |
| Gnien tas-Salib Playing Field   | -              | 41,000         |
| Gnien Dun Anton Debono  | -              | 28,500         |
| Office Improvements   | 5,000          | 8,000          |
| Security Systems  | 10,000         | -              |
|   | <u>663,851</u> | <u>937,736</u> |
| (i) Contracted for but not provided in the Financial Statements:      |                |                |
| New Street Lamps  | 65,000         | -              |
| Road Resurfacing  | 95,115         |                |
| Tunnara Project   | 503,982        | 376,773        |
| Embellishment of Stepped Streets                                      | 136,000        | 160,000        |
|   | <u>800,097</u> | <u>536,773</u> |

**22. Contingent liabilities**

The Council has received a claim for damages for alleged injuries at ir-Ramla tal-Mixquqa amounting to €20,000, however liability is not being accepted by the Council's Insurance. The last correspondence received from claimant was in February 2016. The Council has also received other minor claims for damages/injuries allegedly caused to their vehicles on streets which are the responsibility of the Local Council. These claims are currently being quantified and assessed.

The council also recognises a variance of €26,315 with respect to amounts due to Central Asphalt; the variance of which is mainly due to disputes on certain invoices with Water Services Corporation on works carried out in Triq il- Qortin.

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****23. Related party transactions**

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

| <i>Name of Entity</i>                          | <i>Nature of relationship</i> |
|--|-------------------------------|
| Department for Local Government                | Significant control           |
| North Joint Committee (Local Enforcement)      | Joint Control                 |
| North Regional Committee                       | Joint Control                 |
| Central Regional Committee                     | No control                    |
| Gozo Regional Committee                        | No control                    |
| South Eastern Regional Committee               | No control                    |
| South Regional Committee                       | No control                    |
| Malta Environment and Planning Authority       | No control                    |
| Water Services Corporation                     | No control                    |
| Enemalta Corporation                           | No control                    |
| Cleansing Services Department                  | No control                    |
| Director General - Works Division              | No control                    |
| Wasteserv Malta Limited                        | No control                    |
| Police General Headquarters                    | No control                    |
| Department of Lands                            | No control                    |
| ARMS   | No control                    |
| Bank of Valletta plc                           | No control                    |
| Mellieha Primary School                        | No control                    |
| Department of Information                      | No control                    |
| MITA   | No control                    |
| Office of the Commissioner for Data Protection | No control                    |
| Association of Local Councils' Secretaries     | No control                    |
| Ministry for Resources and Rural Affairs       | No control                    |

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

|                                       | <b>Related party activity</b> | <b>2019 Total activity</b> | <b>%</b>  | <b>Related party activity</b> | <b>2018 Total activity</b> | <b>%</b>  |
|---------------------------------------|-------------------------------|----------------------------|-----------|-------------------------------|----------------------------|-----------|
|                                       | €                             | €                          |           | €                             | €                          |           |
| <i>Income</i>                         |                               |                            |           |                               |                            |           |
| Transactions with central government  | <b>1,257,954</b>              |                            |           | 1,249,400                     |                            |           |
| Transactions with regions             | <b>4,033</b>                  |                            |           | 7,520                         |                            |           |
|                                       | <b>1,261,987</b>              | <b>1,336,293</b>           | <b>94</b> | <b>1,256,920</b>              | <b>1,341,943</b>           | <b>94</b> |
| <i>Expenditure</i>                    |                               |                            |           |                               |                            |           |
| Transactions with government entities | <b>148,752</b>                |                            |           | 124,893                       |                            |           |
| Key personnel remuneration            | <b>185,760</b>                |                            |           | 170,364                       |                            |           |
|                                       | <b>334,512</b>                | <b>1,504,539</b>           | <b>22</b> | <b>295,257</b>                | <b>2,105,782</b>           | <b>14</b> |

**24. 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.

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)****25. Financial Risk Management**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

*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 receivables 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.

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

- Receivables from Related Parties: €199,541

*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 1,116,304. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 606,230 (2018: Euro 744,415) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

|  | <b>2019</b>      | <b>2018</b> |
|--|------------------|-------------|
|  | €                | €           |
| <b>Current Assets</b>                              |                  |             |
| Loans and receivables:                             |                  |             |
| Accounts and other receivables                     | <b>125,944</b>   | 157,476     |
| Cash and Cash Equivalents                          | <b>1,116,304</b> | 1,091,327   |
|  | <b>1,242,248</b> | 1,248,803   |
| <b>Current Liabilities</b>                         |                  |             |
| Financial liabilities measured at amortised costs: |                  |             |
| Payables   | <b>539,873</b>   | 398,403     |

**Notes to the Financial Statements for the year ended 31 December 2019 (cont.)**

**25. Financial Risk Management (cont.)**

*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 currencies.

*Interest Rate Risk*

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income.

*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.

*Other risks*

The Council's interest rate risk arises from long term borrowings. 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.

**26. Prior year adjustment**

In previous years the council capitalised an amount of € 124,232 and € 1,598 which was classified as Special Programs and Office Equipment respectively. Up to 31 December 2018, the council did not charge any depreciation on these assets. During the year under review, the cumulative effect of this error up to 31 December 2017 was adjusted by restating the opening balance sheet at 1 January 2018 and the effect for the year ended 31 December 2018 was adjusted for by restating the balance sheet as at 31 December 2018 and the income statement for the year then ended.

**27. Fair value of financial assets and financial liabilities**

At 31 December 2019 and at 31 December 2018, 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 amount.

**Report of the Local Government Auditors to the Auditor General**

