



FGURA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2020

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2020

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of 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 Councils (Financial) Regulations, and the Local Councils (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 Councils (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 30th July 2021 and signed on its behalf by

IFFIRMATA

Pierre Dalli
Mayor

IFFIRMATA

Cynthia Plumpton
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	760,262	732,464
Income raised under Council Bye-Laws	5	23,394	12,659
Income raised under Local Enforcement System	6	1,814	7,274
General Income	7	27,704	30,685
		<u>813,174</u>	<u>783,082</u>
Expenditure			
Personal emoluments	9	(170,096)	(172,523)
Operations and maintenance	10	(336,721)	(318,159)
Administrative and other expenditure	11	(346,732)	(302,908)
		<u>(853,549)</u>	<u>(793,590)</u>
Operating Deficit for the year		(40,375)	(10,508)
Finance costs		(11,795)	(12,776)
Finance income	12	21	226
		<u>(52,149)</u>	<u>(23,058)</u>

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020 €	2019 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,360,819	1,433,470
Intangible asset	14	1,864	2,796
		<u>1,362,683</u>	<u>1,436,266</u>
Current Assets			
Receivables	15	52,471	165,298
Cash and Cash Equivalents	16	953,662	827,608
		<u>1,006,133</u>	<u>992,906</u>
Total Assets		<u><u>2,368,816</u></u>	<u><u>2,429,172</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,858,104</u>	1,910,253
		<u>1,858,104</u>	<u>1,910,253</u>
Non-Current Liabilities			
Borrowings	17	<u>271,648</u>	300,895
		<u>271,648</u>	<u>300,895</u>
Current Liabilities			
Borrowings	17	29,005	27,861
Other financial liabilities	18	-	4,722
Payables	19	210,059	185,441
		<u>239,064</u>	<u>218,024</u>
Total Equity and Liabilities		<u><u>2,368,816</u></u>	<u><u>2,429,172</u></u>

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Pierre Dalli
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Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Retained Funds €
At 1 January 2019	1,933,311
Deficit for the year 2019	(23,058)
	<hr/>
At 31 December 2019	1,910,253
	<hr/> <hr/>
At 1 January 2020	1,910,253
Deficit for the year 2020	(52,149)
	<hr/>
At 31 December 2020	1,858,104
	<hr/> <hr/>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	€	€
	Note	
Cash flows from Operating Activities		
Deficit for the year	(52,149)	(23,058)
Reconciliation to cash generated from operations:		
Depreciation	116,977	134,516
Provision for doubtful debts	6,707	21,683
Interest receivable	(21)	(226)
Loss on disposal of PPE	-	3,765
Operating Profit before Working Capital Changes	<u>71,514</u>	<u>136,680</u>
Decrease/(increase) in receivables	30,112	(51,402)
Increase/(decrease) in payables	<u>24,618</u>	<u>(96,230)</u>
Cash generated from / (used in) operating activities	<u>126,244</u>	<u>(10,952)</u>
Cash flows from Investing Activities		
Interest received	21	226
Purchase of property, plant & equipment	(39,393)	(7,569)
Purchase of intangible fixed assets	-	(3,728)
Grants foregone	(5,540)	-
Receipt of grant	<u>76,008</u>	<u>318,452</u>
Cash generated from investing activities	31,096	307,381
Repayment of bank and other borrowings	<u>(31,286)</u>	<u>(31,789)</u>
Cash used in financing activities	(31,286)	(31,789)
Net Increase in Cash and cash equivalents	126,054	264,640
Cash and cash equivalents at the beginning of the year	<u>827,608</u>	<u>562,968</u>
Cash and cash equivalents at the end of the year	16 <u>953,662</u>	<u>827,608</u>

The notes on pages 8 to 26 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2020

1. General Information

The Fgura Local Council is the local Authority of Fgura set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 126/128, Kunsill Lokali il-Fgura, Triq Hompesch, il-Fgura. These financial statements were approved for issue by the Council Members on the 30th July 2021. 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 new standards and 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 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements.

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 anticipate that the adoption of the 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.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

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:

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

The Council has applied IFRS 16 using the retrospective approach. 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.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

- 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:
- 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. C 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

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Short-term leases and leases of low-value assets

The Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 substantially all 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 is presented within 'administration and other expenditure'.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 2015, the income recognised in the Income Statement was derived from the Local Enforcement System Agency, which income consists of administration fee of 10% of cash collected on behalf of LESA or the Regional Committee

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.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 Cash Flow Statement, 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.

4. Funds received from central government

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	695,108	653,932
Supplementary Government Income	14,873	36,539
Other Government income	50,281	41,993
	<u>760,262</u>	<u>732,464</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

5. Income raised under Council Bye-Laws

	2020	2019
	€	€
Permits related to construction	<u>23,394</u>	<u>12,659</u>
	<u>23,394</u>	<u>12,659</u>

6. Income raised under Law Enforcement System

	2020	2019
	€	€
Contraventions Received	399	1,355
Commission from all regions/LESA	<u>1,415</u>	<u>5,919</u>
	<u>1,814</u>	<u>7,274</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

7. General Income

	2020	2019
	€	€
Community Services	50	365
Cultural Activities	1,238	3,305
General Income	300	457
Media Charges/Adverts on Street Furniture	116	384
Other re-imbursements	-	174
Rental income	<u>26,000</u>	<u>26,000</u>
	<u>27,704</u>	<u>30,685</u>

8. Deficit for the year

	2020	2019
	€	€
Deficit for the year is stated after charging		
Staff salaries	170,096	172,523
Depreciation of property, plant & equipment	<u>116,977</u>	<u>134,516</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

9. Personal Emoluments

	2020	2019
	€	€
Mayor's Honoraria	15,027	13,698
Councillors' Allowances	22,600	16,150
Executive Secretary Salary and Allowances	38,542	35,004
Employees' Salaries	84,873	97,664
Social Security Contributions	9,054	10,007
	<u>170,096</u>	<u>172,523</u>

10. Operations and Maintenance

	2020	2019
	€	€
<i>Repairs and Upkeep:</i>		
Materials and supplies	23	192
Cleaning Materials and supplies	2,219	594
Repair and Upkeep Roads	27,077	24,828
Other Repair and Upkeep	-	360
Public Property	2,999	-
Street Signs	18,332	16,283
Street Markings	3,864	7,063
	<u>54,514</u>	<u>49,320</u>
<i>Contractual Services:</i>		
Waste Disposal	71,385	70,502
Refuse Collection	70,245	69,502
Bulky Refuse Collection	20,899	15,342
Road & Street Cleaning	68,154	73,001
Cleaning Public Conveniences	1,500	3,412
Cleaning & Maintenance Soft Areas	28,445	21,271
Street Lighting	16,204	11,926
Law Enforcement System	5,375	3,883
	<u>282,207</u>	<u>268,839</u>
Total Operations and Maintenance Costs	<u>336,721</u>	<u>318,159</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

11. Administrative and other expenditure

	2020	2019
	€	€
Utilities	14,753	13,402
Repairs and Maintenance	3,766	3,501
Rent	5,663	5,663
National and International Memberships	86	1,283
Office Services	15,410	10,346
Transport	3,496	3,585
Information Services	4,077	5,869
Insurance Coverage	4,897	4,499
Bank Charges	97	162
Cleaning Council Premises	5,032	4,909
Professional Services	33,296	34,906
Other Support Services	11,533	13,631
Social and Cultural Events	73,477	40,171
Sundry Minor Expenses	428	1,017
Increase in provision for doubtful debts	6,707	21,683
Asset Disposals Account	-	3,765
Expenses – Court Case	46,512	-
Training	525	-
Depreciation	116,977	134,516
	<u>346,732</u>	<u>302,908</u>

12. Investment Income

	2020	2019
	€	€
Investment income	21	226
	<u>21</u>	<u>226</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

13. Property, plant and equipment

	Trees	Construc. Works	Furniture & Fittings	New Street Signs	Urban Improvements	Office Equipment	Plant & Machinery	Motor vehicles	Acquisitio n of Property	Buildings	Assets Under Constr uction	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2020	10,502	1,627,044	183,153	11,735	443,123	162,930	267,540	11,586	465,711	874,165	-	4,057,489
Additions	-	-	1,767	-	-	7,301	393	-	-	-	29,932	39,393
Adjustment	-	-	-	-	-	-	(1,539)	-	-	-	-	(1,539)
At 31 December 2020	10,502	1,627,044	184,920	11,735	443,123	170,231	266,394	11,586	465,711	874,165	29,932	4,095,343
Depreciation												
At 1 January 2020	-	1,125,097	27,869	11,735	286,364	37,323	2,082	11,586	-	9,172	-	1,511,228
Charge for the year	-	49,337	881	-	53,546	3,250	2,153	-	-	6,878	-	116,045
At 31 December 2020	-	1,174,434	28,750	11,735	339,910	40,573	4,235	11,586	-	16,050	-	1,627,273
Grants												
At 1 January 2020	-	353,071	150,806	-	43,410	119,578	259,604	-	-	186,322	-	1,112,791
Foregone	-	-	-	-	-	-	(5,540)	-	-	-	-	(5,540)
At 31 December 2020	-	353,071	150,806	-	43,410	119,578	254,064	-	-	186,322	-	1,107,251
Net Book values												
At 31 December 2020	10,502	99,539	5,364	-	59,803	10,080	8,095	-	465,711	671,793	29,932	1,360,819

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

13. Property, plant and equipment (cont.)

	Trees	Const Works	Furniture & Fittings	New Street Signs	Urban Improv	Office Equipment	Plant & Machinery	Motor vehicles	Acq. of Property	Buildings	Assets Under Cons.	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2019	10,502	1,627,044	185,956	11,735	441,332	160,709	164,886	11,586	465,711	874,929	241,132	4,195,522
Additions	-	-	-	-	1,791	-	5,778	-	-	-	-	7,569
Disposal	-	-	(3,713)	-	-	(104)	-	-	-	(764)	-	(4,581)
Adjustment	-	-	-	-	-	-	-	-	-	-	(141,021)	(141,021)
Reclassification	-	-	910	-	-	2,325	96,876	-	-	-	(100,111)	-
At 31 December 2019	10,502	1,627,044	183,153	11,735	443,123	162,930	267,540	11,586	465,711	874,165	-	4,057,489
Depreciation												
At 1 January 2019	-	1,046,755	27,397	11,735	241,671	35,050	1,962	11,586	247	2,056	-	1,378,459
Charge for the year	-	78,342	1,180	-	44,693	2,369	120	-	-	6,880	-	133,584
Eliminated on disposal	-	-	(708)	-	-	(96)	-	-	-	(11)	-	(815)
Reclassification	-	-	-	-	-	-	-	-	(247)	247	-	-
At 31 December 2019	-	1,125,097	27,869	11,735	286,364	37,323	2,082	11,586	-	9,172	-	1,511,228
Grants												
At 1 January 2019	-	353,071	150,806	-	43,410	119,578	162,728	-	-	52,466	230,732	1,112,791
At 31 December 2019	-	353,071	150,806	-	43,410	119,578	259,604	-	-	186,322	-	1,112,791
Net Book values												
At 31 December 2019	10,502	148,876	4,478	-	113,349	6,029	5,854	-	465,711	678,671	-	1,433,470

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

14. Intangible Assets

	Computer software	Total
	€	€
Cost		
At 1 January 2020	4,201	4,201
	<hr/>	<hr/>
At 31 December 2020	4,201	4,201
	<hr/>	<hr/>
Depreciation		
At 1 January 2020	1,405	1,405
Charge for the year	932	932
	<hr/>	<hr/>
At 31 December 2020	2,337	2,337
	<hr/>	<hr/>
Net Book value		
At 31 December 2020	1,864	1,864
	<hr/> <hr/>	<hr/> <hr/>
	Computer software	Total
	€	€
Cost		
At 1 January 2019	473	473
Additions	3,728	3,728
	<hr/>	<hr/>
At 31 December 2019	4,201	4,201
	<hr/>	<hr/>
Depreciation		
At 1 January 2019	473	473
Charge for the year	932	932
	<hr/>	<hr/>
At 31 December 2019	1,405	1,405
	<hr/>	<hr/>
Net Book value		
At 31 December 2019	2,796	2,796
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

15. Receivables

	2020	2019
	€	€
Receivables	1,586	4,359
Government grants receivable	-	81,548
Accrued income	12,910	30,346
Other Related Undertakings	30,832	42,798
	45,328	159,051
Prepayments	7,143	6,247
	52,471	165,298

Receivables

Credit period analysis:

	2020	2019
	€	€
Within credit period	32,076	34,955
Exceeded credit period but not impaired	342	12,202
Impaired and provided for	417,794	413,341
Provision for doubtful debts	(417,794)	(413,341)
	32,418	47,157

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €388,894 (2019 - €389,558).

Amounts due from related parties are unsecured, interest free and repayable on demand.

15.1 Government Grants

	2020	2019
	€	€
Balance at the beginning of the year	81,548	400,000
Received	(76,008)	(318,452)
Forgone	(5,540)	-
	-	81,548
At 31 December 2019	-	81,548
	-	81,548

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

16. Cash & cash equivalents

	2020	2019
	€	€
Cash at Bank	952,952	827,030
Cash in Hand	710	578
	<u>953,662</u>	<u>827,608</u>

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

17. Borrowings

	2020	2019
	€	€
Non-current		
Bank borrowings	<u>271,648</u>	<u>300,895</u>
Current		
Bank borrowings	<u>29,005</u>	<u>27,861</u>
Borrowings		
Repayable within one year	29,005	27,861
Repayable between two and five years	94,060	90,471
Repayable in five years or more	<u>148,583</u>	<u>182,563</u>
	<u>271,648</u>	<u>300,895</u>
Repayable after five years or more:		
Bank Loan	<u>148,583</u>	<u>182,563</u>

The Bank Loans are secured by a 1st General Hypothec over the Local Council Fgura assets and a Special Hypothec on Houses 126 and 128, Hompesch Road, Fgura Special Hypothec and Privilege on Comprehensive Insurance Policy over the new premises. Loans attract interest at 3.35% and 4.4% (2019 – 3.35% and 4.4%) and are repayable in monthly instalments of €2,054.72 and €1,269.15 (2019 - €2,054.72 and €1,269.15) inclusive of accumulated interest.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

18. Amount payable under the PPP agreement

	2020	2019
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	-	-
	<u>-</u>	<u>-</u>
Current		
Public Private Partnership (PPP) Agreement	-	4,722
	<u>-</u>	<u>4,722</u>

19. Payables

	2020	2019
	€	€
Payables	56,857	58,255
Deferred Income	6,167	15,167
Other payables	56,119	12,497
Accruals	90,916	99,522
	<u>210,059</u>	<u>185,441</u>

Included in the accounts payable are amounts due to related parties amounting to €19,884 (2019 : €19,884). These amounts are unsecured, interest free and repayable on demand.

20. Deferred Income

	2020	2019
	€	€
Deferred income		
At 1 January	15,167	2,167
Increase in year	4,000	13,000
Utilised in year	(13,000)	-
At 31 December	<u>6,167</u>	<u>15,167</u>
Current Deferred Income	<u>6,167</u>	<u>15,167</u>

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

21. Contingent Liability and Assets

The Constitutional Court passed a judgement on the 8 January 2010, reversing the judgement passed by the Court of Appeals on the 28 March 2008 that had awarded the Council Eur3,494. In addition the judgement also included that the Council is liable to pay two-thirds (2/3) of the procedural expenses incurred by both the Constitutional Court and the Court of First Instance. The amount involved cannot as yet be quantified.

One of the Council's contractors, who had completed the assigned works in relation to the Demolition and Excavation works at site of the New Administrative Offices, is claiming that the total amount certified by the Council's Architect is Eur5,140 less than it should be.

The Council is involved in a Court Case, opened by a resident for wrong workmanship during the reconstruction of Triq Bormla. The Case was at Court Appointed Architect Report stage as at year end. The Case has been concluded in July 2021 and the Council expense will be €2,750.

The Council was held responsible by the Court in a claim by a person she suffered injuries due to the bad state of a pavement in Triq it-Taghlim in Fgura, way back in November 2010. The Council has appealed the decision of the Court. The Court case has been lost by the Council on Appeal and liquidated damages which amounted to Eur46,500 were paid in 2021 and thus included under Note 20.

22. Capital Commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	150,000	150,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Furniture & Fittings	15,000	15,000
Urban improvements	85,000	85,000
Office Equipment	50,000	50,000
	150,000	150,000
(i) Contracted for but not provided in the Financial Statements:	-	-

23. 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 2020 (cont.)

24. 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 debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Summary of financial assets and liabilities by category:

	2020	2019
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	45,328	128,705
Cash and Cash Equivalents	953,662	827,608
	<u>998,990</u>	<u>956,313</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	56,857	58,255
Bank Borrowings	29,005	27,861
	<u>85,862</u>	<u>86,116</u>
Non-Current Liabilities		
Borrowings	<u>271,648</u>	<u>300,895</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro953,662. 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 €767,069 (2019: €774,882) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

24. 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 currency transactions.

Interest Rate Risk

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

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.

25. 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 of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Inland Revenue Department	No control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2020 (cont.)

25. Related party transactions (cont.)

The amounts due from / to related parties at year-end are disclosed in notes 16 and 20. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	2020			2019		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
<i>Income</i>						
Transactions with central government	760,262			732,464		
Transactions with regions/LESA	1,814			7,274		
	<u>762,076</u>	<u>813,174</u>	<u>94</u>	<u>739,738</u>	<u>783,082</u>	<u>94</u>
<i>Expenditure</i>						
Transactions with government entities	71,385			70,502		
Key personnel remuneration	170,096			172,523		
	<u>241,481</u>	<u>853,549</u>	<u>28</u>	<u>243,025</u>	<u>793,590</u>	<u>31</u>

26. Fair values estimation

At 31 December 2020 and at 31 December 2019, 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

