



LOCAL COUNCIL MĠARR

**Annual Report
and
Financial Statements**

for the year ended 31 December 2018

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

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, the 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 27th February 2019 and signed on its behalf by

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	470,133	481,459
Income raised under Local Enforcement System	5	2,649	3,697
General Income	6	<u>37,046</u>	<u>21,162</u>
		509,828	506,318
Expenditure			
Personal emoluments	8	(89,765)	(86,778)
Operations and maintenance	9	(185,174)	(156,208)
Administrative and other expenditure	10	<u>(157,109)</u>	<u>(162,931)</u>
		(432,048)	(405,917)
Operating surplus for the year		77,780	100,401
Finance income	11	<u>1</u>	<u>27</u>
Surplus for the year		<u>77,781</u>	<u>100,428</u>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018 €	2017 €
ASSETS	<i>Notes</i>		
Non-Current Assets			
Property, plant and equipment	12	<u>924,089</u>	846,764
		<u>924,089</u>	<u>846,764</u>
Current Assets			
Inventory	13	5,200	5,204
Receivables	14	14,933	18,821
Cash and Cash Equivalents	15	<u>391,462</u>	<u>304,260</u>
		<u>411,595</u>	<u>328,285</u>
Total Assets		<u><u>1,335,684</u></u>	<u><u>1,175,049</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,211,231</u>	1,133,450
		<u>1,211,231</u>	<u>1,133,450</u>
Non-Current Liabilities			
Deferred income	17	<u>57,486</u>	7,000
		<u>57,486</u>	<u>7,000</u>
Current Liabilities			
Deferred income	17	-	-
Payables	16	<u>66,967</u>	<u>34,599</u>
		<u>66,967</u>	<u>34,599</u>
Total Equity and Liabilities		<u><u>1,335,684</u></u>	<u><u>1,175,049</u></u>

These financial statements were approved by the Local Council on 27th February 2019 and signed on its behalf by:

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Retained Funds €
At 1 January 2017	1,033,022
Surplus for the year 2017	100,428
	<hr/>
At 31 December 2017	1,133,450
	<hr/> <hr/>
At 1 January 2018	1,133,450
Surplus for the year 2018	77,781
	<hr/>
At 31 December 2018	1,211,231
	<hr/> <hr/>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 €	2017 €
Note		
Cash flows from Operating Activities		
Surplus for the year	77,781	100,428
Reconciliation to cash generated from operations:		
Depreciation	53,165	85,872
Interest receivable	(1)	(27)
Grants released	-	(32,623)
Operating Profit before Working Capital Changes	130,945	153,650
Decrease in inventory	4	-
Decrease in receivables	3,888	14,630
Increase / (decrease) in payables	32,368	(12,083)
Cash flow generated from operating activities	167,205	156,197
Cash flows from Investing Activities		
Interest received	1	27
Purchase of property, plant & equipment	(130,490)	(4,319)
Receipt of grants	50,486	-
Cash flow used in investing activities	(80,003)	(4,292)
Net increase in Cash and Cash Equivalents	87,202	151,905
Cash and Cash Equivalents at the Beginning of the year	304,260	152,355
Cash and Cash Equivalents at the End of the year	391,462	304,260
15		

The notes on pages 8 to 23 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

1. General Information

The Mġarr Local Council is the local Authority of Mġarr set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 22, Sir Harry Luke Street, Mġarr. These financial statements were approved for issue by the Council Members on 27th February 2019. 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 2017.

Amendments to IAS 7 Disclosure Initiative. Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. The Local Council has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. It's effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 40 Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. Annual Improvements in Annual Improvements 2012-2014 Cycle include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Local Council. The package also includes amendments to IFRS 12 which is mandatorily effective for the Local Council in the current year. Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

IFRIC 22 Foreign Currency Transactions and Advance Consideration. Addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

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:

	%
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

The change in the deprecation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

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.

Leases

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

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

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.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

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

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

Related parties

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

Revenue

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

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

Local Enforcement System

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

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures (cont.)

Government grants (cont.)

Up to year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1st January 2018, the capital approach, according to IAS20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been accounted for retrospectively.

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 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 negative at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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 2018 (cont.)

4. Funds received from central government

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act	445,138	426,845
Supplementary Government Income	801	20,059
EU funding	1,600	-
Other Government Income	22,594	1,932
Grants released	-	32,623
	<u>470,133</u>	<u>481,459</u>

5. Local Enforcement system

	2018	2017
	€	€
Contraventions and other fines	<u>2,649</u>	<u>3,697</u>
	<u>2,649</u>	<u>3,697</u>

6. General Income

	2018	2017
	€	€
General Income	20,347	7,224
Tender Documents/Info Charges	-	150
Donations	300	130
Income from Permits	16,399	13,658
	<u>37,046</u>	<u>21,162</u>

7. Surplus for the year

	2018	2017
	€	€
Profit for the year is stated after charging		
Staff salaries	89,765	86,778
Depreciation of property, plant & equipment	<u>53,165</u>	<u>85,872</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

8. Personal Emoluments

	2018	2017
	€	€
Mayor's Remuneration	7,464	7,345
Councillors' Allowances	6,400	6,200
Executive Secretary Salary and Allowances	32,365	31,556
Employees' Salaries	37,690	36,084
Social Security Contributions	5,846	5,593
	<u>89,765</u>	<u>86,778</u>

9. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements (patching)	22,420	25,157
Handyman service	20,783	22,338
Signs	9,188	2,523
Road Markings	1,502	2,156
Other repairs and Upkeep	12,331	2,503
	<u>66,224</u>	<u>54,677</u>
<i>Contractual Services:</i>		
Waste Disposal	20,200	29,292
Refuse Collection	37,101	32,498
Bulky Refuse Collection	1,534	776
Open Skips & Bring-In Sites	818	100
Road & Street Cleaning	20,085	10,908
Cleaning - Public Conveniences	12,838	19,582
Cleaning & Maintaining Parks & Gardens	11,032	2,269
Other contractual services	-	148
Street Lighting	20,391	5,934
Local enforcement system expense	11	24
	<u>124,010</u>	<u>101,531</u>
Total Operations and Maintenance Costs	<u>190,234</u>	<u>156,208</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

10. Administrative and other expenditure

	2018	2017
	€	€
Utilities	10,915	10,996
Other repairs and upkeep	1,303	4,150
Rent	4,792	4,775
National and International Memberships	417	929
Office Services	6,176	5,294
Transport	5,248	4,466
Travel	22,947	2,083
Insurance Coverage	5,011	3,877
Bank Charges	234	224
Professional Services	18,503	16,689
Public relations	1,814	1,703
Tuition for courses and expenses	1,357	2,300
Entertainment	2,005	794
Conference Expenses	-	30
Social and cultural events	14,766	14,262
Sundry Minor Expenses	1,742	972
General and administrative expenses	1,654	3,515
Depreciation	53,165	85,872
	<u>152,049</u>	<u>162,931</u>

11. Finance Income

	2018	2017
	€	€
Bank Interest Receivable	1	27
	<u>1</u>	<u>27</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

12. Property, plant and equipment

	Office Furniture & fittings	Computer Equipment	Plant & Machinery	Office Equipment	Urban Improvements	Construction	Special Programmes	Office Extension	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2018	56,634	26,428	18,312	24,383	63,775	670,911	991,646	399,673	23,046	2,274,808
Additions	598	6,110	-	149	36,066	87,567	-	-	-	130,490
At 31 December 2018	<u>57,232</u>	<u>32,538</u>	<u>18,312</u>	<u>24,532</u>	<u>99,841</u>	<u>758,478</u>	<u>991,646</u>	<u>399,673</u>	<u>23,046</u>	<u>2,405,298</u>
Depreciation										
At 1 January 2018	32,269	22,635	11,980	22,639	63,775	433,797	508,442	3,997	16,180	1,115,714
Charge for the year	1,845	1,427	1,267	371	2,127	10,416	30,383	3,956	1,373	53,165
At 31 December 2018	<u>34,114</u>	<u>24,062</u>	<u>13,247</u>	<u>23,010</u>	<u>65,902</u>	<u>444,213</u>	<u>538,825</u>	<u>7,953</u>	<u>17,553</u>	<u>1,168,879</u>
Grants										
At 1 January 2018						132,955	179,375			312,330
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,955</u>	<u>179,375</u>	<u>-</u>	<u>-</u>	<u>312,330</u>
Net Book values										
At 31 December 2018	<u>23,118</u>	<u>8,476</u>	<u>5,065</u>	<u>1,522</u>	<u>33,939</u>	<u>181,310</u>	<u>273,446</u>	<u>391,720</u>	<u>5,493</u>	<u>924,089</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

12. Property, plant and equipment (cont.)

	Office Furniture & fittings €	Computer Equipment €	Plant & Machinery €	Office Equipment €	New Street Signs €	Constructio n €	Special Programmes €	Office Extension €	Motor Vehicle €	Total €
Cost										
At 1 January 2017	55,772	25,598	18,312	29,326	63,775	689,096	1,374,767	399,673	23,046	2,679,365
Additions	862	830	-	2,007	-	620	-	-	-	4,319
Government grants prior years	-	-	-	(6,950)	-	-	(401,926)	-	-	(408,876)
Reclassification	-	-	-	-	-	(18,805)	18,805	-	-	-
At 31 December 2017	56,634	26,428	18,312	24,383	63,775	670,911	991,646	399,673	23,046	2,274,808
Depreciation										
At 1 January 2017	30,433	21,628	10,565	24,376	63,775	429,159	536,856	-	14,646	1,131,438
Charge for the year	1,836	1,007	1,415	1,009	-	4,638	70,436	3,997	1,534	85,872
Adjusted	-	-	-	(2,746)	-	-	(98,850)	-	-	(101,596)
At 31 December 2017	32,269	22,635	11,980	22,639	63,775	433,797	508,442	3,997	16,180	1,115,714
Grants										
At 1 January 2017										
At 31 December 2017	-	-	-	-	-	132,955	179,375	-	-	312,330
Net Book values										
At 31 December 2017	24,365	3,793	6,332	1,744	-	104,159	303,829	395,676	6,866	846,764

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

13. Inventory

	2018	2017
	€	€
Books and other publications	<u>5,200</u>	<u>5,204</u>

14. Receivables

	2018	2017
	€	€
Receivables	9,387	4,330
Prepayments and accrued income	5,546	14,491
	<u>14,933</u>	<u>18,821</u>

Receivables

General receivables are analysed as follows:

	2018	2017
	€	€
Within credit period	9,387	4,330
Exceeded credit period but not impaired	-	2,061
Impaired and provided for	25,762	26,007
Provision for doubtful debts	<u>(25,762)</u>	<u>(26,007)</u>
	<u>9,387</u>	<u>6,391</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €18,397 (2017 - €18,642).

Included in the accounts receivable are amounts due from related parties amounting to €9,387. (2017 : €7,215). These amounts are unsecured, interest free and repayable on demand.

15. Cash & cash equivalents

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

	2018	2017
	€	€
Cash at Bank	390,443	302,539
Cash in Hand	1,019	1,721
	<u>391,462</u>	<u>304,260</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

16. Payables

	2018	2017
	€	€
Payables	28,565	17,986
Accruals and other payables	38,402	16,613
	66,967	34,599

Included in the accounts payable are amounts due to related parties amounting to €5,558 (2017 : €5,943). These amounts are unsecured, interest free and repayable on demand.

17. Deferred Income

	2018	2017
	€	€
Government grants		
At 1 January	7,000	346,903
Increase in year	50,486	-
	57,486	346,903
Released in year	-	(32,623)
Adjustment in line with Directive 1/2017		(307,280)
At 31 December	57,486	7,000
Current Deferred Income	-	-
Non-Current Deferred Income	57,486	7,000
Deferred Government Grants		
Deferred between one and two years	-	-
Deferred between two and five years	-	-
Deferred in five years or more	57,486	7,000
	57,486	7,000
Deferred after five years or more	57,486	7,000

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

18. Capital Commitments

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	121,000	194,575
- Contracted for but not provided in the financial statements	70,801	-
	<u>70,801</u>	<u>-</u>
(i) Approved but not yet contracted for:		
Welded Welsh	-	8,153
Artificial Turf	-	26,010
Rural Roads (Mizura 4.3)	-	94,412
Special Programmes - Mixtla tal-Facciol	66,000	66,000
Outdoor Gym at Housing Estate	40,000	-
Embellishment of Ta' Skorba Garden	15,000	-
Road Resurfacing	-	13,650
	<u>121,000</u>	<u>194,575</u>
(i) Contracted for but not provided in the Financial Statements:		
Rural Roads (Mizura 4.3)	70,801	-
	<u>70,801</u>	<u>-</u>

19. Related parties

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
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
ARMS Limited	No control
Wasteserv Malta Limited	No control
Department of Lands	No control
LESA	No control
Bank of Valletta plc	No control
Commissioner of Police	No control
Koperattiva Sinjali tat-Traffiku	No control
Majjistral Action Group	No control
Commissioner for Data Protection	No control
Environmental Landscapes Consortium Ltd	No control
Heritage Malta	No control
Housing Authority	No control

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

19. Related Party Transactions (cont.)

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. 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.

During the course of the year, the Council entered into transactions with related parties which are related through common ultimate controlling party.

	Related party activity	2018		Related party activity	2017	
	€	Total activity	%	€	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	468,533			448,836		
Transactions with regions	2,649			3,697		
	471,182	509,828	92	452,533	506,318	89
<i>Expenditure</i>						
Transactions with government entities	20,200			29,292		
	20,200	432,048	5	29,292	405,917	7

20. Fair value of financial assets and financial liabilities

At 31 December 2018 and at 31 December 2017, 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.

21. 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 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.

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: € 9,387

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

21. Financial Risk Management (cont.)

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 €391,462. 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 €344,628 (2017: €293,686) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2018	2017
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	9,387	4,330
Cash and Cash Equivalents	391,462	304,260
	400,849	308,590
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	28,565	17,986

Foreign Currency Risk

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

Interest Rate Risk

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

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.

22. Prior year

The comparative figures in these financial statements have been changed as per the instructions of DLG Directive 1/2017

Report of the Local Government Auditors to the Auditor General

