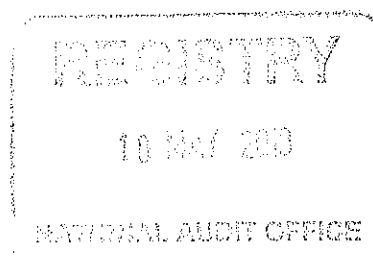


**MTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
15, Triq San Gwann,
Mosta MST 3603*



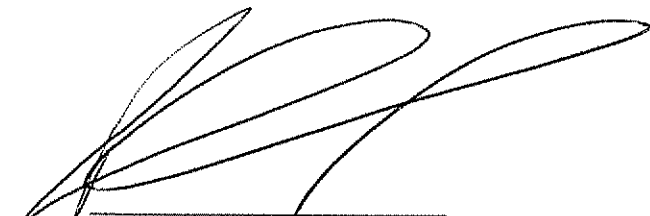
**MTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

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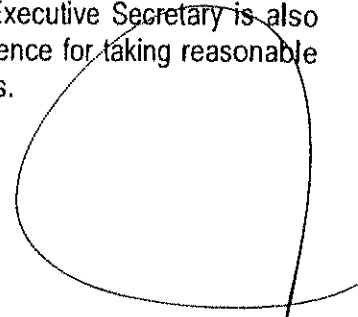
**MTARFA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, 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 Local Council's retained funds at the end of the 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 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, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.



Daniel John Attard
Mayor



Josette Micallef
Executive Secretary

Date: 23 April 2019

LOCAL COUNCIL MTARFA
Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL MTARFA, set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL MTARFA as at 31 December 2018, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 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 Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. In view that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of any share of income as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council maintains a fixed asset register to record fixed assets acquired by it. However, a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been recognised in the financial statements. Whilst we believe that there may be material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

The Council received a number of government grants in previous years with respect to capital project, under the Public Private Partnership (PPP) Scheme, amounting to €95,716.74 and grants in respect of the Housing Authority project amounting to €62,332.17. The information and evidence provided by the Council with respect to these items was not sufficient for us to determine whether such amounts recognised in the financial statements are not materially misstated.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from 'IAS 1 – Presentation of Financial Statements' in relation to new and amended standards adopted by the Local Council, new and revised IFRSs adopted by the EU that are not mandatorily effective but allow early application for the year ending 31 December 2018. Furthermore, these financial statements lack disclosures emanating from 'IAS 24 – Related Parties' in view that note 20 to the financial statements does not reflect the requirements of articles 18, 25 and 26 of the said standard.

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

ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The Council is responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Council's Responsibility of the Financial Statements

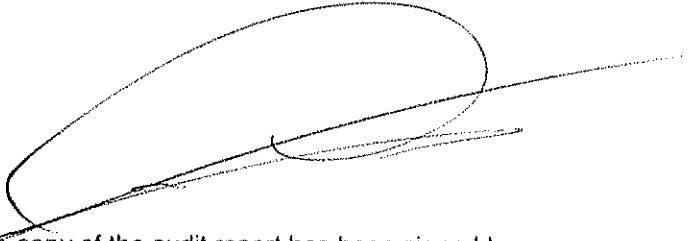
The Council Members and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. In view of the matters set out under the basis for qualified opinion section of this report, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards as adopted by the European Union.



This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3a Certified Public Accountants
Level 2, Palazzo Ca Brugnera',
Valley Road, Birkirkara

Date: 23 April 2019

MTARFA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

		2018	2017
	Notes	Euro	Euro
REVENUE			
Funds received from Government	3	312,546	284,072
Income raised under Law Enforcement system	4	0	0
Income raised from Bye-Laws	5	209	2,526
General income	6	14,305	8,375
		<hr/>	<hr/>
		327,060	294,973
		<hr/>	<hr/>
EXPENDITURE			
Personnel emoluments	7	71,966	70,968
Operations and maintenance	8	119,928	120,582
Administration and other expenditure	9	132,788	88,231
		<hr/>	<hr/>
		324,682	279,781
		<hr/>	<hr/>
OPERATING PROFIT FOR THE YEAR		2,378	15,192
Finance Income	10	52	46
PROFIT FOR THE YEAR		2,430	15,238
		<hr/>	<hr/>

The notes on pages 10 to 29 form an integral part of these financial statements

MTARFA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2018

		31-Dec-18	31-Dec-17 As restated	31-Dec-17 As originally reported
	Notes	Euro	Euro	Euro
ASSETS				
Intangible Assets	11	1,566	0	0
Non-Current Assets				
Property, plant and equipment	11	<u>82,369</u>	<u>93,217</u>	<u>447,501</u>
		83,935	93,217	447,501
Current Assets				
Inventories	12	4,452	938	938
Trade and other receivables	13	28,486	20,876	20,876
Cash and cash equivalents	14	<u>210,529</u>	<u>182,799</u>	<u>182,799</u>
Total Current Assets		<u>243,467</u>	<u>204,613</u>	<u>204,613</u>
TOTAL ASSETS		<u>327,402</u>	<u>297,830</u>	<u>652,114</u>
RESERVES AND LIABILITIES				
Reserves				
Retained funds		<u>256,420</u>	<u>253,990</u>	<u>253,990</u>
Non-Current Liabilities				
Deferred Income		<u>0</u>	<u>0</u>	<u>322,371</u>
Total Non-Current Liabilities		<u>0</u>	<u>0</u>	<u>322,371</u>
Current Liabilities				
Trade and other payables	15	<u>70,982</u>	<u>43,840</u>	<u>75,753</u>
Total Current Liabilities		<u>70,982</u>	<u>43,840</u>	<u>75,753</u>
TOTAL RESERVES AND LIABILITIES		<u>327,402</u>	<u>297,830</u>	<u>652,114</u>

The notes on pages 10 to 29 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 23 April 2019 and signed on its behalf by:


Daniel John Attard
Mayor


Josette Micallef
Executive Secretary

**MTARFA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018**

	Retained Funds Euro
At 1 January 2017	238,752
Profit for the year	<u>15,238</u>
At 31 December 2017	<u>253,990</u>
At 1 January 2018	253,990
Profit for the Year	<u>2,430</u>
At 31 December 2018	<u>256,420</u>

The notes on pages 10 to 29 form an integral part of these financial statements

**MTARFA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018**

	Notes	Year 2018 Euro	Year 2017 Euro
Profit for the year		2,430	15,238
Reconciliation to cash generated from Operations:			
Depreciation		65,520	10,349
Provision for Bad Debts		2,218	0
Loss on disposal		245	0
Interest receivable		(52)	(46)
Operating Profit before Working Capital changes		70,361	25,541
Movement in working capital			
(Increase)/Decrease in Inventories		(3,514)	23
(Increase)/Decrease in Trade and other receivables		(7,610)	3,094
Increase/(Decrease) in Trade and Other Payables		<u>30,892</u>	<u>(566)</u>
Net cash inflow from operating activities		<u>90,129</u>	<u>28,092</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(62,451)	(17,202)
Interest received		<u>52</u>	<u>46</u>
Net cash (outflow) from investing activities		<u>(62,399)</u>	<u>(17,156)</u>
Movement in cash and cash equivalents		27,730	10,936
Cash and cash equivalents at beginning of year		182,799	171,863
Cash and cash equivalents at end of year	14	<u>210,529</u>	<u>182,799</u>

The notes on pages 10 to 29 form an integral part of these financial statements

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

Mtarfa Local Council is the local authority of Mtarfa incorporated in accordance with the Local Councils Act 1993. The office of the Council is at 'Town Centre', Triq ir-Rigiment i Maltin, Mtarfa. The Local Council's presentation as well as functional currency are denominated in €.

The financial statements were authorised for issue by the Council on the 23 April 2019.

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.

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

During the year the Council has applied the following International Financial Reporting Standard issued by IASB that is mandatorily effective for the financial year commencing 1 January 2018:

IFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018.

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Standards and Interpretations issued by the IASB but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contains a new chapter on measurement: guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liability for all leases with a term of more than 1 year, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as PPE) and lease liabilities similarly to other financial liabilities. Thus, a lessee recognised depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the impact that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Councillors 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 Councillors anticipate 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.

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Intangible Fixed Assets

Computer Software

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	100.0
Street Lights	100.0

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.

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

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. The Buildings of the Mtarfa Local Council premises are leased for a period of 30 years.

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Government Grants

Government Grants relating to operating expenditure are recognised 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.

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, 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.

Inventory

Inventory is calculated at lower of cost and net realisable value.

Profits and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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.

Local Enforcement System

Mtarfa Local Council formed part of the Tramuntana Joint Committee from September 2002 until 31 August 2011. As from 1st September 2011, the Mtarfa Local Council forms part of the North Regional Committee.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

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

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

3. FUNDS RECEIVED FROM GOVERNMENT

	1 Jan 2018- 31 Dec 2018	1 Jan 2017- 31 Dec 2017
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	264,963	254,075
Other Supplementary Government Income	<u>47,583</u>	<u>29,997</u>
	<u>312,546</u>	<u>284,072</u>

4. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

	1 Jan 2018 - 31 Dec 2018	1 Jan 2017 - 31 Dec 2017
	Euro	Euro
Fines and penalties	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

MTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED FROM BYE-LAWS

	1 Jan 2018 - 31 Dec 2018 Euro	1 Jan 2017 - 31 Dec 2017 Euro
Courses and skip permits	<u>209</u>	<u>2,526</u>
	<u>209</u>	<u>2,526</u>

6. GENERAL INCOME

	1 Jan 2018-31 Dec 2018 Euro	1 Jan 2017-31 Dec 2017 Euro
Document/Info. Charges	54	27
Permits	3,712	2,429
Library Services	400	800
Organic Waste Collection	1,875	0
Donations & Sponsorships	3,215	600
General Income	5,049	4,519
	<u>14,305</u>	<u>8,375</u>

7. PERSONNEL EMOLUMENTS

	1 Jan 2018-31 Dec 2018 Euro	1 Jan 2017-31 Dec 2017 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	7,464	7,345
Mayor's and Councillors' Allowances	6,400	6,772
Executive Secretary Salary and Allowances	30,172	29,398
Employees' Salaries	23,516	23,234
Social Security Contributions	4,414	4,219
	<u>71,966</u>	<u>70,968</u>

Average number of people employed

Employees	2	3
Mayor & Councillors	5	5

MTARFA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATIONS AND MAINTENANCE EXPENSES

	1 Jan 2018- 31 Dec 2018 Euro	1 Jan 2017- 31 Dec 2017 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Plant & Equipment	233	756
Road/Street Pavements	1,268	2,085
Road signs and markings	2,971	6,482
Council property	11,320	6,416
Office furniture & equipment	1,042	628
Other repairs and upkeep	2,265	4,940
	<u>19,099</u>	<u>21,307</u>
CONTRACTUAL SERVICES		
Refuse collection	15,617	26,824
Tipping Fees	20,024	18,159
Bulky refuse collection	4,356	1,955
Road and street cleaning	15,120	13,965
Cleaning and maintenance public conveniences	5,608	5,608
Cleaning and maintenance parks and gardens	21,599	21,301
Cleaning and maintenance council premises	2,004	1,356
Other Contractual Services	8,813	5,301
Street Lighting and security	7,469	4,679
LES related expenditure	219	127
	<u>100,829</u>	<u>99,275</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>119,928</u>	<u>120,582</u>

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan 2018- 31 Dec 2018 Euro	1 Jan 2017-31 Dec 2017 Euro
9. ADMINISTRATION AND OTHER EXPENDITURE		
Depreciation	65,520	10,349
Professional Fees	11,085	16,096
Advertising and public relations expenses	66	318
Bank charges	42	46
Late payment interest	0	32
Fuel	40	60
Community services	24,755	37,305
Conference and participation expenses	4,020	613
Insurance	1,298	1,101
Library Expenses	2,043	2,989
Staff training	586	0
Postages	180	159
Printing and stationery	1,424	1,623
Publications	1,693	1,627
Rent	7,331	7,331
Provision for bad debts (others)	2,300	0
Provision for bad debts (LES)	(82)	0
Loss on disposal of assets	245	0
Office Services	714	1,490
Sundry Minor Expenses	0	387
Telecommunications	2,330	2,579
Transport expenses	1,499	1,750
Water and Electricity	5,699	2,376
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	132,788	88,231
	1 Jan 2018- 31 Dec 2018 Euro	1 Jan 2017-31 Dec 2017 Euro
10. FINANCE INCOME		
Bank Interest	<u>52</u>	<u>46</u>
	<u>52</u>	<u>46</u>

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

	Computer Software €	Total €
Cost		
At 1 January 2017	0	0
Additions	0	0
Disposal	<u>0</u>	<u>0</u>
At 31 December 2017	<u>0</u>	<u>0</u>
Depreciation		
At 1 January 2017	0	0
Charge for the year	0	0
Released on disposal	<u>0</u>	<u>0</u>
At 31 December 2017	<u>0</u>	<u>0</u>
Net Book Value		
At 31 December 2017	<u><u>0</u></u>	<u><u>0</u></u>
	Computer Software €	Total €
Cost		
At 1 January 2018	0	0
Additions	2,032	2,032
Disposal	<u>0</u>	<u>0</u>
At 31 December 2018	<u>2,032</u>	<u>2,032</u>
Depreciation		
At 1 January 2018	0	0
Charge for the year	466	466
Released on disposal	<u>0</u>	<u>0</u>
At 31 December 2018	<u>466</u>	<u>466</u>
Net Book Value		
At 31 December 2018	<u><u>1,566</u></u>	<u><u>1,566</u></u>

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
11a. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings		Office Equipment		Computer Equipment		New Street Signs		Urban Improv.		Street Lighting		Construction		Trees		Plant & Machinery		Assets under Construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€		€
Cost																						
At 1 January 2018	43,524	15,607	10,519	38,068	294,503	0	449,433	6,981	8,114	13,064	879,813											
Additions	414	807	694	0	2,123	13,593	23,881	0	0	18,907	60,419											
Disposals	(37)	(1,159)	(1,561)	0	(475)	0	0	0	0	0	(3,232)											
Capitalizations	0	0	0	0	680	0	0	0	0	(680)	0											
At 31st December 2018	43,901	15,255	9,652	38,068	296,831	13,593	473,314	6,981	8,114	31,291	937,000											
Grants																						
At 1 January 2018	0	0	0	0	106,512	0	400,968	0	2,300	0	509,780											
Transferred during the year	0	0	0	0	5,968	0	0	0	0	0	5,968											
At 31st December 2018	0	0	0	0	112,480	0	400,968	0	2,300	0	515,748											
Depreciation																						
At 1 January 2018	25,344	11,662	8,398	38,068	144,407	0	44,357	0	4,580	0	276,816											
Charge for the period	9,296	1,672	1,680	0	35,846	13,593	2,061	0	906	0	65,054											
Released on disposal	(37)	(1,159)	(1,561)	0	(230)	0	0	0	0	0	(2,987)											
At 31st December 2018	34,603	12,175	8,517	38,068	180,023	13,593	46,418	0	5,486	0	338,883											
Net Book Value																						
At 31st December 2018	9,298	3,080	1,135	0	4,328	0	25,928	6,981	328	31,291	82,369											

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
11b. PROPERTY, PLANT AND EQUIPMENT(cont...)**

	Office										Total
	Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Construction €	Trees €	Plant & Machinery €	Assets under Construction €		€
Cost											
At 1 January 2017	42,865	14,737	9,569	38,068	293,334	449,433	6,981	7,624	0		862,611
Additions	659	870	950	0	1,169	0	0	490	13,064		17,202
Disposals/Transfers	0	0	0	0	0	0	0	0	0		0
At 31st December 2017	43,524	15,607	10,519	38,068	294,503	449,433	6,981	8,114	13,064		879,813
Grants											
At 1 January 2017	0	0	0	0	51,246	0	0	0	0		51,246
Adjusted	0	0	0	0	55,266	400,968	0	2,300	0		458,534
At 31st December 2017	0	0	0	0	106,512	400,968	0	2,300	0		509,780
Depreciation											
At 1 January 2017	23,928	10,865	7,788	38,068	170,169	79,065	0	5,550	0		335,433
Adjusted	0	0	0	0	(27,142)	(40,507)	0	(1,317)	0		(68,966)
Charge for the period	1,416	797	610	0	6,983	35,386	0	441	0		45,633
Adjusted	0	0	0	0	(5,603)	(29,587)	0	(94)	0		(35,284)
At 31st December 2017	25,344	11,662	8,398	38,068	144,407	44,357	0	4,580	0		276,816
Net Book Value											
At 31st December 2017	18,180	3,945	2,121	0	43,584	4,108	6,981	1,234	13,064		93,217

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

12. INVENTORIES

	As at 31 December 2018	As at 31 December 2017
Books and other publications	<u>4,452</u>	<u>938</u>

13. TRADE AND OTHER RECEIVABLES

	2018 Euro	2017 Euro
Amount invoiced but not yet settled	9,092	4,060
Provision for Bad Debts (General)	(6,050)	(3,750)
Law Enforcement System Debtors	37,185	37,267
Provision for Bad LES Debts	(37,185)	(37,267)
Other debtors	128	0
Deposit Payments	0	973
Prepayments	7,267	5,712
Accrued income	18,049	13,881
	<u>28,486</u>	<u>20,876</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Trade debtors are analysed as follows:

Within credit period	3,037	212
Exceeded credit period (past due) but not impaired	5	98
Exceeded credit period (past due) and impaired	6,050	3,750
	<u>9,092</u>	<u>4,060</u>

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2018 Euro	2017 Euro
Petty cash and cash in hand	579	1,645
Bank balances		
- BOV current account	23,179	20,664
- BOV savings accounts	186,771	160,490
Cash and Cash Equivalent in Statement of Financial Position	<u>210,529</u>	<u>182,799</u>

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. TRADE AND OTHER PAYABLES

	2018 Euro	2017 Euro
Payables	32,788	26,172
Other Creditors	932	699
Accruals	36,634	16,340
Deferred Income	<u>628</u>	<u>629</u>
	<u>70,982</u>	<u>43,840</u>

Trade Payables are analysed as follows:

	2018 Euro	2017 Euro
Within credit period	32,788	26,172
Exceeded credit period	<u>0</u>	<u>0</u>
	<u>32,788</u>	<u>26,172</u>

Accruals include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

16. EFFECT OF CHANGE IN ACCOUNTING POLICY

On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarised below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(319,356)	35,284	(284,072)
Administration and other expenditure	9	123,515	(35,284)	88,231
Property, plant and equipment	11	447,501	(354,284)	93,217
Non-current deferred income		(322,371)	322,371	0
Trade and other payables	15	(75,753)	31,913	(43,840)

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The effect of the restatement on each financial statement line item is summarised below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Other government income	3	(65,281)	35,284	(29,997)
Depreciation	9	45,633	(35,284)	10,349
Property, plant and equipment	11	447,501	(354,284)	93,217
Non-current deferred income		(322,371)	322,371	-
Deferred income	15	(32,542)	31,913	(629)

17. CONTINGENT LIABILITIES

The Council has no contingent liabilities as at 31st December 2018.

18. CAPITAL COMMITMENTS

	As at 31 Dec 2018	As at 31 Dec 2017
	Euro	Euro
i- Capital expenditure that has been contracted for but not provided for in the financial statements	0	0
ii- Capital expenditure that has been approved but not yet contracted for.	138,600	25,600

19. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. RELATED PARTY TRANSACTIONS

The Mtarfa Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Joint Committee for Local Enforcement, Central Regional Committee for Local Enforcement
- iii. No Control – Local Councils Association, Commissioner for Data Protection, Department of Information, Koperattiva Tabelli u Sinjali, Kunsill Malti għall-Ispport, Permanent Secretary Justice Cultural & Local Government, Ufficju Gbir tal-Kera, Housing Authority, Kunsill Nazzjonali tal-Ktieb, Agricultural & Rural Paying Agency, Gozo Channel, Maltapost plc., Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Isla Local Council and WasteServ Malta Limited.

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

	2018	2017
	Euro	Euro
Annual Financial Allocation	264,963	254,075
<u>Key Management Emoluments</u>		
Executive Secretary	30,172	29,049
Mayor's Honoraria	7,464	7,345
Mayor & Councillors' Allowances	6,400	6,772

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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term borrowings. 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.

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2018	2017
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	3,170	1,283
Cash and cash equivalents	<u>210,529</u>	<u>182,799</u>
	<u>213,699</u>	<u>184,082</u>

21. FINANCIAL RISK MANAGEMENT (continued)

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there is a balance of €6,050 (2017 - €3,750) which is past due and which has been provided for.

	2018	2017
	Euro	Euro
0-30 days	2,338	212
31-60 days	699	155
61-90 days	0	0
91-120 days	0	0
121-365 days	0	(57)
Over 365 days	<u>6,055</u>	<u>3,750</u>
	<u>9,092</u>	<u>4,060</u>

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

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

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.

At 31 December 2018, the Council's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	<u>32,788</u>	<u>0</u>	<u>0</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current Within 1 year €	Non-Current 1 to 5 Years €	Non-Current later than 5 years €
Payables	<u>26,172</u>	<u>0</u>	<u>0</u>

**MTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2018 €	2017 €
Current assets		
Loans and receivables:		
Trade and other receivables	3,170	1,283
Cash and cash equivalents	<u>210,529</u>	<u>182,799</u>
	<u>213,699</u>	<u>184,082</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>32,788</u>	<u>26,172</u>
	<u>32,788</u>	<u>26,172</u>