



**L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019**

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**L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019**

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**L-IMTARFA 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: 15 January 2020

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019**

		2019	2018
	Notes	Euro	Euro
REVENUE			
Funds received from Government	3	291,582	312,546
Income raised under Law Enforcement system	4	464	0
Income raised from Bye-Laws	5	164	209
General income	6	20,224	14,305
		-----	-----
		312,434	327,060
		-----	-----
EXPENDITURE			
Personnel emoluments	7	81,540	71,966
Operations and maintenance	8	141,670	119,928
Administration and other expenditure	9	111,534	132,788
		-----	-----
		334,744	324,682
		-----	-----
OPERATING (LOSS)/PROFIT FOR THE YEAR		(22,310)	2,378
Finance Income	10	65	52
(LOSS)/PROFIT FOR THE YEAR		(22,245)	2,430
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The notes on pages 8 to 26 form an integral part of these financial statements

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2019**

		31-Dec-19	31-Dec-18
	Notes	Euro	Euro
ASSETS			
Intangible Assets	11	1,058	1,566
Non-Current Assets			
Property, plant and equipment	11	<u>65,983</u>	<u>82,369</u>
		67,041	83,935
Current Assets			
Inventories	12	4,081	4,452
Trade and other receivables	13	21,145	28,486
Cash and cash equivalents	14	<u>265,315</u>	<u>210,529</u>
Total Current Assets		<u>290,541</u>	<u>243,467</u>
TOTAL ASSETS		<u>357,582</u>	<u>327,402</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>234,175</u>	<u>256,420</u>
Current Liabilities			
Trade and other payables	15	<u>123,407</u>	<u>70,982</u>
Total Current Liabilities		<u>123,407</u>	<u>70,982</u>
TOTAL RESERVES AND LIABILITIES		<u>357,582</u>	<u>327,402</u>

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

These Financial Statements were approved by the Local Council on 15 January 2020 and signed on its behalf by:

Daniel John Attard
Mayor

Josette Micallef
Executive Secretary

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019**

	Retained Funds Euro
At 1 January 2018	253,990
Profit for the year	<u>2,430</u>
At 31 December 2018	<u>256,420</u>
At 1 January 2019	256,420
Loss for the Year	<u>(22,245)</u>
At 31 December 2019	<u>234,175</u>

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

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019**

	Notes	Year 2019 Euro	Year 2018 Euro
(Loss)/Profit for the year		(22,245)	2,430
Reconciliation to cash generated from Operations:			
Depreciation		44,798	65,054
Amortisation		508	466
Provision for Bad Debts		464	2,218
Loss on disposal		230	245
Interest receivable		<u>(65)</u>	<u>(52)</u>
Operating Profit before Working Capital changes		23,690	70,361
Movement in working capital			
(Increase)/Decrease in Inventories		371	(3,514)
(Increase)/Decrease in Trade and other receivables		6,877	(7,610)
Increase/(Decrease) in Trade and Other Payables		<u>52,425</u>	<u>30,892</u>
Net cash inflow from operating activities		<u>83,363</u>	<u>90,129</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(88,250)	(62,451)
Grants		59,608	0
Interest received		<u>65</u>	<u>52</u>
Net cash (outflow) from investing activities		<u>(28,577)</u>	<u>(62,399)</u>
Movement in cash and cash equivalents		54,786	27,730
Cash and cash equivalents at beginning of year		210,529	182,799
Cash and cash equivalents at end of year	14	<u>265,315</u>	<u>210,529</u>

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

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

1. GENERAL INFORMATION

L-Imtarfa Local Council is the local authority of L-Imtarfa incorporated in accordance with the Local Councils Act 1993. The office of the Council is at 'Town Centre', Triq ir-Rigiment Maltin, L-Imtarfa. 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 15 January 2020.

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 2019:

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. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2019.

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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, is effective for financial periods beginning on, or after, 1 January 2019.

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 2019, 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.

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.

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.

**L-IMTARFA 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.

**L-IMTARFA 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.

**L-IMTARFA 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.

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.

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.

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Local Enforcement System

L-Imtarfa 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 Council.

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:

**L-IMTARFA 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 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	279,482	264,963
Other Supplementary Government Income	<u>12,100</u>	<u>47,583</u>
	<u>291,582</u>	<u>312,546</u>

4. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

	1 Jan 2019 - 31 Dec 2019	1 Jan 2018 - 31 Dec 2018
	Euro	Euro
Fines and penalties	<u>464</u>	<u>0</u>
	<u>464</u>	<u>0</u>

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

5. INCOME RAISED FROM BYE-LAWS

	1 Jan 2019 - 31 Dec 2019 Euro	1 Jan 2018 - 31 Dec 2018 Euro
Courses and skip permits	<u>164</u> <u>164</u>	<u>209</u> <u>209</u>

6. GENERAL INCOME

	1 Jan 2019-31 Dec 2019 Euro	1 Jan 2018-31 Dec 2018 Euro
Document/Info. Charges	56	54
Permits	3,366	3,712
Library Services	0	400
Organic Waste Collection	10,766	1,875
Donations & Sponsorships	647	3,215
General Income	5,389	5,049
	<u>20,224</u>	<u>14,305</u>

7. PERSONNEL EMOLUMENTS

	1 Jan 2019-31 Dec 2019 Euro	1 Jan 2018-31 Dec 2018 Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	9,353	7,464
Mayor's and Councillors' Allowances	9,500	6,400
Executive Secretary Salary and Allowances	30,998	30,172
Employees' Salaries	26,242	23,516
Social Security Contributions	5,447	4,414
	<u>81,540</u>	<u>71,966</u>
Average number of people employed		
Employees	3	2
Mayor & Councillors	5	5

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OPERATIONS AND MAINTENANCE EXPENSES

	1 Jan 2019- 31 Dec 2019 Euro	1 Jan 2018- 31 Dec 2018 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Plant & Equipment	452	233
Road/Street Pavements	1,293	1,268
Road signs and markings	2,958	2,971
Council property	5,326	11,320
Office furniture & equipment	972	1,042
Other repairs and upkeep	4,946	2,265
	<u>15,947</u>	<u>19,099</u>
CONTRACTUAL SERVICES		
Refuse collection	20,879	15,617
Tipping Fees	19,351	20,024
Bulky refuse collection	5,096	4,356
Road and street cleaning	16,795	15,120
Cleaning and maintenance public conveniences	5,616	5,608
Cleaning and maintenance parks and gardens	26,500	21,599
Cleaning and maintenance council premises	2,109	2,004
Other Contractual Services	20,922	8,813
Street Lighting and security	8,455	7,469
LES related expenditure	0	219
	<u>125,723</u>	<u>100,829</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>141,670</u>	<u>119,928</u>

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan 2019- 31 Dec 2019	1 Jan 2018-31 Dec 2018
	Euro	Euro
9. ADMINISTRATION AND OTHER EXPENDITURE		
Depreciation	45,306	65,520
Professional Fees	17,642	11,085
Advertising and public relations expenses	2,998	66
Bank charges	194	42
Fuel	146	40
Community services	18,002	24,755
Conference and participation expenses	1,343	4,020
Insurance	1,354	1,298
Library Expenses	1,722	2,043
Staff training	489	586
Postages	202	180
Printing and stationery	5,977	1,424
Publications	371	1,693
Rent	7,331	7,331
Provision for bad debts (others)	0	2,300
Provision for bad debts (LES)	464	(82)
Loss on disposal of assets	230	245
Office Services	2,740	714
Sundry Minor Expenses	332	0
Telecommunications	2,560	2,330
Transport expenses	1,663	1,499
Water and Electricity	468	5,699
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE AND OTHER EXPENSES	111,534	132,788
	<hr/>	<hr/>
	1 Jan 2019- 31 Dec 2019	1 Jan 2018-31 Dec 2018
	Euro	Euro
10. FINANCE INCOME		
Bank Interest	<u>65</u>	<u>52</u>
	<u>65</u>	<u>52</u>

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. INTANGIBLE ASSETS

	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>1,566</u>	<u>1,566</u>
	Computer Software	Total
	€	€
Cost		
At 1 January 2019	2,032	2,032
Additions	0	0
Disposal	<u>0</u>	<u>0</u>
At 31 December 2019	<u>2,032</u>	<u>2,032</u>
Depreciation		
At 1 January 2019	466	466
Charge for the year	508	508
Released on disposal	<u>0</u>	<u>0</u>
At 31 December 2019	<u>974</u>	<u>974</u>
Net Book Value		
At 31 December 2019	<u>1,058</u>	<u>1,058</u>

L-IMTARFA 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 2019	43,901	15,255	9,652	38,068	296,831	13,593	473,314	6,981	8,114	31,291	937,000
Additions	5,668	4,655	0	0	9,934	26,227	4,639	2,389	993	33,745	88,250
Disposals	(37)	(1,037)	(123)	0	(475)	0	0	0	0	0	(1,672)
At 31st December 2019	49,532	18,873	9,529	38,068	306,290	39,820	477,953	9,370	9,107	65,036	1,023,578
Grants											
At 1 January 2019	0	0	0	0	112,480	0	400,968	0	2,300	0	515,748
Transferred during the year	0	2,847	0	0	0	0	0	0	0	56,761	59,608
At 31st December 2019	0	2,847	0	0	112,480	0	400,968	0	2,300	56,761	575,356
Depreciation											
At 1 January 2019	34,603	12,175	8,517	38,068	180,023	13,593	46,418	0	5,486	0	338,883
Charge for the period	1,825	1,379	542	0	10,472	26,227	4,176	0	177	0	44,798
Released on disposal	(37)	(1,037)	(123)	0	(245)	0	0	0	0	0	(1,442)
At 31st December 2019	36,391	12,517	8,936	38,068	190,250	39,820	50,594	0	5,663	0	382,239
Net Book Value											
At 31st December 2019	13,141	3,509	593	0	3,560	0	26,391	9,370	1,144	8,275	65,983

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
11b. PROPERTY, PLANT AND EQUIPMENT(cont...)

	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

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

12. INVENTORIES

	As at 31 December 2019	As at 31 December 2018
Books and other publications	<u>4,081</u>	<u>4,452</u>

13. TRADE AND OTHER RECEIVABLES

	2019 Euro	2018 Euro
Amount invoiced but not yet settled	12,977	9,092
Provision for Bad Debts (General)	(6,050)	(6,050)
Law Enforcement System Debtors	37,649	37,185
Provision for Bad LES Debts	(37,649)	(37,185)
Other debtors	0	128
Deposit Payments	0	0
Prepayments	6,566	7,267
Accrued income	7,652	18,049
	<u>21,145</u>	<u>28,486</u>

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

Trade debtors are analysed as follows:

Within credit period	2,515	3,037
Exceeded credit period (past due) but not impaired	4,412	5
Exceeded credit period (past due) and impaired	6,050	6,050
	<u>12,977</u>	<u>9,092</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:

	2019 Euro	2018 Euro
Petty cash and cash in hand	153	579
Bank balances		
- BOV current account	723	23,179
- BOV savings accounts	264,439	186,771
Cash and Cash Equivalent in Statement of Financial Position	<u>265,315</u>	<u>210,529</u>

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

15. TRADE AND OTHER PAYABLES

	2019	2018
	Euro	Euro
Payables	46,550	32,788
Other Creditors	3,217	932
Accruals	23,319	36,634
Deferred Income	<u>50,321</u>	<u>628</u>
	<u>123,407</u>	<u>70,982</u>

Trade Payables are analysed as follows:

	2019	2018
	Euro	Euro
Within credit period	34,579	32,788
Exceeded credit period	<u>11,971</u>	<u>0</u>
	<u>46,550</u>	<u>32,788</u>

Accruals include estimates for goods and services received prior to 31 December 2019 and for which invoices have not yet been received by the Local Council.

16. CONTINGENT LIABILITIES

The Council has no contingent liabilities as at 31st December 2019.

17. CAPITAL COMMITMENTS

	As at 31 Dec 2019	As at 31 Dec 2018
	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.	142,000	138,600

18. 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.

**L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

19. 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 ghall-Isport, Permanent Secretary Justice Cultural & Local Government, Ufficcju 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:

	2019	2018
	Euro	Euro
Annual Financial Allocation	279,482	264,963
<u>Key Management Emoluments</u>		
Executive Secretary	30,998	30,172
Mayor's Honoraria	9,353	7,464
Mayor & Councillors' Allowances	9,500	6,400

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.

**L-IMTARFA 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:

	2019	2018
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	6,927	3,170
Cash and cash equivalents	<u>265,315</u>	<u>210,529</u>
	<u>272,242</u>	<u>213,699</u>

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 (2018 - €6,050) which is past due and which has been provided for.

	2019	2018
	Euro	Euro
0-30 days	1,560	2,338
31-60 days	955	699
61-90 days	931	0
91-120 days	903	0
121-365 days	0	0
Over 365 days	<u>8,628</u>	<u>6,055</u>
	<u>12,977</u>	<u>9,092</u>

**L-IMTARFA 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 2019, 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>46,550</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>32,788</u>	<u>0</u>	<u>0</u>

**L-IMTARFA 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:

	2019	2018
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	6,927	3,170
Cash and cash equivalents	<u>265,315</u>	<u>210,529</u>
	<u>272,242</u>	<u>213,699</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>46,550</u>	<u>32,788</u>
	<u>46,550</u>	<u>32,788</u>