

SANTA LUCIJA LOCAL COUNCIL

Report and Financial Statements

For the year ended 31 December 2019

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Obo Dconsulta Ltd,*

April 2020

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SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
For the year ended 31 December 2019

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's statement of comprehensive income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 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 ensure that an appropriate system of internal control is in operation, to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible to provide reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993.

This statement was approved by the Council on Monday 25th May 2020 and signed on its behalf by:



Charmaine St. John
Mayor



Caroline Silvio
Executive Secretary

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

		Year Ended	Year Ended
	Notes	2019	2018
		€	€
Income			
Funds received from Central Government	4	369,878	343,086
Income from Local Enforcement System	5	2,119	3,687
Income raised under Byelaws	6	1,278	2,028
General Income	7	47,033	34,311
		<u>420,308</u>	<u>383,112</u>
Expenditure			
Personnel emoluments	8	114,518	102,309
Operations and maintenance	9	159,450	122,538
Administrative and other expenditure	10	168,281	171,170
		<u>442,249</u>	<u>396,017</u>
Operating Deficit for the year		<u>(21,941)</u>	<u>(12,905)</u>
Investment income	11	25	25
Finance costs	11	(74)	(99)
		<u>(49)</u>	<u>(74)</u>
Deficit for the year	3	<u>(21,990)</u>	<u>(12,979)</u>
Total comprehensive expense		<u>(21,990)</u>	<u>(12,979)</u>

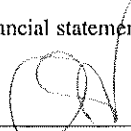
The notes on pages 6 to 25 form an integral part of these financial statements

SANTA LUCIJA LOCAL COUNCIL

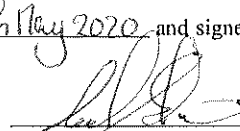
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	Year Ended 2019 €	Year Ended 2018 €
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	207,111	268,679
Deferred expenditure		10,421	10,421
		<u>217,532</u>	<u>279,100</u>
<i>Current Assets</i>			
Inventories	13	4,230	4,357
Trade and other receivables	14	27,634	19,516
Cash and cash equivalents	15	229,911	213,742
		<u>261,775</u>	<u>237,615</u>
Total assets		<u>479,307</u>	<u>516,715</u>
Reserves and liabilities			
<i>Reserves</i>			
Retained funds		359,903	381,893
<i>Non-current liabilities</i>			
Trade and other payables	17	25,876	42,374
		<u>25,876</u>	<u>42,374</u>
<i>Current liabilities</i>			
Trade and other payables	17	93,528	92,448
		<u>93,528</u>	<u>95,448</u>
Total liabilities		<u>119,404</u>	<u>134,822</u>
Total reserves and liabilities		<u>479,307</u>	<u>516,715</u>

The financial statements were approved by the Council on 25th May 2020 and signed on its behalf by:



Charmaine St. John
Mayor



Caroline Silvio
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Funds €	Total Funds €
At 1 January 2018	394,872	394,872
Deficit for the year	(12,979)	(12,979)
Other comprehensive income	-	-
Total comprehensive expense	(12,979)	(12,979)
At 31 December 2018	381,893	381,893
At 1 January 2019	381,893	381,893
Deficit for the year	(21,990)	(21,990)
Other comprehensive income	-	-
Total comprehensive expense	(21,990)	(21,990)
At 31 December 2019	359,903	359,903
Equity Interest	359,903	359,903

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019	2018
		€	€
Cash flows from operating activities			
(Deficit) for the year		(21,990)	(12,979)
<i>Adjustments for:</i>			
Depreciation		84,353	94,590
Provision for doubtful debts		5,228	-
Interest payable		74	99
Interest receivable		(25)	(25)
Operating Surplus before working capital changes		<u>67,640</u>	<u>81,685</u>
<i>Movements in working capital:</i>			
Movement in inventories		(127)	(47)
Movement in trade and other receivables		(13,346)	13,710
Movement in trade and other payables		(4,939)	4,562
Net cash flows from operating activities		<u>49,228</u>	<u>99,910</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(109,294)	(23,156)
Interest paid		(74)	(99)
Interest received		25	42
Net cash flows from investing activities		<u>(109,343)</u>	<u>(23,213)</u>
Cash flows from financing activities			
Grants received		76,284	-
Bank loan repayment		-	(2,086)
Net cash flows from financing activities		<u>76,284</u>	<u>(2,086)</u>
Net movement in cash and cash equivalents		16,169	74,611
Cash and cash equivalents at beginning of year		<u>213,742</u>	<u>139,131</u>
Cash and equivalents at end of year	15	<u><u>229,911</u></u>	<u><u>213,742</u></u>

The notes on pages 6 to 25 form an integral part of these financial statements.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General Information

The Santa Lucija Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at 5/6, Binja tal-Faqqani, Trejjet il-Girasol, Santa Lucija SLC 1050, Malta. These financial statements were approved for issue by the Council Members on 25-05-2020. The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Ministry of Justice, Culture and Local Government (MJCL).

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, 1993 (Chap. 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, 1993 (Cap 363).

Fair value measurements

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

New and revised standards that are effective for the current period

In the current year, the Local Council has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had no material impact on the financial position and financial performance of the entity.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while entities usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The Local Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the Local Council.

Leases

The Local Council as lessee

The Local Council assesses whether a contract is or contains a lease, at inception of the contract. The Local Council recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Local Council recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Local Council uses its incremental borrowing rate.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Leases - continue

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Local Council remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statement of financial position. The Local Council applies IAS 36 to determine whether a right-of-use asset is impaired.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the **straight-line method of depreciation** at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Computer Equipment	25
Motor Vehicles	20
Plant and Machinery	20
Road/Street Signs	Replacement basis
Litter Bins	Replacement basis
Playground Equipment	100
Street Lighting	100
Street Mirrors	Replacement basis
Plants	100

Up to the year ending 31st December 2017, depreciation was calculated using the reducing balance method. The change in the depreciation method has been affected 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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Property, plant and equipment - continued

Impairment of property, plant and equipment

At the end of each reporting year, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Impairment of financial assets other than inventories

At the end of each reporting year, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a re-valued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner, that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a re-valued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 purpose of the Statement of Cash flows, cash and cash equivalents comprise cash in hand and balances held at banks.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24 – 'Related Party Disclosure.'

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Government grants – continued

Up to the year ended 31st 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 1st January 2018, the capital approach, according to IAS 20, 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 IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," it has been accounted for retrospectively.

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in statement of comprehensive income in the year in which they become receivable.

Financial instruments

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

Financial assets are de-recognised 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.

Financial liabilities are de-recognised when they are extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. Financial assets and financial liabilities are measured subsequently as described below:

Financial assets

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

Loans and 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.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Financial instruments - continued

Loans and receivables

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 company's trade receivables and cash and cash equivalents 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counter party default rates for identified group. Impairment of 'trade receivables' is presented within 'other expenses'.

Financial liabilities

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

Foreign currencies

Functional and presentation currency

These financial statements are presented in Euro (€), which is the Local Council's functional and presentation currency. In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Total Comprehensive Income for the period in which they are incurred.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

2. Accounting Policies and Reporting Procedures - continued

Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting year, except as disclosed in Note 23, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. (Deficit) for the year

(Deficit) for the year is stated after charging:

	2019	2018
	€	€
Personnel Emoluments (Note 8)	114,518	102,309
Depreciation on property, plant and equipment (Note 12)	84,353	94,590

4. Funds Received from Central Government

	2019	2018
	€	€
In terms of section 55 of the Local Councils Act, 1993	353,142	334,797
Other supplementary government income	1,041	1,486
Other government income	15,695	6,803

5. Income from Local Enforcement System

	2019	2018
	€	€
Contraventions - note (i)	2,119	3,687

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

- The recording of income from contraventions, up to the 31 August 2011, was based on cash received from the Joint Committee.
- As from the 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Nofsinhar'. The Council's income from the Local Enforcement System therefore started reflecting two revenue streams as of that date. The revenue streams are as follows:
 - a) Receipts of funds from the Joint Committee up to the 31 August 2011;
 - b) 10% on the contraventions accruing to all Regional Committees that were settled at the Council's cash point.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Income raised under Bye-Laws

	2019	2018
	€	€
Contributions	1,278	2,028
	<u>1,278</u>	<u>2,028</u>

7. General Income

	2019	2018
	€	€
Community services	-	6,195
Permits	812	1,080
Other General income	46,221	2,036
EU Funds	-	25,000
	<u>47,033</u>	<u>34,311</u>

8. Personnel Emoluments

	2019	2018
	€	€
<i>Personnel emoluments include:</i>		
Mayor's Honoraria	10,029	7,464
Council Members' Allowance	8,522	6,400
Executive Secretary's Salary	30,575	30,069
Employees' Salaries	58,361	51,676
Social Security Contributions	7,031	6,700
	<u>114,518</u>	<u>102,309</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

9. Operations and Maintenance

	2019	2018
	€	€
<i>Operations and maintenance includes:</i>		
Repairs and Upkeep		
Road Markings & signs	1,916	1,872
Other Repairs & Upkeep	39,123	16,418
Council Property	47	1,278
	<u>41,086</u>	<u>19,568</u>
Contractual Services		
Waste Disposal	7,487	12,366
Refuse Collection	28,060	23,404
Bulky Refuse Collection	16,233	8,906
Open Skips	-	103
Road and Street Cleaning	13,499	14,795
Cleaning and Maintenance – Parks and Gardens	24,832	25,110
Cleaning and Maintenance – Public Conveniences	10,939	1,101
Cleaning and Maintenance – non-urban	-	270
Cleaning Council Premises	3,080	3,623
Studies & Consultations	1,050	1,050
Street Lighting	10,920	10,489
Other Contractual Service	2,264	1,753
	<u>118,364</u>	<u>102,970</u>
Total Operations and Maintenance	<u>159,450</u>	<u>122,538</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. Administrative and Other Expenses

	2019	2018
	€	€
Utilities	8,150	8,786
Operating Materials & Supplies	9,468	4,527
Uniforms	693	-
Conference and participation expenses	2,051	481
EU Funding expenses	-	18,646
Office Services	4,976	4,244
Transport expenses	976	839
Training expenses	40	35
Travelling expenses	3,614	1,719
Insurance Coverage	1,752	1,583
Bank Charges	185	139
Information services	1,587	614
Library expenses	-	371
Professional services (<i>incl. other support services</i>)	14,120	11,937
ICT expenses	8,604	7,497
Community Services and Social Events	15,728	9,307
Sundry Minor Expenses	195	108
Rent	6,561	5,747
Provision for doubtful debts	5,228	-
Depreciation	84,353	94,590
	<u>168,281</u>	<u>171,170</u>

11. Finance Income and cost

11.1 Investment Income

	2019	2018
	€	€
Bank interest receivable	<u>25</u>	<u>25</u>

11.2 Finance costs

	2019	2018
	€	€
Loan and bank interest paid	<u>74</u>	<u>99</u>

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. Property, plant and equipment

	Council Premises €	Construction Works & Special Programmes €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Office & Computer Equipment €	Plant & machinery €	Street Paving €	Total €
Cost									
At 1 January 2019	31,447	838,854	40,070	19,722	98,154	46,004	25,969	121,395	1,221,615
Additions	-	87,589	1,930	-	-	2,537	740	-	92,796
At 31 December 2019	31,447	926,443	42,000	19,722	98,154	48,541	26,709	121,395	1,314,411
Grants									
At 1 January 2019	-	311,363	-	-	-	5,733	4,700	-	321,796
Additions	-	70,011	-	-	-	-	-	-	70,011
At 31 December 2019	-	381,374	-	-	-	5,733	4,700	-	391,807
Depreciation									
At 1 January 2019	6,356	347,390	24,596	19,722	72,550	36,008	20,300	104,218	631,140
Charge for the year	3,145	53,032	3,145	-	9,814	2,561	517	12,139	84,355
At 31 December 2019	9,501	400,422	27,741	19,722	82,364	38,569	20,817	116,357	715,493
N.B.V. at 31 December 2019	21,946	144,647	14,259	-	15,790	4,239	1,192	5,038	207,111

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

12. Property, plant and equipment – continued

	Council Premises	Construction Works & Special Programmes	Office Furniture & Fittings	New Street Signs	Urban Improvement	Office & Computer Equipment	Plant & machinery	Street Paving	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2018	31,447	838,854	37,325	19,722	98,154	40,725	25,334	121,395	1,212,956
Additions	-	-	2,745	-	-	5,279	635	-	8,659
At 31 December 2018	31,447	838,854	40,070	19,722	98,154	46,004	25,969	121,395	1,221,615
Grants									
At 1 January 2018	-	311,363	-	-	-	3,733	4,700	-	319,796
Additions	-	-	-	-	-	2,000	-	-	2,000
At 31 December 2018	-	311,363	-	-	-	5,733	4,700	-	321,796
Depreciation									
At 1 January 2018	3,211	294,652	21,676	19,722	62,736	26,322	16,152	92,079	536,550
Charge for the year	3,145	52,738	2,920	-	9,814	9,686	4,148	12,139	94,590
At 31 December 2018	6,356	347,390	24,596	19,722	72,550	36,008	20,300	104,218	631,140
N.E.V. at 31 December 2018	25,091	180,101	15,474	-	25,604	4,263	969	17,177	268,679

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Inventories

Inventories consist of books and souvenirs held by the council at the end of the year.

14. Trade and Other Receivables

	2019	2018
	€	€
Falling due within One Year		
LES and trade receivables (i)	87,226	78,415
Provision for doubtful debts	(77,987)	(72,759)
	<u>9,239</u>	<u>5,656</u>
Other receivables	4,066	116
Prepayments	-	1,032
Accrued income	<u>14,329</u>	<u>12,712</u>
	<u>27,634</u>	<u>19,516</u>

- (i) LES debtors amount to €70,659. As these are all older than 2 years, the full amount has been provided for. Trade receivables are net of a provision for doubtful debts amounting to €2,100 for an amount due from Green MT.

15. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of financial position:

	2019	2018
	€	€
Petty cash	5	88
Bank balances - Current accounts	179,906	163,654
Bank balances – Term deposits	<u>50,000</u>	<u>50,000</u>
	<u>229,911</u>	<u>213,742</u>

16. Deferred Income

As explained in Note 2 – Accounting policies and reporting procedures on Government Grants, as from 01 January 2018, reporting of grants have been changed from Income approach to Capital approach and government grants related to the purchase of property, plant and equipment are deducted from the carrying amount of the relative non-current asset. Therefore, in financial statements no deferred income is reported. Since this is a change in accounting policy according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Trade and Other Payables

	2019	2018
	€	€
<i>Amounts falling due within one year:</i>		
Trade payables	12,043	15,419
Other payables	6,273	-
Accruals for capital creditors (i)	16,498	16,498
Accruals	29,144	26,673
Deferred Income: Pre-financing for projects	29,570	33,858
	<u>93,528</u>	<u>92,448</u>
<i>Amounts falling due after more than one year:</i>		
Long term capital creditors (ii)	25,876	42,374

- (i) Short-term accrual for capital creditor represents the amount payable to contractors for resurfacing works carried out at Triq Inez Soler, Triq Gulietta Lopez and Triq il-Gnien under the PPP scheme.
- (ii) Other amounts due relating to the project mentioned in (i) above which are now completed, amounts to €25,876 which are payable over a period of three (3) years and this amount is disclosed under Long Term payables.

18. Capital commitments

	2019	2018
	€	€
<i>Details of capital commitments at the accounting date are as follows:</i>		
(i) Approved but not yet contracted for	87,420	98,690
(ii) Contracted for and provided in the financial statements (see note below)	42,374	58,872

- (i) The amounts approved but not yet contracted includes a project for an Irrigation system which will be 85% as per Circular SPI/07/2019 and Safety flooring and fencing in playing field and basketball pitch which will also be 100% funded from Regional funds – a total of €37,420. Other commitments include a project entitled “Sebbah il- Lokalita” with a total commitment of €50,000.
- (ii) The amounts contracted for and provided in financial statements related to commitments for road resurfacing works carried out in Triq Gulietta Lopez and Triq il-Gnien. These works form part of the PPP programme to be repayable over a period of nine (9) years and have been completed during 2015.

SANTA LUCIJA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

19. Contingent liabilities

As at 31 December 2019, the end of the reporting year, Santa Lucija Local council has no pending court cases and/or litigation which might result in a future contingent liability.

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Santa Lucija Local council is the Local Councils Department within the Ministry of Justice, Culture and Local Government (MJCL).

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Santa Lucija Local council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

During the year under review the Council carried out the following significant transactions with its related parties having significant control.

Name of Entity	2019	2018
	€	€
Department of Local Government – Annual Financial Allocation	<u>353,142</u>	<u>334,797</u>

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

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

SANTA LUCIJA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. Financial Risk Management - continued

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

At 31 December 2019 and 31 December 2018, there were no contractual maturities on the financial liabilities of the Council. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Interest Rate risk

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Capital management

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

22. Events after the reporting date

Subsequent to year end, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, and communities. The Local Council Members' and Executive Secretary are monitoring the situation and taking action to safeguard the interests of the Local Council. To date the Local Council is operating as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements - 25-05-2020 by the council members.

SANTA LUCIJA LOCAL COUNCIL

REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SANTA LUCIJA LOCAL COUNCIL TO THE DIRECTOR OF AUDIT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santa Lucija Local Council which comprise the Statement of Financial Position as at 31 December 2019, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the statement of financial position of Santa Lucija Local Council as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity 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 opinion.

Responsibilities of the Executive Secretary

The Executive Secretary is 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 the Executive Secretary determines are 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 Executive Secretary is responsible for assessing the entity'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 entity is intended to be liquidated or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

**SANTA LUCIJA LOCAL COUNCIL
REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE SANTA LUCIJA LOCAL
COUNCIL TO THE DIRECTOR OF AUDIT**


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures.



Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

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Date: 25 May 2020