



**NAXXAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019**

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**NAXXAR LOCAL COUNCIL
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For the year ended 31 December 2019**

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**NAXXAR 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.

This statement was approved by the Local Council on the _____ 2020 and signed on its behalf by:

Anne Marie Muscat Fenech Adami
Mayor

Paul Gatt
Executive Secretary

Date: _____ 2020

NAXXAR LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

| | | 2019 | 2018 |
|--|-------|--------------------|--------------------|
| | Notes | Euro | Euro |
| INCOME | | | |
| Funds received from Central Government | 3 | 1,167,423 | 1,043,333 |
| Income raised under Local Council Bye-Laws | 4 | 11,278 | 10,491 |
| Income raised under Local Enforcement System | 5 | 9,666 | 10,760 |
| General income | 6 | <u>70,513</u> | <u>122,224</u> |
| | | <u>1,258,880</u> | <u>1,186,808</u> |
| EXPENDITURE | | | |
| Personal emoluments | 7 | (196,654) | (185,149) |
| Operations and maintenance expenses | 8 | (741,392) | (497,460) |
| Administration and other expenditure | 9 | <u>(485,251)</u> | <u>(796,756)</u> |
| | | <u>(1,423,297)</u> | <u>(1,479,365)</u> |
| OPERATING (LOSS) FOR THE YEAR | | (164,417) | (292,557) |
| Finance income | 10 | <u>59</u> | <u>1,022</u> |
| (LOSS) FOR THE YEAR | | <u>(164,358)</u> | <u>(291,535)</u> |

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

**NAXXAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019**

| | Notes | 2019 | 2018 |
|---------------------------------------|-------|------------------|------------------|
| | | Euro | Euro |
| ASSETS | | | |
| Intangible Assets | 11 | 0 | 22,881 |
| Non-Current Assets | | | |
| Property, plant and equipment | 12 | <u>1,126,282</u> | <u>922,630</u> |
| | | <u>1,126,282</u> | <u>945,511</u> |
| Current Assets | | | |
| Inventories | 13 | 7,795 | 8,946 |
| Trade and other receivables | 14 | 92,529 | 70,559 |
| Cash and cash equivalents | 15 | <u>882,535</u> | <u>1,112,042</u> |
| Total Current Assets | | <u>982,859</u> | <u>1,191,547</u> |
| TOTAL ASSETS | | <u>2,109,141</u> | <u>2,137,058</u> |
| RESERVES AND LIABILITIES | | | |
| Reserves | | | |
| Retained earnings | | <u>1,674,931</u> | <u>1,839,289</u> |
| Total equity | | <u>1,674,931</u> | <u>1,839,289</u> |
| Current Liabilities | | | |
| Trade and other payables | 16 | <u>434,210</u> | <u>297,769</u> |
| Total Current Liabilities | | <u>434,210</u> | <u>297,769</u> |
| TOTAL RESERVES AND LIABILITIES | | <u>2,109,141</u> | <u>2,137,058</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 the _____ 2020
and signed on its behalf by:

Anne Marie Muscat Fenech Adami
Mayor

Paul Gatt
Executive Secretary

NAXXAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

| | Retained Funds Euro |
|---------------------|---------------------------|
| At 1 January 2018 | 2,130,824 |
| Loss for the year | <u>(291,535)</u> |
| At 31 December 2018 | <u>1,839,289</u> |
| At 1 January 2019 | 1,839,289 |
| Loss for the year | <u>(164,358)</u> |
| At 31 December 2019 | <u>1,674,931</u> |

NAXXAR LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year 1 January to 31 December 2019

| | | 2019 | | 2018 | |
|--|------|---------------|------------------|----------------|------------------|
| | Note | € | € | € | € |
| (Loss) for the year | | (164,358) | | (291,535) | |
| Adjustments for: | | | | | |
| Depreciation | | 250,764 | | 554,101 | |
| Amortisation | | 22,881 | | 29,095 | |
| Interest receivable | | <u>(59)</u> | | <u>(1,022)</u> | |
| Operating Profit before working capital changes | | 109,228 | | 290,639 | |
| Decrease/(Increase) in Inventories | | 1,151 | | (7,436) | |
| (Increase) in Receivables | | (21,970) | | (17,944) | |
| Increase in Payables | | <u>79,089</u> | | <u>79,397</u> | |
| Cash generated from operating activities | | | 167,498 | | 344,656 |
| Cash flows from investing activities | | | | | |
| Interest received | | 59 | | 1,022 | |
| Purchase of property, plant and equipment | | (454,416) | | (398,430) | |
| Grants received | | <u>57,352</u> | | <u>0</u> | |
| Cash (used in) investing activities | | | <u>(397,005)</u> | | <u>(397,408)</u> |
| Net (Decrease) in cash in the year | | | (229,507) | | (52,752) |
| Cash and cash equivalents at the beginning of the year | | | 1,112,042 | | 1,164,794 |
| Cash and cash equivalents at end of year | 15 | | <u>882,535</u> | | <u>1,112,042</u> |

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2019

1. GENERAL INFORMATION

Naxxar Local Council is the local authority of Naxxar, setup in accordance with the Local Councils Act 1993. The office of the Council is situated at Civic Centre, 21st September Avenue, Naxxar, NXR 1018. The Local Council's presentation as well as the functional currency are denominated in €. The financial statements were authorised for issue by the Council on the _____ 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

In the current year, the Council has applied IFRS 16 'Leases' which 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 to 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 lease guidance of IAS 17 and the related interpretations.

The Council did not apply IFRS 16 as amounts are not material.

**NAXXAR 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 | 1.0-1.12 |
| Office Furniture and Fittings | 7.5-66.68 |
| Construction works | 10.0-34.29 |
| Urban Improvements (street furniture) | 10.0-10.34 |
| Special Programs (Projects) | 10.0-34.29 |
| Office Equipment | 20.0-66.68 |
| 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 | Replacement Basis |
| Street Lights | 100.0 |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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

Accounting policy applicable from 1 January 2019

As from 1 January 2019, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the council assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the council
- the council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the council has the right to direct the use of the identified asset throughout the period of use. The council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases

At lease commencement date, the council recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before 1 January 2019

The council's leases were classified as operating leases. Lease classification was made at the inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, were recognized as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Income and Expenditure.

Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. 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 release 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.

Functional and presentation currency

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.

Inventories

Inventories are valued 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.

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

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

Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Local Enforcement System

Naxxar Local Council formed part of the North Joint Committee from September 2002 until August 2011. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, together with penalties issued for Pre-Pooling Debtors. As from September 2011, the Naxxar Local Council now forms part of the North Region for Local Enforcement. As from September 2011, the Naxxar Local Council receives 10% administrative fees on fines collected.

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:

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial Assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a 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.

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|--|-------------------------|-------------------------|
| In terms of Section 55 of the Local Councils Act, 1993 | 1,053,804 | 999,061 |
| Supplementary Government Income | - | 44,674 |
| Other Government Income | <u>113,619</u> | <u>(402)</u> |
| | <u>1,167,423</u> | <u>1,043,333</u> |

4. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|--|-------------------------|-------------------------|
| Media Advertising | 180 | 122 |
| Income from skip permits | 1,859 | 3,420 |
| Community services incl. Organisation of Courses | 6,947 | 4,600 |
| Signs | <u>2,292</u> | <u>2,349</u> |
| | <u>11,278</u> | <u>10,491</u> |

5. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|----------------------------------|-------------------------|-------------------------|
| Contraventions and Other fines | 1,674 | 558 |
| Admin fee re Regional Committees | <u>7,992</u> | <u>10,202</u> |
| | <u>9,666</u> | <u>10,760</u> |

6. GENERAL INCOME

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|---|-------------------------|-------------------------|
| Cultural Events | - | 8,900 |
| EU Funded Projects | - | 22,920 |
| Football Ground Hire | 728 | 56 |
| Hire of Council Hall | 168 | 280 |
| General Income | 258 | 4,228 |
| Tables and chairs | 2,109 | 2,271 |
| Tender Documents/Info. Charges | 56 | 481 |
| Crane permits and use of roads | 66,415 | 60,642 |
| Contributions and Donations | 779 | 16,396 |
| Admin fee re Collection of Recyclable waste | <u>0</u> | <u>6,050</u> |
| | <u>70,513</u> | <u>122,224</u> |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

| | 2019 | 2018 |
|--|----------------|----------------|
| | Jan-Dec | Jan-Dec |
| | Euro | Euro |
| Personal Emoluments include, <i>inter alia</i> | | |
| Mayor's Honoraria | 13,698 | 11,196 |
| Councillors' Allowances | 16,900 | 11,200 |
| Executive Secretary Salary and Allowances | 35,095 | 34,188 |
| Employees' Salaries | 118,193 | 115,687 |
| Social Security Contributions | <u>12,768</u> | <u>12,878</u> |
| | <u>196,654</u> | <u>185,149</u> |
| Average number of people employed | | |
| Employees | 7 | 7 |
| Mayor & Councillors | 9 | 9 |

8. OPERATIONS AND MAINTENANCE EXPENSES

| | 2019 | 2018 |
|--|----------------|----------------|
| | Jan-Dec | Jan-Dec |
| | Euro | Euro |
| Operations and maintenance includes, <i>inter alia</i> | | |
| REPAIRS AND UPKEEP | | |
| Repairs to Public Property | 2,886 | 9,308 |
| Road/Street pavements | 67,153 | 15,728 |
| Signs | 6,355 | 6,297 |
| Road Markings | 0 | 4,708 |
| Office furniture & equipment | 451 | 112 |
| Litter Bins | 2,815 | 2,169 |
| Other repairs & Upkeep | 6,168 | 153 |
| Council Property | <u>3,067</u> | <u>4,098</u> |
| | <u>88,895</u> | <u>42,573</u> |
| CONTRACTUAL SERVICES | | |
| Refuse collection | 222,128 | 89,966 |
| Bulky refuse collection | 22,870 | 12,289 |
| Separated Waste Collection | 136,690 | 133,794 |
| Open Skips | 295 | 779 |
| Road & Street Cleaning | 135,377 | 116,292 |
| Cleaning and maintenance Non-Urban | 17,764 | 16,839 |
| Cleaning and maintenance Public Conveniences | 14,754 | 8,945 |
| Cleaning Council Premises | 8,760 | 3,948 |
| Cleaning and maintenance Parks & Gardens | 61,236 | 47,406 |
| Street Lighting | 19,521 | 24,333 |
| Circular bus service | 12,865 | - |
| Lease of Equipment | - | 13 |
| LES related expenditure | <u>237</u> | <u>283</u> |
| | <u>652,497</u> | <u>454,887</u> |
| TOTAL OPERATIONS AND MAINTENANCE EXPENSES | <u>741,392</u> | <u>497,460</u> |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|--|-------------------------|-------------------------|
| 9. ADMINISTRATIVE AND OTHER EXPENDITURE | | |
| Utilities | 16,814 | 15,167 |
| Other repairs & Upkeep | 5,011 | 5,331 |
| Rent | 2,944 | 1,782 |
| National and International Memberships | 3,749 | 1,977 |
| Office Services | 5,623 | 4,960 |
| Transport | 4,648 | 4,096 |
| Information Services | 15,789 | 9,278 |
| Insurance Coverage | 1,779 | 2,287 |
| Bank Charges | 133 | 37 |
| Professional Services | 83,799 | 76,307 |
| Penalty Interest | - | 244 |
| Tuition for courses and expenses | 10,510 | 8,167 |
| Conference Expenses | 3,148 | 1,594 |
| Visits – Foreign Delegations | 688 | 11,637 |
| Other Hospitality Costs | 936 | 65 |
| Annual General Meeting | - | 227 |
| Social Events | 841 | 8,202 |
| Travelling Expenses | 11,248 | 22,364 |
| Cultural Events | 16,784 | 19,699 |
| Christmas Lighting & Decorations | 25,871 | 17,315 |
| Sundry Minor Expenses | 364 | 2,825 |
| Staff training and uniforms | 927 | - |
| Depreciation and amortisation | <u>273,645</u> | <u>583,195</u> |
| | <u>485,251</u> | <u>796,756</u> |
| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
| 10. FINANCE INCOME | | |
| Bank Interest Receivable | <u>59</u> | <u>1,022</u> |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

| | Software |
|------------------------------|----------------------|
| | € |
| Cost | |
| At 1 January 2018 | 233,617 |
| Additions | <u>0</u> |
| At 31st December 2018 | <u>233,617</u> |
| Grants | |
| At 1 January 2018 | 192,373 |
| Additions | <u>0</u> |
| At 31st December 2018 | <u>192,373</u> |
| Depreciation | |
| At 1 January 2018 | (10,732) |
| Charge for the year | <u>29,095</u> |
| At 31st December 2018 | <u>18,363</u> |
| Net Book Value | |
| At 31st December 2018 | <u>22,881</u> |

| | Software |
|------------------------------|-----------------|
| | € |
| Cost | |
| At 1 January 2019 | 233,617 |
| Additions | <u>0</u> |
| At 31st December 2019 | <u>233,617</u> |
| Grants | |
| At 1 January 2019 | 192,373 |
| Additions | <u>0</u> |
| At 31st December 2019 | <u>192,373</u> |
| Depreciation | |
| At 1 January 2019 | 18,363 |
| Charge for the year | <u>22,881</u> |
| At 31st December 2019 | <u>41,244</u> |
| Net Book Value | |
| At 31st December 2019 | <u>0</u> |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. PROPERTY, PLANT AND EQUIPMENT

| | Assets under | Street Signs & Lights | Urban Improvements & Construction | Plant, machinery & equipment | Office Furniture & fittings | Trees | Motor Vehicles | Special Programmes | Total | |
|---------------------------|-----------------|--------------------------------|--|------------------------------------|-----------------------------------|--------|-------------------|-----------------------|-----------|-----------|
| | Property € | Construction € | € | € | € | € | € | € | € | |
| Cost | | | | | | | | | | |
| At 1 January 2019 | 23,296 | 53,332 | 20,827 | 679,477 | 68,561 | 52,097 | 68,732 | 9,507 | 3,520,437 | 4,496,266 |
| Additions/Capitalisations | 257,250 | 12,730 | 110,255 | 71,266 | 667 | 950 | 0 | 1,298 | 0 | 454,416 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals/Capitalisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st December 2019 | 280,546 | 66,062 | 131,082 | 750,743 | 69,228 | 53,047 | 68,732 | 10,805 | 3,520,437 | 4,950,682 |
| Grants | | | | | | | | | | |
| At 1 January 2019 | 0 | 0 | 0 | 0 | 14,818 | 2,700 | 0 | 0 | 1,292,097 | 1,309,615 |
| Transferred | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st December 2019 | 0 | 0 | 0 | 0 | 14,818 | 2,700 | 0 | 0 | 1,292,097 | 1,309,615 |
| Depreciation | | | | | | | | | | |
| At 1 January 2019 | 2,563 | 0 | 13,040 | 441,059 | 42,557 | 38,720 | 0 | 158 | 1,725,924 | 2,264,021 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charge for the year | 1,950 | 0 | 118,042 | 12,703 | 3,617 | 2,004 | 0 | 2,161 | 110,287 | 250,764 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st December 2019 | 4,513 | 0 | 131,082 | 453,762 | 46,174 | 40,724 | 0 | 2,319 | 1,836,211 | 2,514,785 |
| Net Book Value | | | | | | | | | | |
| At 31st December 2019 | 276,033 | 66,062 | 0 | 296,981 | 8,236 | 9,623 | 68,732 | 8,486 | 392,129 | 1,126,282 |

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

| | Assets under Property € | Construction € | Street Signs & Lights € | Urban Improvements & Construction € | Plant, machinery & equipment € | Office Furniture & fittings € | Trees € | Motor Vehicles € | Special Programmes € | Total € |
|---------------------------|----------------------------------|-------------------|-------------------------------------|---|---|--|------------|------------------------|----------------------------|------------|
| Cost | | | | | | | | | | |
| At 1 January 2018 | 23,296 | 52,754 | 11,138 | 529,241 | 57,120 | 49,511 | 60,760 | 0 | 3,314,016 | 4,097,836 |
| Additions/Capitalisations | 0 | 578 | 9,689 | 150,236 | 11,441 | 2,586 | 7,972 | 9,507 | 206,421 | 398,430 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| Disposals/Capitalisations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| At 31st December 2018 | 23,296 | 53,332 | 20,827 | 679,477 | 68,561 | 52,097 | 68,732 | 9,507 | 3,520,437 | 4,496,266 |
| Grants | | | | | | | | | | |
| At 1 January 2018 | 0 | 0 | 0 | 0 | 14,818 | 2,700 | 0 | 0 | 1,292,097 | 1,309,615 |
| Transferred | | | | | | | | | | 0 |
| At 31st December 2018 | 0 | 0 | 0 | 0 | 14,818 | 2,700 | 0 | 0 | 1,292,097 | 1,309,615 |
| Depreciation | | | | | | | | | | |
| At 1 January 2018 | 2,328 | 0 | 11,138 | 382,817 | 38,827 | 28,652 | 0 | 0 | 1,246,158 | 1,709,920 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charge for the year | 235 | 0 | 1,902 | 58,242 | 3,730 | 10,068 | 0 | 158 | 479,766 | 554,101 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st December 2018 | 2,563 | 0 | 13,040 | 441,059 | 42,557 | 38,720 | 0 | 158 | 1,725,924 | 2,264,021 |
| Net Book Value | | | | | | | | | | |
| At 31st December 2018 | 20,733 | 53,332 | 7,787 | 238,418 | 11,186 | 10,677 | 68,732 | 9,349 | 502,416 | 922,630 |

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

13. INVENTORIES

| | 2019 Jan-Dec | 2018 Jan-Dec |
|---------------------|-----------------|-----------------|
| Inventories – Books | € 7,795 | € 8,946 |

14. TRADE AND OTHER RECEIVABLES

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|-------------------------------------|-------------------------|-------------------------|
| Amount invoiced but not yet settled | 105,883 | 26,579 |
| Provision for General Bad Debts | (18,210) | (18,210) |
| LES Debtors | 26,948 | 26,948 |
| Provision for Bad LES Debtors | (26,948) | (26,948) |
| Deposit payments in creditors | - | 99 |
| Accrued Income | <u>1,295</u> | <u>57,105</u> |
| Financial Assets | 88,968 | 65,573 |
| Prepayments | <u>3,561</u> | <u>4,986</u> |
| | <u>92,529</u> | <u>70,559</u> |

Receivables

General receivables are analysed as follows:

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|------------------------------|-------------------------|-------------------------|
| Within credit period | 41,350 | 2,223 |
| Exceeded credit period | 46,323 | 6,146 |
| Provision for doubtful debts | <u>18,210</u> | <u>18,210</u> |
| | <u>105,883</u> | <u>26,579</u> |

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

15. CASH AND CASH EQUIVALENTS

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

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|---------------|-------------------------|-------------------------|
| Cash in hand | 200 | 200 |
| Bank Balances | <u>882,335</u> | <u>1,111,842</u> |
| | <u>882,535</u> | <u>1,112,042</u> |

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

16. TRADE AND OTHER PAYABLES

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|--------------------------|-------------------------|-------------------------|
| Payables | 284,202 | 179,728 |
| Other payables | 46,890 | 48,733 |
| Provision for court case | 3,000 | 3,000 |
| Accruals | <u>42,673</u> | <u>64,857</u> |
| Financial Liabilities | 376,765 | 296,318 |
| Deferred Income | <u>57,445</u> | <u>1,451</u> |
| | <u>434,210</u> | <u>297,769</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.

17. CONTINGENT LIABILITIES

The Council has the following pending court cases as at 31/12/2019:

- i. Argus Insurance Agencies Ltd. Ref 859/15 – An appeal has been lodged, and the Council stands a good chance in having a favourable outcome. In case plaintiff's appeal is upheld the Council would have to pay an additional circa €2,000 in Court fees.
- ii. Vella Group Limited Ref ARB 4286-2015 – This is an arbitration claim for payments of works amounting to circa €27,000. The case is in its early stages and thus no opinion on the final decision can be given. In case plaintiff's claim is upheld, the Council would have to pay an additional circa €5,000 in court fees.
- iii. The Council is being asked to pay circa €9,250 by Arms, which amount is time-barred and thus not due. The Council is to open a court case asking the Court to declare that such amount is not due. The Council stands a good chance of having a favourable outcome, however if lost the Court fees should not exceed €4,000.

18. CAPITAL COMMITMENTS

| | 2019 Jan-Dec Euro | 2018 Jan-Dec Euro |
|---|-------------------------|-------------------------|
| i-Capital expenditure that has been contracted for but Not provided for in the financial statements | - | - |
| ii- Capital expenditure that has been approved but not yet contracted for. | 1,401,662 | 2,058,892 |

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

18. CAPITAL COMMITMENTS – continued

- i. The Capital expenditure that has been approved but not yet contracted for represents refurbishment at Council offices amounting to €105,000, the purchase of office equipment amounting to €5,000, the purchase of an electric vehicle amounting to €35,000, Urban Improvements and Special Programmes and the Restoration of the CultureMill amounting to a total of €1,256,662.

19. RELATED PARTY TRANSACTIONS

The Naxxar 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, North Joint Committee for Local Enforcement, North Regional Committee for Local Enforcement, Street Lighting Joint Committee
- iii. No Control – Local Councils’ Association, LESA, Commission for Data Protection, Environmental Landscapes Consortium Ltd., Koperattiva Tabelli u Sinjali, Lands Department, Maltapost plc, Arms Ltd., Cleansing Services Department, Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Information Technology Agency, Director General-Works Division, Transport Malta, Gozo Regional Committee, South Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Malta Environment and Planning Authority, Bank of Valletta plc and WasteServ Malta Ltd.

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

| | 2019 | 2018 |
|--|-------------|-------------|
| | Euro | Euro |
| Annual Financial Allocation | 1,053,804 | 999,061 |
| <u>Key Management Emoluments extracted from FS3s</u> | | |
| Executive Secretary | 35,859 | 34,188 |
| Mayor’s Honoraria | 13,698 | 11,196 |
| Mayor & Councillors’ Allowances | 16,900 | 11,200 |

FS3 declare actual payments made during the year. In the financial statements worked on accrual basis, an accrual for performance bonus for 2019 was taken.

20. 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.

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

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.

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. The Council's trade receivables are of a short-term nature as they are based on credit terms of less than one year and thus, do not include significant financing component. 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 applies the simplified approach for all trade receivables and contract assets which uses a lifetime expected allowance.

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

| | 2019 Euro | 2018 Euro |
|---|----------------|------------------|
| Classes of financial assets - carrying amounts | | |
| Trade and other receivables | 88,968 | 65,573 |
| Cash and cash equivalents | <u>882,535</u> | <u>1,112,042</u> |
| | <u>971,503</u> | <u>1,177,615</u> |

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

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

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

| | 2019 Euro | 2018 Euro |
|---------------|----------------|---------------|
| 31-60 days | 21,481 | 2,223 |
| 61-90 days | 19,869 | 5,590 |
| 91-180 days | 9,934 | 430 |
| 181-365 days | 89 | 0 |
| Over 365 days | <u>54,510</u> | <u>18,336</u> |
| | <u>105,883</u> | <u>26,579</u> |

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. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of €882,535. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

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 | 334,092 | - | - |
| Accruals | <u>42,673</u> | <u>-</u> | <u>-</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 | 231,461 | - | - |
| Accruals | <u>64,857</u> | <u>-</u> | <u>-</u> |

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 | 88,968 | 65,573 |
| Cash and cash equivalents | <u>882,535</u> | <u>1,112,042</u> |
| | <u>971,503</u> | <u>1,177,615</u> |
| Current liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Payables | 334,092 | 231,461 |
| Accruals | <u>42,673</u> | <u>64,857</u> |
| | <u>376,765</u> | <u>296,318</u> |

23. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's disclosure for the purpose of fairer presentation.