

LUQA LOCAL COUNCIL

FINANCIAL STATEMENTS

1 JANUARY – 31 DECEMBER 2019

Prepared by:
Joseph Piscopo
Certified Public Accountant

FINANCIAL STATEMENTS
Financial Year Ending 31st December 2019

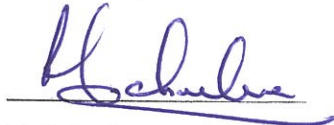
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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Profit or Loss and Other Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 29th May 2020 by:



Mr John Schembri
Mayor



Mr Michael Portelli
Executive Secretary

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE LUQA
LOCAL COUNCIL TO AUDITOR GENERAL**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Luqa 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 for the period 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 Luqa 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.

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE LUQA
LOCAL COUNCIL TO AUDITOR GENERAL – *continued***

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.

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

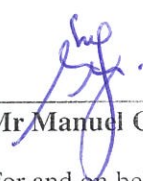
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 findings, including any significant deficiencies in internal control that we identify during our audit.

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE LUQA
LOCAL COUNCIL TO AUDITOR GENERAL – *continued***

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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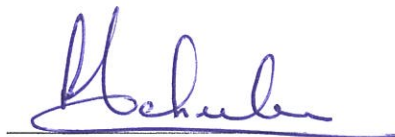
Date: 29th May 2020

STATEMENT OF FINANCIAL POSITION
As At 31 December 2019

| | Notes | 2019 € | 2018 € |
|---|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | <u>829,012</u> | <u>720,446</u> |
| | | <u>829,012</u> | <u>720,446</u> |
| Financial assets at fair value through other comprehensive income investments | 4 | <u>213,260</u> | <u>212,978</u> |
| | | <u>213,260</u> | <u>212,978</u> |
| Current Assets | | | |
| Trade and other receivables | 5 | <u>44,531</u> | <u>41,792</u> |
| Cash at bank and in hand | 6 | <u>446,139</u> | <u>483,998</u> |
| | | <u>490,670</u> | <u>525,790</u> |
| TOTAL ASSETS | | <u><u>1,532,942</u></u> | <u><u>1,459,214</u></u> |
| RESERVES AND LIABILITIES | | | |
| Capital and reserves | | | |
| Retained Fund | | <u>1,373,159</u> | <u>1,331,326</u> |
| Investment revaluation reserve | | <u>13,260</u> | <u>12,978</u> |
| | | <u>1,386,419</u> | <u>1,344,306</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Short term borrowings | 7 | <u>4,898</u> | <u>6,799</u> |
| Trade and other payables | 8 | <u>141,625</u> | <u>108,109</u> |
| Total Liabilities | | <u>146,523</u> | <u>114,908</u> |
| TOTAL RESERVES AND LIABILITIES | | <u><u>1,532,942</u></u> | <u><u>1,459,214</u></u> |

The notes on pages 11 to 25 are an integral part of the financial statements.

These financial statements were approved by the Local Council on 29th May 2020
and signed on its behalf by:



Mr John Schembri
Mayor



Mr Michael Portelli
Executive Secretary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

| | Notes | 2019 € | 2018 € |
|--|-------|------------------|------------------|
| REVENUE | | | |
| Funds received from central government | 9 | 530,241 | 473,168 |
| Income raised under Local Council Bye-Laws | 10 | 5,886 | 10,451 |
| Income raised under Law Enforcement System | 11 | 3,835 | 5,586 |
| General Income | 13 | <u>14,211</u> | <u>14,842</u> |
| | | <u>554,173</u> | <u>504,047</u> |
| EXPENDITURE | | | |
| Personal Emoluments | 14 | (128,965) | (119,324) |
| Operations and maintenance | 15 | (193,874) | (167,251) |
| Administration and other expenditure | 16 | <u>(189,511)</u> | <u>(230,308)</u> |
| | | <u>(512,350)</u> | <u>(516,883)</u> |
| OPERATING INCOME/(LOSS) FOR THE YEAR | | | |
| | | 41,823 | (12,836) |
| Investment Income | 12 | <u>8</u> | <u>90</u> |
| INCOME/(LOSS) FOR THE YEAR | | | |
| | | <u>41,831</u> | <u>(12,746)</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Increase in fair value of available-for-sale investments | 4 | 282 | 640 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | | |
| | | <u>42,113</u> | <u>(12,106)</u> |

The notes on pages 11 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
As At 31 December 2019

| | Retained Funds € | Investment Revaluation Reserve € | Total € |
|--|------------------------|---|------------------|
| At 31 December 2017 as previously stated | 1,380,312 | 12,338 | 1,392,650 |
| Prior year adjustment | <u>(36,328)</u> | - | <u>(36,328)</u> |
| At 1 January 2018 as restated | 1,344,074 | 12,338 | 1,356,412 |
| Loss for the year | <u>(12,746)</u> | - | <u>(12,746)</u> |
| Total comprehensive income for the year | 1,331,328 | 12,338 | 1,343,666 |
| Other Comprehensive income | | | |
| Movement for the year | <u>-</u> | <u>640</u> | <u>640</u> |
| At 31 December 2018 | <u>1,331,328</u> | <u>12,978</u> | <u>1,344,306</u> |
| At 1 January 2019 | 1,331,328 | 12,978 | 1,344,306 |
| Income for the year | <u>41,831</u> | - | <u>41,831</u> |
| Total comprehensive income for the year | 1,373,159 | 12,978 | 1,386,137 |
| Other Comprehensive income | | | |
| Movement for the year | <u>-</u> | <u>282</u> | <u>282</u> |
| At 31 December 2019 | <u>1,373,159</u> | <u>13,260</u> | <u>1,386,419</u> |

The notes on pages 11 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
As At 31 December 2019

| | Notes | 2019 € | 2018 € |
|--|-------|------------------|-----------------|
| Cash Flows from Operating Activities | | | |
| Income/(Loss) for the year | | 41,831 | (12,746) |
| Adjustments for: | | | |
| Depreciation | | 91,250 | 147,248 |
| Interest receivable | | (8) | (90) |
| Operating Profit before Working Capital Changes | | <u>133,073</u> | <u>134,412</u> |
| Movement in Receivables | | (2,739) | 751 |
| Movement in Payables | | <u>33,516</u> | <u>(29,979)</u> |
| Cash generated from operations | | 163,850 | 105,184 |
| Net Cash inflow from operating activities | | <u>163,850</u> | <u>105,184</u> |
| Cash Flows from Investing Activities | | | |
| Interest received | | 8 | 90 |
| Purchase of property, plant and equipment | | <u>(237,437)</u> | <u>(42,412)</u> |
| Cash used in investing activities | | <u>(237,437)</u> | <u>(42,322)</u> |
| Cash flows from Financing Activities | | | |
| Grants received | | <u>37,621</u> | - |
| Cash flows generated from financing Activities | | <u>37,621</u> | - |
| Net (decrease)/increase in Cash and Cash Equivalents | | (35,958) | 62,862 |
| Cash and Cash Equivalents at the Beginning of year | | 477,199 | 414,337 |
| Cash and Cash Equivalents at the End of year | | <u>441,241</u> | <u>477,199</u> |
| Cash at bank and in hand | 6 | 446,139 | 483,989 |
| Bank balances overdrawn | 7 | <u>(4,898)</u> | <u>(6,799)</u> |
| | | <u>441,241</u> | <u>477,199</u> |

The notes on pages 11 to 20 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2019

1. General Information

The Luqa Local Council is the local authority of Luqa setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, 173, New Street, Luqa.

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.

a. Accounting convention

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Standards, amendments and interpretations to existing standards

Standards, amendments and interpretations that are 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 businesses 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 Council does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the Local Council.

New and revised standards, amendments and interpretations 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 an impact on the financial position and financial performance of the Local Council.

c. 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.

d. Local Enforcement System

During 2019, the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council.

e. Property, Plant and Equipment

Property, plant and equipment is 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:

| | <i>% Rate</i> |
|--|---------------|
| Land | 0 |
| Buildings | 1 |
| Office Furniture and Fittings | 7.5 |
| Construction Works | 10 |
| Urban Improvements (<i>Street Furniture</i>) | 10 |
| Special Projects | 10 |
| Office Equipment | 20 |
| Motor Vehicles | 20 |
| Plant and Machinery | 20 |
| Computer Equipment | 25 |
| Trees | 0 |
| Plants | 100 |
| Litter Bins | 100 |
| Playground Furniture | 100 |
| Traffic signs | 100 |
| Road Signs | 100 |
| Street Mirrors | 100 |
| Street Lights | 100 |

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 financial reporting 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local 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.

f. Government Grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

g. 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.

h. Amounts Receivable

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

i. Foreign 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 Euro which is the Council's functional and present currency.

j. Surplus and Deficits

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

k. 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.

I. Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Cezo Joint Committee.

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Local Council.

n. 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 transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables, and available-for-sale 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 to 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 on 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.

Financial assets at fair value through other comprehensive income (FVOCI) are financial assets that meet the following conditions:

- they are held under a business model whose objective is 'hold to collect' the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset.

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 counterparty default rates for each identified group.

Financial liabilities

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

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

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

3. Fixed Asset Schedule

| 2019 | Property Improvements € | Council Building | | Office Furniture and fittings | | Computer Equipment | | Office Equipment | | Social areas | | Urban Improvements & Street Paving | | New Construction & Street Signs | | Resurfacing Equipment | | Playground & Trees | | Special Programmes | | Machinery | | Motor vehicle | | Total € |
|---------------------------------|----------------------------|------------------|----------|-------------------------------|----------|--------------------|-----------|------------------|-----------|--------------|-------|------------------------------------|----------|---------------------------------|---|-----------------------|---|--------------------|---|--------------------|---|-----------|---|---------------|---|------------|
| | | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | |
| Cost | 179,426 | 118,519 | 48,897 | 17,301 | 10,747 | 401,334 | 461,310 | 21,424 | 1,874,832 | 198,951 | 5,066 | 42,264 | 10,000 | 3,393,333 | | | | | | | | | | | | |
| Additions | - | 2,030 | 7,982 | - | 198 | - | 14,396 | - | 212,831 | - | - | - | - | 237,437 | | | | | | | | | | | | |
| At 31 December 2019 | 179,426 | 120,549 | 56,879 | 17,301 | 10,945 | 401,334 | 475,706 | 21,424 | 2,087,663 | 198,951 | 5,066 | 42,264 | 10,000 | 3,630,770 | | | | | | | | | | | | |
| Grants and other reimbursements | - | - | - | - | - | (238,583) | (100,792) | - | (685,195) | - | - | - | - | (1,054,703) | | | | | | | | | | | | |
| At 1 January 2019 | - | - | - | - | - | - | - | - | (37,621) | - | - | - | - | (37,621) | | | | | | | | | | | | |
| Additions | - | - | - | - | - | (238,583) | (100,792) | - | (722,816) | - | - | - | - | (1,092,524) | | | | | | | | | | | | |
| At 31 December 2019 | - | - | - | - | - | (238,583) | (100,792) | - | (722,816) | - | - | - | - | (1,092,524) | | | | | | | | | | | | |
| Depreciation | - | (61,474) | (50,216) | (16,125) | (10,372) | (63,800) | (279,459) | (21,424) | (910,847) | (198,951) | (154) | (12,130) | (10,000) | (1,618,184) | | | | | | | | | | | | |
| At 1 December 2019 | - | (14,560) | (2,352) | (245) | (178) | (13,617) | (8,145) | - | (52,138) | - | - | (1) | - | (91,250) | | | | | | | | | | | | |
| Charge for the year | - | (76,054) | (52,568) | (16,370) | (10,550) | (77,417) | (287,604) | (21,424) | (962,985) | (198,951) | (154) | (12,131) | (10,000) | (1,709,434) | | | | | | | | | | | | |
| At 31 December 2019 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | | | | | | | | | |
| Net book value | 179,426 | 44,315 | 24,311 | 931 | 395 | 83,334 | 87,310 | - | 401,862 | - | 4,912 | - | 16 | 829,012 | | | | | | | | | | | | |
| At 31 December 2019 | | | | | | | | | | | | | | | | | | | | | | | | | | |

Luqa Local Council

| 2018 | Property Improvements | Council Building | Office furniture and fittings | Computer equipment | Office equipment | Social areas | Urban improvements | New street signs | Construction | Playground equipment | Trees programmes | Special programmes | Machinery | Motor vehicle | Total |
|---------------------------------|-----------------------|------------------|-------------------------------|--------------------|------------------|--------------|--------------------|------------------|--------------|----------------------|------------------|--------------------|-----------|---------------|-------------|
| € | € | € | € | € | € | € | € | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | | | | | | | | |
| At 1 December 2018 | 179,426 | 118,519 | 48,317 | 16,461 | 10,747 | 367,600 | 459,774 | 21,424 | 1,869,110 | 198,931 | 5,066 | 42,264 | 3,262 | 10,000 | 3,350,921 |
| Additions | - | - | 580 | 840 | - | 33,734 | 1,536 | - | 5,722 | - | - | - | - | - | 42,412 |
| At 31 December 2018 | 179,426 | 118,519 | 48,897 | 17,301 | 10,747 | 401,334 | 461,310 | 21,424 | 1,874,832 | 198,931 | 5,066 | 42,264 | 3,262 | 10,000 | 3,393,333 |
| Grants and other reimbursements | | | | | | | | | | | | | | | |
| At 1 January 2018 | - | - | - | - | - | (218,787) | (100,792) | - | (648,679) | - | - | (50,133) | - | - | (998,391) |
| Additions | - | - | - | - | - | (19,796) | - | - | (36,516) | - | - | - | - | - | (56,312) |
| At 31 December 2018 | - | - | - | - | - | (238,583) | (100,792) | - | (685,195) | - | - | (50,133) | - | - | (1,054,703) |
| Depreciation | | | | | | | | | | | | | | | |
| At 1 December 2018 | - | (44,014) | (24,931) | (14,212) | (10,015) | (49,070) | (226,559) | (21,424) | (861,231) | (198,951) | (154) | (10,658) | (2,439) | (7,298) | (1,470,956) |
| Charge for the year | - | (17,460) | (5,285) | (1,915) | (357) | (14,750) | (52,920) | - | (49,616) | - | - | (1,472) | (793) | (2,702) | (147,248) |
| At 31 December 2018 | - | (61,474) | (30,216) | (16,127) | (10,372) | (63,800) | (279,459) | (21,424) | (910,847) | (198,951) | (154) | (12,130) | (3,232) | (10,000) | (1,618,184) |
| Net book value | | | | | | | | | | | | | | | |
| At 31 December 2018 | 179,426 | 57,045 | 18,681 | 1,176 | 375 | 98,951 | 81,059 | - | 278,780 | - | 4,912 | 1 | 30 | - | 220,416 |

4. Financial assets at fair value through other comprehensive income investments

| | 2019 | 2018 |
|-------------------------------|----------------|----------------|
| | € | € |
| Vilhena Euro Malta Money Fund | 212,978 | 212,338 |
| Investment Growth | 282 | 640 |
| | <u>213,260</u> | <u>212,978</u> |

The investment income consists of the Vilhena Euro Malta Money Fund held with Bank of Valletta. The fair value changes on fair value through other comprehensive income financial assets is being recognised directly in equity and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

5. Receivables

| | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| | € | € |
| Trade Receivables | 6,789 | 5,956 |
| LES receivables | 400,163 | 402,618 |
| Allowance for doubtful debts | (400,163) | (402,618) |
| Prepayments and accrued income | 28,956 | 35,817 |
| Other debtors | 8,786 | 19 |
| | <u>44,531</u> | <u>41,792</u> |

| 6. Cash at bank and in hand | 2019 | 2018 |
|--|----------------|----------------|
| | € | € |
| Bank Balances: | | |
| Current Accounts | 153,549 | 153,549 |
| Savings Accounts | 292,590 | 330,349 |
| Cash in Hand | - | 100 |
| | <u>446,139</u> | <u>483,998</u> |
| | | |
| 7. Borrowings | 2019 | 2018 |
| | € | € |
| Falling due within one year: | | |
| Bank balances overdrawn | 4,898 | 6,799 |
| | <u>4,898</u> | <u>6,799</u> |
| | | |
| 8. Payables | 2019 | 2018 |
| | € | € |
| Trade payables | 65,185 | 72,372 |
| Accruals and deferred income | 46,983 | 30,389 |
| Other payables | 29,457 | 5,348 |
| Current Liabilities | <u>141,625</u> | <u>108,109</u> |
| | | |
| 9. Funds received from Central Government | 2019 | 2018 |
| | € | € |
| In terms of section 55 of the Local Councils Act (CAP 363) | 450,669 | 427,258 |
| Supplementary Government Income | 26,546 | 31,632 |
| Other Government Income | 53,026 | 14,278 |
| | <u>530,241</u> | <u>473,168</u> |
| | | |
| 10. Income raised under Local Council Bye-Laws | 2019 | 2018 |
| | € | € |
| Income raised under Local Council Bye-Laws | 5,886 | 10,451 |
| | <u>5,886</u> | <u>10,451</u> |
| | | |
| 11. Local Enforcement System Income | 2019 | 2018 |
| | € | € |
| Regional Committees - Administrative Fees | 3,835 | 5,586 |
| | <u>3,835</u> | <u>5,586</u> |

12. Investment Income

| | € | € |
|--------------------------|----------|-----------|
| Bank Interest Receivable | 8 | 90 |
| | <u>8</u> | <u>90</u> |

13. General Income

| | 2019 € | 2018 € |
|----------------------------------|---------------|---------------|
| Sundry Contributions & donations | 14,211 | 14,842 |
| | <u>14,211</u> | <u>14,842</u> |

14. Personal Emoluments

| | 2019 € | 2018 € |
|--|----------------|----------------|
| Personal emoluments include, <i>inter alia</i> : | | |
| Mayor's Allowance | 15,701 | 12,802 |
| Councillors' Allowance | 11,300 | 7,200 |
| Executive Secretary's Salary | 33,994 | 31,969 |
| Employees' Salaries | 60,292 | 59,960 |
| Social Security Contributions | 7,678 | 7,393 |
| | <u>128,965</u> | <u>119,324</u> |

15. Operations and Maintenance

| | 2019 € | 2018 € |
|--|---------------|---------------|
| Operations and maintenance includes, <i>inter alia</i> : | | |
| Repairs and Upkeep: | | |
| Road and Street Pavements (patching works) | 9,656 | 1,995 |
| Signs and Road Markings | 11,553 | 4,777 |
| Other Repairs | 15,739 | 16,112 |
| | <u>36,948</u> | <u>22,884</u> |

Contractual Services

| | | |
|--|----------------|----------------|
| Refuse Collection (including bins on wheels) | 56,896 | 47,660 |
| Refuse disposal fee | 56,784 | 52,054 |
| Bulky Refuse Collection | 7,883 | 4,455 |
| Road and Street | 20,247 | 17,333 |
| Cleaning & Maint of Public Conveniences | 2,310 | 2,995 |
| Cleaning & Maint of Parks and Gardens | 6,888 | 13,775 |
| Street Lighting | 5,918 | 6,095 |
| | <u>156,926</u> | <u>144,367</u> |

Total Operations and Maintenance Expenses

| | | |
|--|----------------|----------------|
| | <u>193,874</u> | <u>167,251</u> |
|--|----------------|----------------|

| 16. Administration and other expenditure | 2019 | 2018 |
|---|----------------|----------------|
| | € | € |
| Utilities | 10,623 | 9,282 |
| Material & Supplies | 8,200 | 3,605 |
| Rent | 4,913 | 5,689 |
| Office Services | 2,420 | 1,907 |
| Transport | 1,946 | 2,415 |
| Memberships | 912 | 15 |
| Information services | 2,155 | 2,473 |
| Insurance and bank charges | 2,260 | 1,958 |
| Professional Services | 26,271 | 22,892 |
| Training | 287 | 5,235 |
| Community services and events | 29,353 | 24,928 |
| Other office expenses | 8,921 | 2,661 |
| Depreciation | 91,250 | 147,248 |
| | <u>189,511</u> | <u>230,308</u> |

17. Related Parties

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

| Significant control: | 2019 | 2018 |
|---------------------------------|----------------|----------------|
| | € | € |
| Annual financial allocation | 450,669 | 427,258 |
| Supplementary Government Income | 26,546 | 31,632 |
| | <u>477,215</u> | <u>458,890</u> |

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

18. Risk management and objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks. The most significant financial risks to which the council is exposed are described below.

18.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

| Class of financial assets - carrying amounts | 2019 | 2018 |
|--|----------------|----------------|
| | € | € |
| Trade and other receivables | 44,531 | 41,792 |
| Gross investments | 213,260 | 212,978 |
| Cash and Cash Equivalents | 441,241 | 477,199 |
| | <u>699,032</u> | <u>731,969</u> |

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due. The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

| Current payables within one year | 2019 | 2018 |
|----------------------------------|----------------|----------------|
| | € | € |
| Trade payables | 65,185 | 72,372 |
| Accruals and deferred income | 46,983 | 30,389 |
| Other payables | 29,457 | 5,348 |
| Financial Liabilities | <u>141,625</u> | <u>108,109</u> |

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial

liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

| | 2019 | 2018 |
|--------------------|----------------|----------------|
| | € | € |
| Less than 6 months | 299,145 | 54,808 |
| 6 to 12 months | 40,092 | 54,808 |
| 1 to 5 years | - | - |
| | <u>339,237</u> | <u>109,616</u> |

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Summary of the financial assets and liabilities by category

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

| | 2019 | 2018 |
|---|----------------|----------------|
| | € | € |
| Non-Current Assets | | |
| Investments | <u>213,260</u> | <u>212,978</u> |
| Current Assets | | |
| Loans & Receivables: | € | € |
| Trade and other receivables | 44,531 | 41,792 |
| Cash and Cash Equivalents | <u>441,241</u> | <u>477,199</u> |
| | <u>485,772</u> | <u>518,991</u> |
| Current Liabilities | | |
| Financial liabilities measured at amortised cost: | € | € |
| Trade payables | 65,185 | 72,372 |
| Accruals and deferred income | 46,983 | 30,389 |
| Other payables | <u>29,457</u> | <u>5,348</u> |
| Financial Liabilities | <u>141,625</u> | <u>108,109</u> |

18.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

19. Fair value estimation

At 31 December 2019 and 31 December 2018, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

20. Events after the reporting period

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.
