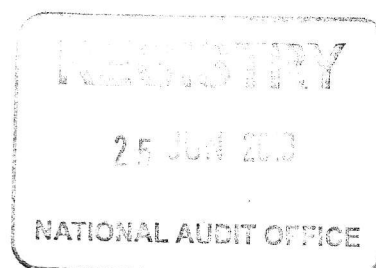


**LUQA LOCAL COUNCIL**

**FINANCIAL STATEMENTS**

**1 JANUARY – 31 DECEMBER 2018**

**Prepared by:**  
Joseph Piscopo  
*Certified Public Accountant*



**FINANCIAL STATEMENTS**  
Financial Year Ending 31st December 2018

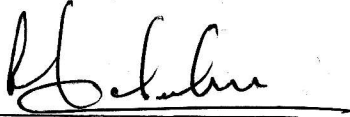
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**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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 20<sup>th</sup> June 2019 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 2018**, 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 2018, 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 figures, 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

The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta

Date: 20th June 2019


**STATEMENT OF FINANCIAL POSITION**

As At 31 December 2018

	Notes	2018 €	As restated 2017 €	As previously stated 2017 €
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	<u>720,446</u>	<u>881,594</u>	<u>1,150,780</u>
		<u>720,446</u>	<u>881,594</u>	<u>1,150,780</u>
<b>Financial Asset</b>				
Available-for-sale investments	4	<u>212,978</u>	<u>212,338</u>	<u>212,338</u>
		<u>212,978</u>	<u>212,338</u>	<u>212,338</u>
<b>Current Assets</b>				
Trade and other receivables	5	<u>41,792</u>	<u>37,599</u>	<u>96,545</u>
Cash at bank and in hand	6	<u>483,998</u>	<u>420,864</u>	<u>420,864</u>
		<u>525,790</u>	<u>458,463</u>	<u>517,409</u>
<b>TOTAL ASSETS</b>		<u><u>1,459,214</u></u>	<u><u>1,552,395</u></u>	<u><u>1,880,527</u></u>
<b>RESERVES AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Retained Fund		<u>1,331,328</u>	<u>1,344,074</u>	<u>1,380,312</u>
Investment revaluation reserve		<u>12,978</u>	<u>12,338</u>	<u>12,338</u>
		<u>1,344,306</u>	<u>1,356,412</u>	<u>1,392,650</u>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Deferred income grants		<u>-</u>	<u>-</u>	<u>271,061</u>
<b>Current Liabilities</b>				
Short term borrowings	7	<u>6,799</u>	<u>6,527</u>	<u>6,527</u>
Trade and other payables	8	<u>108,109</u>	<u>189,456</u>	<u>210,289</u>
		<u>114,908</u>	<u>195,983</u>	<u>216,816</u>
Total Liabilities		<u>114,908</u>	<u>195,983</u>	<u>487,877</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>1,459,214</u></u>	<u><u>1,552,395</u></u>	<u><u>1,880,527</u></u>

The notes on pages 11 to 27 are an integral part of the financial statements.

These financial statements were approved by the Local Council on 20th June 2019 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 2018

	Notes	2018 €	As restated 2017 €
<b>REVENUE</b>			
Funds received from central government	9	473,168	455,352
Income raised under Local Council Bye-Laws	10	10,451	12,564
Income raised under Law Enforcement System	11	5,586	6,297
General Income	13	14,842	31,194
		<u>504,047</u>	<u>505,407</u>
<b>EXPENDITURE</b>			
Personal Emoluments	14	(119,324)	(115,575)
Operations and maintenance	15	(167,251)	(155,385)
Administration and other expenditure	16	(230,308)	(156,883)
		<u>(516,883)</u>	<u>(427,843)</u>
<b>OPERATING (LOSS)/INCOME FOR THE YEAR</b>		(12,836)	77,564
Investment Income	12	90	75
<b>(LOSS)/INCOME FOR THE YEAR</b>		<u>(12,746)</u>	<u>77,639</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Increase in fair value of available-for-sale investments	4	640	543
<b>TOTAL COMPERHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u>(12,106)</u>	<u>78,182</u>

The notes on pages 11 to 27 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

As At 31 December 2018

	Retained Funds	Investment Revaluation Reserve	Total
	€	€	€
At 31 December 2016 as previously stated	1,294,697	11,795	1,306,492
Prior year adjustment	<u>(28,262)</u>	-	<u>(28,262)</u>
At 1 January 2017 as restated	1,266,435	11,795	1,278,230
Income for the year as previously stated	85,615	-	85,615
Prior year adjustment	<u>(7,976)</u>	-	<u>(7,976)</u>
Total comprehensive income for the year as restated	1,344,074	11,795	1,355,869
Other Comprehensive income Movement for the year	-	543	543
At 31 December 2017	<u>1,344,074</u>	<u>12,338</u>	<u>1,356,412</u>
At 31 December 2017 as previously stated	1,380,312	12,338	1,392,650
Prior year adjustment	<u>(36,238)</u>	-	<u>(36,238)</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	-	640	640
At 31 December 2018	<u>1,331,328</u>	<u>12,978</u>	<u>1,344,306</u>

The notes on pages 11 to 27 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

As At 31 December 2018

	Notes	2018	As restated 2017	As previously stated 2017
		€	€	€
<b>Cash Flows from Operating Activities</b>				
(Loss)/Income for the year		(12,746)	77,639	85,615
Adjustments for:				
Depreciation		147,248	82,184	106,448
Increase in Provision for doubtful debts		-	(1,188)	(1,188)
Deferred income released		-	-	(32,240)
Interest receivable		(90)	(75)	(75)
Operating Profit before Working Capital Changes		134,412	158,560	158,560
Movement in Receivables		751	(627)	(30,865)
Movement in Payables		(29,979)	28,199	42,186
Cash generated from operations		105,184	186,132	169,881
Net Cash inflow from operating activities		105,184	186,132	169,881
<b>Cash Flows used in Investing Activities</b>				
Interest received		90	75	75
Purchase of property, plant and equipment		(42,412)	(61,599)	(61,599)
Cash used in investing activities		(42,322)	(61,524)	(61,524)
<b>Cash flows from Financing Activities</b>				
Grants received		-	-	16,251
Cash flows generated from Financing Activities		-	-	16,251
Net increase in Cash and Cash Equivalents		62,862	124,608	124,608
Cash and Cash Equivalents at the Beginning of year		414,337	289,729	289,729
Cash and Cash Equivalents at the End of year		477,199	414,337	414,337
Cash at bank and in hand	6	483,998	420,864	420,864
Bank balances overdrawn	7	(6,799)	(6,527)	(6,527)
		477,199	414,337	414,337

The notes on pages 11 to 27 are an integral part of the financial statements.

## **Notes to the Financial Statements for the year ended 31 December 2018**

### **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**

##### **New and revised standards that are effective for the current period**

In the current year, the Council has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the **classification** and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

The adoption of IFRS 9 has impacted the following area:

##### **a) Classification and measurement**

Investments in **equity securities** previously classified as available-for-sale investments under IFRS 39 measured at fair value, are now measured at fair value through profit or loss as the cash flows are not solely payments of principle and interest.

In the current year, the Council has **applied IFRS 15** Revenue from Contracts with Customers which is effective for **periods that begin on or after 1 January 2018**. IFRS 15 introduced a 5-step approach to **revenue recognition**.

The application of IFRS 15 has not **had an impact** on the financial position and financial performance of the Council.

IFRS 16, 'Leases' introduces 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 recognised, with the exception of **short-term and low-value leases**.

IFRS 16 will supersede the current **lease guidance** of IAS 17 and the related interpretations. The standard is mandatory for **periods commencing on or after 1 January 2019**.

The application of IFRS 16 at this stage the Council is still in the process of assessing and evaluating the impact of IFRS 16 on the Council's financial statements.

#### **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 2018 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
	<i>% Rate</i>
Traffic signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

Up to the year ended 31 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 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 recognised 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.

Up to the year ended 31<sup>st</sup> December 2017, government grants were accounted for using the income approach according to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1<sup>st</sup> 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.

**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 Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in 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 said 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.

**l. 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 **Gozo 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 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 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

2018	Property	Council Building Improvements	Office Furniture /Fittings	Computer Equipment	Office Equipment	Social Areas	Playground Equipment	Construction	Urban Improvements	Trees	New Street Signs	Special Programmes	Machinery	Motor Vehicle	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2018	179,426	118,519	48,317	16,461	10,747	367,606	193,951	1,869,110	459,774	3,066	21,424	42,264	3,262	10,000	3,350,921
Additions	-	-	530	840	-	33,734	-	5,722	1,536	-	-	-	-	-	42,412
At 31 December 2018	179,426	118,519	48,897	17,301	10,747	401,340	193,951	1,874,832	461,310	3,066	21,424	42,264	3,262	10,000	3,393,333
<b>Grants and other reimbursements</b>															
At 1 January 2018	-	-	-	-	-	-213,737	-	-6,369	-100,792	-	-	-30,133	-	-	-998,391
Additions	-	-	-	-	-	-19,796	-	-26,516	-	-	-	-	-	-	-36,312
At 31 December 2018	-	-	-	-	-	-233,533	-	-68,198	-100,792	-	-	-30,133	-	-	-1,034,703
<b>Accumulated depreciation</b>															
At 1 January 2018	-	-44,014	-24,931	-14,212	-10,015	-9,070	-193,951	-861,231	-226,539	-154	-21,424	-10,658	-2,439	-7,298	-1,470,936
Charge for the period	-	-17,460	-5,285	-1,913	-357	-14,736	-	-49,516	-22,920	-	-	-1,472	-793	-2,702	-147,248
At 31 December 2018	-	-61,474	-30,216	-16,125	-10,372	-63,806	-193,951	-910,747	-249,459	-154	-21,424	-12,130	-3,232	-10,000	-1,618,184
<b>Net book value</b>															
Net Book Value 31 December 2018	179,426	57,045	18,681	1,176	375	98,951	-	278,790	31,059	4,912.00	-	1	30	-	720,446

3. Fixed Asset Schedule (continued)

2017 Restated

	Property	Council Building	Office	Computer	Office	Social	Playground	Construction	Urban	Trees	New	Special	Machinery	Motor	Total
	Improvements	Improvements	Furniture	Equipment	Equipment	Areas	Equipment		Improvements		Street	Programmes		Vehicle	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>															
At 1 January 2017	179,426	118,519	47,980	14,584	10,747	365,510	198,951	1,811,815	459,774	5,066	21,424	42,264	3,262	10,000	3,289,322
Additions	-	-	337	1,877	-	2,090	-	57,295	-	-	-	-	-	-	61,599
At 31 December 2017	179,426	118,519	48,317	16,461	10,747	367,600	198,951	1,869,110	459,774	5,066	21,424	42,264	3,262	10,000	3,350,921
<b>Grants and other reimbursements</b>															
At 1 January 2017	-	-	-	-	-	-	-	-613,211	-21,433	-	-	-30,133	-	-	-664,777
Government grants prior years	-	-	-	-	-	-218,787	-	-35,468	-79,359	-	-	-	-	-	-333,614
At 31 December 2017	-	-	-	-	-	-218,787	-	-648,679	-100,792	-	-	-30,133	-	-	-998,391
<b>Accumulated depreciation</b>															
At 1 January 2017	-	-35,715	-23,220	-13,824	-9,832	-36,551	-198,951	-822,263	-207,466	-154	-21,424	-10,495	-2,234	-6,622	-1,388,751
Charge for the period	-	-8,299	-1,711	-388	-163	-12,519	-	-38,968	-19,073	-	-	-163	-205	-676	-82,185
At 31 December 2017	-	-44,014	-24,931	-14,212	-10,015	-49,070	-198,951	-861,231	-226,539	-154	-21,424	-10,658	-2,439	-7,298	-1,470,936
<b>Net book value</b>															
Net Book Value 31 December 2017	179,426	74,505	23,386	2,249	732	99,743	-	359,206	132,443	4,912.00	-	1,473	823	2,702	881,594

**4. Available for sale investments**

	2018	2017
	€	€
Valletta Fund Management Money Fund	212,338	211,795
Investment Growth	<u>640</u>	<u>543</u>
	<u><u>212,978</u></u>	<u><u>212,338</u></u>

The investment income consists of the La Vallette Management money fund held with Bank of Valletta. The fair value changes on available-for-sale financial assets is being recognised directly in equity and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

**5. Receivables**

	2018	Restated 2017
	€	€
Trade Receivables	5,956	6,707
LES receivables	402,618	402,723
Allowance for doubtful debts	(402,618)	(402,723)
Prepayments and accrued income	35,817	30,892
Other debtors	<u>19</u>	<u>-</u>
	<u><u>41,792</u></u>	<u><u>37,599</u></u>

**6. Cash at bank and in hand**

	2018	2017
	€	€
Bank Balances:		
Current Accounts	153,549	153,549
Savings Accounts	330,349	267,315
Cash in Hand	<u>100</u>	<u>-</u>
	<u><u>483,998</u></u>	<u><u>420,864</u></u>

**7. Borrowings**

	2018	2017
	€	€
<b>Falling due within one year:</b>		
Bank balances overdrawn	<u>6,799</u>	<u>6,527</u>
	<u><u>6,799</u></u>	<u><u>6,527</u></u>

	2018	Restated 2017
	€	€
<b>8. Payables</b>		
Trade payables	72,372	57,993
Other payables and accruals	<u>35,737</u>	<u>131,463</u>
Current Liabilities	<u><u>108,109</u></u>	<u><u>189,456</u></u>
<b>9. Funds received from Central Government</b>	2018	Restated 2017
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	427,258	409,699
Supplementary Government Income	31,632	30,500
Other Government Income	<u>14,278</u>	<u>15,153</u>
	<u><u>473,168</u></u>	<u><u>455,352</u></u>
<b>10. Income raised under Local Council Bye-Laws</b>	2018	2017
	€	€
Income raised under Local Council Bye-Laws	<u>10,451</u>	<u>12,564</u>
	<u><u>10,451</u></u>	<u><u>12,564</u></u>
<b>11. Local Enforcement System Income</b>	2018	2017
	€	€
Regional Committees - Administrative Fees	<u>5,586</u>	<u>6,297</u>
	<u><u>5,586</u></u>	<u><u>6,297</u></u>
<b>12. Investment Income</b>	2018	2017
	€	€
Bank Interest Receivable	<u>90</u>	<u>75</u>
	<u><u>90</u></u>	<u><u>75</u></u>
<b>13. General Income</b>	2018	2017
	€	€
Sundry Contributions & donations	<u>14,842</u>	<u>31,194</u>
	<u><u>14,842</u></u>	<u><u>31,194</u></u>



<b>14. Personal Emoluments</b>	2018	2017
	€	€
Personal emoluments include, <i>inter alia</i> :		
Mayor's Allowance	12,802	12,619
Councillors' Allowance	7,200	7,200
Executive Secretary's Salary	31,969	33,246
Employees' Salaries	59,960	55,481
Social Security Contributions	7,393	7,029
	<u>119,324</u>	<u>115,575</u>
<b>15. Operations and Maintenance</b>	2018	2017
	€	€
Operations and maintenance include, <i>inter alia</i> :		
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	1,995	5,089
Signs and Road Markings	4,777	4,711
Other Repairs	16,112	1,699
	<u>22,884</u>	<u>11,499</u>
<b>Contractual Services</b>		
Refuse Collection (including bins on wheels)	47,660	43,792
Refuse disposal fee	52,054	51,410
Bulky Refuse Collection (including open skips)	4,455	4,113
Road and Street Cleaning (mechanical and manual)	17,333	20,800
Cleaning and Maintenance of Public Conveniences	2,995	2,815
Cleaning and Maintenance of Parks and Gardens	13,775	13,775
Street Lighting	6,095	7,181
	<u>144,367</u>	<u>143,886</u>
Total Operations and Maintenance Expenses	<u>167,251</u>	<u>155,385</u>

		Restated
<b>16. Administration and other expenditure</b>	2018	2017
	€	€
Utilities	9,282	8,134
Material & Supplies	3,605	8,139
Rent	5,689	1,819
Office Services	1,907	1,704
Transport	2,415	1,383
Memberships	15	105
Information services	2,473	2,144
Insurance and bank charges	1,958	1,844
Professional Services	22,892	11,898
Training	5,235	6,214
Community services and events	24,928	30,376
Other office expenses	2,661	2,127
Increase in allowance for bad debts	-	(1,188)
Depreciation	147,248	82,184
	<u>230,308</u>	<u>156,883</u>

#### **17. Related Parties**

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

Significant control:	2018	2017
	€	€
Annual financial allocation	427,258	409,699
Supplementary Government Income	31,632	30,500
	<u>458,890</u>	<u>440,199</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	2018	2017
	€	€
Trade and other receivables	41,792	37,599
Gross investments	212,978	212,338
Cash and Cash Equivalents	477,199	414,337
	<u>731,969</u>	<u>664,274</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	2018	2017
	€	€
Trade payables	72,372	57,993
Other payables and accruals	<u>35,737</u>	<u>131,463</u>
Financial Liabilities	<u>108,109</u>	<u>189,456</u>

At 31 December 2018 and 31 December 2017, 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.

	2018	2017
	€	€
Less than 6 months	54,808	68,555
6 to 12 months	54,808	92,774
1 to 5 years	-	-
	<u>109,616</u>	<u>161,329</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:

	2018	Restated 2017
	€	€
Non-Current Assets		
Investments	<u>212,978</u>	<u>212,338</u>

<b>Current Assets</b>	2018	Restated 2017
Loans & Receivables:	€	€
Trade and other receivables	41,792	37,599
Cash and Cash Equivalents	477,199	414,337
	<u>518,991</u>	<u>451,936</u>
<b>Current Liabilities</b>	2018	Restated 2017
Financial liabilities measured amortised at cost:	€	€
Trade payables	72,372	57,993
Other payables and accruals	35,737	131,463
Financial Liabilities	<u>108,109</u>	<u>189,456</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 2018 and 31 December 2017, 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. Change in accounting policy & prior year adjustment

#### 20.1 Change in accounting policy

In 2018, the Council has changed its accounting policy in regards to the treatment of government grants. Up to year ended 31<sup>st</sup> December 2017 government grants were accounted for using the income approach. As from 1<sup>st</sup> January 2018 the capital approach according to IAS 20 has been adopted. The following tables show the adjustments made to the Balance Sheet and to the Statement of Comprehensive Income due to the change in this accounting policy.

## 20.2 Prior year adjustment

The comparative Balance Sheet and **Statement** of Profit or Loss and Other Comprehensive Income were restated **due to a net** adjustment of €36,238. The Council noted that it had a misstatement **in its creditors** and therefore adjusted for it retrospectively in current year's accounts.

<i>Balance sheet (extract)</i>	As restated 2017 €	Adoption of capital approach €	Prior year adjustment €	As previously stated 2017 €
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	881,594	(301,375)	32,189	1,150,780
<b>Current Assets</b>				
Trade and other receivables	37,599	-	(58,946)	96,545
<b>Total Assets</b>	<b>1,552,395</b>	<b>(301,375)</b>	<b>(26,757)</b>	<b>1,880,527</b>
<b>Total Equity</b>	<b>1,356,412</b>	<b>-</b>	<b>(36,238)</b>	<b>1,392,650</b>
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>				
Deferred income grants	-	(271,061)	-	271,061
<b>Current Liabilities</b>				
Trade and other payables	189,456	(30,314)	9,481	210,289
Total Current Liabilities	189,456	(30,314)	9,481	216,816
Total Liabilities	195,983	(301,375)	9,481	487,877
<b>TOTAL RESERVES AND LIABILITIES</b>	<b>1,552,395</b>	<b>(301,375)</b>	<b>(26,757)</b>	<b>1,880,527</b>

*Luqa Local Council*

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	As restated 2017 €	Adoption of capital approach €	Prior year adjustment €	As previously stated 2017 €
<i>Statement of Comprehensive income (extract)</i>				
<b>REVENUE</b>				
Funds received from central government	455,352	(32,240)	-	487,592
<b>EXPENDITURE</b>				
Administration and other expenditure	(156,883)	32,240	(7,976)	(181,147)
<b>OPERATING INCOME FOR THE YEAR</b>	77,564	-	(7,976)	85,540
<b>INCOME FOR THE YEAR</b>	77,639	-	(7,976)	85,615
<b>TOTAL COMPERHENSIVE INCOME FOR THE YEAR</b>	78,182	-	(7,976)	86,158

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