



**L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020**

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**L-IMTARFA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020**

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**L-IMTARFA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Daniel John Attard
Mayor

Josette Micallef
Executive Secretary

Date: 24 June 2021

L-IMTARFA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

		2020	2019
	Notes	Euro	Euro
REVENUE			
Funds received from Government	3	318,444	302,348
Income raised under Law Enforcement system	4	480	589
Income raised from Bye-Laws	5	173	220
Income from EU projects	6	0	16,614
General income	7	8,824	8,813
		-----	-----
		327,921	328,584
		-----	-----
EXPENDITURE			
Personnel emoluments	9	101,184	81,740
Operations and maintenance	10	154,616	141,382
Administration and other expenditure	11	95,991	137,773
		-----	-----
		351,791	360,895
		-----	-----
OPERATING (LOSS) FOR THE YEAR		(23,870)	(32,311)
Finance Income	8	9	65
(LOSS) FOR THE YEAR		(23,861)	(32,246)
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The notes on pages 8 to 27 form an integral part of these financial statements

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2020**

		31-Dec-20	31-Dec-19
	Notes	Euro	Euro
ASSETS			
Non-Current Assets			
Intangible Assets	12	772	1,058
Property, plant and equipment	13	<u>240,819</u>	<u>114,832</u>
		241,591	115,890
Current Assets			
Inventories	14	4,035	4,081
Trade and other receivables	15	43,888	17,374
Cash and cash equivalents	16	<u>184,089</u>	<u>265,115</u>
Total Current Assets		<u>232,012</u>	<u>286,570</u>
TOTAL ASSETS		<u>473,603</u>	<u>402,460</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>200,313</u>	<u>224,174</u>
Non-Current Liabilities			
Trade and other payables	17	139,910	56,761
Current Liabilities			
Trade and other payables	17	<u>133,380</u>	<u>121,525</u>
Total Liabilities		<u>273,290</u>	<u>178,286</u>
TOTAL RESERVES AND LIABILITIES		<u>473,603</u>	<u>402,460</u>

The notes on pages 8 to 27 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on 24 June 2021 and signed on its behalf by:

Daniel John Attard
Mayor

Josette Micallef
Executive Secretary

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020**

	Retained Funds Euro
At 1 January 2019	256,420
Loss for the year	<u>(32,246)</u>
At 31 December 2019	<u>224,174</u>
At 1 January 2020	224,174
Loss for the Year	<u>(23,861)</u>
At 31 December 2020	<u>200,313</u>

The notes on pages 8 to 27 form an integral part of these financial statements

**L-IMTARFA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020**

	Notes	2020 Euro	2019 Euro
(Loss)/Profit for the year		(23,861)	(32,246)
Reconciliation to cash generated from Operations:			
Depreciation		28,496	37,183
Amortisation		581	508
Provision for Bad Debts		(82)	-
Loss on disposal		-	230
Interest receivable		<u>(9)</u>	<u>(65)</u>
Operating Profit before Working Capital changes		5,125	5,610
Movement in working capital			
Decrease in Inventories		46	371
(Increase)/Decrease in Trade and other receivables		(1,756)	11,112
Increase in Trade and Other Payables		<u>68,776</u>	<u>78,068</u>
Net cash inflow from operating activities		<u>72,191</u>	<u>95,161</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(166,373)	(72,723)
Grants		13,147	32,083
Interest received		<u>9</u>	<u>65</u>
Net cash (outflow) from investing activities		<u>(153,217)</u>	<u>(40,575)</u>
Movement in cash and cash equivalents		(81,026)	54,586
Cash and cash equivalents at beginning of year		265,115	210,529
Cash and cash equivalents at end of year	16	<u>184,089</u>	<u>265,115</u>

The notes on pages 8 to 27 form an integral part of these financial statements

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. GENERAL INFORMATION

L-Imtarfa Local Council is the local authority of L-Imtarfa incorporated in accordance with the Local Councils Act 1993. The office of the Council is at 'Town Centre', Triq ir-Rigiment Maltin, L-Imtarfa. The Local Council's presentation as well as functional currency are denominated in €.

The financial statements were authorised for issue by the Council on the 24 June 2021.

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).

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Local Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Local Council

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for financial years beginning on or after 1 January 2021)

The Council anticipates that all the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Local Council's financial statements.

Standards, amendments and interpretations to published standards that are not yet endorsed by the EU

- IFRS 17 – Insurance contracts (effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 – 2020 (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current – Deferral of Effective Date (effective for financial years beginning on or after 1 January 2022)

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight-line method at 25% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight-line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5-52.21
Construction works	10.0-17.65
Urban Improvements (street furniture)	10.0-85.71
Special Programs (Projects)	10.0
Office Equipment	20.0-46.14
Motor Vehicles	20.0
Plant and Machinery	20.0-23.08
Computer Equipment	25.0-85.67
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	100.0
Street Lights	100.0

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

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

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.

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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.

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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 Comprehensive Income.

Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Government Grants

Government Grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government Grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in €, which is the Council's functional and presentation currency.

Inventory

Inventory is calculated at lower of cost and net realisable value.

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Profits and Losses

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

Cash and Cash Equivalents

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

Local Enforcement System

L-Imtarfa Local Council formed part of the Tramuntana Joint Committee from September 2002 until 31 August 2011. As from 1st September 2011, the Mtarfa Local Council forms part of the North Regional Council. As from October 2015, LESA took over the administration of the Local Enforcement System.

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:

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (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.

3. FUNDS RECEIVED FROM GOVERNMENT

	1 Jan 2020- 31 Dec 2020	1 Jan 2019- 31 Dec 2019
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	287,554	279,482
Other Government Income	<u>30,890</u>	<u>22,866</u>
	<u>318,444</u>	<u>302,348</u>

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

4. INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

	1 Jan 2020 - 31 Dec 2020 Euro	1 Jan 2019 - 31 Dec 2019 Euro
Fines and penalties	<u>480</u>	<u>589</u>
	<u>480</u>	<u>589</u>

5. INCOME RAISED FROM BYE-LAWS

	1 Jan 2020 - 31 Dec 2020 Euro	1 Jan 2019 - 31 Dec 2019 Euro
Courses and skip permits	<u>173</u>	<u>220</u>
	<u>173</u>	<u>220</u>

6. INCOME FROM EU PROJECTS

	1 Jan 2020 - 31 Dec 2020 Euro	1 Jan 2019 - 31 Dec 2019 Euro
Erasmus Youth Project	=	<u>16,614</u>
	=	<u>16,614</u>

7. GENERAL INCOME

	1 Jan 2020 – 31 Dec 2020 Euro	1 Jan 2019- 31 Dec 2019 Euro
Permits	5,058	3,366
Donations & Sponsorships	180	647
General Income	<u>3,586</u>	<u>4,800</u>
	<u>8,824</u>	<u>8,813</u>

8. FINANCE INCOME

	1 Jan 2020 - 31 Dec 2020 Euro	1 Jan 2019 - 31 Dec 2019 Euro
Bank Interest	<u>9</u>	<u>65</u>
	<u>9</u>	<u>65</u>

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

9. PERSONNEL EMOLUMENTS

	1 Jan 2020- 31 Dec 2020	1 Jan 2019- 31 Dec 2019
	Euro	Euro
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	10,403	9,353
Mayor's and Councillors' Allowances	13,000	9,700
Executive Secretary Salary and Allowances	31,813	30,998
Employees' Salaries	40,013	26,242
Social Security Contributions	5,955	5,447
	<u>101,184</u>	<u>81,740</u>
Average number of people employed		
Employees	4	3
Mayor & Councillors	5	5

10. OPERATIONS AND MAINTENANCE EXPENSES

	1 Jan 2020- 31 Dec 2020	1 Jan 2019- 31 Dec 2019
	Euro	Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Plant & Equipment	370	452
Road/Street Pavements	1,114	1,293
Road signs and markings	4,465	2,958
Council property	10,327	5,326
Office furniture & equipment	909	972
Other repairs and upkeep	7,459	4,946
	<u>24,644</u>	<u>15,947</u>
CONTRACTUAL SERVICES		
Refuse collection	19,658	20,879
Tipping Fees	16,274	19,351
Bulky refuse collection	6,930	5,096
Road and street cleaning	18,428	16,984
Cleaning and maintenance public conveniences	5,796	5,616
Cleaning and maintenance parks and gardens	34,871	26,500
Cleaning and maintenance council premises	1,175	1,821
Other Contractual Services	15,617	20,733
Street Lighting and security	11,215	8,455
LES related expenditure	8	-
	<u>129,972</u>	<u>125,435</u>
TOTAL OPERATIONS & MAINTENANCE EXPENSES	<u>154,616</u>	<u>141,382</u>

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

	1 Jan 2020- 31 Dec 2020 Euro	1 Jan 2019- 31 Dec 2019 Euro
11. ADMINISTRATION AND OTHER EXPENDITURE		
Depreciation	29,077	37,691
Professional Fees	37,843	32,677
Advertising and public relations expenses	118	2,998
Bank charges	193	194
Fuel	80	146
Community services	8,558	19,292
Conference and participation expenses	443	19,336
Insurance	1,484	1,354
Library Expenses	1,516	1,722
Staff training	-	489
Postages	65	202
Printing and stationery	1,457	5,977
Publications	46	371
Rent	6,652	7,331
Provision for bad debts (LES)	(82)	-
Loss on disposal of assets	-	230
Office Services	629	2,740
Sundry Minor Expenses	-	332
Telecommunications	4,054	2,560
Transport expenses	1,424	1,663
Water and Electricity	2,434	468
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE AND OTHER EXPENDITURE	95,991	137,773

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

12. INTANGIBLE ASSETS

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

	Computer Software	Total
	€	€
Cost		
At 1 January 2020	2,032	2,032
Additions	<u>295</u>	<u>295</u>
At 31 December 2020	<u>2,327</u>	<u>2,327</u>
Depreciation		
At 1 January 2020	974	974
Charge for the year	<u>581</u>	<u>581</u>
At 31 December 2020	<u>1,555</u>	<u>1,555</u>
Net Book Value		
At 31 December 2020	<u>772</u>	<u>772</u>

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
13a. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture	Fixtures & Fittings	Office Equipment	Computer Equipment	New Street Signs	Urban Improv.	Street Lighting	Construction	Trees	Plant & Machinery	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2020	49,532	18,873	9,529	38,068	298,106	40,853	477,953	9,370	9,107	56,660	1,008,051	
Additions	1,400	262	0	0	2,373	54,089	0	0	570	133,547	192,241	
Disposals	(443)	0	0	0	0	0	0	0	(853)	0	(1,296)	
At 31st December 2020	50,489	19,135	9,529	38,068	300,479	94,942	477,953	9,370	8,824	190,207	1,198,996	
Grants												
At 1 January 2020	0	2,847	0	0	112,480	0	400,968	0	2,300	0	518,595	
Transferred during the year	0	0	0	0	0	35,159	0	0	0	2,599	37,758	
At 31st December 2020	0	2,847	0	0	112,480	35,159	400,968	0	2,300	2,599	556,353	
Depreciation												
At 1 January 2020	36,391	12,517	8,936	38,068	182,066	40,853	50,130	0	5,663	0	374,624	
Charge for the period	1,895	1,983	405	0	1,802	18,930	3,164	0	317	0	28,496	
Released on disposal	(443)	0	0	0	0	0	0	0	(853)	0	(1,296)	
At 31st December 2020	37,843	14,500	9,341	38,068	183,868	59,783	53,294	0	5,127	0	401,824	
Net Book Value												
At 31st December 2020	12,646	1,788	188	0	4,131	0	23,691	9,370	1,397	187,608	240,819	

L-IMTARFA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)
13b. PROPERTY, PLANT AND EQUIPMENT(cont...)

	Office Furniture , Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Street Lighting €	Construction €	Trees €	Plant & Machinery €	Assets under Construction €	Total €
Cost											
At 1 January 2019	43,901	15,255	9,652	38,068	296,831	13,593	473,314	6,981	8,114	31,291	937,000
Additions	5,668	4,655	-	-	1,750	27,260	4,639	2,389	993	25,369	72,723
Disposals	(37)	(1,037)	(123)	-	(475)	-	-	-	-	-	(1,672)
At 31st December 2019	49,532	18,873	9,529	38,068	298,106	40,853	477,953	9,370	9,107	56,660	1,008,051
Grants											
At 1 January 2019	-	-	-	-	112,480	-	400,968	-	2,300	-	515,748
Transferred during the year	-	2,847	-	-	-	-	-	-	-	-	2,847
At 31st December 2019	-	2,847	-	-	112,480	-	400,968	-	2,300	-	518,595
Depreciation											
At 1 January 2019	34,603	12,175	8,517	38,068	180,023	13,593	46,418	-	5,486	-	338,883
Charge for the period	1,825	1,379	542	-	2,288	27,260	3,712	-	177	-	37,183
Released on disposal	(37)	(1,037)	(123)	-	(245)	-	-	-	-	-	(1,442)
At 31st December 2019	36,391	12,517	8,936	38,068	182,066	40,853	50,130	-	5,663	-	374,624
Net Book Value											
At 31st December 2019	13,141	3,509	593	-	3,560	-	26,855	9,370	1,144	56,660	114,832

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

14. INVENTORIES

	2020	2019
Books and other publications	<u>4,035</u>	<u>4,081</u>

15. TRADE AND OTHER RECEIVABLES

	2020	2019
	Euro	Euro
Debtors	18,418	12,977
Provision for Bad Debts (General)	(6,050)	(6,050)
Law Enforcement System Debtors	37,104	37,185
Provision for Bad LES Debts	(37,104)	(37,185)
Other debtors	66	79
Accrued income	24,891	3,802
Financial assets	<u>37,325</u>	<u>10,808</u>
Prepayments	<u>6,563</u>	<u>6,566</u>
	<u>43,888</u>	<u>17,374</u>

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

Trade debtors are analysed as follows:

Within credit period	12,006	2,515
Exceeded credit period (past due) but not impaired	362	4,412
Exceeded credit period (past due) and impaired	6,050	6,050
	<u>18,418</u>	<u>12,977</u>

16. CASH AND CASH EQUIVALENTS

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

	2020	2019
	Euro	Euro
Petty cash and cash in hand	1,202	153
Bank balances		
- BOV current account	(22,743)	523
- BOV savings accounts	205,630	264,439
Cash and Cash Equivalent in Statement of Financial Position	<u>184,089</u>	<u>265,115</u>

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

17. TRADE AND OTHER PAYABLES

	2020	2019
	Euro	Euro
Payables	58,972	46,979
Other Creditors	30,820	746
Accruals	<u>40,722</u>	<u>23,479</u>
Financial Liabilities	130,514	71,204
Deferred Income	<u>2,866</u>	<u>50,321</u>
	<u>133,380</u>	<u>121,525</u>

Trade Payables are analysed as follows:

	2020	2019
	Euro	Euro
Within credit period	28,171	35,008
Exceeded credit period	<u>30,801</u>	<u>11,971</u>
	<u>58,972</u>	<u>46,979</u>

Accruals include estimates for goods and services received prior to 31 December 2020 and for which invoices have not yet been received by the Local Council.

Payables due after more than one year

	2020	2019
	Euro	Euro
Advance Payment	<u>139,910</u>	<u>56,761</u>

18. CONTINGENT LIABILITIES

The Council has no contingent liabilities as at 31st December 2020.

19. CAPITAL COMMITMENTS

	2020	2019
	Euro	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	387,560	142,000

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

20. RELATED PARTY TRANSACTIONS

The Mtarfa Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Central Joint Committee for Local Enforcement, Central Regional Committee for Local Enforcement
- iii. No Control – Local Councils Association, Commissioner for Data Protection, Department of Information, Koperattiva Tabelli u Sinjali, Kunsill Malti għall-Isport, Permanent Secretary Justice Cultural & Local Government, Ufficju Gbir tal-Kera, Housing Authority, Kunsill Nazzjonali tal-Ktieb, Agricultural & Rural Paying Agency, Gozo Channel, Maltapost plc., Arms Ltd., Water Services Corporation, Enemalta Corporation, Inland Revenue Department, Malta Environment and Planning Authority, Malta Information Technology Agency, Bank of Valletta plc., Gozo Regional Committee, South Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters, Isla Local Council and WasteServ Malta Limited.

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

	2020	2019
	Euro	Euro
Annual Financial Allocation	287,554	279,482
<u>Key Management Emoluments</u>		
Executive Secretary	31,813	30,998
Mayor's Honoraria	10,403	9,353
Mayor & Councillors' Allowances	13,000	9,700

21. FINANCIAL RISK MANAGEMENT

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

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

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

21. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

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

	2020	2019
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	37,325	10,808
Cash and cash equivalents	<u>184,089</u>	<u>265,115</u>
	<u>221,414</u>	<u>275,923</u>

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

Included in the council's trade receivable there is a balance of €6,050 (2019 - €6,050) which is past due and which has been provided for.

	2020	2019
	Euro	Euro
0-30 days	826	1,560
31-60 days	11,180	955
61-90 days	-	931
91-120 days	45	903
121-365 days	-	-
Over 365 days	<u>6,367</u>	<u>8,628</u>
	<u>18,418</u>	<u>12,977</u>

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

21. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments.

At 31 December 2020, the Council's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-Current 1 to 5 years €	later than 5 years €
Payables	<u>130,514</u>	<u>139,910</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 €	later than 5 years €
Payables	<u>71,204</u>	<u>56,761</u>	<u>-</u>

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

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2020	2019
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	37,325	10,808
Cash and cash equivalents	<u>184,089</u>	<u>265,115</u>
	<u>221,414</u>	<u>275,923</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>130,514</u>	<u>71,204</u>
	<u>130,514</u>	<u>71,204</u>

23. 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.

24. Comparative information

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