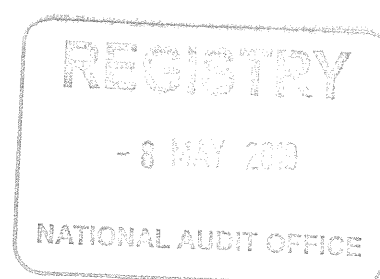


**NAXXAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, Triq San Gwann,
Mosta MST 3603.*



**NAXXAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

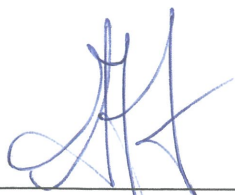
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**NAXXAR LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

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

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

This statement was approved by the Local Council on the 23/4/19 and signed on its behalf by:



Anne Marie Muscat Fenech Adami
Mayor

Date: 23/4/19



Paul Gatt
Executive Secretary

LOCAL COUNCIL NAXXAR

Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL NAXXAR, set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL NAXXAR as at 31 December 2018, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. In view that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €558 for the year under review as well as on any possible accrued income or liabilities present as at year end.

The Council maintains a fixed asset register to record fixed assets acquired by it. However, a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been recognised in the financial statements. Whilst we believe that there may be material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

The Council's policy with respect to government grants was changed as from 1st January 2018 so as to apply IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance using the capital approach. The amount released to income up to 2016 with respect to Special Programmes and Computer Equipment amounted to €149,502 based on the Council's calculations provided, however, the actual amount of grants released deducted from depreciation recorded in note 11 of the financial statements, amounted to €186,281. We did not obtain reasonable assurance on the nature of this variance, amounting to € 36,779, to understand whether this amounted to a misstatement in the grants allocated against the respective fixed assets financed by these grants.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures emanating from 'IAS 1 – Presentation of Financial Statements' in relation to new and revised IFRSs adopted by the EU that are not mandatorily effective but allow early application for the year ending 31 December 2018 and they lack disclosures emanating from 'IAS 24 – Related Parties' in view that note 18 to the financial statements does not reflect the requirements of articles 18, 25 and 26 of the said standard. In addition, in view of the change in accounting policy with respect to government grants, the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors' requires the disclosure of a third balance sheet column in the Statement of Financial Position to clearly show the movement from the prior year audited financial position and the effect of the change in policy, with the current year position being termed as the restated position. This was not included in the Statement of Financial Position on page 7. Finally, note 17 to the financial statements does not provide a proper disclosure of the contingent liabilities of the Council as at year end, amounting to € 10,985, in line with the requirements of IAS 37-Provisions, Contingent Liabilities and Contingent Assets.

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

Other Information

The Council is responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are 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 internal controls as management determines is 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 management are responsible for assessing the Council'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 management either intend to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. In view of the matters set out in this report, these financial statements have not been prepared in line with the requirements of International Financial Reporting Standards as adopted by the European Union.



This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3a Certified Public Accountants
Level 2, Palazzo Ca Brugnara',
Valley Road, Birkirkara

Date: 23rd April 2019

NAXXAR LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

		2018	2017
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	1,043,333	1,152,085
Income raised under Local Council Bye-Laws	4	10,491	7,711
Income raised under Local Enforcement System	5	10,760	23,759
General income	6	<u>122,224</u>	<u>50,810</u>
		<u>1,186,808</u>	<u>1,234,365</u>
EXPENDITURE			
Personal emoluments	7	(185,149)	(182,044)
Operations and maintenance expenses	8	(497,460)	(409,108)
Administration and other expenditure	9	<u>(796,756)</u>	<u>(274,618)</u>
		<u>(1,479,365)</u>	<u>(865,770)</u>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(292,557)	368,595
Finance income	10	<u>1,022</u>	<u>1,727</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(€ 291,535)</u>	<u>€ 370,322</u>

The notes on page 10 to 29 form an integral part of these financial statements

**NAXXAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018**

	Notes	31 December 2018	31 December 2017
		Euro	Euro
ASSETS			
Intangible Assets	11	22,881	51,976
Non-Current Assets			
Property, plant and equipment	11	<u>922,630</u> 945,511	<u>1,078,300</u> 1,130,276
Current Assets			
Inventories	12	8,946	1,510
Trade and other receivables	13	70,559	55,616
Cash and cash equivalents	14	<u>1,112,042</u>	<u>1,164,794</u>
Total Current Assets		<u>1,191,547</u>	<u>1,221,920</u>
TOTAL ASSETS		<u>€ 2,137,058</u>	<u>€ 2,352,196</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>1,839,289</u>	<u>2,130,824</u>
Total equity		<u>1,839,289</u>	<u>2,130,824</u>
Current Liabilities			
Trade and other payables	15	<u>297,769</u>	<u>221,372</u>
Total Current Liabilities		<u>297,769</u>	<u>221,372</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 2,137,058</u>	<u>€ 2,352,196</u>

The notes on pages 10 to 29 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 23/4/19
and signed on its behalf by:



Anne Marie Muscat Fenech Adami
Mayor



Paul Gatt
Executive Secretary

NAXXAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Retained Funds Euro
At 1 January 2017	1,760,502
Profit for the year	<u>370,322</u>
At 31 December 2017	<u>2,130,824</u>
At 1 January 2018	2,130,824
Loss for the year	<u>(291,535)</u>
At 31 December 2018	<u>1,839,289</u>

NAXXAR LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year 1 January to 31 December 2018

		2018		2017	
	Notes	€	€	€	€
(Loss)/Profit for the year		(291,535)		370,322	
Adjustments for:					
Depreciation		583,196		104,619	
Interest receivable		<u>(1,022)</u>		<u>(1,727)</u>	
Operating Profit before working capital changes		290,639		473,214	
(Increase) in Inventories		(7,436)		(646)	
(Increase)/Decrease in Receivables		(17,944)		3,577	
Increase/(Decrease) in Payables		<u>79,397</u>		<u>(15,550)</u>	
Cash generated from operating activities			344,656		460,595
Cash flows from investing activities					
Interest received		1,022		1,727	
Purchase of property, plant and equipment		<u>(398,430)</u>		<u>(127,588)</u>	
Cash (used in) investing activities			<u>(397,408)</u>		<u>(125,861)</u>
Net Increase in cash in the year			(52,752)		334,734
Cash and cash equivalents at the beginning of the year			1,164,794		830,060
Cash and cash equivalents at end of year	14		<u>1,112,042</u>		<u>1,164,794</u>

The notes on page 10 to 29 form an integral part of these financial statements.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2018

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting Convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (CAP 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (CAP 363).

New and amended standards adopted by the Local Council

During the year the Council has applied the following International Financial Reporting Standard issued by IASB that is mandatorily effective for the financial year commencing 1 January 2018:

IFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

Standards and Interpretations issued by the IASB but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contains a new chapter on measurement: guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liability for all leases with a term of more than 1 year, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as PPE) and lease liabilities similarly to other financial liabilities. Thus, a lessee recognised depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the impact that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 20.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (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
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Income and Expenditure.

Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the Statement of Comprehensive Income as it accrues.

Payables and Borrowings

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

Government Grants

By means of Directive 1/2017, the Department of Local Councils has instructed the Council to adopt the alternative capital approach available in IAS 20 as from 1 January 2018. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

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.

Inventories

Inventories are valued at lower of cost and net realisable value.

Profits and losses

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Cash and Equivalents

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

Local Enforcement System

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below:

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial Assets

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

The Council's financial liabilities included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

NAXXAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
In terms of Section 55 of the Local Councils Act, 1993	999,061	958,003
Supplementary Government Income	44,674	46,020
Other Government Income	(402)	148,062
	<u>1,043,333</u>	<u>1,152,085</u>

The negative amount in Other Government Income is due to the reversal of Accrued Income taken in excess at 31/12/2017.

4. INCOME RAISED UNDER BYE-LAWS

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Media Advertising	122	0
Income from skip permits	3,420	2,117
Community services incl. Organisation of Courses	4,600	5,594
Signs	2,349	0
	<u>€ 10,491</u>	<u>€ 7,711</u>

5. INCOME RAISED UNDER LOCAL ENFORCEMENT

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Contraventions and Other fines	558	11,979
Admin fee re Regional Committees	10,202	11,780
	<u>€ 10,760</u>	<u>€ 23,759</u>

6. GENERAL INCOME

	2018 Jan-Dec	2017 Jan-Dec
Cultural Events	8,900	0
Library Services	0	800
EU Funded Projects	22,920	0
Football Ground Hire	56	0
Hire of Council Hall	280	628
General Income	4,228	1,778
Tables and chairs	2,271	1,776
Tender Documents/Info. Charges	481	65
Crane permits and use of roads	60,642	45,586
Contributions and Donations	16,396	177
Admin fee re Collection of Recyclable waste	6,050	0
	<u>€ 122,224</u>	<u>€ 50,810</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2018 Jan-Dec	2017 Jan-Dec
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	11,196	11,018
Councillors' Allowances	11,200	11,211
Executive Secretary Salary and Allowances	34,188	35,163
Employees' Salaries	115,687	112,168
Social Security Contributions	<u>12,878</u>	<u>12,484</u>
	<u>€ 185,149</u>	<u>€ 182,044</u>
Average number of people employed		
Employees	7	7
Mayor & Councillors	9	9

8. OPERATIONS AND MAINTENANCE EXPENSES

	2018 Euro	2017 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Repairs to Public Property	9,308	3,155
Road/Street pavements	15,728	25,791
Signs	6,297	10,758
Road Markings	4,708	2,658
Office furniture & equipment	112	286
Litter Bins	2,169	3,140
Other repairs & Upkeep	153	212
Council Property	<u>4,098</u>	<u>1,583</u>
	<u>42,573</u>	<u>47,583</u>
CONTRACTUAL SERVICES		
Refuse collection	89,966	79,836
Bulky refuse collection	12,289	41,517
Separated Waste Collection	133,794	100,598
Open Skips	779	325
Road & Street Cleaning	116,292	56,141
Cleaning and maintenance Non-Urban	16,839	16,910
Cleaning and maintenance Public Conveniences	8,945	5,595
Cleaning Council Premises	3,948	4,116
Cleaning and maintenance Parks & Gardens	47,406	37,837
Street Lighting	24,333	18,579
Lease of Equipment	13	71
LES related expenditure	<u>283</u>	<u>0</u>
	<u>454,887</u>	<u>361,525</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>497,460</u>	<u>409,108</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Utilities	15,167	17,071
Other repairs & Upkeep	5,331	6,644
Rent	1,782	1,789
National and International Memberships	1,977	0
Office Services	4,960	5,577
Transport	4,096	2,601
Information Services	9,278	7,427
Insurance Coverage	2,287	1,527
Bank Charges	37	167
Professional Services	76,307	69,501
Penalty Interest	244	0
Tuition for courses and expenses	8,167	5,722
Conference Expenses	1,594	2,413
Visits – Foreign Delegations	11,637	2,378
Other Hospitality Costs	65	479
Annual General Meeting	227	0
Social Events	8,202	2,055
Travelling Expenses	22,364	6,751
Cultural Events	19,699	28,711
Christmas Lighting & Decorations	17,315	6,525
Sundry Minor Expenses	2,825	5,041
Provision for Doubtful Debtors	0	(3,241)
Depreciation	<u>583,195</u>	<u>105,480</u>
	<u>796,756</u>	<u>274,618</u>
	2018 Jan-Dec Euro	2017 Jan-Dec Euro
10. FINANCE INCOME		
Bank Interest Receivable	<u>1,022</u>	<u>1,727</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

	Software €
Cost	
At 1 January 2017	233,617
Additions	<u>0</u>
At 31st December 2017	<u>233,617</u>
Grants	
At 1 January 2017	0
Adjusted	192,373
At 31st December 2017	<u>192,373</u>
Depreciation	
At 1 January 2017	54,443
Adjusted	(54,352)
Charge for the period	27,721
Adjusted	<u>(38,544)</u>
At 31st December 2017	<u>(10,732)</u>
Net Book Value	
At 31st December 2017	<u>51,976</u>

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PRO PERTY, PLANT AND EQUIPMENT (cont.)

	Assets under Property €	Street Signs & Construction €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Trees €	Motor Vehicles €	Special Programmes €	Total €	
Cost										
At 1 January 2017	23,296	52,754	11,138	519,664	52,784	47,186	47,806	0	3,215,619	3,970,247
Additions/Capitalisations	0	0	0	9,577	4,336	2,325	12,954	0	98,397	127,589
Reclassification	0	0	0	0	0	0	0	0	0	0
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	0
At 31st December 2017	23,296	52,754	11,138	529,241	57,120	49,511	60,760	0	3,314,016	4,097,836
Grants										
At 1 January 2017	0	0	0	0	0	0	0	0	896,827	896,827
Adjusted	0	0	0	0	14,818	2,700	0	0	395,270	412,788
At 31st December 2017	0	0	0	0	14,818	2,700	0	0	1,292,097	1,309,615
Depreciation										
At 1 January 2017	2,116	0	11,138	366,419	39,311	27,906	0	0	1,339,817	1,786,707
Adjusted	0	0	0	0	(9,493)	(651)	0	0	(182,945)	(193,089)
Charge for the period	212	0	0	16,398	10,049	1,546	0	0	108,532	136,737
Adjusted	0	0	0	0	(1,040)	(149)	0	0	(19,246)	(20,435)
At 31st December 2017	2,328	0	11,138	382,817	38,827	28,652	0	0	1,246,158	1,709,920
Net Book Value										
At 31st December 2017	20,968	52,754	0	146,424	3,475	18,159	60,760	0	775,761	1,078,301

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	2018 Jan-Dec	2017 Jan-Dec
Inventories – Books	€ 8,946	€ 1,510

13. TRADE AND OTHER RECEIVABLES

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Amount invoiced but not yet settled	26,579	20,810
Provision for General Bad Debts	(18,210)	(18,210)
Deposit payments in creditors	99	0
Prepayments and accrued income	<u>62,091</u>	<u>53,016</u>
	<u>70,559</u>	<u>55,616</u>

Receivables

General receivables are analysed as follows:

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Within credit period	2,223	2,155
Exceeded credit period	6,146	445
Provision for doubtful debts	<u>18,210</u>	<u>18,210</u>
	<u>26,579</u>	<u>20,810</u>

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

14. CASH AND CASH EQUIVALENT

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

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Cash in hand	200	87
Bank Balances	<u>1,111,842</u>	<u>1,164,706</u>
	<u>1,112,042</u>	<u>1,164,794</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. TRADE AND OTHER PAYABLES

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
Payables	179,728	148,720
Other payables	48,733	36,913
Provision for court case	3,000	3,000
Accruals	64,857	31,216
Deferred Income	1,451	1,522
	<u>297,769</u>	<u>221,372</u>

Accruals include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

16. EFFECT OF CHANGE IN ACCOUNTING POLICY

On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with 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, has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarised below:

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Statement of comprehensive income				
Funds received from Central Government	3	(1,211,064)	58,979	(1,152,085)
Administration and other expenditure	9	333,597	(58,979)	274,618
Statement of financial position				
Intangible Assets	11	151,453	(99,477)	51,976
Property, plant and equipment	11	1,277,565	(199,264)	1,078,301
Non-current deferred income		(250,421)	250,421	0
Current deferred income		(48,320)	48,320	0

17. CONTINGENT LIABILITIES

The Council is currently involved in a court cases and the local council lawyer together with the Executive Secretary advised to take a provision of €3,000.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CAPITAL COMMITMENTS

	2018 Jan-Dec Euro	2017 Jan-Dec Euro
i-Capital expenditure that has been contracted for but Not provided for in the financial statements	0	0
ii- Capital expenditure that has been approved but not yet contracted for.	2,058,892	1,060,819

- i. The Capital expenditure that has been approved but not yet contracted for represents the purchase of a garage and refurbishment at Council offices amounting to €450,000, the purchase of office equipment amounting to €3,000, Urban Improvements and Special Programmes amounting to €1,181,798 out of which €746,894 will be receivable from the Development Planning fund and the Restoration of the CultureMill amounting to €424,094 out of which €386,774 will be receivable from EU funds.

19. RELATED PARTY TRANSACTIONS

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

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

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RELATED PARTY TRANSACTIONS - continued

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

	2018	2017
	Euro	Euro
Annual Financial Allocation	999,061	958,003
<u>Key Management Emoluments extracted from FS3s</u>		
Executive Secretary	34,188	35,163
Mayor's Honoraria	11,196	11,018
Mayor & Councillors' Allowances	11,200	11,211

FS3 declare actual payments made during the year. In the financial statements worked on accrual basis, an accrual for performance bonus for 2018 was taken.

20. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. FINANCIAL RISK MANAGEMENT

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

Market Risk

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

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. 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 recognized at the end of the reporting period and is summarized as follows:

	2018	2017
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	65,573	55,616
Cash and cash equivalents	<u>1,112,042</u>	<u>1,164,794</u>
	<u>1,177,615</u>	<u>1,220,410</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

	2018
	Euro
31-60 days	2,223
61-90 days	5,590
91-180 days	430
181-365 days	0
Over 365 days	<u>18,336</u>
	<u>26,579</u>

Foreign Currency Risk

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

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of €1,112,042. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2018, 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	231,461	-	-
Accruals	<u>64,857</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current Within 1 year €	Non-Current 1 to 5 years €	later than 5 years €
Payables	188,633	-	-
Accruals and deferred income	<u>32,738</u>	<u>-</u>	<u>-</u>

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2018 €	2017 €
Current assets		
Loans and receivables:		
Trade and other receivables	70,559	55,616
Cash and cash equivalents	<u>1,112,042</u>	<u>1,164,794</u>
	<u>1,182,601</u>	<u>1,220,410</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	231,461	188,633
Accruals and deferred income	<u>66,308</u>	<u>32,738</u>
	<u>297,769</u>	<u>221,371</u>

23. COMPARATIVE INFORMATION

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

