

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

#### 9. Administration and other expenses

	2018	2017
	€	€
Utilities	2,873	3,282
Sundry material & supplies	2,586	1,119
Rent	4,265	4,039
Printing	4,586	2,083
Stationery	1,822	1,982
Postage	367	234
Other office services	4,336	4,054
Transport Malta/Gozo	1,516	592
Overseas tickets	502	355
Conference expenses	-	4,510
Public relations expenses	375	453
Advertising	112	223
Insurance	2,046	1,946
Bank charges	295	207
Transport	1,634	3,317
Management & operating services	3,915	-
Legal fees	-	6,878
Accountancy services	5,900	5,900
Other support services	17,087	9,130
Entertainment	2,048	43
Lease of equipment	-	180
Other hospitality costs	195	343
Social events	10,860	1,660
Cultural events	27,982	36,367
Participation fee	768	813
Penalties	250	-
Sundry Minor expenses	547	698
Provision for bad debts	(105)	-
Depreciation	207,720	193,769
Amortisation	2,059	1,086
	<u>€ 306,541</u>	<u>€ 285,263</u>

#### 10. Investment income

	2018	2017
Bank interest received	€ 9	€ 18

#### 11. Investment cost

	2018	2017
Interest paid	€ 1,298	€ 3,049

# LOCAL COUNCIL RABAT (GOZO)

Notes to the financial statements (continued)  
for the year ended 31 December 2018

## 12 a. Property, Plant and Equipment

	Construction Works	Office Furn. & fittings	New Street Signs	Urban improv	Office equip	Plant & Mach.	Special programmes	Total
Cost	€	€	€	€	€	€	€	€
At 01 January 2018	3,199,137	41,847	11,784	592,434	29,753	4,446	252,614	4,165,160
Disposals	-	-	-	-	-	-	-	-
Additions	37,365	2,299	-	12,423	-	8,298	-	60,385
At 31 December 2018	3,236,502	44,146	11,784	604,857	29,753	12,744	252,614	4,225,545

## Grants and other reimbursements

At 01 January 2018	1,833,608	-	-	6,115	5,000	-	162,879	2,040,747
Movements	-	-	-	-	-	-	-	-
At 31 December 2018	1,833,608	-	-	6,115	5,000	-	162,879	2,040,747

## Depreciation

At 01 January 2018	698,989	23,988	11,784	417,914	19,669	1,538	89,735	1,263,617
Adjustment	-	-	-	-	-	-	-	-
Charge for the year	138,511	3,279	-	59,663	5,084	1,183	-	207,720
At 31 December 2018	837,500	27,267	11,784	477,577	24,753	2,721	89,735	1,471,337

## Net book value

At 31 December 2018	€	565,394	16,879	-	121,165	-	10,023	713,461
At 31 December 2017	€	666,540	17,859	-	168,405	5,084	2,908	860,796

**LOCAL COUNCIL RABAT (GOZO)**

Notes to the financial statements (continued)  
for the year ended 31 December 2018

**12b. Property, Plant and Equipment (adjusted workings for 2017)**

<u>Cost</u>	Construction Works	Office Furn. & fittings	New Street Signs	Trees	Urban improv	Office equip	Plant & Mach.	Special programmes	Assets under construction	Total
€	€	€	€	€	€	€	€	€	€	€
At 01 January 2017	2,936,806	40,976	11,784	33,145	454,806	28,661	4,446	252,614	410,016	4,173,254
Adjustment	(19,799)	-	-	-	-	-	-	-	-	(19,799)
Reallocation	273,898	-	-	-	136,118	-	-	-	(410,016)	-
Additions	8,232	871	-	-	1,510	1,092	-	-	-	11,705
At 31 December 2017	3,199,137	41,847	11,784	33,145	592,434	29,753	4,446	252,614	-	4,165,160
<u>Grants and other reimbursements</u>										
At 01 January 2017	106,714	-	-	-	-	-	-	162,879	-	269,593
Adjusted for change in policy	1,669,084	-	-	33,145	6,115	5,000	-	-	-	1,713,344
New grants	57,810	-	-	-	-	-	-	-	-	57,810
At 31 December 2017	1,833,608	-	-	33,145	6,115	5,000	-	162,879	-	2,040,747
<u>Depreciation</u>										
At 01 January 2017	900,926	22,528	11,784	-	317,461	21,553	878	89,735	-	1,364,865
Adjusted for previous years	(285,546)	-	-	-	(6,115)	(3,356)	-	-	-	(295,017)
Charge for the year	83,609	1,460	-	-	106,568	1,472	660	-	-	193,769
At 31 December 2017	698,989	23,988	11,784	-	417,914	19,669	1,538	89,735	-	1,263,617
<u>Net book value</u>										
At 31 December 2017	€ 666,540	17,859	-	-	168,405	5,084	2,908	-	-	860,796
At 31 December 2016	€ 1,929,166	18,448	-	33,145	137,345	7,108	3,568	-	410,016	2,538,796

**LOCAL COUNCIL RABAT (GOZO)**

**Notes to the financial statements (continued)  
for the year ended 31 December 2018**

**12 c. Property, Plant and Equipment**

	Construction Works	Office Furn. & fittings	New Street Signs	Trees	Urban improv	Office equip	Plant & Mach.	Special programmes	Assets under construction	Total
<u>Cost</u>	€	€	€	€	€	€	€	€	€	€
At 01 January 2017	2,936,806	40,976	11,784	33,145	454,806	28,661	4,446	252,614	410,016	4,173,254
Adjustment	(19,799)	-	-	-	-	-	-	-	-	(19,799)
Reallocation	273,898	-	-	-	136,118	-	-	-	(410,016)	-
Additions	8,232	871	-	-	1,510	1,092	-	-	-	11,705
At 31 December 2017	3,199,137	41,847	11,784	33,145	592,434	29,753	4,446	252,614	-	4,165,160
<u>Grants and other reimbursements</u>										
At 01 January 2017	106,714	-	-	-	-	-	-	162,879	-	269,593
Movements	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	106,714	-	-	-	-	-	-	162,879	-	269,593
<u>Depreciation</u>										
At 01 January 2017	900,926	22,528	11,784	-	317,461	21,553	878	89,735	-	1,364,865
Released on disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	227,273	1,460	-	-	106,568	1,772	660	-	-	337,733
At 31 December 2017	1,128,199	23,988	11,784	-	424,029	23,325	1,538	89,735	-	1,702,598
<u>Net book value</u>										
At 31 December 2017	€ 1,964,224	17,859	-	33,145	168,405	6,428	2,908	-	-	2,192,969
At 31 December 2016	€ 1,929,166	18,448	-	33,145	137,345	7,108	3,568	-	410,016	2,538,796

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

#### 13. Intangible assets

	Web-site	
<i>Gross carrying amount</i>	€	
Balance at 01 January 2018	8,236	
Additions	-	
	<hr/>	
Balance at 31 December 2018	8,236	
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Balance at 01 January 2018	4,456	
Amortisation	2,059	
	<hr/>	
Balance at 31 December 2018	6,515	
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Carrying amount at 31 December 2018	€ 1,721	
	<hr/>	
	2018	2017
	€	€

#### 14 Inventories

Books and other publications	€ 26,344	€ 26,778
	<hr/>	<hr/>

#### 15. Receivables

	2018	2017
	€	€
LES receivables	-	-
Trade receivables	21,414	-
Other receivables	14,076	14,076
Prepayments and accrued income	137,533	104,021
	<hr/>	<hr/>
	€ 173,023	€ 118,097
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LES receivables are stated after a specific provision for doubtful debts:

##### *Provision for bad debts*

	€	€
Balance brought forward	97,866	97,866
Movement	(105)	-
	<hr/>	<hr/>
Balance carried forward	€ 97,761	€ 97,866
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##### **Receivables are analysed as follows:**

	€	€
Within credit limit	1,976	9,920
Exceeded credit period but not impaired	135,557	108,177
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	€ 137,533	€ 118,097
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## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

#### 16. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2018	2017
	€	€
Bank balances Savings and term	129,789	132,277
Cash in hand	123	6
	<u>129,912</u>	<u>132,283</u>
Overdrawn bank balance	(7,395)	(46,064)
	<u>€ 122,517</u>	<u>€ 86,219</u>

#### 17. Deferred income

	2018	2017
	€	€
Balance brought forward	28,500	28,500
Movement for the year	77,913	-
	<u>106,413</u>	<u>28,500</u>
Released during the year	-	-
	<u>€ 106,413</u>	<u>€ 28,500</u>
Balance carried forward		
	<u>€ 106,413</u>	<u>€ 21,000</u>
(i) Current deferred income		
	<u>€ 106,413</u>	<u>€ 21,000</u>
(ii) Non current deferred income:		
Deferred between 1 and 2 years	-	7,500
Deferred between 2 and 5 years	-	-
Deferred in 5 years or more	-	-
	<u>€ -</u>	<u>€ 7,500</u>

#### 18. Payables and accruals

	2018	2017
	€	€
Accounts payable	430,064	331,880
Accruals and other payables	348,801	486,478
Deferred income (current portion)	106,413	21,000
Overdrawn bank balance	7,395	46,064
	<u>€ 892,673</u>	<u>€ 885,422</u>

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

#### 18. Payables and accruals (continued)

	2018	2017
Payables are analysed as follows :	€	€
(i) Current portion	661,427	747,706
(ii) Non current portion		
Payables between 1 and 2 years	91,870	22,952
Payables between 2 and 5 years	139,376	68,858
Payables in 5 years or more	-	45,906
€	231,246	€ 137,716

#### 19. Capital Commitments

	2018	2017
	€	€
(i) Details of capital commitments are as follows:		
Approved but not yet contracted for (ii)	120,151	-
(ii) Approved but not yet contracted for:		
Safety fence at Victoria Playing Field	8,074	-
Gazebo at Victoria Playing Field	5,664	-
Resurfacing of Triq Gorg Pisani	98,913	-
Trees in Pjazza Indipendenza	7,500	-
€	120,151	€ -

#### 20. Contingent liabilities

- The Council is in dispute with a local contractor who had caused damages to a third party. The third party who suffered the damages was paid directly by the council the amount of Eur 14,076. The council is claiming the amount of Eur 14,076, plus Eur 5,335 in legal fees from the contractor. Hence the amount of Eur 14,076 is currently shown as other receivables in these financial statements.
- The Water Services Corporation is objecting an amount of about Eur 66,000 which the Local Council is claiming from it, since according to the Corporation no works requiring road re-instatment was carried out in the roads listed by the Council while some other jobs were not even carried out.
- Invoices of WasteServ Malta Limited amounting to Euro 13,007 are not accounted for because they are in dispute.

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

- vi) An invoice for the amount of Euro 5,575 from Gatt Contractor is being contested by the Council. No adjustment was made until the dispute is settled.
- v) Two legal cases are being held against the Council, one regarding the movement of the 'Monti' from Pjazza Indipendenza and the other by the residents regarding the works done in Pjazza San Gorg. No provisions for these disputes were accounted for.
- vi) Legal action has been taken by ARMS Limited against the Council claiming an amount of Euro 13,663. No provision for this case was accounted for.
- vii) Invoices of Richard Cauchi amounting to Euro 19,730 are not accounted for because they were not yet approved by the Council.

## 21. Financial instruments

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.

### *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:

<i>Class of financial assets - carrying amounts</i>	<b>2018</b> €	<b>2017</b> €
Trade and other receivables	173,023	118,097
Cash and Cash Equivalents	129,912	132,283
	<u>€ 302,935</u>	<u>€ 250,380</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.

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.



## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

#### *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 manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2018	2017
Payables	€ 661,427	€ 747,706

#### *Other risks*

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. 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.

## 22. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

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

## LOCAL COUNCIL RABAT (GOZO)

### Notes to the financial statement for the year ended 31 December 2018

		2018	2017
<b>Income</b>			
Annual financial allocation	€	559,237	€ 536,666

The ultimate controlling party of the Local Council 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 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.

#### Key management compensation

Transactions with key management personnel are disclosed in note 7.

#### 23. Fair value 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. Going Concern

The Statement of Financial Position suggests that the going concern assumption used in the preparation of these financial statements is dependent on support from its creditors and other sources of funds. Any adverse change in either of these assumptions above, would not let the Council be able to meet its financial obligations as they fall due without curtailing its future commitments.

#### 25. Prior Year Adjustment

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department for Local Government in respect of the Accounting of Grants as per IAS 20 'Government Grants'. The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 01 January 2018.

This is a change in accounting policies and, according to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income. The effect of this change has been the reclassification of opening balances of Property, plant and Equipment and Deferred Grants in the Statement of Financial Position as represented below:

# **LOCAL COUNCIL RABAT (GOZO)**

**Notes to the financial statement  
for the year ended 31 December 2018**

		Balances before adjustment	Prior Year Adjustments	Reninstated Balances
<b>ASSETS</b>				
	Note	€	€	€
<b>Non-current assets</b>				
Property, plant and equipment	12	2,192,969	(1,332,173)	860,796
Intangible asset	13	3,780	-	3,780
		<u>2,196,749</u>	<u>(1,332,173)</u>	<u>864,576</u>
<b>Current Assets</b>				
Inventories	14	26,778	-	26,778
Receivables	15	118,097	-	118,097
Cash and cash equivalents	16	132,283	-	132,283
		<u>277,158</u>	<u>-</u>	<u>277,158</u>
<b>Total assets</b>		€ <u><u>2,473,907</u></u>	€ <u><u>(1,332,173)</u></u>	€ <u><u>1,141,734</u></u>
<b>Reserves and liabilities</b>				
<b>Reserves</b>				
Retained funds		<u>248,812</u>	<u>-</u>	<u>248,812</u>
<b>Non Current liabilities</b>				
Deferred Income	17	1,230,665	(1,223,165)	7,500
Payables and accruals	18	137,716	-	137,716
		<u>1,368,381</u>	<u>(1,223,165)</u>	<u>145,216</u>
<b>Current liabilities</b>				
Payables and accruals	18	810,650	(109,008)	701,642
Overdrawn bank balance	18	46,064	-	46,064
		<u>856,714</u>	<u>(109,008)</u>	<u>747,706</u>
<b>Total Reserves and Liabilities</b>		€ <u><u>2,473,907</u></u>	€ <u><u>(1,332,173)</u></u>	€ <u><u>1,141,734</u></u>