

Tarxien Local Council
Unaudited Financial Statements
for the year ended 31 December 2021

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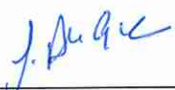
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Financial Statements for the year ended 31 December 2021

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

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

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



Joseph Abela Galea
Mayor



Emanuela Vella
Executive Secretary

Date: 14/03/ 2022

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

	Notes	2021 EUR	2020 EUR
Income			
Funds received from central Government	5	667,975	676,128
Income raised under LES	6	5,699	3,408
Income from Bye Laws	8a	46,585	43,036
General income	8b	4,734	3,723
		<u>724,993</u>	<u>726,295</u>
Expenditure			
Personal emoluments	9	(158,578)	(156,272)
Operations and maintenance	10	(223,538)	(228,767)
Administration and other expenditure	11	(336,556)	(245,969)
		<u>(718,672)</u>	<u>(631,008)</u>
Profit for the year		6,309	95,287
Investment income	7	12	88
Profit for the year		<u>6,321</u>	<u>95,375</u>

The notes on pages 8 to 31 are an integral part of the financial statements.

Statement of financial position as at 31 December

	Notes	2021 EUR	2020 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	12	953,040	1,110,738
		953,040	1,110,738
Current assets			
Inventory	14	-	2,750
Trade and other receivables	15	126,711	154,966
Cash and cash equivalents	16	337,437	133,554
		464,148	291,270
Total assets		1,417,188	1,402,008
EQUITY AND LIABILITIES			
Retained funds		1,169,911	1,074,536
Profit for the year		6,321	95,375
		1,176,232	1,169,911
Current liabilities			
Trade and other payables	17	240,957	232,097
		240,957	232,097
Total equity and liabilities		1,417,188	1,402,008

The notes on pages 8 to 31 are an integral part of the financial statements.

These financial statements were approved by the Local Council on 14/03/ 2022,
and signed on its behalf by:



Joseph Abela Galea
Mayor



Emanuela Vella
Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2021

	Retained Funds
	EUR
Balance at 1 January 2020	1,074,536
Profit for the year	95,375
Balance at 31 December 2020	1,169,911
Profit for the year	6,321
Balance at 31 December 2021	<u>1,176,232</u>

The notes on pages 8 to 31 are an integral part of the financial statements.

Statement of Cash flows for the year ended 31 December

	Notes	2021 EUR	2020 EUR
Cash flows from operating activities			
(Loss) / Profit for the year		6,321	95,375
Adjusted for:			
Depreciation	12,13	250,208	174,858
Gain / (loss) on disposal of assets		148	(1,779)
Movement in provision for doubtful debts	15	(8,978)	-
Interest receivable	7	(12)	(88)
		<u>247,687</u>	<u>268,366</u>
Movement in working capital:			
Receivables		37,233	(27,854)
Inventories		2,750	-
Payables		8,859	(180,005)
		<u>296,529</u>	<u>60,507</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(92,658)	(4,393)
Interest received		12	88
		<u>(92,646)</u>	<u>(4,305)</u>
Net cash used in investing activities			
		<u>203,883</u>	<u>56,202</u>
Net movement in cash and cash equivalents			
		<u>133,554</u>	<u>77,352</u>
Cash and cash equivalents at the beginning of the period			
		<u>133,554</u>	<u>77,352</u>
Cash and cash equivalents at the end of the period	16	<u>337,437</u>	<u>133,554</u>

The notes on pages 8 to 31 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2021

1. General Information

Tarxien Local Council is the local authority of Tarxien setup in accordance with the Local Councils Act. The office of the Local Council is situated at 73, Saint Mary Street, Tarxien. These mid-term financial statements were approved for issue by The Council members on 14/03/ 2022. The Local Council is in charge to maintain cleanliness in the locality, the maintenance and up-keep of public property and enjoys further responsibilities to provide a wide spectrum of services to residents, commercial entities and visitors alike. The Council's role also necessitates that development and up-keep is undertaken in a way that it preserves the natural environment and supports sustainable development. The Council's presentation as well as functional currency is denominated in Euro.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements are drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below.

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.1 Basis of preparation (continued)

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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)*
- Amendments to IFRS 16 *Leases: COVID-19 Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)*

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 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions: Contingent Liabilities and Contingent Assets*; and Annual Improvements 2018-2020 (All issued 14 May 2020)

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies

The principal accounting policies and reporting procedures used by the Council are as follows:

a. 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 Profit or Loss and Other Comprehensive Income as it accrues.

b. Local Enforcement System

The Tarxien Local Council forms part of the Regjun Xlokk. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Tarxien Local Council. In line with the Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until 31 December 2015.

Prior to 1st September 2011, the Tarxien Local Council formed part of the Southern Joint Committee.

c. Property, Plant and Equipment

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies (continued)

c. Property, Plant and Equipment (continued)

	Number of Years
Trees	0 years
Buildings	99 years
Office Furniture and Fittings	1 to 13 years
Construction Works	10 years
Urban Improvements (Street Furniture)	1 to 10 years
Special Projects	1 to 10 years
Office Equipment	1 to 5 years
Motor Vehicles	5 years
Plant and Machinery	5 years
Computer Equipment	1 to 4 years
Plants	1 year
Litter Bins	replacement basis
Playground furniture	1 year
Traffic Signs	replacement basis
Road Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	1 year

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 recognized 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies (continued)

d. Government Grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset. However, government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss.

e. Impairment of Assets

Impairment of Financial Assets

The Local Council assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Council applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of Non-Financial Assets

Assets are tested 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

f. Amounts Receivable

Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Amounts receivables are amounts mainly due from Government entities for services provided in the ordinary course of operations of the Local Council. They are generally due for settlement within 30 days and therefore are all classified as current. Amounts receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Local Council holds the amounts receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 21 for further for a description of the Council's impairment policies.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies (continued)

g. Profit 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.

h. Cash and Cash Equivalents

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

i. Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

j. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognised as expenses in the periods in which they are incurred. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies (continued)

k. Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables 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 are 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include trade and other payables. Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

2.2 Significant accounting policies (continued)

I. Related parties

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

m. Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives 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.

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.

n. 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. Except for the issues highlighted in note 3 below, the Council is of the opinion that 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'.

o. Inventories

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these Mid-term Financial Statements, the Local Council has made no judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

4. Assessment of going concern

The Statement of Financial Position on page 5 and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on the annual financial allocation by Central Government, the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above would not let the Council to meet its financial obligations as they fall due without curtailing its future commitments.

5. Funds received from central Government

	2021	2020
	EUR	EUR
In terms of section 55 of the Local Councils Act (Cap 363)	615,510	602,200
Other Supplementary Government Income	-	26,382
Other Government Income	20,009	13,788
Organic collection fees	32,456	33,758
	<u>667,975</u>	<u>676,128</u>

6. Local enforcement income

	2021	2020
	EUR	EUR
Commission Income for contraventions paid at Council	<u>5,699</u>	<u>3,408</u>

7. Investment income

	2021	2020
	EUR	EUR
Bank interest	<u>12</u>	<u>88</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8a. Income from Bye Laws

	2021 EUR	2020 EUR
Income from permits	<u>46,585</u>	<u>43,036</u>

8b. General Income

	2021 EUR	2020 EUR
Reinstatement of roads contributions	-	3,723
Other Income	<u>4,734</u>	<u>-</u>
	<u>4,734</u>	<u>3,723</u>

9. Personal Emoluments

	2021 EUR	2020 EUR
<i>Key Management Personnel</i>		
Mayor's Honoraria and Allowance	16,620	14,789
Councillors' Allowance	10,759	17,800
Executive Secretary salary and allowances	<u>26,476</u>	<u>33,705</u>
	53,855	66,294
<i>Operations Personnel</i>		
Employees' salaries	66,568	78,712
Social Security Contributions	<u>38,155</u>	<u>11,266</u>
	104,723	89,978
	<u>158,578</u>	<u>156,272</u>
<i>Average number of people employed</i>		
Employees	5	4
Mayor and Councillors	7	7

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

10. Operations and Maintenance

	2021 EUR	2020 EUR
Repairs and upkeep:		
Road and street pavements (patching works)	12,120	24,535
Road markings and street signs	11,281	1,910
Other repairs and upkeep	5,163	-
Street Lighting	1,445	-
	<u>30,009</u>	<u>26,445</u>
Contractual Services:		
Refuse collection	67,346	80,629
Landfill tipping fees	51,396	44,030
Road and street cleaning (mechanical and manual)	42,943	41,498
Bulky refuse collection (including open skips)	26,608	28,621
Cleaning and maintenance of public conveniences	-	-
Cleaning and maintenance of parks and gardens	5,236	7,544
	<u>193,529</u>	<u>202,322</u>
	<u>223,538</u>	<u>228,767</u>

11. Administration and other expenditure

	2021 EUR	2020 EUR
Depreciation and amortization	250,208	174,858
Professional services	23,348	36,512
Community and hospitality	20,448	661
Other contractual services	21,443	18,163
General expenditure	2,018	-
Rent and other leases	11,748	3,029
Office services	9,299	5,874
Utilities	8,210	7,189
Write off of inventories	2,750	-
Transport	1,354	1,274
Bank charges	667	148
Information services	572	40
Bad Debts	25	-
Impairment provision on trade receivables	(15,534)	(1,779)
	<u>336,556</u>	<u>245,969</u>

12. Property, plant and equipment

Assets	Property		Office furniture and fittings		Street Signs		Urban Improvements		Office Equipment		Computer Equipment		Special Programs		Assets under Construction		Total		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Cost																			
01.01.21	156,118	30,793	16,769	140,566	33,250	16,016	3,431,984	-	-	-	-	-	-	-	-	-	-	3,825,496	
Additions	5,487	62,840	-	11,433	2,770	10,127	-	-	-	-	-	-	-	-	-	-	-	92,658	
Asset disposal	-	-	-	-	(100)	(92)	-	-	(92)	-	-	-	-	-	-	-	-	(192)	
Reclass	143,120	(96)	(1,779)	872	(14,400)	(149)	(100,107)	-	-	-	-	-	-	-	-	-	-	27,461	
31.12.21	304,725	93,538	14,990	152,871	21,520	25,902	3,331,877	-	-	-	-	-	-	-	-	-	-	3,945,423	
Grants																			
01.01.21	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	1,315,411	
Additions	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	1,315,411	
31.12.21	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	1,315,411	
Acc Dep																			
01.01.21	28,681	22,723	16,769	75,173	29,749	9,329	1,216,923	-	-	-	-	-	-	-	-	-	-	1,399,347	
Asset disposal	-	-	-	-	(100)	(92)	-	-	(92)	-	-	-	-	-	-	-	-	(192)	
Charge for the period	3,171	2,490	-	9,991	1,880	2,272	230,404	-	-	-	-	-	-	-	-	-	-	250,208	
Reclass to depreciation	-	(784)	(1,779)	16,769	(14,058)	(151)	27,612	-	-	-	-	-	-	-	-	-	-	27,609	
31.12.21	31,852	24,428	14,990	101,933	17,471	11,358	1,474,939	-	-	-	-	-	-	-	-	-	-	1,676,972	
Net Book Value																			
31.12.2021	272,873	69,109	-	50,938	4,049	12,244	543,827	-	-	-	-	-	-	-	-	-	-	953,040	

12. Property, plant and equipment – continued.

Assets	Property		Office furniture and fittings		Street Signs		Urban Improvements		Office Equipment		Computer Equipment		Special Programs		Assets under Construction		Total		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Cost																			
01.01.20	156,118	30,503	16,769	140,566	33,059	12,104	3,431,984	-	-	-	-	-	-	-	-	-	-	3,821,103	
Additions	-	290	-	-	191	3,912	-	-	-	-	-	-	-	-	-	-	-	4,393	
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
31.12.20	156,118	30,793	16,769	140,566	33,250	16,016	3,431,984	-	-	-	-	-	-	-	-	-	-	3,825,496	
Grants																			
01.01.20	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	1,315,411	
31.12.20	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	1,315,411	
Acc Dep																			
01.01.20	27,107	20,945	16,769	65,173	26,808	7,649	1,060,963	-	-	-	-	-	-	-	-	-	-	1,225,414	
Charge for the period	1,574	1,778	-	10,000	2,941	1,680	155,960	-	-	-	-	-	-	-	-	-	-	173,933	
31.12.20	28,681	22,723	16,769	75,173	29,749	9,329	1,216,923	-	-	-	-	-	-	-	-	-	-	1,399,347	
Net Book Value																			
31.12.2020	127,437	8,070	-	65,393	3,501	4,387	901,950	-	-	-	-	-	-	-	-	-	-	1,110,738	

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

13. Right of Use Asset

	Motor vehicle €	Total €
Year ended 31 December 2020		
Opening net book amount	925	925
Depreciation charge	(925)	(925)
Closing net book amount	<u>-</u>	<u>-</u>
At 31 December 2020		
Cost	11,076	11,076
Accumulated depreciation	(11,076)	(11,076)
Net book amount	<u>-</u>	<u>-</u>
Year ended 31 December 2021		
Opening net book amount	-	-
Depreciation charge	-	-
Closing net book amount	<u>-</u>	<u>-</u>
At 31 December 2021		
Cost	(11,076)	(11,076)
Accumulated depreciation	(11,076)	(11,076)
Net book amount	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

14. Inventories

	2021 EUR	2020 EUR
Books and other publications	<u>-</u>	<u>2,750</u>

15. Trade and other receivables

	2021 EUR	2020 EUR
Financial Assets		
Trade receivables	144,508	167,184
Funds advanced to Joint Venture	5,617	5,617
Impairment recognized on receivables	(35,396)	(50,930)
Accrued income	10,309	29,785
Total Financial Assets	<u>125,038</u>	<u>151,656</u>
Non-Financial Assets - Prepayments	<u>1,673</u>	<u>3,310</u>
Total receivables	<u>126,711</u>	<u>154,966</u>

Receivables are analyzed as follows:

Within credit period (0 - 30 days)	2,845	2,618
Exceeded credit period but not impaired (31 days +)	144,509	251,310
Impaired and provided for	(38,242)	(137,674)
	<u>109,112</u>	<u>116,254</u>

Movement in impairment provisions

Balance at beginning of the year	137,674	139,447
Impairment loss recognized on receivables during the year	(8,978)	(1,779)
Balance at end of year	<u>128,696</u>	<u>137,674</u>

Impairment recognized on receivables relates all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2020 – EUR86,738) and a provision of general receivables based on the Council's historical credit loss experience, amounting to EUR 44,374 (2020 – EUR 50,930).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

16. Cash and cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2021 EUR	2020 EUR
Bank balances:		
Cash at bank	<u>337,437</u>	<u>133,554</u>

The Council entered into an arrangement with the bank to automatically transfer funds from the savings account to the current account on an as need basis, that is when payments are actually presented to the bank. As at the end of last year, there were the unrepresented payments pending on the current account.

17. Trade and other payables

	2021 EUR	2020 EUR
Financial Liabilities		
Trade payables	76,167	63,812
Accruals	117,671	117,990
Deferred Income	31,816	20,971
Retention monies	-	12,679
Other payables	2,304	3,646
	<u>227,958</u>	<u>219,098</u>
Non-Financial Liabilities		
Youth Exchanges	2,200	2,200
Liabilities arising from JV in excess of Investment	10,799	10,799
	<u>12,999</u>	<u>12,999</u>
Total Liabilities	<u>240,957</u>	<u>232,097</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

18. Advance Payment

Advance payment relates to income received from government grants. The below balances represent advances payment received for capital projects.

	2021	2020
	EUR	EUR
<i>Advance payment</i>		
Capital project – Norway Grant	23,555	-
	<hr/>	<hr/>
Amount released from advance payment (capital grant)	(4,470)	-
	<hr/>	<hr/>
Advance payment – Current Liabilities	19,085	-
	<hr/>	<hr/>

19. Related Party Transactions

The Government of Malta, specifically the Department of Local Government, is considered to be a related party by virtue of control.

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

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

19. Related Party Transactions (continued)

Name of Entity	Nature of Relationship
Department of Local Government	Significant Control
Southern Harbour District Joint Comm.	Joint Control
Regjun Xlokk	Joint Control
Automated Revenue Management Services Ltd	No Control
Commissioner of Police	No Control
Dept of Information	No Control
Education Department	No Control
Enemalta Corporation	No Control
Housing Authority	No Control
Information and Data Protection Commissioner	No Control
Land Department	No Control
Local Council Association	No Control
Malta Tourism Authority	No Control
Malta Transport Authority	No Control
Malta Transport Authority	No Control
Malta Environment & Planning Authority	No Control
Malta Information Technology and Training Services Ltd	No Control
Office of the Prime Minister	No Control
Regjun Centrali	No Control
Regjun Ghawdex	No Control
Regjun Nofsinhar	No Control
Regjun Tramuntana	No Control
The Accountant General	No Control
WasteServ Malta Ltd	No Control
Water Services Corp.	No Control
Cassar ship repair (joint venture)	No Control

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

Income	2021 EUR	2020 EUR
Funds received from Central Government	<u>615,510</u>	<u>602,202</u>

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

19. Related Party Transactions (continued)

The following balances were outstanding at the end of the year:

	Amounts owed by related parties		Amounts owed to related parties	
	2021 EUR	2020 EUR	2021 EUR	2020 EUR
Significant control	-	-	-	-
Joint Control	-	-	-	-
No Control	38,241	59,358	4,513	48,601

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Balances owed by related parties exclude provision for bad or doubtful debts in respect of the amounts owed by related parties since these exceed two years.

Key Management Compensation

Transactions with key management personnel are disclosed in note 9.

20. Fair values of financial assets and financial liabilities

At 31 December 2021, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities, are not materially different from their carrying amounts.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. Financial risk management

The exposures to risk and the way risks arise, together with the Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

By their nature, the Local Council's financial instruments are limited to trade receivables and trade payables in terms of financial assets and financial liabilities respectively.

	2021	2020
	EUR	EUR
Financial Assets		
Trade receivables	144,508	167,184
Funds advanced to Joint Venture	5,617	5,617
Impairment recognized on receivables	(35,396)	(50,930)
Accrued income	10,309	29,785
Cash at bank and in hand	337,437	133,554
Total Financial Assets	<u>462,475</u>	<u>285,210</u>

Currently the Local Council holds its cash at bank balances with reputable and investment grade rated banking institutions (31 December 2021: BBB by S&P Global, 31 December 2020: BBB by S&P Global) and accordingly, on the basis of the low credit risk exemption, the resulting 12m-ECLs in terms of IFRS 9 were not considered to be material.

Credit risk

Impairment of financial assets

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of receivables and cash at bank. The Council's cash is placed with reputable financial institutions. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Council applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. Financial risk management (continued)

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

31 December 2021	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	14.3%	100%	98.7%	
Gross carrying amount	2,845		35,396	
Loss allowance	407		34,936	35,343
<hr/>				
31 December 2020	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	14.3%	100%	98.7%	
Gross carrying amount	10,891	-	50,025	60,916
Loss allowance	1,557	-	49,373	50,930
<hr/>				

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan.

Impairment losses on trade receivables are presented as provision for expected credit losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. Financial risk management (continued)

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. As at year end, the Council had a current net asset position of EUR 59,173 - audited (2020: net liability position of EUR 206,667 - audited).

31 December 2021	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	76,167	-	-
Accruals and other payables	<u>164,790</u>	-	-
	<u>240,957</u>	-	-
Bank current account	-	-	-
31 December 2020	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	63,812	-	-
Accruals and other payables	<u>155,286</u>	-	-
	<u>219,098</u>	-	-
Bank current account	-	-	-

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

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 trade in any foreign currency transactions.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. Financial risk management (continued)

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Council currently does not have any third-party loans.

Summary of financial assets and liabilities

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

	2021 EUR	2020 EUR
Current Assets		
Loans and receivables:		
Trade and other receivables	114,729	121,871
Accrued Income	10,309	29,785
Cash at bank and in hand	337,437	133,554
	<u>462,475</u>	<u>285,210</u>
Current Liabilities		
Financial liabilities measured at amortized cost:		
Trade payables	76,167	63,812
Accruals and other payables	151,791	155,286
	<u>227,958</u>	<u>219,098</u>

22. Contingent liabilities, Contingent assets

Contingent liabilities

The Council has entered into a Local Enforcement Pooling System, losses from which system cannot be quantified at the year-end date and have been excluded from these financial statements.

The Council is involved in a court case and an arbitration case, along with the Commissioner of Land in respect of land occupied by Mark Farrugia Garden. The Council, on the advice of its legal counsel, does not expect a negative financial impact to this case.

Contingent assets

The Council has entered into a Local Enforcement Pooling System profits from which system cannot be quantified at the year-end date and have been excluded from these financial statements.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

23. Investment in Joint Venture

The Council has a Joint Venture agreement to develop and manage a football pitch in the locality. The Council owns 50% of this venture. The following are the salient point of the Joint Venture agreement:

- the land on which the ground is built, which was devolved to the council by the Department of Lands, remains the property of the Council;
- the mayor of the Council, who acts as chairman of the management committee, has the right to a casting vote in the event of a deadlock;
- legal representation is vested in the chairman of the management committee;
- the contractual agreement does not establish the parties' rights to the assets, and obligations for the liabilities, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

On the basis of the above points, the venture is deemed to be a Joint Venture in accordance with IFRS 11 – Joint Arrangements. The Council has recorded this investment at cost in its separate financial statements. The Council's initial investment cost was EUR46,587. The equity value of the Joint Venture as at 31 December 2021 based on unaudited financial statements stood at negative EUR 10,799 (2020: negative EUR 10,799).

In accordance with IAS 28 - Investments in Associates and Joint Ventures, the difference between the original investment cost and the equity value owned by the Council as at year end is recognized in the Statement of Financial Position against the original investment to the extent of the value of the investment. In view of the fact that in 2013, the Council's investment was reduced to zero with the losses incurred by the Joint Venture, liabilities in excess of the original investment cost are being recognized only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the Joint Venture.

24. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.