

Tarxien Local Council

Audited Financial Statements
for the year ended 31 December 2022

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Financial Statements for the year ended 31 December 2022

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: 8/5/ 2023

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

	Notes	2022 EUR	2021 EUR
Income			
Funds received from Central Government	5	678,410	658,116
Income raised under LES	6	4,960	5,699
Income from Bye Laws	8a	37,857	46,585
General income	8b	33,243	4,721
		<u>754,470</u>	<u>715,121</u>
Expenditure			
Personal emoluments	9	(156,976)	(158,578)
Operations and maintenance	10	(217,425)	(223,496)
Administration and other expenditure	11	(309,466)	(252,066)
		<u>(683,867)</u>	<u>(634,140)</u>
Operating profit for the year		70,603	80,981
Investment income	7	12	12
Profit for the year		<u>70,615</u>	<u>80,993</u>


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

Statement of financial position as at 31 December 2022

	Notes	2022 EUR	2021 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	12	850,562	988,566
		850,562	988,566
Current assets			
Trade and other receivables	13	68,802	55,948
Cash and cash equivalents	14	481,462	340,296
		550,264	396,244
Total assets		1,400,826	1,384,810
EQUITY AND LIABILITIES			
Retained funds		1,250,904	1,169,911
Profit for the year		70,615	80,993
		1,321,519	1,250,904
Current liabilities			
Trade and other payables	15	79,307	133,906
		79,307	133,906
Total equity and liabilities		1,400,826	1,384,810

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 8/5/ 2023,
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 2022

	Retained Funds
	EUR
Balance at 1 January 2021	1,169,911
Profit for the year	80,993
Balance at 31 December 2021	1,250,904
Profit for the year	70,615
Balance at 31 December 2022	<u>1,321,519</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 2022

	Notes	2022 EUR	2021 EUR
Cash flows from operating activities			
Profit for the year		70,615	80,993
Adjusted for:			
Depreciation	12	163,128	165,580
Movement in provision for doubtful debts	14	-	(15,509)
Write off of inventories		-	2,750
Interest receivable	7	(12)	(12)
Grant Income released		(25,025)	-
Deferred Income		5,266	-
		<u>213,972</u>	<u>233,802</u>
Movement in working capital:			
Receivables		(12,854)	8,262
Payables		(34,840)	9,536
Interest received		12	12
		<u>166,290</u>	<u>251,612</u>
Net cash generated from operating activities			
Cash flows from investing activity			
Purchase of tangible fixed assets	12	(25,124)	(47,729)
		<u>(25,124)</u>	<u>(47,729)</u>
Net cash used in investing activity			
Net movement in cash and cash equivalents			
		141,166	203,883
Cash and cash equivalents at the beginning of the period			
		340,296	133,554
Cash and cash equivalents at the end of the period			
	15	<u>481,462</u>	<u>337,437</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 2022

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 annual financial statements were approved for issue by The Council members on 8/5/ 2023. 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 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 2022 (continued)

2.1 Basis of preparation (continued)

New standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted, do not have a significant impact on the council's financial results or position.

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 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 council.

Management anticipates that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the council's financial statements.

Notes to the Financial Statements for the year ended 31 December 2022 (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 2022 (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 2022 (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 non-financial 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 property, plant and equipment

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 2022 (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 after deducting bank balance overdrawn.

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 2022 (continued)

2.2 Significant accounting policies (continued)

k. Financial instruments

Recognition and derecognition

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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents, trade receivables and most other receivables fall into this category of financial instruments.

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

2.2 Significant accounting policies (continued)

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Council first identifying a credit loss event. Instead, the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Council's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

2.2 Significant accounting policies (continued)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

i. Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard (IAS) 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 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 2022 (continued)

2.2 Significant accounting policies (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

	2022 EUR	2021 EUR
In terms of section 55 of the Local Councils Act (Cap 363)	631,476	615,510
Other Supplementary Government Income	350	-
Other Government Income	11,489	7,067
Organic collection fees	35,095	35,539
	<u>678,410</u>	<u>658,116</u>

6. Income raised under LES

	2022 EUR	2021 EUR
Commission Income for contraventions paid at Council	<u>4,960</u>	<u>5,699</u>

7. Investment income

	2022 EUR	2021 EUR
Bank interest	<u>12</u>	<u>12</u>

8a. Income from Bye Laws

	2022 EUR	2021 EUR
Income from permits	<u>37,857</u>	<u>46,585</u>

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

8b. General Income

	2022	2021
	EUR	EUR
Other Income	33,243	4,721

9. Personal Emoluments

	2022	2021
	EUR	EUR
<i>Key Management Personnel</i>		
Mayor's Honoraria and Allowance	15,582	16,620
Councilors' Allowance	15,917	10,759
Executive Secretary salary and allowances	35,689	26,476
	67,188	53,855
<i>Operations Personnel</i>		
Employees' salaries	50,088	66,568
Social Security Contributions	39,700	38,155
	89,788	104,723
	156,976	158,578
<i>Average number of people employed</i>		
Employees	5	5
Mayor and Councillors	7	7

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

10. Operations and Maintenance

	2022 EUR	2021 EUR
Repairs and upkeep:		
Road and street pavements (patching works)	5,138	14,438
Road markings and street signs	4,632	11,281
Other repairs and upkeep	(1,878)	2,803
Street Lighting	9,692	1,445
	<u>17,584</u>	<u>29,967</u>
 Contractual Services:		
Refuse collection	73,985	67,346
Landfill tipping fees	48,750	51,396
Road and street cleaning (mechanical and manual)	35,354	42,943
Bulky refuse collection (including open skips)	25,568	26,608
Cleaning and maintenance of parks and gardens	16,184	5,236
	<u>199,841</u>	<u>193,529</u>
	<u>217,425</u>	<u>223,496</u>

11. Administration and other expenditure

	2022 EUR	2021 EUR
Depreciation and amortization	163,128	165,680
Professional services	31,360	27,575
Community and hospitality	22,396	21,718
Other contractual services	35,737	4,571
Insurance	5,314	6,603
Rent and other leases	6,821	11,748
Office services	11,052	9,299
Utilities	9,196	8,210
Write off of inventories	-	2,750
Transport	2,868	1,354
Bank charges	680	664
Information services	2,631	570
Office repairs and maintenance	11,373	6,833
Impairment provision on trade receivables	-	(15,509)
General expenditure	6,910	
	<u>309,466</u>	<u>252,066</u>

12. Property, plant and equipment

Assets	Property		Office furniture and fittings		Street Signs		Urban Improvements		Office Equipment		Computer Equipment		Special Programs		Motor Vehicles		Total		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Cost																			
01.01.22	156,118	61,044	14,990	152,871	36,916	25,911	3,469,878	-	3,917,728										
Additions	-	7,628	-	21,189	199	4,543	-	46,850	80,409										
31.12.22	156,118	68,672	14,990	174,060	37,115	30,454	3,469,878	46,850	3,998,137										
Grants																			
01.01.22	-	9,286	-	-	-	9,623	1,345,508	-	1,364,417										
Additions	-	15,560	-	9,735	-	-	-	30,000	55,295										
31.12.22	-	24,846	-	9,735	-	9,623	1,345,508	30,000	1,419,712										
Acc Dep																			
01.01.22	30,255	24,054	14,990	101,933	17,471	10,920	1,365,112	-	1,564,735										
Charge for the period	1,046	3,483	-	10,625	16,532	4,221	141,285	1,053	178,245										
Adjustments	-	(310)	-	(15,117)	310	-	-	-	(15,117)										
31.12.22	31,301	27,227	14,990	97,441	34,313	15,141	1,506,397	1,053	1,727,863										
Net Book Value																			
31.12.2022	124,817	16,599	-	66,884	2,802	5,690	617,973	15,797	850,562										

12. Property, plant and equipment

Assets	Property EUR	Office furniture and fittings EUR	Street Signs EUR	Urban Improve ments EUR	Office Equipment EUR	Computer Equipment EUR	Special Programs EUR	Total EUR
Cost								
01.01.21	156,118	30,793	16,769	140,566	33,250	16,016	3,431,984	3,825,496
Additions	-	30,347	-	11,433	2,770	9,980	37,884	92,414
Asset disposal	-	-	-	-	(100)	(92)	-	(192)
Reclass	-	(96)	(1,779)	872	996	7	-	-
31.12.21	156,118	61,044	14,990	152,871	36,916	25,911	3,469,868	3,917,718
Grants								
01.01.21	-	-	-	-	-	2,300	1,313,111	1,315,411
Additions	-	9,286	-	-	-	7,323	32,397	49,006
31.12.21	-	9,286	-	-	-	9,623	1,345,508	1,364,417
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)	-	(192)
Charge for the period	1,574	2,231	-	9,991	1,880	1,715	148,189	165,580
Reclass to depreciation	-	(900)	(1,779)	16,769	(14,058)	(32)	-	-
31.12.21	30,255	24,054	14,990	101,933	17,471	10,920	1,365,112	1,564,735
Net Book Value								
31.12.2021	125,863	27,704	-	50,938	19,445	5,368	759,248	988,566

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

13. Trade and other receivables

	2022 EUR	2021 EUR
Financial Assets		
Trade receivables	57,440	38,266
Funds advanced to Joint Venture	5,617	5,617
Impairment recognized on receivables	(35,396)	(35,396)
Accrued income	33,176	45,789
Total Financial Assets	<u>60,837</u>	<u>54,276</u>
Non-Financial Assets - Prepayments	<u>7,965</u>	<u>1,672</u>
Total receivables	<u>68,802</u>	<u>55,948</u>
<i>Trade Receivables are analyzed as follows:</i>		
Within credit period (0 - 30 days)	3,286	2,870
Exceeded credit period but not impaired (31 days +)	140,892	122,134
Impaired and provided for	(122,134)	(122,134)
	<u>22,044</u>	<u>2,870</u>
<i>Movement in impairment provisions</i>		
Balance at beginning of the year	122,134	137,668
Impairment loss recognized on receivables during the year	-	(15,534)
Balance at end of year	<u>122,134</u>	<u>122,134</u>

Impairment recognized on receivables relates all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2021 – EUR86,738) and a provision of general receivables based on the Council's historical credit loss experience, amounting to EUR 35,396 (2021 – EUR 35,396).

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

14. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2022 EUR	2021 EUR
Cash at bank	481,279	340,091
Cash in hand	183	205
Cash and cash equivalents in the Statement of Financial Position	<u>481,462</u>	<u>340,296</u>
Bank balance overdrawn (note 16)	-	(2,859)
Cash and cash equivalents in the statement of cash flows	<u>481,462</u>	<u>337,437</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.

15. Trade and other payables

	2022 EUR	2021 EUR
Financial Liabilities		
Trade payables	39,955	76,194
Accruals	12,447	11,403
Deferred Income	8,391	28,150
Other payables	5,515	2,301
Bank balance overdrawn	-	2,859
	<u>66,308</u>	<u>120,907</u>
Non-Financial Liabilities		
Youth Exchanges	2,200	2,200
Liabilities arising from JV in excess of Investment	<u>10,799</u>	<u>10,799</u>
	<u>12,999</u>	<u>12,999</u>
Total Liabilities	<u>79,307</u>	<u>133,906</u>

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

16. Advance Payment

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

	2022	2021
	EUR	EUR
<i>Advance payment</i>		
Capital project – Norway Grant	19,085	23,555
	<hr/>	<hr/>
Amount released from advance payment (capital grant)	(16,109)	(4,470)
	<hr/>	<hr/>
Advance payment – Current Liabilities	2,976	19,085
	<hr/>	<hr/>

17. 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 2022 (continued)

17. 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	2022 EUR	2021 EUR
Funds received from Central Government	<u>631,476</u>	<u>615,510</u>

Notes to the Financial Statements for the year ended 31 December 2022 (continued)

17. 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	
	2022 EUR	2021 EUR	2022 EUR	2021 EUR
Significant control	-	-	-	-
Joint Control	-	-	-	-
No Control	62,053	38,241	877	4,513

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.

18. Fair values of financial assets and financial liabilities

At 31 December 2022, 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 2022 (continued)

19. 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.

	2022	2021
	EUR	EUR
Financial Assets		
Trade receivables	57,440	38,266
Funds advanced to Joint Venture	5,617	5,617
Impairment recognized on receivables	(35,396)	(35,396)
Accrued income	33,176	45,789
Cash at bank and in hand	481,462	340,296
Total Financial Assets	542,299	394,572

Currently the Local Council holds its cash at bank balances with reputable and investment grade rated banking institutions (31 December 2022: BBB by S&P Global, 31 December 2021: 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 2022 (continued)

19. Financial risk management (continued)

On that basis, the loss allowance as at 31 December 2022 was determined as follows for trade receivables:

31 December 2022	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	0%	0%	100%	
Gross carrying amount	9,658	12,386	35,396	
Loss allowance	-	-	35,396	35,396
<hr/>				
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%	98.8%	
Gross carrying amount	2,845	-	35,396	
Loss allowance	407	-	34,989	35,396

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 2022 (continued)

19. 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 net working capital of EUR 470,957 (2021: of EUR 262,338).

31 December 2022	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	38,888	1,067	-
Accruals and other payables	26,353	-	-
	<u>65,241</u>	<u>1,067</u>	<u>-</u>

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	76,194	-	-
Accruals and other payables	44,713	-	-
	<u>120,907</u>	<u>-</u>	<u>-</u>

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 2022 (continued)

19. 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:

	2022	2021
	EUR	EUR
Current Assets		
Financial assets measured at amortised cost:		
Trade and other receivables	27,661	8,487
Accrued Income	33,176	45,789
Cash at bank and in hand	481,462	340,296
	<u>542,299</u>	<u>394,572</u>
Current Liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	39,955	76,194
Accruals and other payables	26,353	44,713
	<u>66,308</u>	<u>120,907</u>

20. 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 2022 (continued)

21. 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 2022 based on unaudited financial statements stood at negative EUR 10,799 (2021: 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.

22. Events after reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval by the council members of the financial statements for the year.