

Inseddqu l-Imghoddi
B'Gejjieni Ghammieli

28/05/2020

KUNSILL LOKALI XAGHRA

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RSM Malta
Mdina Road,
Zebbug ZBG 9015
Malta

Dear Sirs,

We confirm that the following information in connection with your audit of the financial statements of the Local Council for the year ended 31st December 2019 is, to the best of our knowledge and belief, true and fair, bearing in mind the requirements of the Local Councils Act, Cap. 363, the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.

1 General

To the best of our knowledge and belief, all transactions undertaken by the Local Council have been properly recorded in the accounting records and these financial statements, and all relevant records have been given to you.

- (a) We acknowledge the Council's responsibility for the fair presentation in the financial statements of the financial position, financial performance and changes in financial position in conformity with generally accepted accounting principles.
- (b) All minutes of the Council meetings and all financial and accounting records and related data have been made available to you. We are not aware of any accounts, transactions or material agreements not fairly described and properly recorded in the financial and accounting records underlying the financial statements.
- (c) We are not aware of:-
 - (1) any irregularities involving Council members or employees who have significant roles in the system of internal accounting control or any irregularities involving other employees which could have a material effect on the financial statements, or
 - (2) any violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as the basis for providing for a loss.

The Council has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

2 Accounting Policies

The accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous year's financial statements.

3 Audit Adjustments

We have reviewed the list of audit adjustments relating to the year ended 31st December 2019 and authorize their inclusion in the financial statements to that date.

We believe that the effects of those uncorrected financial statement misstatements aggregated by you during the course of your audit are immaterial both individually and, in the aggregate, to the financial statements taken as a whole. We believe that no adjustment is required to be made in respect of these items in the financial statements for the year ended 31st December 2019.

4 Statement of comprehensive income €42,784

Except as disclosed in the financial statements, the results for the year were not materially affected by:

- (a) transactions of a sort not usually undertaken by the Local Council
- (b) circumstances of an exceptional or non-recurrent nature
- (c) charges or credits relating to prior periods or
- (d) any change in the basis of accounting.

Any expenditure included in the financial statements was properly made in connection with the carrying on of the Council's operations. All income and expenditure properly attributable to the Local Council has been accounted for in the books.

5 Property, plant and equipment € 514,460

- (a) The Local Council has satisfactory title to all property, plant and equipment included in the financial statements.
- (b) The property, plant and equipment to which the Local Council has satisfactory title are included in the financial statements.
- (c) All amounts of expenditure capitalized in respect of property, plant and equipment as detailed in the financial statements represent expenditure incurred in acquiring additional assets or improving existing assets. No expenditure capitalized is of a revenue nature.

6 Receivables € 98,277

Balances included in the financial statements are all valid receivables or prepayments. A provision has been made against specific debts which are known or may be expected to be irrecoverable.

7 Other Current Assets € 1,314,969

Other current assets shown in the Council's statement of financial position represent cash in hand and at bank. Cash at bank is deposited with reputable banks and consequently the credit risk is deemed to be low.

8 Liabilities (€ 1,287,085)

All known liabilities of material amount as at 31st December 2019 are shown in the financial statements including the liability for all purchases to which title has passed prior to 31st December 2019. We confirm that we have provided you with all the invoices relating to expenditure incurred during the year ended 31st December 2019 that were not paid till the end of the year, as well as with all the information relating to purchase orders made and completed in the said year, for which the respective invoice has not been issued till 31st December 2019.

9 Capital Commitments

At 31st December 2019, there were no commitments for capital expenditure other than those listed in the notes to the financial statements.

10 Contingent Liabilities

There were no contingent liabilities as at 31st December 2019.

11 Events After the Reporting Period

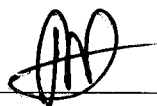
Events since the statement of financial position date have been fully taken into account in so far as they have a bearing on the amounts attributable to assets and/or liabilities at that date and have not made the present financial position substantially different from that shown by the statement of financial position.

12 Laws and Regulations

We confirm that the Local Council has complied with all laws and regulations relevant to its activities during the year under audit and that we have made available all such relevant information necessary for audit purposes.



Dr. Christian Zammit
Mayor



Mr. Ivan Attard
Executive Secretary

XAGHRA LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2019

Prepared by: Joe Cordina
Certified Public Accountant
On behalf of Joe Cordina and Associates
Chartered Certified Accountant & Auditor
Level 1, Citybel, Santa Marta Street
Victoria, Gozo, Malta

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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Financial Statements for the year ended 31 December 2019

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 the Local Council's Statement of Comprehensive Income 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 Councils (Financial) Regulations, and the Local Councils (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, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on the 28th May, 2020 by:



Dr. Christian Zammit
Mayor



Mr. Ivan Attard
Executive Secretary

XAGHRA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	514,460	464,584
Current Assets			
Receivables	4	98,277	102,407
Cash in bank and at hand	5	1,314,969	922,992
		<u>1,413,246</u>	<u>1,025,399</u>
Total Assets		<u>€ 1,927,706</u>	<u>€ 1,489,983</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		640,621	597,837
Non-current Liabilities			
Non-current payables	6	73,545	98,060
Current Liabilities			
Payables	6	1,213,540	794,086
Total reserves and liabilities		<u>€ 1,927,706</u>	<u>€ 1,489,983</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 28th May, 2020 and signed on its behalf by:



Dr. Christian Zammit
Mayor



Mr. Ivan Attard
Executive Secretary

XAGHRA LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 €	2018 €
REVENUE			
Funds received from central government	7	546,077	529,398
Income from LES	9	1,682	2,481
General Income	10	49,486	46,177
		<u>597,245</u>	<u>578,056</u>
EXPENDITURE			
Personal emoluments	11	(98,704)	(91,305)
Operations and maintenance	12	(189,061)	(156,327)
Administration and other expenditure	13	(151,741)	(183,926)
Depreciation	14	(115,500)	(105,270)
		<u>(555,006)</u>	<u>(536,828)</u>
Operating surplus for the year		<u>42,239</u>	<u>41,228</u>
Investment income	8	545	454
Impairment provisions	14	-	(361,345)
Total Comprehensive Income/(Loss) for the year		<u>€ 42,784</u>	<u>€ (319,663)</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

XAGHRA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2019

	Retained Funds 2019 €	Retained Funds 2018 €
At 1 January	597,837	917,500
Total Comprehensive Income/(Loss) for the year	42,784	(319,663)
At 31 December	<u>€ 640,621</u>	<u>€ 597,837</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 €	2018 €
Cash Flows from Operating Activities			
Total Comprehensive income/(loss) for the year		42,784	(319,663)
Adjustments for:			
Depreciation		115,500	105,270
Investment Income		(545)	(454)
Impairment loss		-	361,345
Operating Profit before working capital changes		<u>157,739</u>	<u>146,498</u>
Decrease/(Increase) in Receivables		4,130	(57,841)
Increase in Payables		74,328	182,202
Net Cash generated from operating activities		<u>236,197</u>	<u>270,859</u>
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(380,138)	(181,411)
Investment Income		545	454
Capital grants received		639,316	305,015
Net Cash (used in)/ generated from investing activities		<u>259,723</u>	<u>124,058</u>
Net movement in Cash and Cash Equivalents		<u>495,920</u>	<u>394,917</u>
Cash and Cash Equivalents at the beginning of Year		686,226	291,309
Cash and Cash Equivalents at the end of year	5	<u>1,182,146</u>	<u>686,226</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General Information

Xaghra Local Council is the local authority of Xaghra setup in accordance with the Local Councils Act. The office of the Local Council is situated at 8th September Avenue, Xaghra, Gozo.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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

The 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 to 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.

(b) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

The new and revised standards that became effective for annual periods beginning on or after 1 January 2019 included the following:

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

Standards, amendments and interpretations to existing standards that are not yet effective.

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2020 or later periods, but the Council has not early adopted them:

IAS 1 'Presentation of financial statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' presents new definition of 'Material'. The new definition entails that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The Councillors and Executive Secretary anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorization of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

(c) Revenue recognition

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

(d) Local Enforcement System

During 2019 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to LESA and the various Regional Committees for contraventions paid at the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(e) 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:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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 financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(f) Government Grants

Government grants relating to the purchase of property, plant and equipment are accounted for on the Capital Approach according to IAS 20 as the Council adopted Directive 1/2017 issued by the Department of Local Council. With the Capital Approach, any grants received are netted off against the cost of the asset to which they relate. Depreciation will be accounted on the resulting cost less grant. Government grants relating to operating expenditure are recognised in profit or loss over the periods in which the Council recognises the related costs which the grants are intended to compensate.

(g) Impairment of Assets

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

(h) Amounts Receivable

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

(i) Foreign Currencies

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(j) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

(k) Cash and Equivalents

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

(l) Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and the Planning Authority.

(m) Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

(n) Financial Instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(n) Financial Instruments (continued)

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 is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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 other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

(o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture & Fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and Equipment	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 Jan 2019	22,047	31,542	403,892	42,145	3,460,125	8,558	33,063	4,001,372
Additions	-	-	50,660	-	329,478	-	-	380,138
At 31 Dec 2019	€ 22,047	€ 31,542	€ 454,552	€ 42,145	€ 3,789,603	€ 8,558	€ 33,063	€ 4,381,510
Grants and other reimbursements								
At 1 Jan 2019	-	(2,500)	-	-	(1,522,389)	-	-	(1,524,889)
Additions	-	-	-	-	(214,762)	-	-	(214,762)
At 31 Dec 2019	€ -	€ (2,500)	€ -	€ -	€ (1,737,151)	€ -	€ -	€ (1,739,651)
Depreciation & Impairment								
At 1 Jan 2019	(20,480)	(27,118)	(296,949)	(42,145)	(1,584,628)	(7,516)	(33,063)	(2,011,899)
Charge for the year	(804)	(848)	(26,844)	-	(86,484)	(520)	-	(115,500)
At 31 Dec 2019	€ (21,284)	€ (27,966)	€ (323,793)	€ (42,145)	€ (1,671,112)	€ (8,036)	€ (33,063)	€ (2,127,399)
Net Book Value								
At 31 Dec 2019	€ 763	€ 1,076	€ 130,759	€ -	€ 381,340	€ 522	€ -	€ 514,460

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

	Office Furniture & Fittings	Office & Computer Equipment	Urban Improvements	New Street Signs	Special Programmes	Plant and Equipment	Assets Under Construction	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 Jan 2018	22,047	30,229	379,939	42,145	3,303,980	8,558	33,063	3,819,961
Additions	-	1,313	23,953	-	156,145	-	-	181,411
At 31 Dec 2018	€ 22,047	€ 31,542	€ 403,892	€ 42,145	€ 3,460,125	€ 8,558	€ 33,063	€ 4,001,372
Grants and other reimbursements								
At 1 Jan 2018	-	(2,500)	-	-	(1,217,374)	-	-	(1,219,874)
Additions	-	-	-	-	(305,015)	-	-	(305,015)
At 31 Dec 2018	€ -	€ (2,500)	€ -	€ -	€ (1,522,389)	€ -	€ -	€ (1,524,889)
Depreciation & Impairment								
At 1 Jan 2018	(18,826)	(23,212)	(221,648)	(42,145)	(1,235,085)	(4,368)	-	(1,545,284)
Charge for the year	(1,654)	(1,480)	(23,209)	-	(78,407)	(520)	-	(105,270)
Impairment loss	-	(2,426)	(52,092)	-	(271,136)	(2,628)	(33,063)	(361,345)
At 31 Dec 2018	€ (20,480)	€ (27,118)	€ (296,949)	€ (42,145)	€ (1,584,628)	€ (7,516)	€ (33,063)	€ (2,011,899)
Net Book Value								
At 31 Dec 2018	€ 1,567	€ 1,924	€ 106,943	€ -	€ 353,108	€ 1,042	€ -	€ 464,584

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

4. Receivables	2019	2018
	€	€
Accounts receivable	20,468	38,937
Prepayments and accrued income	77,809	63,470
	<u>€ 98,277</u>	<u>€ 102,407</u>

Receivables	2019	2018
	€	€
Within the current period	60,723	36,556
Exceeded credit period but not yet impaired	37,554	65,851
	<u>€ 98,277</u>	<u>€ 102,407</u>

5. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2019	2018
	€	€
Bank Balances:		
Ordinary funds	1,216,358	734,187
Funds at Central Bank	97,335	187,529
Cash in hand	1,276	1,276
Overdrawn balances	(132,823)	(236,766)
	<u>1,182,146</u>	<u>686,226</u>
Cash and cash equivalents		
Transfer to payables (Note 6)	132,823	236,766
	<u>€1,314,969</u>	<u>€ 922,992</u>

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

	2019	2018
	€	€
6. Payables		
Accounts payable	350,896	278,078
Other payables	4,812	4,812
Accruals	22,997	21,487
Grants received in advance (Note)	775,557	351,003
Overdrawn bank balances (Note 5)	132,823	236,766
	<u>1,287,085</u>	<u>892,146</u>
Less: Non-current payables	(73,545)	(98,060)
	<u>€1,213,540</u>	<u>€794,086</u>
	2019	2018
	€	€
Non-current payables		
Between one and two years	24,515	24,515
Between two and five years	49,030	73,545
	<u>€73,545</u>	<u>€98,060</u>

Note: The grants received in advance represent funding received on Measure 4.3 and from the Gozo Ministry which will be utilised on capital projects during 2020. Once the project will commence these will be capitalised under Property, plant and equipment. Capital commitments in relation to these grants are explained under Note 16 to the financial statements.

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

7. Funds received from Central Government	2019	2018
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	546,077	517,710
Supplementary Government Income	-	2,723
Other Government Income	-	145
Income from EU funds	-	8,820
	<u>€ 546,077</u>	<u>€ 529,398</u>
8. Investment income	2019	2018
	€	€
Bank Interest Receivable	€ 545	€ 454
	<u>€ 545</u>	<u>€ 454</u>
9. Income from LES	2019	2018
	€	€
Administrative income under LES	1,682	2,213
Distribution from LESA pooling system	-	268
	<u>€ 1,682</u>	<u>€ 2,481</u>
10. General Income	2019	2018
	€	€
Income from permits	10,946	9,878
Contributions and donations	4,507	13,844
Income from organic waste collection	34,033	22,455
	<u>€ 49,486</u>	<u>€ 46,177</u>
11. Personal emoluments	2019	2018
	€	€
Personal emoluments include, inter alia:		
Mayor's honoraria	9,300	7,464
Mayor and Councillors' Allowances	9,462	6,400
Executive Secretary salary and allowances	30,966	30,172
Employee salaries	42,670	41,045
Social Security Contributions	6,306	6,224
	<u>€ 98,704</u>	<u>€ 91,305</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

12. Operations and Maintenance	2019	2018
	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	5,065	7,982
Street signs and markings	12,007	6,010
Other repairs and upkeep	42,972	26,998
Plants and trees	7,183	5,360
Total	€ 67,227	€ 46,350
Contractual Services:		
Refuse Collection (including bins on wheels)	67,982	56,052
Bulky Refuse Collection (incl tipping fees)	24,308	22,415
Road and street cleaning (mechanical and manual)	19,743	22,201
Cleaning and maintenance of Public Conveniences	5,172	4,532
Street Lighting	4,629	4,777
Total	€121,834	€109,977
Total Operations and Maintenance Expenses	€ 189,061	€ 156,327
13. Administration and other expenditure	2019	2018
	€	€
Utilities	5,086	5,292
Rent	2,150	2,250
National and International Memberships	1,050	1,350
Office Services	2,211	3,899
Travel	4,226	8,111
Transport	6,595	5,281
Information services	1,008	908
Professional Services	46,077	35,466
Community and Hospitality	20,560	21,503
Cultural events	48,349	99,866
TIPS4EU Project	3,837	-
Provision for doubtful debts	10,592	-
	€ 151,741	€ 183,926

XAGHRA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

	2019	2018
	€	€
14. Depreciation and impairment provisions		
Depreciation	115,500	105,270
Impairment losses	-	361,345
	<u>€ 115,500</u>	<u>€ 466,615</u>

15. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
The Planning Authority	No control

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

	2019	2018
Significant control		
Revenue:		
Annual financial allocation	€ 546,077	€ 517,710

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 the improvement and betterment of the locality.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

16. Capital Commitments

At the end of the financial year there was one capital projects approved but not yet contracted for.

Details of capital commitments are as follows	2019 €	2018 €
Approved but not contracted for Projects under Measure 4.3 and Gozo Ministry	775,557	538,759
	<u>€ 775,557</u>	<u>€ 538,759</u>
	2019 €	2018 €
Approved but not contracted for:		
Improving accessibility in Rural areas in Xaghra	-	375,512
Resurfacing of part of Triq Ta' Gajdoru	54,932	54,932
Resurfacing of Triq il-Kumittiva	-	46,652
Resurfacing of part Triq tal-Masri	61,663	61,663
Illumination of 8th September Avenue	80,000	-
Reconstruction of Triq Marsalforn	578,962	-
	<u>€ 775,557</u>	<u>€ 538,759</u>

The budgets of costs for the illumination of 8th September Avenue and Reconstruction of Triq Marsalforn are €120,000 and €1,287,799 respectively.

The Ministry for Gozo has agreed to grant €100,000 and €1,157,926 for the Illumination of 8th September Avenue and for the Reconstruction of Triq Marsalforn respectively.

17. Risk management objectives and policies

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

17. Risk management objectives and policies - continued

17.1 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:

	2019	2018
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	106,479	102,407
Cash and Cash Equivalents	1,314,969	922,992
	<u>€ 1,421,448</u>	<u>€ 1,025,399</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.

17.2 Liquidity risk

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. See notes 4 and 5 for further information on impairment or financial assets 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

17. Risk management objectives and policies – continued

17.2 Liquidity risk (continued)

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2019	2018
Payables		
Within one year	1,213,540	794,086
Within more than one year	73,545	98,060
	€ 1,287,085	€ 892,146

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

17.4 Summary of the financial assets and liabilities by category

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

Current Assets	2019	2018
	€	€
Loans and receivables:		
Trade and other receivables	106,479	102,407
Cash and Cash Equivalents	1,314,969	922,992
	€ 1,421,448	€ 1,025,399
Current Liabilities		
Financial liabilities measured at amortised costs:		
Within one year	€ 1,213,540	€ 794,086

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 – continued

17. Risk management objectives and policies – continued

17.5 Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

18. Fair value estimation

At 31 December 2019 and 31 December 2018, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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