

San Gwann Local Council

Report and Financial Statements

For the year ended 31 December 2022

Prepared by
Mario Gauci
BSc (Hons), ACIB, ACCA (Advanced Diploma)

Table of Contents

Statement of Local Council Members' and Executive Secretary's Responsibilities 3

Statement of Comprehensive Income for the year ended 31 December 2022 4

Statement of Financial Position as at 31 December 2022 5

Statement of Changes in Equity for the year ended 31 December 2022 6

Statement of Cash Flows for the year ended 31 December 2022 7

Notes to the Financial Statements for the year ended 31 December 2022 8-24

Report of the Independent Government Auditor to the Auditor General 25-26

Financial Statements For the year ended 31 December 2022

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

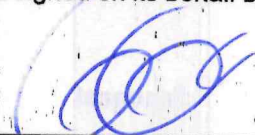
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income of the Local Council's for the year and of the Council's retained funds at the end of year. By virtue of the same regulations 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, 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, 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.

This statement was approved by the Council on 8 May 2023 and signed on its behalf by:



Mr. Trevor Fenech
Mayor



Mr. Kurt Guillaumier
Executive Secretary

Statement of Comprehensive Income For the year ended 31 December 2022

	Notes	2022 Euro	2021 Euro
Income			
Funds received from central government	4	1,159,214	1,021,930
Income raised under Local Enforcement System	5	17,010	18,988
Other income	6	52,881	59,625
		<u>1,229,105</u>	<u>1,100,543</u>
Expenditure			
Personnel emoluments	7	(243,722)	(214,534)
Operations and maintenance	8	(816,730)	(656,660)
Administration and other expenditure	9	(352,111)	(230,248)
Finance costs	10	(56)	-
		<u>(1,412,619)</u>	<u>(1,101,442)</u>
Deficit for the year		<u>(183,514)</u>	<u>(899)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.


Statement of Financial Position as at 31 December 2022

	Notes	2022 Euro	2021 Euro
Assets			
<i>Non-current Assets</i>			
Property, plant and equipment	11	471,917	369,937
Right-of-use asset	12	903	-
		<u>472,820</u>	<u>369,937</u>
<i>Current Assets</i>			
Receivables	13	107,324	75,254
Cash and cash equivalents	14	592,554	851,855
Total Current Assets		<u>699,878</u>	<u>927,109</u>
Total Assets		<u>1,172,698</u>	<u>1,297,046</u>
Reserves and Liabilities			
<i>Capital and Reserves</i>			
Retained Earnings		<u>740,043</u>	<u>923,557</u>
		<u>740,043</u>	<u>923,557</u>
<i>Non-current Liabilities</i>			
Lease liability	16	470	-
Deferred income	17	185,936	185,936
Total Non-Current Liabilities		<u>186,406</u>	<u>185,936</u>
<i>Current Liabilities</i>			
Trade and other payables	15	158,935	146,452
Lease liability	16	451	-
Deferred income	17	86,863	41,101
Total Current Liabilities		<u>246,249</u>	<u>187,553</u>
Total Liabilities		<u>432,655</u>	<u>373,489</u>
Total Equity and Liabilities		<u>1,172,698</u>	<u>1,297,046</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were presented to and approved by the Council on the 8 May 2023 and were signed on its behalf by:


Mr. Trevor Fenech
Mayor


Mr. Kurt Guillaumier
Executive Secretary

Statement of Changes in Equity For the year ended 31 December 2022

	Retained Earnings
	Euro
Changes in equity	
Balance as at 1 January 2021	924,456
Deficit for the year	(899)
Balance at 31 December 2021	<u>923,557</u>
Balance as at 1 January 2022	923,557
Deficit for the year	(183,514)
Balance at 31 December 2022	<u>740,043</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows For the year ended 31 December 2022

	Note	2022 Euro	2021 Euro
Cash flows from operating activities			
(Deficit)/Surplus for the year		(183,514)	(899)
Adjustments for:			
Depreciation		38,439	27,001
Interest expense on lease liability		56	-
		<u>(145,019)</u>	<u>26,102</u>
Movement in payables		12,482	13,160
Movement in receivables		<u>(32,070)</u>	<u>135,719</u>
<i>Net cash generated from (used in) operating activities</i>		<u>(164,607)</u>	<u>174,981</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(154,281)	(70,774)
Grants received		60,075	31,739
<i>Net cash used in investing activities</i>		<u>(94,206)</u>	<u>(39,035)</u>
Cash flows used in financing activities			
Lease payments		(488)	(65)
<i>Net cash used in financing activities</i>		<u>(488)</u>	<u>(65)</u>
Movement in cash and cash equivalents		(259,301)	135,881
Cash and cash equivalents at beginning of year		<u>851,855</u>	<u>715,974</u>
Cash and cash equivalents at end of year	14	<u>592,554</u>	<u>851,855</u>

The above statement of cashflows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 December 2022

1. General Information

San Gwann Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 55, R. Caruana Dingli Street, San Gwann. The local council's presentation as well as the functional currency are denominated in Euro. The financial statements were authorised for issue by the council on the 8 May 2023.

2. Reporting procedures

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

Accounting Convention

These Financial Statements 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).

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

Going Concern

The financial statements and notes thereto, with special reference to capital commitments, suggest that the going concern assumption is used in the presentation of these financial statements is dependent on further sources of funds other than the annual fund allocation by Central Government, on the collection of debts due to the local 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 able to meet its financial obligations as they fall due without curtailing its future commitments.

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the local council operates ("the functional currency"). The financial statements are presented in euro, which is both the functional and presentation currency of the local council. Balances are rounded to the nearest euro, unless otherwise stated.

New or revised Standards or Interpretations

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. Accordingly, the council has made no changes to its accounting policies in 2022. Other Standards and amendments that are effective for the first time in 2022 and could be applicable to the council are:

Notes to the Financial Statements for the year ended 31 December 2022 (Continued)**2. Reporting procedures (Continued)**

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
 - Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)
 - Lease Incentives (Amendments to IFRS 16)

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the council

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the council.

Other Standards and amendments that are not yet effective and have not been adopted early by the council include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

The Council is of the opinion that these amendments do not have a significant impact on the financial statements and therefore no additional disclosures have been made.

3. Accounting Policies**Income recognition**

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised when earned.

As from 1 September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1 September 2011, San Gwann Local Council will be compensated for the handling of the payments made at its council on a pro rata basis. However as from 1 October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

Right of Use Asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of

Notes to the Financial Statements for the year ended 31 December 2022 (Continued)**3. Accounting Policies (Continued)**

inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Council expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Council has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Property, plant and equipment

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

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

3. Accounting Policies (Continued)

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight line method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Playground furniture	100

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Payables

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

The Council adopts the capital approach of government grants as per IAS 20 - *Accounting for Government Grants and Disclosure of Government Assistance*. Under the capital approach, grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment schedule.

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

3. Accounting Policies (Continued)

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.

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.

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.

Related Parties

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24 - *Related Party Disclosures*. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as 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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. 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).

Capital Management Policies

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.

To achieve the above, the Council carries out a quarterly review of the working capital ratio by means of a Financial Situation Indicator. This ratio was positive as at 31 December 2022 and has

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

3. Accounting Policies (Continued)

not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Corporation 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 substantially all the 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 - *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the periods presented the Council does not have any financial assets categorised as FVPTL and FVOCI.

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.

Subsequent measurement of financial assets

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 and receivables (excluding prepayments) fall into this category of financial instruments.

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

3. Accounting Policies (Continued)

Financial Instruments (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'. This replaces IAS 39's 'incurred loss 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's 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

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Council's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Council designated a financial liability at FVTPL.

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)

3. Accounting Policies (Continued)**Financial Instruments (Continued)**

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

	2022	2021
	Euro	Euro
4. Funds received from central government		
In terms of section 55 of the Local Councils Act (Cap 363)	934,488	915,275
Other Government Income	<u>224,726</u>	<u>106,655</u>
	<u><u>1,159,214</u></u>	<u><u>1,021,930</u></u>
5. Local Enforcement Income		
	2022	2021
	Euro	Euro
Regional Committees/Admin Fees/LESA	<u>17,010</u>	<u>18,988</u>
6. Other Income		
	2022	2021
	Euro	Euro
Other general income	<u>52,881</u>	<u>59,625</u>
7. Personnel Emoluments		
	2022	2021
	Euro	Euro
Mayor's honoraria	15,516	15,271
Executive Secretary salary and allowances	52,592	36,788
Employees' salaries	138,597	126,137
Councillors and Mayor's Allowances	22,600	22,600
Social Security Contributions	<u>14,417</u>	<u>13,738</u>
	<u><u>243,722</u></u>	<u><u>214,534</u></u>

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

San Gwann Local Council

Annual Financial Report

	2022	2020
	Euro	Euro
8. Operations and Maintenance		
Repairs and upkeep:		
Road and street pavements (Patching works)	102,429	26,453
Street signs	2,553	4,729
Road markings	4,715	406
	<u>109,697</u>	<u>31,588</u>
Contractual Services:		
Refuse collection (including bins on wheels)	400,510	310,203
Bulky refuse collection (including open skips)	48,600	46,695
Road and Street Cleaning (mechanical and manual)	127,864	118,303
Cleaning and Maintenance of Public Convenience	17,860	24,605
Cleaning and Maintenance of Parks and Gardens	85,188	86,769
Street Lighting	26,707	37,632
Local Enforcement Expenses	304	865
	<u>707,033</u>	<u>625,072</u>
	<u>816,730</u>	<u>656,660</u>
9. Administration and other expenditure		
	2022	2021
	Euro	Euro
Utilities	7,062	7,801
Rent	9,539	9,038
Other repairs and upkeep	25,123	41,342
Office Services	3,622	5,371
Travel	2,008	-
Transport	16,628	18,666
Information Services	3,546	3,232
Other contractual services	7,199	9,302
Professional services	39,093	33,681
Community and hospitality	14,374	12,923
Social events	139,048	42,387
Cultural events	31,729	19,504
Depreciation	38,439	27,001
Bad debts written off	14,701	-
	<u>352,111</u>	<u>230,248</u>
10. Finance Costs		
	2022	2021
	Euro	Euro
Lease interest	56	-

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

11. Property, Plant and Equipment

Cost	Property		Construction		Office furniture & fittings		New Street Signs		Office Equipment		Computer Equipment		Urban Improvements		Trees & Plants		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro		
As at 1 January 2022	246,865	1,145,564	41,924	33,389	74,333	50,117	351,880	18,281	35,618	1,997,971										
Additions	-	13,252	-	-	213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December 2022	246,865	1,158,816	41,924	33,389	74,546	50,117	507,010	18,281	35,618	1,997,971									2,166,566	
Grants and Other Reimbursements																				
As at 1 January 2022	-	(375,404)	-	-	(3,688)	-	(127,353)	(18,281)	-	(524,726)										
Additions	-	-	-	-	-	-	(28,627)	-	-	(28,627)										
As at 31 December 2022	-	(375,404)	-	-	(3,688)	-	(155,980)	(18,281)	-	(553,353)										
Depreciation																				
As at 1 January 2022	(50,855)	(735,699)	(40,739)	(33,389)	(65,392)	(46,987)	(130,247)	-	-	(1,103,308)										
Charges for the year	(2,468)	(5,262)	(1,053)	-	(1,694)	(1,735)	(25,776)	-	-	(37,988)										
As at 31 December 2022	(53,323)	(740,961)	(41,792)	(33,389)	(67,086)	(48,722)	(156,023)	-	-	(1,141,296)										
Net Book Value																				
As at 31 December 2022	193,542	42,451	132	-	3,772	1,395	195,007	-	35,618	471,917										

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

11. Property, Plant and Equipment (Continued)

Cost	Property		Construction		Office furniture & fittings		New Street Signs		Office Equipment		Computer Equipment		Urban Improvements		Trees & Plants		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
As at 1 January 2021	246,865	1,106,377	41,924	33,389	68,502	49,155	327,086	18,281	35,618	1,927,197										
Additions	-	39,187	-	-	5,831	962	24,794	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2021	246,865	1,145,564	41,924	33,389	74,333	50,117	351,880	18,281	35,618	1,997,971										
Grants and Other Reimbursements																				
As at 1 January 2021	-	(371,819)	-	-	(1,357)	-	(15,843)	(18,281)	-	-	-	-	-	-	-	-	-	-	-	(507,300)
Additions	-	(3,585)	-	-	(2,331)	-	(11,510)	-	-	-	-	-	-	-	-	-	-	-	-	(17,426)
As at 31 December 2021	-	(375,404)	-	-	(3,688)	-	(127,353)	(18,281)	-	-	-	-	-	-	-	-	-	-	-	(524,726)
Depreciation																				
As at 1 January 2021	(48,387)	(731,762)	(37,611)	(33,389)	(63,740)	(44,623)	(117,122)	-	-	-	-	-	-	-	-	-	-	-	-	(1,076,634)
Charges for the year	(2,468)	(3,937)	(3,128)	-	(1,652)	(2,364)	(13,125)	-	-	-	-	-	-	-	-	-	-	-	-	(26,674)
As at 31 December 2021	50,855	(735,699)	(40,739)	(33,389)	(65,392)	(46,987)	(130,247)	-	-	-	-	-	-	-	-	-	-	-	-	(1,103,308)
Net Book Value																				
As at 31 December 2021	196,010	34,461	1,185	-	5,253	3,130	94,280	35,618	369,937											

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

12. Right-of-use asset

	2022 Euro	2021 Euro
Cost		
As at 1 January 2022	981	981
Additions	1,354	-
As at 31 December 2022	<u>2,335</u>	<u>981</u>
Grants and Other Reimbursements		
As at 1 January 2022	-	-
Additions	-	-
As at 31 December 2022	<u>-</u>	<u>-</u>
Depreciation		
As at 1 January 2022	(981)	(654)
Charges for the year	(451)	(327)
As at 31 December 2022	<u>(1,432)</u>	<u>(981)</u>
Net Book Value		
As at 31 December 2022	<u>903</u>	<u>-</u>

13. Receivables

	2022 Euro	2021 Euro
Trade receivables	70,059	39,123
Accrued income	28,692	-
Other receivables	-	28,598
Financial asset	98,751	67,721
Prepayments	8,573	7,533
	<u>107,324</u>	<u>75,254</u>

Trade receivables are unsecured and interest free.

	2022 Euro	2021 Euro
Within credit period	70,059	31,258
Exceeded credit period but not impaired	-	7,865
Provision for doubtful debts	-	-
	<u>70,059</u>	<u>39,123</u>

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

14. Cash and Equivalents

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

	2022 Euro	2021 Euro
Bank balances: Ordinary funds	590,026	851,606
Cash in Hand	2,528	249
	<u>592,554</u>	<u>851,855</u>

15. Payables

	2022 Euro	2021 Euro
Payables	99,190	97,290
Accruals	37,180	48,323
Other payables	22,565	839
	<u>158,935</u>	<u>146,452</u>

16. Lease Liability

	2022 Euro	2021 Euro
Payables in the next 12 months	451	-
Payable over 12 months	470	-
	<u>921</u>	<u>-</u>

Lease Liability refers to the lease of the Flour Mill and Cart Ruts that have been leased out to the San Gwann Local Council. It is a 3-year renewable lease that began on 21st February 2000. The council intends to renew this lease continuously. It was renewed on 21st February 2022.

All works and repairs are a sole responsibility of the council. The rent of 100 Maltese Liri is payable yearly in advance for Flour Mill and Cart Ruts respectively.

The lease is not short term as it started in the year 2000 and is not of low value therefore the exemptions under IFRS 16 cannot be recognized in this case. Lease commitments discount is based on weighted average incremental borrowing rate of 4.15% per annum.

In case of termination, the property needs to be surrendered with its decorative structures and fixtures in place.

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

17. Deferred Income	2022 Euro	2021 Euro
Balance at the beginning of the year	227,037	212,724
Funds allocated to the Council	60,075	14,313
Released to Income	-	-
Capitalised	(14,313)	-
Balance at the end of the year	<u>272,799</u>	<u>227,037</u>
Short - Term Deferred Income	86,863	41,101
Long – Term Deferred Income	<u>185,936</u>	<u>185,936</u>
	<u>272,799</u>	<u>227,037</u>

18. Post Balance Sheet events

There were no particular important events affecting the operation of the council since the end of the accounting year.

19. Financial Risk Management

Financial assets include other receivables and cash held at bank and in hand. Financial liabilities include other payables and lease liabilities.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council adopts an overall risk management to maintain and control its exposures.

*Market risk**1) Credit Risk*

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors' net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises over increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES and

Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

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

19. Financial Risk Management (Continued)

	Notes	2022 Euro	2021 Euro
Classes of Financial Assets – Carrying amounts			
Receivables (excluding prepayments)	13	98,751	67,721
Bank balances	14	590,026	851,606
		<u>688,777</u>	<u>919,327</u>

iii) Fair Values

As at 31 December 2022 and 2021, the carrying amounts of financial assets and liabilities were not materially different from the fair value due to short term in nature.

iv) Liquidity risk

The council monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year and ensures that no additional financing facilities are expected to be required over the coming year.

At 31 December, the council's financial liabilities have contractual maturities summarised below:

31 December 2022

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	99,190	-	-
Other payables	22,565	-	-
Lease liability	451	470	-
Accruals	37,180	-	-
	<u>159,386</u>	<u>470</u>	<u>-</u>

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

19. Financial Risk Management (Continued)

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

31 December 2021

	Current	Non-Current	
	Within 1 Year	1 to 5 years	Later than 5 Years
	Euro	Euro	Euro
Creditors	97,290	-	-
Other payables	839	-	-
Accruals	48,323	-	-
	<u>146,452</u>	-	-

Summary of Financial Assets and liabilities

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

	2022	2021
	Euro	Euro
Assets		
Financial Assets measured at amortised cost		
Receivables (excluding prepayments)	98,751	67,721
Cash and Cash Equivalents	<u>592,554</u>	<u>851,855</u>
	<u>691,305</u>	<u>919,576</u>
Liabilities		
Financial Liabilities measured at amortised cost		
Payables	99,190	97,290
Lease Liability	451	-
Other Payables	22,565	839
Accruals	<u>37,180</u>	<u>48,323</u>
	<u>159,386</u>	<u>146,452</u>

As at year end the Council has as cash and cash equivalents the amount of EUR 592,554 (2021: EUR 851,855). The council also maintains a positive Working Capital of EUR 453,629 (2021: EUR 739,556) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

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

20. Capital commitments

The San Gwann Local Council has earmarked below projects for the upcoming year:

- Establishment of a public garden in Triq Il-Kampanella
- Creation of a pollinator garden in Tal-Propostru
- Cart Ruts project

The Council will apply for funds for these projects, however if the funds are not approved then the Council will use its accumulated funds.

21. Related Party Transactions

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the San Gwann Local Council.

The San Gwann Local Council has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control – Water Services corporation, Automated Revenue Management Services, Waste Management Service

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

Transactions with Related Parties

	2022	2021
	Euro	Euro
Annual Financial Allocation	934,488	915,275
LES	17,010	18,988

Key Management Personnel Remuneration

Executive Secretary	52,592	36,788
Mayor Honoraria	15,516	15,271
Mayor and Councillor's Allowance	22,600	22,600