



Hal Balzan Local Council

Financial Report 31st December 2020

Kunsill Lokali;
Hal-Balzan

28 JUL 2021

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Prepared by: Mark Debono B.Accty (Hons.), AIA, AIMIS, CPA

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Hal Balzan Local Council

Financial Statements for the year ended 31st December 2020

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Hal Balzan Local Council**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 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Dr Angelo Micallef
Mayor



Ms Doriette Farrugia
Executive Secretary

Date: 20/07/21

Hal Balzan Local Council

Statement of comprehensive income
for the year ended 31st December 2020

	Note	2020 Eur	2019 Eur
Funds received from Central Government	3	361,562	334,003
Income raised under the Local Enforcement System	3	897	1,898
General income	3	21,131	28,251
		383,590	364,152
Expenditure			
Personal emoluments	4	(102,803)	(93,517)
Operations and maintenance	5	(152,798)	(141,730)
Administration and other expenditure	6	(113,891)	(107,698)
		(369,492)	(342,945)
Operating surplus for the year		14,098	21,207
Finance income	7	25	31
Surplus for the year		14,123	21,238

The notes on pages 6 to 20 form an integral part of these financial statements

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Hal Balzan Local Council

Statement of financial position at 31st December 2020


	<i>Note</i>	2020 Eur	2019 Eur
Assets			
Non-current Assets			
Property, plant and equipment	<i>8a-b</i>	250,990	298,183
Current Assets			
Inventory		255	285
Amounts receivable	<i>9</i>	36,326	23,462
Cash and bank balances	<i>10</i>	429,432	397,597
		<u>466,013</u>	<u>421,344</u>
Total Assets		<u><u>717,003</u></u>	<u><u>719,527</u></u>
Reserves and Liabilities			
Reserves			
Retained Fund		502,233	488,110
Non-Current Liabilities			
Lease liabilities	<i>17</i>	112,470	124,636
Deferred income	<i>12</i>	35,660	37,312
		<u>148,130</u>	<u>161,948</u>
Current Liabilities			
Trade and other payables	<i>11</i>	66,640	69,469
Total Equity and Liabilities		<u><u>717,003</u></u>	<u><u>719,527</u></u>

The notes on pages 6 to 20 form an integral part of these financial statements

These Financial Statements were approved by the Local Council and are signed on its behalf by :



Dr Angelo Micallef
 Mayor



Ms Doriette Farrugia
 Executive Secretary

Date : 20/07/21

Hal Balzan Local Council

Statement of changes in equity for the year ended 31st December 2020

	<i>Note</i>	Retained fund <u>Eur</u>
At 1st January 2019		477,692
In respect of adopting IFRS16	18	(10,820)
Total comprehensive Income for the year		<u>21,238</u>
At 31st December 2019		488,110
Total comprehensive Income for the year		<u>14,123</u>
At 31st December 2020		<u><u>502,233</u></u>

The notes on pages 6 to 20 form an integral part of these financial statements

Hal Balzan Local Council

**Statement of cash flows
for the year ended 31st December 2020**

	<i>Note</i>	2020 Eur	2019 Eur
Cash flows from operating activities			
Operating surplus / (deficit) for the year		14,123	21,238
<i>Adjustments for:</i>			
Bank interest received		(25)	(31)
Lease interest		4,288	4,641
Assets written-off		178	0
Depreciation		54,525	56,667
Surplus for the year before working capital movements		73,089	82,515
Movement in inventory		30	(65)
Movement in receivables		(12,864)	4,056
Movement in payables		(5,750)	(6,307)
Grants utilised		(1,652)	(299)
Net cash generated from operating activities		52,853	79,900
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(7,999)	(11,967)
Grants received		625	8,812
Bank interest received		25	31
Net cash used in investing activities		(7,349)	(3,124)
Cash flows from financing activities			
Lease payments		(9,381)	(9,030)
Lease interest paid		(4,288)	(4,641)
Net cash used in financing activities		(13,669)	(13,671)
Movement in cash and cash equivalents		31,835	63,105
Cash and cash equivalents at the beginning of the year		397,597	334,492
Cash and cash equivalents at the end of the year	10	429,432	397,597

The notes on pages 6 to 20 form an integral part of these financial statements

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

1 General information

Balzan Local Council is the local authority of Balzan set up in accordance with the Local Councils Act. The office of the Local Council is situated at 7/9, Dun Spir Sammut Street, Hal Balzan.

2 Accounting policies and reporting procedures

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 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.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

a) Revenue recognition

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

b) Local Enforcement System

As from the 1st September 2011 the Balzan Local Council started to form part of the Regional Committee. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Regional Committee after deducting the related expenses. As from 2015, LESA took over the administration of the Local Enforcement System

c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation was previously calculated on a monthly basis using the reducing balance method. Following a change in policy, depreciation is being 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:

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	Replacement basis
Litter Bins	Replacement basis
Playground Furniture	100
Street Lights	100
Street Mirrors	100
Right of Use Assets	Over term of lease

The assets' useful lives and residual values are assessed at the end of each reporting period and adjusted if appropriate. When the carrying amount of an asset is greater than its estimated recoverable amount, its value is written down to its recoverable amount.

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

d) Government and EU Grants

Government and EU grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are written-off against the expenditure incurred on such property, plant and equipment in the year of purchase in line with the capital approach as per International Accounting Standard 20, Government Grants.

e) Impairment of financial assets

As from 1st January 2018, financial assets are tested annually for impairment using the expected credit loss model. The Council assesses the risk of defaults in the 12 months after the end of the financial year. Such risks are probability weighted for their occurrence and all scenarios for the outcome of such risks are quantified, taking into consideration the time value of money when quantifying the outcome of such risks. The Council considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions as the basis for assessing such risks of defaults.

f) 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 Local 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 amount of the asset and 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.

g) 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 Local Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

h) Profits 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.

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

i) Cash and cash 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.

j) Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Financial instruments

i. 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 a counter party 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.

ii. Financial liabilities

The Council's financial liabilities included trade and other payables. These are stated at their nominal account which is a reasonable approximation of fair value

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

1) Leases (continued)

At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Council has the right to direct the use of the asset. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Council has the right to direct the use of the asset if either:
 - the Council has the right to operate the asset; or
 - the Council designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

i. As a lessee

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early.

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

l) Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee or if the Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

m) Critical estimates and judgements

The Council did not apply any critical estimates and judgements in the preparation of these accounts.

n) Accounting standards and updates issued and adopted by the Council

During the year no new standards or updates thereto came into force that are relevant to these financial statements. Hence there were no related or relevant changes that need to be reported.

o) Accounting standards issued but not adopted

The following new standards and interpretations, which have been issued by the IASB and the IFRIC and are relevant to these financial statements, are effective for future periods and have not been adopted early in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below.

Accounting standards issued and adopted by the EU

A number of other amendments come into force for financial periods commencing on or after 1st January 2021 including: amendments to References to the Conceptual Framework in IFRS Standards which clarifies which version of the Conceptual Framework a number of IFRSs refer to; amendments to IAS 1, Presentation of Financial Statements, clarifying that classification between current and non-current liabilities is based on the rights existent at the end of the financial period; amendment to IAS 16, 'Property, Plant and Equipment', prohibiting the offsetting of sales against cost and passing these through the profit and loss account; and, amendments to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets, clarifying that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

IFRS 17, Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Its objective is to ensure that relevant information is provided to represent such contracts giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 is effective for accounting periods commencing on or after 1st January 2022. This does not have an effect on the Council's financial statements since it does not issue insurance

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

3 <u>Revenue</u>	2020 Eur	2019 Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	322,224	304,802
Other Government Income	34,700	24,665
Other Supplementary Government Income	4,638	4,536
	<u>361,562</u>	<u>334,003</u>
Income raised under the Local Enforcement System		
Income from LES administration fees	827	1,898
Income from contraventions	70	0
	<u>897</u>	<u>1,898</u>
General income		
Income from permits	21,079	26,270
Sundry contributions & donations	52	1,981
	<u>21,131</u>	<u>28,251</u>
Total revenue	<u><u>383,590</u></u>	<u><u>364,152</u></u>
4 <u>Personal emoluments</u>	2020 Eur	2019 Eur
Personal emoluments include, inter alia :		
Mayor's allowance	10,404	9,390
Executive Secretary's salary and allowances	31,267	30,586
Employees' salaries	41,995	38,015
Social security contributions	6,137	5,826
Councillors' Allowance	13,000	9,700
	<u>102,803</u>	<u>93,517</u>

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

5 Operations and maintenance

	2020	2019
	Eur	Eur
Repairs and upkeep:		
Signs	3,752	2,674
Public property	16,628	13,907
Road markings	2,735	1,187
Other repairs and upkeep	1,735	2,202
	<u>24,850</u>	<u>19,970</u>
 Contractual services:		
Refuse collection	75,271	67,885
Bulky refuse collection	8,933	8,444
Road and street cleaning	34,720	33,969
Cleaning and maintenance - public conveniences	2,703	3,510
Cleaning and maintenance - parks and gardens	3,027	3,027
Street lighting	1,517	2,883
Other	1,777	2,042
	<u>127,948</u>	<u>121,760</u>
	<u>152,798</u>	<u>141,730</u>

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

6 Administration and other expenditure	2020	2019
	Eur	Eur
Utilities	5,798	4,035
Materials & supplies	840	660
Rent	1,875	1,850
Lease Interest	4,288	4,641
Memberships	(882)	1,231
Office services	2,312	3,538
Transport	507	1,535
Information services	1,533	1,351
Professional services	29,148	22,804
Training	0	462
Community services & events	13,502	8,611
Local enforcement expenses	65	254
Sundry expenses	203	59
Assets written-off	177	0
Depreciation	54,525	56,667
	113,891	107,698
7 Finance Income	2020	2019
	Eur	Eur
Bank interest	25	31

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Hal Balzan Local Council

Notes to the financial statements
for the year ended 31st December 2020

Note

8a <u>Property, Plant and Equipment</u>	Office furniture & fittings		Plant and machinery		Computer equipment		Office equipment		Motor Vehicles (Right of Use)		Urban improvements		New street signs		Construction works		Property (Right of Use)		Special programmes		Total	
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2020	29,245	1,944	6,848	18,533	28,125	704,412	10,170	701,959	132,907	254,130	1,888,273											
Additions new this period	3,201	0	1,157	0	0	3,777	0	0	0	0	8,135											
Assets written-off	(315)	0	0	(413)	0	0	0	(1,968)	0	0	(2,696)											
Cost - as at 31st December 2020	32,131	1,944	8,005	18,120	28,125	708,189	10,170	699,991	132,907	254,130	1,893,712											
Grants - as at 1st January 2020	737	0	0	11,444	0	486,893	0	0	0	143,182	642,256											
Additions	0	0	0	0	0	625	0	0	0	0	625											
Released on write-off	0	0	0	(413)	0	0	0	0	0	0	(413)											
Grants - as at 31st December 2020	737	0	0	11,031	0	487,518	0	0	0	143,182	642,468											
Acc. depreciation - as at 1st January 2020	10,424	1,944	4,301	3,512	6,668	125,795	10,170	638,630	35,442	110,948	947,834											
Charge for the period	1,807	0	1,488	1,170	7,418	22,015	0	11,762	8,865	0	54,525											
Released on write-off	(137)	0	0	0	0	0	0	(1,968)	0	0	(2,105)											
Acc. depreciation - as at 31st December 2020	12,094	1,944	5,789	4,682	14,086	147,810	10,170	648,424	44,307	110,948	1,000,254											
Net book value - as at 31st December 2020	19,300	0	2,216	2,407	14,039	72,861	0	51,567	88,600	0	250,990											

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

8a <u>Property, Plant and Equipment</u>	Office furniture & fittings		Plant and machinery		Computer equipment		Office equipment		Motor Vehicles (Right of Use)		Urban improvements		New street signs		Construction works		Property (Right of Use)		Special programmes		Total	
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2020	29,245	1,944	6,848	18,533	28,125	704,412	10,170	701,959	132,907	254,130	1,888,273											
Additions new this period	3,201	0	1,157	0	0	3,777	0	0	0	0	8,135											
Assets written-off	(315)	0	0	(413)	0	0	0	(1,968)	0	0	(2,696)											
Cost - as at 31st December 2020	32,131	1,944	8,005	18,120	28,125	708,189	10,170	699,991	132,907	254,130	1,893,712											
Grants - as at 1st January 2020	737	0	0	11,444	0	486,893	0	0	0	143,182	642,256											
Additions	0	0	0	0	0	625	0	0	0	0	625											
Released on write-off	0	0	0	(413)	0	0	0	0	0	0	(413)											
Grants - as at 31st December 2020	737	0	0	11,031	0	487,518	0	0	0	143,182	642,468											
Acc. depreciation - as at 1st January 2020	10,424	1,944	4,301	3,512	6,668	125,795	10,170	638,630	35,442	110,948	947,834											
Charge for the period	1,807	0	1,488	1,170	7,418	22,015	0	11,762	8,865	0	54,525											
Released on write-off	(137)	0	0	0	0	0	0	(1,968)	0	0	(2,105)											
Acc. depreciation - as at 31st December 2020	12,094	1,944	5,789	4,682	14,086	147,810	10,170	648,424	44,307	110,948	1,000,254											
Net book value - as at 31st December 2020	19,300	0	2,216	2,407	14,039	72,861	0	51,567	88,600	0	250,990											

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

8b Property, Plant and Equipment

	Office furniture & fittings	Plant and Machinery	Computer equipment	Office equipment	Motor Vehicles (Right of Use)	Urban improvements	New street signs	Construction works	Property (Right of Use)	Special programmes	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Cost - as at 1st January 2019	27,031	1,944	6,679	18,412	0	697,789	10,170	699,304	0	254,130	1,715,459
Additions new this period	2,272	0	169	248	0	6,623	0	2,655	0	0	11,967
Recognition of leased assets	0	0	0	0	28,125	0	0	0	132,907	0	161,032
Assets written-off / Adjustment	(58)	0	0	(127)	0	0	0	0	0	0	(185)
Cost - as at 31st December 2019	29,245	1,944	6,848	18,533	28,125	704,412	10,170	701,959	132,907	254,130	1,888,273
Grants - as at 1st January 2019	737	0	0	11,444	0	483,057	0	0	0	143,182	638,420
Additions	0	0	0	0	0	3,836	0	0	0	0	3,836
Grants - as at 31st December 2019	737	0	0	11,444	0	486,893	0	0	0	143,182	642,256
Acc. depreciation - as at 1st January 2019	8,667	1,944	3,117	2,547	0	104,713	10,170	620,441	0	110,948	862,547
Recognition of leased assets	0	0	0	0	2,223	0	0	0	26,582	0	28,805
Charge for the period	1,815	0	1,184	1,092	4,445	21,082	0	18,189	8,860	0	56,667
Released on write-off	(58)	0	0	(127)	0	0	0	0	0	0	(185)
Acc. depreciation - as at 31st December 2019	10,424	1,944	4,301	3,512	6,668	125,795	10,170	638,630	35,442	110,948	947,834
Net book value - as at 31st December 2019	18,084	0	2,547	3,577	21,457	91,724	0	63,329	97,465	0	298,183

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

9 Amounts receivable	2020	2019
	Eur	Eur
Current		
Debtors	25,829	6,873
Accrued income	5,638	9,921
Deposits	600	600
Financial assets measured at amortised cost	32,067	17,394
Prepayments	4,259	6,068
Total amounts receivable	36,326	23,462

In accordance with IFRS 9, the Council has assessed the risks and scenarios resulting from such risks occurring based on the information that it possesses. In accordance to this risk assessment model, the Council does not expect to have any material impairments to these balances and hence no impairment adjustments were deemed necessary.

10 Cash and cash equivalents

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	2020	2019
	Eur	Eur
Cash in hand	221	127
Bank balances		
Current accounts	372,349	340,790
Savings accounts	56,862	56,680
	429,432	397,597

In accordance with IFRS 9, the Council has assessed the risks and scenarios resulting from such risks occurring based on the information that it possesses. In accordance to this risk assessment model, the Council does not expect to have any material impairments to these balances and hence no impairment adjustments were deemed necessary.

11 Trade and other payables	2020	2019
	Eur	Eur
Current		
Creditors	19,119	30,437
Accruals	19,308	13,531
Retention money held	14,489	16,119
Financial liabilities measured at amortised cost	52,916	60,087
Other deferred income	1,557	0
Lease liabilities (note 16)	12,167	9,382
Total trade and other payables	66,640	69,469

Retention money held represents retention money held against permits issued to cover any breaches or damages caused by the permit holders. Once the permit is no longer required the money is refunded.

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

12 <u>Deferred Income</u>	2020	2019
	Eur	Eur
Non-Current		
Opening balance	37,312	28,799
Utilised	(1,652)	0
Regional Committee surplus	0	8,513
Closing balance	<u>35,660</u>	<u>37,312</u>

Maturity of non-current deferred income is as follows:

Between two and five years	<u>35,660</u>	<u>37,312</u>
	<u>35,660</u>	<u>37,312</u>

13 <u>Capital commitments</u>	2020	2019
	Eur	Eur
Authorised and not contracted for	<u>5,500</u>	<u>6,100</u>

Analysed as follows:

Authorised and not contracted for		
Plant and Machinery	500	500
Office furniture and fittings	2,000	2,600
Office equipment	3,000	3,000
	<u>5,500</u>	<u>6,100</u>

14 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Central Government is the main related party of the Local Council. For the year ended 2020, the Local Council received Eur322,224 (2019: Eur304,802) in funding from Central Government. Key management personnel who are deemed to exercise a significant influence over the Council are the Mayor, the Executive Secretary and the councillors who were remunerated as follows:

	2020	2019
	Eur	Eur
Mayor	10,404	9,390
Executive Secretary	33,765	32,934
Councillors	10,600	9,700
	<u>54,769</u>	<u>52,024</u>

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

15 Classification of financial assets and financial liabilities

The Council's financial assets and liabilities have been classified as follows in accordance with IFRS 9:

	Credits and other receivables	Other financial assets / liabilities	Total carrying amount	Fair value
2019				
Assets				
Trade and other receivables	17,394	-	17,394	17,394
Cash and cash equivalents	397,597	-	397,597	397,597
Total financial assets	414,991	-	414,991	414,991
Liabilities				
Trade and other payables	-	60,087	60,087	60,087
Total financial liabilities	-	60,087	60,087	60,087
2020				
Assets				
Trade and other receivables	32,067	-	32,067	32,067
Cash and cash equivalents	429,432	-	429,432	429,432
Total financial assets	461,499	-	461,499	461,499
Liabilities				
Trade and other payables	-	52,916	52,916	52,916
Total financial liabilities	-	52,916	52,916	52,916

16 Financial risk management

16.1 Financial risk factors

The Council's activities expose it to both credit risk and liquidity risk. The Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

a) Credit risk

The Council's credit risk arises from cash and cash equivalents, including deposits with the banks and amounts receivable. The Council's exposures to credit risk are analysed as follows:

	2020 Eur	2019 Eur
Trade and other receivables	32,067	17,394
Cash and bank balances	429,432	397,597
	461,499	414,991

The ageing of the amounts receivable is as follows:

	2020 Eur	2019 Eur
Less than 1 month	2,516	2,408
Between 1 and 2 months due	4,629	4,453
Over 3 months due	14,285	12
	21,430	6,873

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

16 Financial risk management - Continued

a) Credit risk - continued

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8 and 9 to these financial statements. The Council does not hold any collateral as security in this respect.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's major debtors are the Government and the Regional Committees, thus, it deems that it does not have any risk of non-recoverability of its dues. An amount of €14,285 (2018: €12) is past the credit period but the Council does not deem this balance to be impaired.

b) Liquidity risk

The Council's exposure to liquidity risk is mainly from its payables and retention monies as per note 10 above and which are due within 60 days. Given the requirements at law to maintain a healthy working capital, the Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations. The Council's exposure to liquidity risk is as follows:

	2020 Eur	2019 Eur
Creditors	19,119	30,437
Accruals	19,308	13,531
Lease liabilities	12,167	9,382
Retention money held	14,489	16,119
	65,083	69,469

16.2 Fair values of financial instruments

At 31 December 2020 and 31 December 2019, the carrying amounts of cash at bank, receivables, payables and accrued expenses 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.

17 Leases

The Council leases two assets: the Council Office, on a 15 year lease which commenced on 1st January 2016; and the Council Van with a five-year term lease which commenced on 1st July 2018. The Council has the option to purchase the van after expiry of the lease.

Right-of-use assets

	Council Office Eur	Council Van Eur	Total Eur
Net carrying amount 31st December 2020	88,600	14,039	102,639
Depreciation expense for the year ended 31st December 2020	8,865	7,418	16,283

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2020

Note

17 Leases - Continued

	2020	2019
	Eur	Eur
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	16,283	13,305
Interest expense on lease liabilities	4,288	4,641
Expense relating to short-term leases	1,850	1,850
<i>Lease liabilities</i>		
Non-current	112,470	124,636
Current	12,167	9,382
	<u>124,637</u>	<u>134,018</u>
<i>Maturity analysis</i>		
Not later than 1 year	12,167	9,382
Later than 1 year and not later than 5 years	46,068	49,622
Later than 5 years	66,402	75,014
	<u>124,637</u>	<u>134,018</u>

18 Capital

The Council does not carry any share capital but it does have an accumulated surplus which it uses to finance capital projects such as roads, urban improvements and other major projects of benefit to the Balzan residents and community. This, however, needs to be expended with due diligence in order not to fall below the minimum working capital requirements as required by the Local Councils (Financial) Procedures 1996.

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Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Balzan Local Council set out on pages 2 to 20 which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

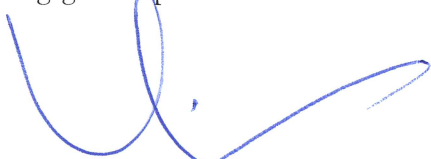
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
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Malta

20 July 2021