



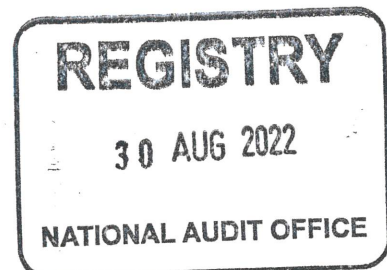
## Hal Balzan Local Council

### Annual Report and Financial Statements for the year ended 31 December 2021

**Kunsill Lokali:  
Hal-Balzan**

- 7 SEP 2022

**RECEIVED**



# Hal Balzan Local Council

## Annual Report and Financial Statements for the year ended 31 December 2021

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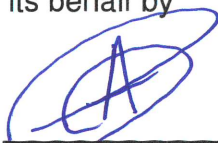
**Hal Balzan Local Council****Statement of Local Council Members' and Executive Secretary's Responsibilities**

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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 Local 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 Local Council on the 25 August 2022 and signed on its behalf by



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Dr Angelo Micallef  
Mayor



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Ms Doriette Farrugia  
Executive Secretary

## Hal Balzan Local Council

Statement of Comprehensive Income  
for the year ended 31 December 2021

	<i>Notes</i>	2021 <u>Eur</u>	2020 <u>Eur</u>
<b>Income</b>			
Funds received from Central Government	3	421,480	361,562
Income raised under the Local Enforcement System	3	1,481	897
General income	3	<u>23,177</u>	<u>21,131</u>
		<u>446,138</u>	<u>383,590</u>
<b>Expenditure</b>			
Personal emoluments	4	(102,287)	(102,803)
Operations and maintenance	5	(153,642)	(152,798)
Administration and other expenditure	6	<u>(150,170)</u>	<u>(113,891)</u>
		<u>(406,099)</u>	<u>(369,492)</u>
<b>Operating surplus for the year</b>		40,039	14,098
Finance income		<u>12</u>	<u>25</u>
<b>Surplus for the year</b>		<u>40,051</u>	<u>14,123</u>

The notes on pages 6 to 22 form an integral part of these financial statements

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## Hal Balzan Local Council

### Statement of Financial Position as at 31 December 2021

	<i>Notes</i>	2021 <u>Eur</u>	2020 <u>Eur</u>
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	7a-b	<u>213,614</u>	<u>250,990</u>
<b>Current Assets</b>			
Inventory		1,270	255
Trade and other receivables	8	16,308	36,326
Cash and bank balances	9	<u>508,888</u>	<u>429,432</u>
		<u>526,466</u>	<u>466,013</u>
<b>Total Assets</b>		<u><u>740,080</u></u>	<u><u>717,003</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Funds		<u>542,284</u>	<u>502,233</u>
<b>Non-current Liabilities</b>			
Lease liabilities	16	99,851	112,470
Deferred income	11	<u>34,315</u>	<u>35,660</u>
		<u>134,166</u>	<u>148,130</u>
<b>Current Liabilities</b>			
Trade and other payables	10	<u>63,630</u>	<u>66,640</u>
<b>Total Equity and Liabilities</b>		<u><u>740,080</u></u>	<u><u>717,003</u></u>

The notes on pages 6 to 22 form an integral part of these financial statements

These financial statements were approved by the Local Council on 25 August 2022 and are signed on its behalf by

  
Dr Angelo Micallef  
Mayor

  
Ms Doriette Farrugia  
Executive Secretary

**Hal Balzan Local Council****Statement of Changes in Equity  
for the year ended 31 December 2021**

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	<b>Retained funds</b>
	<u><b>Eur</b></u>
<b>At 1 January 2020</b>	488,110
Total comprehensive income for the year	<u>14,123</u>
<b>At 31 December 2020</b>	502,233
<b>Total comprehensive income for the year</b>	<u><b>40,051</b></u>
<b>At 31 December 2021</b>	<u><u><b>542,284</b></u></u>

The notes on pages 6 to 22 form an integral part of these financial statements

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## Hal Balzan Local Council

**Statement of Cash Flows  
for the year ended 31 December 2021**

	<i>Note</i>	2021 <u>Eur</u>	2020 <u>Eur</u>
<b>Cash flows from operating activities</b>			
<b>Operating surplus for the year</b>		40,051	14,123
<i>Adjustments for:</i>			
Bank interest received		(12)	(25)
Lease interest		3,903	4,288
Assets written-off		-	178
Depreciation		<u>51,489</u>	<u>54,525</u>
<b>Surplus for the year before working capital movements</b>		95,431	73,089
Movement in inventory		(1,015)	30
Movement in trade and other receivables		19,984	(12,864)
Movement in trade and other payables		(8,584)	(5,750)
Grants utilised		<u>-</u>	<u>(1,652)</u>
<b>Net cash generated from operating activities</b>		<u>105,816</u>	<u>52,853</u>
<b>Cash flows from investing activities</b>			
Payment to acquire property, plant and equipment		(10,302)	(7,999)
Grants received		-	625
Bank interest received		12	25
<b>Net cash used in investing activities</b>		<u>(10,290)</u>	<u>(7,349)</u>
<b>Cash flows from financing activities</b>			
Lease payments		(12,167)	(9,381)
Lease interest paid		(3,903)	(4,288)
<b>Net cash used in financing activities</b>		<u>(16,070)</u>	<u>(13,669)</u>
<b>Movement in cash and bank balances</b>		79,456	31,835
<b>Cash and bank balances at the beginning of the year</b>		429,432	397,597
<b>Cash and bank balances at the end of the year</b>	9	<u><u>508,888</u></u>	<u><u>429,432</u></u>

The notes on pages 6 to 22 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 31 December 2021

### Note

#### 1 General information

The 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. These financial statements were approved for issue by the Local Council members on 25 August 2022.

#### 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 years presented, unless otherwise stated.

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 (IFRS) 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.

#### **New or revised standards or interpretations**

##### **New standards adopted as at 1 January 2021**

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

##### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Local Council.

The Councillors and Executive Secretary anticipate that all of the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Local Council's financial statements.

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

#### **a) Revenue recognition**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the income statement as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Local Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

#### **b) Local Enforcement System income**

Local Enforcement System income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S).

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# Hal Balzan Local Council

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

### Note

#### 2 Accounting policies and reporting procedures (cont.)

##### c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. 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

Assets not yet capitalised represents Special Programmes of the Local Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to Special Programmes upon completion. The account is not depreciated until such time that the asset is completed and available for use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or 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 period in which they are incurred.

##### d) Impairment of non-financial asset

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

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## Hal Balzan Local Council

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

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#### Note

#### 2 Accounting policies and reporting procedures (cont.)

##### e) 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 and are thus deducted from the carrying amount of the relative non-current asset.

##### f) 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.

##### g) Profits and Losses

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 losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

##### h) Cash and bank balances

Cash and bank balances are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and bank balances comprise cash in hand and balances held with banks.

##### i) Financial instruments

###### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Local 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.

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## Hal Balzan Local Council

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

#### Note

#### 2 Accounting policies and reporting procedures (cont.)

##### i) Financial instruments (cont.)

###### **Classification and initial measurement of financial assets**

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

Financial assets are classified into the following categories:

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

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

The classification is determined by both:

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

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

###### **Subsequent measurement of financial assets**

###### *Financial assets at amortised cost*

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

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

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

###### **Impairment of financial assets**

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

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## Hal Balzan Local Council

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

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#### Note

#### **2 Accounting policies and reporting procedures (cont.)**

##### **i) Financial instruments (cont.)**

##### **Impairment of financial assets (cont.)**

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

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

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

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

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

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

##### **Classification and measurement of financial liabilities**

The Local 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 Local Council designates a financial liability at fair value through profit or loss.

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

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

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## Hal Balzan Local Council

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

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#### Note

#### 2 Accounting policies and reporting procedures (cont.)

##### j) Leases

At inception of a contract, the Local 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 Local 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 Local Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Local 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 Local Council has the right to operate the asset; or
  - the Local 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 Local 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 Local Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### As a lessee

The Local 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 Local Council's incremental borrowing rate. Generally, the Local Council uses its incremental borrowing rate as the discount rate.

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## Hal Balzan Local Council

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

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#### Note

#### 2 Accounting policies and reporting procedures (cont.)

##### j) Leases (cont.)

###### As a lessee (cont.)

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 Local Council is reasonably certain to exercise, lease payments in an optional renewal period if the Local Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Local Council is reasonably certain not to terminate early.

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 Local 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 Local Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### k) Critical estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Local Council, 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.

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## Hal Balzan Local Council

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

#### Note

3 <u>Revenue</u>	2021 Eur	2020 Eur
<b>Government income</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	335,287	322,224
Other government income	83,808	34,700
Other supplementary government income	2,385	4,638
	<u>421,480</u>	<u>361,562</u>
<b>Income raised under the Local Enforcement System</b>		
Income from LES administration fees	1,159	827
Income from contraventions	322	70
	<u>1,481</u>	<u>897</u>
<b>General income</b>		
Income from permits	23,123	21,079
Sundry contributions and donations	54	52
	<u>23,177</u>	<u>21,131</u>
	<u>446,138</u>	<u>383,590</u>
4 <u>Personal emoluments</u>	2021 Eur	2020 Eur
Personal emoluments include, inter alia :		
Mayor's allowance	10,542	10,404
Executive Secretary's salary and allowances	32,749	31,267
Employees' salaries	40,035	41,995
Social security contributions	6,040	6,137
Councillors' allowance	12,921	13,000
	<u>102,287</u>	<u>102,803</u>

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# Hal Balzan Local Council

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

### Note

<b>5 Operations and maintenance</b>	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
<b>Repairs and upkeep:</b>		
Signs	842	3,752
Public property	16,472	16,628
Road markings	826	2,735
Other repairs and upkeep	1,735	1,735
	<u>19,875</u>	<u>24,850</u>
 <b>Contractual services:</b>		
Refuse collection	81,927	75,271
Bulky refuse collection	9,287	8,933
Road and street cleaning	35,802	34,720
Cleaning and maintenance - public conveniences	584	2,703
Cleaning and maintenance - parks and gardens	3,220	3,027
Street lighting	-	1,517
Other	2,947	1,777
	<u>133,767</u>	<u>127,948</u>
	<u>153,642</u>	<u>152,798</u>

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# Hal Balzan Local Council

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

### Note

<b>6 Administration and other expenditure</b>	<b>2021</b>	<b>2020</b>
	<u><b>Eur</b></u>	<u><b>Eur</b></u>
Utilities	4,053	5,798
Materials and supplies	1,439	840
Rent	1,950	1,875
Lease interest	3,903	4,288
Memberships	15	(882)
Office services	2,515	2,312
Transport	1,167	507
Information services	3,221	1,533
Professional services	39,739	29,148
Community services and events	40,568	13,502
Local enforcement expenses	111	65
Sundry expenses	-	203
Assets written-off	-	177
Depreciation	51,489	54,525
	<u><b>150,170</b></u>	<u><b>113,891</b></u>

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## Hal Balzan Local Council

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

## Note

7a <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
Cost - as at 1 January 2021	32,131	1,944	8,005	18,120	28,125	708,189	10,170	699,991	132,907	254,130	1,893,712
Additions	-	63	2,721	3,977	-	8,697	-	-	-	-	15,458
Assets written-off	(234)	-	-	-	-	-	-	-	-	-	(234)
<b>Cost - as at 31 December 2021</b>	<b>31,897</b>	<b>2,007</b>	<b>10,726</b>	<b>22,097</b>	<b>28,125</b>	<b>716,886</b>	<b>10,170</b>	<b>699,991</b>	<b>132,907</b>	<b>254,130</b>	<b>1,908,936</b>
<b>Grants - as at 1 January 2021</b>	<b>737</b>	<b>-</b>	<b>-</b>	<b>11,031</b>	<b>-</b>	<b>487,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,182</b>	<b>642,468</b>
Additions	-	-	-	-	-	1,345	-	-	-	-	1,345
Released on write-off	-	-	-	-	-	-	-	-	-	-	-
<b>Grants - as at 31 December 2021</b>	<b>737</b>	<b>-</b>	<b>-</b>	<b>11,031</b>	<b>-</b>	<b>488,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,182</b>	<b>643,813</b>
<b>Accumulated depreciation - as at 1 January 2021</b>	<b>12,094</b>	<b>1,944</b>	<b>5,789</b>	<b>4,682</b>	<b>14,086</b>	<b>147,810</b>	<b>10,170</b>	<b>648,424</b>	<b>44,307</b>	<b>110,948</b>	<b>1,000,254</b>
Charge for the period	1,982	9	1,956	1,502	5,625	19,787	-	11,763	8,865	-	51,489
Released on write-off	(234)	-	-	-	-	-	-	-	-	-	(234)
<b>Accumulated depreciation - as at 31 December 2021</b>	<b>13,842</b>	<b>1,953</b>	<b>7,745</b>	<b>6,184</b>	<b>19,711</b>	<b>167,597</b>	<b>10,170</b>	<b>660,187</b>	<b>53,172</b>	<b>110,948</b>	<b>1,051,509</b>
<b>Net book value - as at 31 December 2021</b>	<b>17,318</b>	<b>54</b>	<b>2,981</b>	<b>4,882</b>	<b>8,414</b>	<b>60,426</b>	<b>-</b>	<b>39,804</b>	<b>79,735</b>	<b>-</b>	<b>213,614</b>

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## Hal Balzan Local Council

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

Note

7b <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 1 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	3,201	-	1,157	-	-	3,777	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,135
Assets written-off / Adjustment	(315)	-	-	(413)	-	-	(1,968)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,696)
<b>Cost - as at 31 December 2020</b>	<b>32,131</b>	<b>1,944</b>	<b>8,005</b>	<b>18,120</b>	<b>28,125</b>	<b>708,189</b>	<b>10,170</b>	<b>699,991</b>	<b>132,907</b>	<b>254,130</b>	<b>1,893,712</b>											
<b>Grants - as at 1 January 2020</b>	<b>737</b>	<b>-</b>	<b>-</b>	<b>11,444</b>	<b>-</b>	<b>486,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,182</b>	<b>642,256</b>											
Additions	-	-	-	-	-	625	-	-	-	-	625	-	-	-	-	-	-	-	-	-	-	625
Released on write-off	-	-	-	(413)	-	-	-	-	-	-	(413)	-	-	-	-	-	-	-	-	-	-	(413)
<b>Grants - as at 31 December 2020</b>	<b>737</b>	<b>-</b>	<b>-</b>	<b>11,031</b>	<b>-</b>	<b>487,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,182</b>	<b>642,468</b>											
<b>Accumulated depreciation - as at 1 January 2020</b>	<b>10,424</b>	<b>1,944</b>	<b>4,301</b>	<b>3,512</b>	<b>6,668</b>	<b>125,795</b>	<b>10,170</b>	<b>638,630</b>	<b>35,442</b>	<b>110,948</b>	<b>947,834</b>											
Charge for the period	1,807	-	1,488	1,170	7,418	22,015	-	11,762	8,865	-	54,525											
Released on write-off	(137)	-	-	-	-	-	-	(1,968)	-	-	(2,105)											
<b>Accumulated depreciation - as at 31 December 2020</b>	<b>12,094</b>	<b>1,944</b>	<b>5,789</b>	<b>4,682</b>	<b>14,086</b>	<b>147,810</b>	<b>10,170</b>	<b>648,424</b>	<b>44,307</b>	<b>110,948</b>	<b>1,000,254</b>											
<b>Net book value - as at 31 December 2020</b>	<b>19,300</b>	<b>-</b>	<b>2,216</b>	<b>2,407</b>	<b>14,039</b>	<b>72,861</b>	<b>-</b>	<b>51,567</b>	<b>88,600</b>	<b>-</b>	<b>250,990</b>											

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## Hal Balzan Local Council

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

#### Note

<b>8 Trade and other receivables</b>	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
<b>Current</b>		
Debtors	10,699	25,829
Accrued income	2,511	5,638
Deposits	600	600
<b>Financial assets measured at amortised cost</b>	<b>13,810</b>	<b>32,067</b>
Prepayments	2,498	4,259
<b>Total trade and other receivables</b>	<b>16,308</b>	<b>36,326</b>

In accordance with IFRS 9, the Local 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 Local Council does not expect to have any material impairments to these balances and hence no impairment adjustments were deemed necessary.

#### 9 Cash and bank balances

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

	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
Cash in hand	464	221
Bank balances :		
Current accounts	453,368	372,349
Savings accounts	55,056	56,862
	<b>508,888</b>	<b>429,432</b>

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 Trade and other payables

	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
<b>Current</b>		
Creditors	16,464	19,119
Accruals	18,534	19,308
Other creditors	1,920	-
Retention money held	14,023	14,489
<b>Financial liabilities measured at amortised cost</b>	<b>50,941</b>	<b>52,916</b>
Other deferred income	70	1,557
Lease liabilities (note 16)	12,619	12,167
<b>Total trade and other payables</b>	<b>63,630</b>	<b>66,640</b>

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 31 December 2021

#### Note

<b>11 <u>Deferred Income</u></b>	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
<b>Non-Current</b>		
Opening balance	35,660	37,312
Utilised	(1,345)	(1,652)
Closing balance	<u>34,315</u>	<u>35,660</u>

Maturity of non-current deferred income is as follows:

Between two and five years	<u>34,315</u>	<u>35,660</u>
	<u>34,315</u>	<u>35,660</u>

<b>12 <u>Capital commitments</u></b>	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
Authorised and not contracted for	<u>-</u>	<u>5,500</u>
Analysed as follows:		
Authorised and not contracted for		
Plant and Machinery	-	500
Office furniture and fittings	-	2,000
Office equipment	-	3,000
	<u>-</u>	<u>5,500</u>

Part of the urban improvements are being funded through UIF funds. The rest are being funded from the Local Council's internal funds.

#### **13 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 31 December 2021, the Local Council received Eur335,287 (2020: Eur322,224) in funding from Central Government. Key management personnel who are deemed to exercise a significant influence over the Local Council are the Mayor, the Executive Secretary and the councillors who were remunerated as follows:

	<b>2021</b>	<b>2020</b>
	<b>Eur</b>	<b>Eur</b>
Mayor	10,542	10,404
Executive Secretary	33,765	33,765
Councillors	10,600	10,600
	<u>54,907</u>	<u>54,769</u>

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## Hal Balzan Local Council

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

#### Note

#### 14 Classification of financial assets and financial liabilities

The Local 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
<b>2021</b>				
<b>Assets</b>				
Trade and other receivables	13,810	-	13,810	13,810
Cash and bank balances	508,888	-	508,888	508,888
<b>Total financial assets</b>	<b>522,698</b>	<b>-</b>	<b>522,698</b>	<b>522,698</b>
<b>Liabilities</b>				
Trade and other payables	-	50,941	50,941	50,941
<b>Total financial liabilities</b>	<b>-</b>	<b>50,941</b>	<b>50,941</b>	<b>50,941</b>
<b>2020</b>				
<b>Assets</b>				
Trade and other receivables	32,067	-	32,067	32,067
Cash and bank balances	429,432	-	429,432	429,432
<b>Total financial assets</b>	<b>461,499</b>	<b>-</b>	<b>461,499</b>	<b>461,499</b>
<b>Liabilities</b>				
Trade and other payables	-	52,916	52,916	52,916
<b>Total financial liabilities</b>	<b>-</b>	<b>52,916</b>	<b>52,916</b>	<b>52,916</b>

#### 15 Financial risk management

##### 15.1 Financial risk factors

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

The Local 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 Local Council's credit risk arises from cash and bank balances, including deposits with the banks and trade and other receivables. The Local Council's exposures to credit risk are analysed as follows:

	2021 Eur	2020 Eur
Trade and other receivables	13,810	32,067
Cash and bank balances	508,888	429,432
	<b>522,698</b>	<b>461,499</b>

The ageing of trade and other receivables is as follows:

	2021 Eur	2020 Eur
Less than 1 month	145	2,516
Between 1 and 2 months due	10,068	10,267
Over 3 months due	3,597	19,284
	<b>13,810</b>	<b>32,067</b>

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## Hal Balzan Local Council

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

#### Note

#### 15 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 Local Council does not hold any collateral as security in this respect.

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

The Local 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 €3,597 (2020: €14,285) is past the credit period but the Council does not deem this balance to be impaired.

##### b) Liquidity risk

The Local 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:

	2021 Eur	2020 Eur
Creditors	16,464	19,119
Accruals	18,534	19,308
Lease liabilities	12,619	12,167
Retention money held	14,023	14,489
	<u>61,640</u>	<u>65,083</u>

#### 15.2 Fair values of financial instruments

At 31 December 2021 and 2020, 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.

#### 16 Leases

The Local Council leases two assets: the Local Council Office, on a 15 year lease which commenced on 1st January 2016; and the Local 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 2021	79,735	8,414	88,149
Depreciation expense for the year ended 31st December 2021	8,865	5,625	14,490

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## Hal Balzan Local Council

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

#### Note

#### 16 Leases - Continued

	2021	2020
	Eur	Eur
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	14,490	16,283
Interest expense on lease liabilities	3,903	4,288
Expense relating to short-term leases	1,950	1,850
<i>Lease liabilities</i>		
Non-current	99,851	112,470
Current	12,619	12,167
	<u>112,470</u>	<u>124,637</u>
<i>Maturity analysis</i>		
Not later than 1 year	12,619	12,167
Later than 1 year and not later than 5 years	45,953	46,068
Later than 5 years	53,898	66,402
	<u>112,470</u>	<u>124,637</u>

#### 17 Capital

The Local 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 22 which comprise the statement of financial position as at 31 December 2021, 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 Local Council as at 31 December 2021, 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).

#### 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.