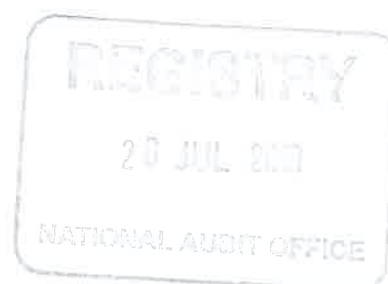




**SAN PAWL IL-BAĦAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

***Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, Triq San Ġwann,
Mosta MST 3603***



**SAN PAWL IL-BAHAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

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**SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, 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 Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.



Anne Marie Fenech
Mayor



Mariella Strout
Executive Secretary

Date: 30/06/ 2019

LOCAL COUNCIL SAN PAWL IL-BAHAR
Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL SAN PAWL IL-BAHAR set out on pages 6 to 30, which comprise the statement of financial position as at 31 December 2018, 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.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL SAN PAWL IL-BAHAR as at 31 December 2018, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. In view that no audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, amounting to €3,926 which has been recorded in the financial statements as well as on any possible accrued income or liabilities present at year end.

The Council does not maintain a proper fixed asset register to record fixed assets acquired by it. This resulted in a variance amounting to €335,781 when reconciling the net book value of the fixed asset register maintained by the Council to the Financial Statements. In view of this, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the balance of tangible fixed assets in the financial statements, having a net book value of €848,283 as well as on the completeness of the depreciation charged thereupon.

The Council received a number of government grants with respect of various capital projects. During the year under review, the Council recognised accrued income in relation to such grants' receivable for the amount of €210,381. In relation to € 55,687 of such receivables, no adequate supporting evidence was provided to confirm this amount of accrued income recognised. In this respect, the information and evidence provided by the Council with respect to these receivables was not sufficient for us to obtain reasonable assurance on the amount being recorded.

The Council has a negative balance of €11,930 in its list of creditors relating to a deposit payment made in advance for pedelegs. The Council confirmed that it has received the pedelegs from the supplier in 2018, however no supporting documentation was provided by the Council in this regard. In this respect, the information and evidence provided by the Council with respect to this balance was not sufficient for us to obtain reasonable assurance on the amount being recorded.

The opening balances of the Council were not in agreement with the approved and audited financial statements for the financial year 2017. During our testing we noted opening balances variances in several categories being the property, plant & equipment of €100,654, trade and other receivables of €206,825, cash & cash equivalents of €15,480, payables of €136,827, and deferred income of €186,144.

IFRS require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack proper disclosures from IAS 37 - Provisions, Contingent Liabilities and Contingent Assets in relation to the disclosure of the amount of contingent liabilities arising in relation to a claim made by a tourist against the Council as well as from IAS 24-Related Parties in view that note 21 to the financial statements does not reflect the requirements of articles 18, 25 and 26 of the said standard.

The financial statements include a payable of €114,275 with respect to road works undertaken through the Public Private Partnership Scheme. The Council failed to apply the requirements of IFRS 9 - Financial Instruments in this regard which requires that such long-term obligations are accounted for at amortised cost. This entails that after initial recognition this liability is measured at amortised cost using the effective interest method, less provision for any impairment. In this regard, the Council should have accounted for this liability accordingly using a proper discount rate which equates to the Council's cost of capital.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Directive issued in terms of the Accountancy Profession Act in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The Council is responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines 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 management are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to cease operations, or has no realistic alternative but to do so.

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.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards as adopted by EU. In view of the matters set out under the ~~basis for qualified opinion~~ section of this report, these financial statements have not been prepared entirely in line with the requirements of IFRS as adopted by EU.

This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of
3a Certified Public Accountants
Level 2, Palazzo Ca Brugnera', Valley Road, Birkirkara
Date: 30th May 2019

**SAN PAWL IL-BAĦAR LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2018**


	Notes	2018 Euro	2017 As restated Euro
INCOME			
Funds received from Central Government	3	1,868,232	1,798,421
Income raised under Law Enforcement system	4	23,311	25,011
Income raised under Local Council Bye-Laws	5	10,375	14,299
General income	6	<u>170,961</u>	<u>128,707</u>
		<u>2,072,879</u>	<u>1,966,438</u>
EXPENDITURE			
Personnel emoluments	7	217,008	186,030
Operations and maintenance	8	1,040,890	842,048
Administration and other expenditure	9	<u>918,698</u>	<u>341,527</u>
		<u>2,176,596</u>	<u>1,369,605</u>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(103,717)	596,833
Finance Income	10	<u>433</u>	<u>349</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(€ 103,284)</u>	<u>€ 597,182</u>

The notes on pages 10 to 30 form an integral part of these financial statements

**SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018**

	Notes	2018	2017 As restated	2017 As previously stated
		Euro	Euro	Euro
ASSETS				
Intangible Assets				
Computer Software	11	1,999	1,748	1,748
Non-Current Assets				
Property, plant and equipment	12	<u>848,283</u> 850,282	<u>1,556,895</u> 1,558,643	<u>2,193,104</u> 2,194,852
Current Assets				
Inventories	13	1,427	392	392
Trade and other receivables	14	957,124	489,041	489,041
Cash and cash equivalents	15	<u>1,258,635</u>	<u>1,231,203</u>	<u>1,231,203</u>
Total Current Assets		<u>2,217,186</u>	<u>1,720,636</u>	<u>1,720,636</u>
TOTAL ASSETS		<u>€ 3,067,468</u>	<u>€ 3,279,279</u>	<u>€ 3,915,488</u>
RESERVES AND LIABILITIES				
Reserves				
Retained earnings		<u>2,219,403</u>	<u>2,322,687</u>	<u>2,322,687</u>
Total reserves		<u>2,219,403</u>	<u>2,322,687</u>	<u>2,322,687</u>
Non-Current Liabilities				
Payables	16	50,683	94,558	94,558
Deferred Income		<u>0</u>	<u>0</u>	<u>574,789</u>
		<u>50,683</u>	<u>94,558</u>	<u>669,347</u>
Current Liabilities				
Payables	16	<u>797,382</u>	<u>862,034</u>	<u>923,454</u>
Total Liabilities		<u>848,065</u>	<u>956,592</u>	<u>1,592,801</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 3,067,468</u>	<u>€ 3,279,279</u>	<u>€ 3,915,488</u>

The notes on pages 10 to 30 form an integral part of these financial statements
 These financial Statements were approved by the Local Council on the 30/05/ 2019
 and signed on its behalf by:


 Anne Marie Fenech
 Mayor


 Mariella Strout
 Executive Secretary

**SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year 1 January to 31 December 2018**

	Retained Funds Euro
At 1 January 2017	1,725,505
Profit for the year	<u>597,182</u>
At 31 December 2017	<u>2,322,687</u>
At 1 January 2018	2,322,687
(Loss) for the year	<u>(103,284)</u>
At 31 December 2018	<u>2,219,403</u>

The notes on pages 10 to 30 form an integral part of these financial statements

SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018		2017	
		€	€	As restated €	€
(Loss)/Profit for the year		(103,284)		597,182	
Adjustments for:					
Depreciation and amortization		700,471		147,772	
Increase in Provision for Bad Debts		0		(140)	
Bad Debts written off		7,053		0	
Interest receivable		(433)		(349)	
		603,807		744,465	
(Increase) in Receivables		(468,083)		(249,005)	
(Increase)/Decrease in Inventories		(1,035)		38	
(Decrease)/Increase in Payables		(115,584)		491,910	
Cash generated from operating activities			19,105		987,408
Cash flows from investing activities					
Interest received		433		349	
Purchase of property, plant and equipment		(344,269)		(430,374)	
Grants received		352,163		0	
Cash generated from/(used in) investing activities			8,327		(430,025)
Movement in cash and cash equivalents			27,432		557,383
Cash and cash equivalents at the beginning of the year			1,231,203		673,820
Cash and cash equivalents at end of year	15		1,258,635		1,231,203

The notes on pages 10 to 30 form an integral part of these financial statements.

SAN PAWL IL-BAĦAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

San Pawl il-Baħar Local Council is the local authority of San Pawl il-Baħar, Xemxija, Burmarrad, Wardija, Qawra, Bugibba, San Martin, Limbordin, part of Manikata and part of Bidnija, setup in accordance with the Local Councils Act 1993. The office of the Council is at Triq San Pawl, San Pawl il-Baħar.

The financial statements were authorised for issue by the Council on the 30th Dec 2019.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

Accounting Convention

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.

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).

New and amended standards adopted by the Local Council

During the year the Council has applied the following International Financial Reporting Standard issued by IASB that is mandatorily effective for the financial year commencing 1 January 2018:

IFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018.

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contains a new chapter on measurement: guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not effective will have no material impact on the financial statements in the period of initial application.

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 20.

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Depreciation of Fixed Assets

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight-line method at 25% per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight-line balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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 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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Amounts Receivable

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

Revenue recognition

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

Payables and Borrowings

Payable and Borrowing Costs 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 services contract, before payment is release 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 relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government Grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 '*Accounting for Government Grants and Disclosure of Government Assistance*'. On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy and in accordance to IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*', has been accounted for retrospectively.

SAN PAWL IL-BAĦAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (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 €, which is the Council's functional and presentation currency.

Inventory

Inventory is calculated at lower of cost and net realisable value.

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.

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.

Local Enforcement System

San Pawl il-Baħar Local Council formed part of the Tramuntana Joint Committee until 31st August 2011. As from 1st September 2011, the San Pawl il-Baħar Local Council forms part of the North Regional Committee.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was not positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below:

Financial Assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics.

Financial Liabilities

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

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

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2018 Euro	2017 Euro
In terms of Section 55 of the Local Councils Act, 1993	€ 1,757,116	€ 1,684,906
Supplementary Government Income	€ 96,464	€ 99,189
Other Government Income	<u>€ 14,652</u>	<u>€ 14,326</u>
	<u>€1,868,232</u>	<u>€1,798,421</u>

4. LOCAL ENFORCEMENT INCOME

	2018 Euro	2017 Euro
Administrative charges to Regional Committees	19,385	22,061
Share of Profit from Joint Committee	<u>3,926</u>	<u>2,950</u>
	<u>€ 23,311</u>	<u>€ 25,011</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2018 Euro	2017 Euro
Income from Hire of Skips	3,175	2,299
Advertising on Street Furniture	<u>7,200</u>	<u>12,000</u>
	<u>€ 10,375</u>	<u>€ 14,299</u>

6. GENERAL INCOME

	2018 Euro	2017 Euro
Income from use of roads	30,849	11,391
Income from use of crane	96,089	74,711
Library	500	800
Income from kiosk	443	1,095
General Income	42,943	40,500
Income from trenching	137	130
Insurance Claims	<u>0</u>	<u>80</u>
	<u>€ 170,961</u>	<u>€ 128,707</u>

SAN PAWL IL-BAĦAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2018	2017
	Euro	Euro
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	12,288	14,690
Mayor's and Councillors' Allowances	16,850	13,186
Executive Secretary Salary and Allowances	36,877	28,169
Employees' Salaries	137,908	118,648
Social Security Contributions	13,085	11,337
	<u>€ 217,008</u>	<u>€ 186,030</u>

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, *inter alia*

REPAIRS AND UPKEEP

	2018	2017
	Euro	Euro
Patching	26,242	1920
Repairs to Public Property	6,036	0
Road/Street pavements	0	543
Road signs and markings	12,042	8,403
Office furniture & equipment	1,174	2,672
Environmental upkeep	2,041	0
Sundry repairs	246	732
Claim for damages	5,193	0
Street lighting	23,881	46,805
	<u>76,855</u>	<u>61,075</u>

CONTRACTUAL SERVICES

Refuse collection	336,249	343,205
Bulky refuse collection	15,664	11,772
Hire of skips	708	0
Road and street cleaning	255,564	102,373
Cash Collection service	0	2,266
Cleaning and maintenance public conveniences	15,907	11,326
Cleaning and maintenance parks and gardens	8,550	16,118
Cleaning and maintenance non-urban	17,424	17,123
Cleaning and maintenance beaches and coastal areas	0	0
Cleaning and maintenance office plants	6,802	0
Cleaning and maintenance council premises	1,664	1,362
LES related expenditure	2,787	1,302
Waste Disposal	270,690	254,682
Handymen Service	16,999	15,960
Other contractual services	11,378	1,882
Lease of equipment	3,649	1,602
	<u>964,035</u>	<u>780,973</u>

TOTAL OPERATIONS & MAINTENANCE EXPENSES

€ 1,040,890 € 842,048

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2018	2017
	Euro	Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	700,471	147,772
Accountancy services	10,249	8,407
Advertising and public relations expenses	1,083	1,898
Bank charges	1,710	203
Late Payment interest	37	2,234
Other office services	734	239
Cleaning materials and supplies	1,378	2,340
Community services	76,834	68,858
Conference and participation expenses	6,274	430
Documentation	150	1,149
Engineering services	(118)	189
Insurance	8,195	8,566
Management and operation services	8,741	118
Operating materials and supplies	12,573	12,144
Legal and professional fees	16,014	12,301
Uniforms	2,362	82
Library expenses	1,393	2,977
Postages	267	930
Printing and stationery	4,964	5,997
Provision for bad debts	0	(140)
Bad Debts written off	7,053	0
Staff Training	2,295	0
Rent	13,118	23,900
Subscriptions	929	976
Sundry minor expenses	310	0
Telecommunications	9,894	7,446
Transport expenses	11,769	12,132
Water and Electricity	7,089	9,811
Day Centre Expenditure	12,930	10,568
	918,698	341,527
	2018	2017
	Euro	Euro
10. FINANCE INCOME		
Bank Interests	433	349

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. INTANGIBLE ASSETS

	Computer Software	Total
	€	€
Cost		
At 1 January 2017	3,519	3,519
Additions	0	0
Disposal	<u>0</u>	<u>0</u>
At 31 December 2017	<u>3,519</u>	<u>3,519</u>
Depreciation		
At 1 January 2017	1,360	1,360
Charge for the year	411	411
Released on disposal	<u>0</u>	<u>0</u>
At 31 December 2017	<u>1,771</u>	<u>1,771</u>
Net Book Value		
At 31 December 2017	<u>1,748</u>	<u>1,748</u>
	Computer Software	Total
	€	€
Cost		
At 1 January 2018	3,519	3,519
Additions	1,445	1,445
Disposal	<u>0</u>	<u>0</u>
At 31 December 2018	<u>4,964</u>	<u>4,964</u>
Depreciation		
At 1 January 2018	1,771	1,771
Charge for the year	1,194	1,194
Released on disposal	<u>0</u>	<u>0</u>
At 31 December 2018	<u>2,965</u>	<u>2,965</u>
Net Book Value		
At 31 December 2018	<u>1,999</u>	<u>1,999</u>

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Office & Furn.		Comp. & Office Equip.		Urban Improv.	Playgr. Furn.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Special Programmes	Assets not yet Capitalised	
	Trees €	Office Fittings €	Office Equip. €	Street Paving €								€	€
At 1 January 2018	26,052	41,577	37,119	115,082	1,079,387	36,912	67,708	31,171	0	782,563	3,195,745	384,974	5,798,290
Additions/Capitalisations	0	5,037	5,569	9,774	2,752	0	3,358	0	0	0	222,824	93,510	342,824
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	266,369	0	(266,369)	0
At 31st December 2018	26,052	46,614	42,688	124,856	1,082,139	36,912	71,066	31,171	0	1,048,932	3,418,569	212,115	6,141,114
Grants													
At 1 January 2018	0	0	7,900	0	30,890	0	6,363	0	0	10,000	1,389,653	206,826	1,651,632
Transferred	0	0	0	0	10,001	0	0	0	0	132,270	3,556	206,336	352,163
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	0	206,826	(206,826)	0
At 31st December 2018	0	0	7,900	0	40,891	0	6,363	0	0	142,270	1,600,035	206,336	2,003,795
Depreciation													
At 1 January 2018	0	24,915	22,296	80,210	798,987	36,912	45,278	19,598	0	593,389	968,174	0	2,589,759
Charge for the period	0	11,454	6,249	35,443	201,334	0	15,991	10,629	0	146,015	272,162	0	699,277
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2018	0	36,369	28,545	115,653	1,000,321	36,912	61,269	30,227	0	739,404	1,240,336	0	3,289,036
Net Book Value													
At 31st December 2018	26,052	10,245	6,243	9,203	40,927	0	3,434	944	0	167,258	578,198	5,779	848,283

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

Cost	Office Furn.		Office Equip. & Comp.		Street Paving €	Urban Improv. €	Playground Furniture €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €	Total €
	Trees €	Fittings €	€	€									
At 1 January 2017	26,052	41,577	36,232	115,082	1,079,387	36,912	67,708	31,171	782,563	3,089,286	61,946	5,367,916	
Additions/Capitalisations	0	0	887	0	0	0	0	0	0	101,290	328,197	430,374	
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	5,169	-5,169	0	
At 31st December 2017	26,052	41,577	37,119	115,082	1,079,387	36,912	67,708	31,171	782,563	3,195,745	384,974	5,798,290	
Grants													
At 1 January 2017	0	0	0	0	6,400	0	0	0	0	604,968	0	611,368	
Adjusted	0	0	7,900	0	24,490	0	6,363	0	10,000	784,685	206,826	1,040,264	
At 31st December 2017	0	0	7,900	0	30,890	0	6,363	0	10,000	1,389,653	206,826	1,651,632	
Depreciation													
At 1 January 2017	0	23,564	25,155	76,335	774,169	36,912	45,418	16,705	577,385	1,225,652	0	2,801,295	
Adjusted	0	0	(4,750)	0	(3,804)	0	(4,203)	0	(3,934)	(342,202)	0	(358,893)	
Charge for the period	0	1,351	2,543	3,875	29,882	0	4,458	2,893	20,518	127,003	0	192,523	
Adjusted	0	0	(652)	0	(1,260)	0	(395)	0	(580)	(42,275)	0	(45,162)	
At 31st December 2017	0	24,915	22,296	80,210	798,987	36,912	45,278	19,598	593,389	968,178	0	2,589,763	
Net Book Value													
At 31st December 2017	26,052	16,662	6,923	34,872	249,510	0	16,067	11,573	179,174	837,914	178,148	1,556,895	

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INVENTORIES HELD FOR RESALE

	2018	2017
Inventories held for resale	€ 1,427	€ 392

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	Euro	Euro
Amount invoiced but not yet settled	133,165	120,820
Provision for Bad debts	(99,169)	(99,169)
LES Pre-Pooling debtors	91,207	91,207
Provision for Bad LES debts	(91,207)	(91,207)
Other debtors	461,537	8,382
Deposit Payments	0	126,026
Prepayments and accrued income	<u>461,591</u>	<u>332,982</u>
	<u>957,124</u>	<u>489,041</u>

Amounts invoiced but not yet settled are analysed as follows:

Within credit period	22,496	21,651
Exceeded credit period (past due) but not impaired	11,500	0
Exceeded credit period (past due) and provided for	<u>99,169</u>	<u>99,169</u>
	133,165	120,820

Other Debtors are analysed as follows:

Exceeded credit period (past due) but not impaired	<u>461,537</u>	<u>8,382</u>
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Prepayments include prepayments of Local Council property rental and insurance premium.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2018	2017
	Euro	Euro
Petty Cash	18	61
Cash in hand	432	840
Bank Balances		
- BOV savings account	894,272	1,230,302
- Central Bank Measure 4.3 account	<u>363,913</u>	<u>0</u>
	<u>1,258,635</u>	<u>1,231,203</u>

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

16. PAYABLES

	2018	2017
	Euro	Euro
Bank balance overdrawn	19,845	117,822
Trade creditors	324,616	416,773
Other creditors	242,143	1,813
Accruals and deferred income	210,778	325,626
	<u>797,382</u>	<u>862,034</u>

Accruals include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2018	2017
	Euro	Euro
Payables (PPP Scheme)	50,683	94,558
	<u>50,683</u>	<u>94,558</u>

17. EFFECT OF CHANGE IN ACCOUNTING POLICY

On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarized below:

	Notes	2017		2017
		Originally reported	Adjustment	Restated
		€	€	€
Funds received from Central Government	3	(1,843,583)	45,162	(1,798,421)
Administration and other expenditure	9	386,689	(45,162)	341,527
Property, plant and equipment	12	2,193,104	(636,209)	1,556,895
Non-current deferred income		(574,789)	574,789	-
Payables	16	(923,454)	61,420	(862,034)

The effect of the restatement on each financial statement line item is summarized below:

**SAN PAWL IL-BAĦAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

17. EFFECT OF CHANGE IN ACCOUNTING POLICY (continued)

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Government Grant income	3	(45,162)	45,162	-
Depreciation	9	192,934	(45,162)	147,772
Property, plant and equipment	12	2,193,104	(636,209)	1,556,895
Non-current deferred income		(574,789)	574,789	-
Accruals and deferred income	17	(387,046)	61,420	(325,626)

18. CONTINGENT LIABILITIES

- Argus Insurance Agencies Limited vs Kunsill Lokali San Pawl il-Bahar – If the case is lost the damages and fees should not exceed €3,000.
- Vladyslava Kravchenko vs Kunsill Lokali San Pawl il-Bahar – A garnishee order has been placed on the bank account of San Pawl il-Bahar Local Council amounting to €453,155.

19. CONTINGENT ASSET

The Council has a Contingent Asset as at 31st December 2018 re a court case with Dimbros Ltd. In case of a favourable outcome, the Council stands to receive a sum in the range of €100,000.

20. CAPITAL COMMITMENTS

	2018 Euro	2017 Euro
i-Capital expenditure that has been contracted for but Not provided for in the financial statements	0	100,000
ii- Capital expenditure that has been approved but not yet contracted for.	665,400	1,189,000

- i. The Capital expenditure that has been approved but not yet contracted for represents Road Resurfacing works (€580,000), Embellishment in Triq il-Luzzu (€50,000), the purchase of a council car (€28,000) and other improvements (€7,400).

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RELATED PARTY TRANSACTIONS

The San Pawl il-Bahar Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – North Regional Committee
- iii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, Director of Educational Services, Malta Communications Authority, Director of Lifelong Learning, Lands Department, Ministry for Transport and Infrastructure, Malta Information Technology Agency, WasteServ Malta Ltd, Department of Inland Revenue, South Regional Committee, Gozo Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Malta Environment and Planning Authority, Bank of Valletta plc, Malta Tourism Authority, Malta Arts Council, Ministry for Justice, Culture and Local Government, Environmental Landscapes Consortium, Ministry for Education and Employment, Birkirkara LC, Ghasri LC, Gzira LC, Local Councils' Association, Local Enforcement System Agency, Ministry of Health, the elderly and community, Paola LC, Qormi LC, Rabat Gozo LC, St. Venera LC, Zebbug LC, Cleansing Services Department, Housing Authority and Ministry for Sustainable Development, the Environment and Climate Change.

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

	2018	2017
	Jan-Dec	Jan-Dec
	Euro	Euro
Financial Allocation	1,757,116	1,684,906
<u>Key Management Emoluments</u>		
Executive Secretary	36,877	28,169
Mayor's Honoraria	12,888	14,690
Mayor & Councillors' Allowances	16,850	13,186

**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

22. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

23. FINANCIAL RISK MANAGEMENT

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2018	2017
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	957,124	489,041
Cash and cash equivalents	<u>1,258,635</u>	<u>1,231,203</u>
	<u>2,215,759</u>	<u>1,720,244</u>

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	2018	2017
	€	€
Trade receivables by class:		
Government Owned entities	98,907	88,028
Private entities	<u>34,258</u>	<u>32,792</u>
	<u>133,165</u>	<u>120,820</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2018	2017
	€	€
31-60 days	7,061	2,905
61-90 days	1,268	2,948
91-180 days	1,193	3,443
181-365 days	3,385	15
Over 365 days	<u>120,258</u>	<u>111,509</u>
	<u>133,165</u>	<u>120,820</u>

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

Interest Rate Risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments.

At 31 December 2018, the Council's financial liabilities have contractual maturities which are summarised below:

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	586,604	50,683	-
Accruals and deferred income	<u>210,778</u>	<u>-</u>	<u>-</u>

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

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	536,408	94,558	-
Accruals and deferred income	<u>325,626</u>	<u>-</u>	<u>-</u>

SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

24. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2018	2017
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	957,124	489,041
Cash and cash equivalents	<u>1,258,635</u>	<u>1,231,203</u>
	<u>2,215,759</u>	<u>1,720,244</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	586,604	536,408
Accruals and deferred income	<u>210,778</u>	<u>325,626</u>
	<u>797,382</u>	<u>862,034</u>

25. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's disclosure for the purpose of fairer presentation.