



**SAN PAWL IL-BAĦAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019**

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**SAN PAWL IL-BAHAR LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019**

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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.



Alfred Grima
Mayor



Mariella Strout
Executive Secretary

Date: 18 February 2020

SAN PAWL IL-BAĦAR LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2019

		2019	2018
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	1,869,123	1,868,232
Income raised under Law Enforcement system	4	24,368	23,311
Income raised under Local Council Bye-Laws	5	3,014	10,375
General income	6	<u>325,867</u>	<u>170,961</u>
		<u>2,222,372</u>	<u>2,072,879</u>
EXPENDITURE			
Personnel emoluments	7	208,103	217,008
Operations and maintenance	8	1,036,194	1,040,890
Administration and other expenditure	9	<u>535,714</u>	<u>918,698</u>
		<u>1,780,011</u>	<u>2,176,596</u>
OPERATING PROFIT/(LOSS) FOR THE YEAR		442,361	(103,717)
Finance Income	10	<u>275</u>	<u>433</u>
PROFIT/(LOSS) FOR THE YEAR		<u>442,636</u>	<u>(€ 103,284)</u>

The notes on pages 8 to 28 form an integral part of these financial statements

**SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019**

	Notes	2019	2018
		Euro	Euro
ASSETS			
Intangible Assets			
Computer Software	11	1,243	1,999
Non-Current Assets			
Property, plant and equipment	12	<u>1,416,244</u>	<u>848,283</u>
		1,417,487	850,282
Current Assets			
Inventories	13	1,348	1,427
Trade and other receivables	14	1,011,903	957,124
Cash and cash equivalents	15	<u>884,771</u>	<u>1,258,635</u>
Total Current Assets		<u>1,898,022</u>	<u>2,217,186</u>
TOTAL ASSETS		<u>€ 3,315,509</u>	<u>€ 3,067,468</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>2,662,039</u>	<u>2,219,403</u>
Total reserves		<u>2,662,039</u>	<u>2,219,403</u>
Non-Current Liabilities			
Payables	16	16,388	50,683
Deferred Income		<u>0</u>	<u>0</u>
		16,388	50,683
Current Liabilities			
Payables	16	<u>637,082</u>	<u>797,382</u>
Total Liabilities		<u>653,470</u>	<u>848,065</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 3,315,509</u>	<u>€ 3,067,468</u>

The notes on pages 8 to 28 form an integral part of these financial statements
These financial Statements were approved by the Local Council on the 18 February 2020 and signed on its behalf by:



Alfred Grima
Mayor



Mariella Strout
Executive Secretary

**SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year 1 January to 31 December 2019**

	Retained Funds Euro
At 1 January 2018	2,322,687
(Loss) for the year	<u>(103,284)</u>
At 31 December 2018	<u>2,219,403</u>
At 1 January 2019	2,219,403
Profit for the year	<u>442,636</u>
At 31 December 2019	<u>2,662,039</u>

The notes on pages 8 to 28 form an integral part of these financial statements

SAN PAWL IL-BAHAR LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

		2019		2018	
	Notes	€	€	€	€
Profit/(Loss) for the year		442,636		(103,284)	
Adjustments for:					
Depreciation and amortization		259,548		700,471	
Increase in Provision for Bad Debts		6,195		0	
Bad Debts written off		0		7,053	
Interest receivable		<u>(275)</u>		<u>(433)</u>	
		708,104		603,807	
(Increase) in Receivables		(60,974)		(468,083)	
Decrease/(Increase) in Inventories		79		(1,035)	
(Decrease) in Payables		(194,595)		(115,584)	
Cash generated from operating activities			452,614		19,105
Cash flows from investing activities					
Interest received		275		433	
Purchase of property, plant and equipment		(934,179)		(344,269)	
Grants received		<u>107,426</u>		<u>352,163</u>	
Cash generated (used in)/from investing activities			<u>(826,478)</u>		<u>8,327</u>
Movement in cash and cash equivalents			<u>(373,864)</u>		<u>27,432</u>
Cash and cash equivalents at the beginning of the year			1,258,635		1,231,203
Cash and cash equivalents at end of year	15		<u>884,771</u>		<u>1,258,635</u>

The notes on pages 8 to 28 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 2019**

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 18 February 2020.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

The principal accounting policies applied in the preparation for 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 2019:

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-BAĦAR 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.

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

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.

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2019 Euro	2018 Euro
In terms of Section 55 of the Local Councils Act, 1993	€ 1,853,396	€ 1,757,116
Supplementary Government Income	€ 3,510	€ 96,464
Other Government Income	<u>€ 12,217</u>	<u>€ 14,652</u>
	<u>€1,869,123</u>	<u>€1,868,232</u>

4. LOCAL ENFORCEMENT INCOME

	2019 Euro	2018 Euro
Administrative charges to Regional Committees	15,178	19,385
Fines and penalties	<u>9,190</u>	<u>3,926</u>
	<u>€ 24,368</u>	<u>€ 23,311</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2019 Euro	2018 Euro
Income from Hire of Skips	2,948	3,175
Advertising on Street Furniture	<u>66</u>	<u>7,200</u>
	<u>€ 3,014</u>	<u>€ 10,375</u>

6. GENERAL INCOME

	2019 Euro	2018 Euro
Income from use of roads	18,480	30,849
Income from use of crane	104,766	96,089
Library	0	500
Income from kiosk	670	443
General Income	13,807	18,276
Income from trenching	277	137
Organic Waste Collection	<u>187,867</u>	<u>24,667</u>
	<u>€ 325,867</u>	<u>€ 170,961</u>

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

7. PERSONAL EMOLUMENTS

	2019	2018
	Euro	Euro
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	18,012	12,288
Mayor's and Councillors' Allowances	23,561	16,850
Executive Secretary Salary and Allowances	37,080	36,877
Employees' Salaries	117,210	137,908
Social Security Contributions	12,240	13,085
	<u>€ 208,103</u>	<u>€ 217,008</u>

8. OPERATIONS AND MAINTENANCE EXPENSES

Operations and maintenance includes, *inter alia*

REPAIRS AND UPKEEP

	2019	2018
	Euro	Euro
Patching	6,623	26,242
Repairs to Public Property	7,485	6,036
Road/Street pavements	5,750	0
Road signs and markings	23,834	12,042
Office furniture & equipment	862	1,174
Environmental upkeep	524	2,041
Sundry repairs	1,354	246
Claim for damages	13,468	5,193
Street lighting	27,564	23,881
	<u>87,464</u>	<u>76,855</u>

CONTRACTUAL SERVICES

Refuse collection	345,935	336,249
Bulky refuse collection	67,541	15,664
Hire of skips	1,327	708
Road and street cleaning	108,947	255,564
Cleaning and maintenance public conveniences	47,459	15,907
Cleaning and maintenance parks and gardens	40,415	8,550
Cleaning and maintenance non-urban	57,649	17,424
Cleaning and maintenance plants	6,427	6,802
Cleaning and maintenance council premises	2,503	1,664
LES related expenditure	861	2,787
Waste Disposal	236,226	270,690
Handyman Service	21,446	16,999
Other contractual services	7,985	11,378
Lease of equipment	4,009	3,649
	<u>948,730</u>	<u>964,035</u>

TOTAL OPERATIONS & MAINTENANCE EXPENSES	€ 1,036,194	€ 1,040,890
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**SAN PAWL IL-BAHAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

	2019	2018
	Euro	Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	259,548	700,471
Accountancy services	8,424	10,249
Advertising and public relations expenses	4,956	1,083
Bank charges	186	1,710
Late Payment interest	0	37
Other office services	248	734
Cleaning materials and supplies	4,138	1,378
Community services	103,660	76,834
Conference and participation expenses	1,120	6,274
Documentation	0	150
Insurance	9,184	8,195
Management, operation and engineering services	7,713	8,623
Operating materials and supplies	15,272	12,573
Legal and professional fees	20,043	16,014
Uniforms	2,809	2,362
Library expenses	1,376	1,393
Postages	1,569	267
Printing and stationery	5,577	4,964
Provision for bad debts	6,195	0
Bad Debts written off	0	7,053
Staff Training	(1,042)	2,295
Rent	29,024	13,118
Subscriptions	929	929
Sundry minor expenses	79	310
Telecommunications	6,117	9,894
Transport expenses	11,300	11,769
Water and Electricity	10,786	7,089
Day Centre Expenditure	26,503	12,930
	535,714	918,698
	2019	2018
	Euro	Euro
10. FINANCE INCOME		
Bank Interests	275	433

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

11. INTANGIBLE ASSETS

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

	Computer Software €
Cost	
At 1 January 2019	4,964
Additions	0
Disposal	<u>0</u>
At 31 December 2019	<u>4,964</u>
Amortisation	
At 1 January 2019	2,965
Charge for the year	756
Released on disposal	<u>0</u>
At 31 December 2019	<u>3,721</u>
Net Book Value	
At 31 December 2019	<u><u>1,243</u></u>

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

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Office & Furn.		Comp. & Office Equip.		Street Paving	Urban Improv.	Playgr. Furn.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Special Programmes	Assets not yet Capitalised	
	€	€	€	€									€	€
At 1 January 2019	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	
Additions/Capitalisations	0	2,152	979	0	33,940	0	0	82,552	0	814,556	0	0	934,179	
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	204,259	0	0	(204,259)	
At 31st December 2019	26,052	48,766	43,667	124,856	1,116,079	36,912	71,066	113,723	0	2,067,747	3,418,569	7,856	7,075,293	
Grants														
At 1 January 2019	0	0	7,900	0	40,891	0	6,363	0	0	142,270	1,600,035	206,336	2,003,795	
Transferred	0	1,512	0	0	0	0	0	0	0	0	22,200	83,714	107,426	
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	290,050	0	(290,050)	0	
At 31st December 2019	0	1,512	7,900	0	40,891	0	6,363	0	0	432,320	1,622,235	0	2,111,221	
Depreciation														
At 1 January 2019	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	
Charge for the period	0	1,444	2,203	977	21,356	0	1,100	4,472	0	41,785	185,455	0	258,792	
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0	
At 31st December 2019	0	37,813	30,748	116,630	1,021,677	36,912	62,369	34,699	0	781,189	1,425,791	0	3,547,828	
Net Book Value														
At 31st December 2019	26,052	9,441	5,019	8,226	53,511	0	2,334	79,024	0	854,238	370,543	7,856	1,416,244	

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

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

Cost	Office & Furn.		Comp. & Office Equip.		Street Paving	Urban Improv.	Playgr. Furn.	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Special Programmes	Assets not yet Capitalised	
	€	€	€	€									€	€
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)**

13. INVENTORIES HELD FOR RESALE

	2019	2018
Inventories held for resale	€ 1,348	€ 1,427

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	Euro	Euro
Amount invoiced but not yet settled	320,507	133,165
Provision for Bad debts	(99,169)	(99,169)
LES Pre-Pooling debtors	97,403	91,207
Provision for Bad LES debts	(97,403)	(91,207)
Other debtors	463,598	461,537
Prepayments and accrued income	<u>326,967</u>	<u>461,591</u>
	<u>1,011,903</u>	<u>957,124</u>

Amounts invoiced but not yet settled are analysed as follows:

Within credit period	63,819	22,496
Exceeded credit period (past due) but not impaired	157,519	11,500
Exceeded credit period (past due) and provided for	<u>99,169</u>	<u>99,169</u>
	<u>320,507</u>	<u>133,165</u>

Other Debtors are analysed as follows:

Exceeded credit period (past due) but not impaired	<u>463,598</u>	<u>461,537</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:

	2019	2018
	Euro	Euro
Petty Cash	14	18
Cash in hand	440	432
Bank Balances		
- BOV savings account	877,784	894,272
- Central Bank Measure 4.3 account	<u>6,533</u>	<u>363,913</u>
	<u>884,771</u>	<u>1,258,635</u>

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

16. PAYABLES

	2019 Euro	2018 Euro
Bank balance overdrawn	31,013	19,845
Trade creditors	230,333	324,616
Other creditors	233,204	242,143
Accruals and deferred income	142,532	210,778
	<u>637,082</u>	<u>797,382</u>

Accruals include estimates for goods and services received prior to 31 December 2019 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2019 Euro	2018 Euro
Payables (PPP Scheme)	<u>16,388</u>	<u>50,683</u>
	<u>16,388</u>	<u>50,683</u>

17. CONTINGENT LIABILITIES

- Bad Boy Cleaners vz Kunsill Lokali San Pawl il-Bahar – If the case is lost the Council stands to pay €4,714.40 + court expenses.
- Gasan Mamo Insurance Agency vz Kunsill Lokali San Pawl il-Bahar - If the case is lost the Council stands to pay €1,600 + court expenses.
- Peter Pisani vz Kunsill Lokali San Pawl il-Bahar - If the case is lost the Council stands to pay €2,037.10 + court expenses.
- 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.

18. CONTINGENT ASSET

The Council has a Contingent Asset as at 31st December 2019 re a court case with Blues Ltd. In case of a favourable outcome, the Council stands to receive the amount due by Blues Ltd. which is included with trade receivables + court expenses.

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

19. CAPITAL COMMITMENTS

	2019 Euro	2018 Euro
i-Capital expenditure that has been contracted for but Not provided for in the financial statements	0	0
ii- Capital expenditure that has been approved but not yet contracted for.	955,000	665,400

- i. The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€100,000), Embellishment in Burmarrad Playing Field (€30,000), Erba' Mwiezeb Project (€50,000), Qawra Dogs Park (€25,000), Embellishment at Fra Ben Public Convenience (€50,000), Embellishment at Tal-Vecc Playing Field (€50,000), Menqa Project (€50,000), Pavements (€500,000) and other improvements (€100,000).

20. RELATED PARTY TRANSACTIONS

The San Pawl il-Baħar 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.

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

20. RELATED PARTY TRANSACTIONS (continued)

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

	2019	2018
	Jan-Dec	Jan-Dec
	Euro	Euro
Financial Allocation	1,853,396	1,757,116
<u>Key Management Emoluments</u>		
Executive Secretary	37,080	36,877
Mayor's Honoraria	18,012	12,888
Mayor & Councillors' Allowances	23,561	16,850

21. 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.

22. 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)**

22. FINANCIAL RISK MANAGEMENT (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:

	2019	2018
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	989,041	957,124
Cash and cash equivalents	<u>884,771</u>	<u>1,258,635</u>
	<u>1,873,812</u>	<u>2,215,759</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:

	2019	2018
	€	€
Trade receivables by class:		
Government Owned entities	285,768	98,907
Private entities	<u>34,739</u>	<u>34,258</u>
	<u>320,507</u>	<u>133,165</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.

	2019	2018
	€	€
31-60 days	59,505	7,061
61-90 days	4,314	1,268
91-180 days	85,759	1,193
181-365 days	2,614	3,385
Over 365 days	<u>168,315</u>	<u>120,258</u>
	<u>320,507</u>	<u>133,165</u>

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

22. FINANCIAL RISK MANAGEMENT (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 2019, 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	494,550	16,388	-
Accruals and deferred income	<u>142,532</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	586,604	50,683	-
Accruals and deferred income	<u>210,778</u>	<u>-</u>	<u>-</u>

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

22. FINANCIAL RISK MANAGEMENT (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.

23. 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:

	2019 €	2018 €
Current assets		
Loans and receivables:		
Trade and other receivables	989,041	957,124
Cash and cash equivalents	<u>884,771</u>	<u>1,258,635</u>
	<u>1,873,812</u>	<u>2,215,759</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	494,550	586,604
Accruals and deferred income	<u>142,532</u>	<u>210,778</u>
	<u>637,082</u>	<u>797,382</u>

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

24. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of premises from the Government of Malta and private individuals and a photocopier lease. Lease terms range between one and five years.

	2019	2018
	€	€
Payments recognized as an expense		
Minimum lease payments	<u>29,024</u>	<u>13,118</u>
Non-cancellable operating lease commitments		
Not later than one year	15,647	15,647
Later than one year and not later than five years	9,626	20,247
More than five years	2,217	2,917
	<u>27,490</u>	<u>38,811</u>