

PAOLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Total Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 – 22
Report of Local Government Auditor to the Auditor General	23 – 24



PAOLA LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2020

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 28th July 2021 signed on its behalf by:



Dominic Grima
Mayor



Kurt Scerri
Executive Secretary

PAOLA LOCAL COUNCIL
 STATEMENT OF TOTAL COMPREHENSIVE INCOME
 For the year ended 31 December 2020

	Notes	2020 €	2019 €
REVENUE			
Funds received from Central Government	3a	856,667	810,822
Income raised under Local Council Bye-Laws	4	840	1,724
Income raised under Local Enforcement System	5	10,426	10,473
Investment Income	6	143	365
General Income	7	15,882	25,154
		<hr/>	<hr/>
		883,958	848,538
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	8	171,486	157,088
Operations and maintenance	9	370,853	316,666
Administration and other expenses	10	247,944	307,730
		<hr/>	<hr/>
		790,283	781,484
		<hr/>	<hr/>
PROFIT FOR THE YEAR		93,675	67,054
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The notes on pages 6 to 22 form an integral part of these financial statements.

PAOLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020


	Notes	2020 €	2019 €
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	<u>139,904</u>	<u>224,485</u>
Current Assets			
Receivables	13	99,442	107,894
Cash and cash equivalents	14	<u>1,474,780</u>	<u>1,417,153</u>
		<u>1,574,222</u>	<u>1,525,047</u>
TOTAL ASSETS		<u>1,714,126</u>	<u>1,749,532</u>
EQUITY			
RESERVES			
Retained earnings		<u>1,373,415</u>	<u>1,279,740</u>
NON-CURRENT LIABILITIES			
Long-term third party loan	16	19,445	38,891
Advance Payment	15	<u>100,000</u>	<u>167,638</u>
		<u>119,445</u>	<u>206,529</u>
CURRENT LIABILITIES			
Payables and accruals	15	201,819	243,816
Short-term third party loan	16	<u>19,447</u>	<u>19,447</u>
		<u>221,266</u>	<u>263,263</u>
TOTAL LIABILITIES		<u>340,711</u>	<u>469,792</u>
RESERVES AND LIABILITIES		<u>1,714,126</u>	<u>1,749,532</u>

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

These financial statements were approved by the Council on 28th July 2021



Dominic Grima
Mayor



Kurt Scerri
Executive Secretary

PAOLA LOCAL COUNCIL
 STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2020

	Retained Earnings	Total
	EUR	EUR
Year Ended 31 December 2019		
Balance as at 1 January 2019	1,212,686	1,212,686
Profit for the year	67,054	67,054
At 31 December 2019	<u>1,279,740</u>	<u>1,279,740</u>
Year Ended 31 December 2020		
Balance as at 1 January 2020	1,279,740	1,279,740
Profit for the year	93,675	93,675
Balance as at 31 December 2020	<u>1,373,415</u>	<u>1,373,415</u>

PAOLA LOCAL COUNCIL
 STATEMENT OF CASH FLOWS
 For the year ended 31 December 2020

	Notes	2020 €	2019 €
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		93,675	67,054
Reconciliation to cash generated from operations:			
Depreciation		109,495	167,057
Movement in provision for doubtful debts			-
Bank interest receivable		(143)	(365)
Interest payable			
Operating surplus before working capital changes:		203,027	233,746
Decrease / (Increase) in Receivables		8,452	(91,203)
Increase / (Decrease) in Payables		(3,699)	37,633
NET CASH GENERATED FROM OPERATING ACTIVITIES		207,780	180,176
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(36,528)	(20,138)
Interest received		143	365
NET CASH USED IN INVESTING ACTIVITIES		(36,385)	(19,773)
CASH FLOW USED IN FINANCIAL ACTIVITIES			
Repayment of short term borrowings		-	(1,930)
Repayment of third party loan		(19,447)	(19,447)
Grants Received		(56,025)	189,575
Interest paid on borrowings			
NET CASH USED IN FINANCING ACTIVITIES		(75,472)	168,198
NET INCREASE IN CASH AND CASH EQUIVALENTS		95,923	328,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,378,658	1,050,057
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	1,474,581	1,378,658

1. GENERAL INFORMATION

Paola Local Council is the local authority of Paola incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Gnien Pawlu Boffa, Church Street, Paola. These financial statements were approved for issue by the Council Members on 28th July 2021. The Local Council's presentation as well as functional currency is dominated in €.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

ACCOUNTING CONVENTION

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act (Cap 363). 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 IFRSs as adopted by the EU 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 AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL

During the year under review, the Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting year beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

NEW AND AMENDED STANDARD ADOPTED BY THE COUNCIL

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that state, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decision made by the primary users. These amendments had no impact on the financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments had no impact on the financial statements.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations, or amendments ahead of their effective date. The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application. The most relevant changes are the below:

Amendments to IAS1 – Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

IFRS 16 Leases – The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The Councillors and Executive Secretary 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 and Executive Secretary 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 yet effective, will have no material impact on the financial statements in the period of initial application.

REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015, LESA took over the administration of the Local Enforcement System.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

PROPERTY, PLANT AND EQUIPMENT

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

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5 - 100
Construction works	10 – 100
Urban improvements (street furniture)	10 – 100
Special projects	10 – 100
Office equipment	20 – 100
Motor vehicles	20
Plant and machinery	20 – 100
Computer equipment	25 – 100
Traffic signs	100
Road signs	Replacement Basis
Playground furniture	100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteutic and assets in the course of construction are not depreciated.

Directive issued in 2017 by the Government of Local Councils, applicable as from 1 January 2018, instructs the council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in Local Council (financial) Procedures (P1.X1).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. The residual value and useful life 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 recognized as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the company 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.

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

AMOUNTS RECEIVABLE

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

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the part of IAS 39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires Financial Assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cashflow characteristics of the instruments. For Financial Liabilities, the standard retains most of IAS 39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entities credit risk is recorded in Other Comprehensive Income rather than the Income Statement, unless this creates an accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Standard number 24.

GOVERNMENT GRANTS

In 2018 the Local Council has changed the accounting of government grants from the income approach to the capital approach as defined by IAS 20 'Government Grants'. With the capital approach, grants are deducted from capital assets.

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department of Local Government in respect of the accounting of grants as per IAS 20 'Government Grants'. The Department of Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

SURPLUSES AND DEFICITS

Only surpluses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential 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.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

CASH AND CASH EQUIVALENTS

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

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

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

FINANCIAL INSTRUMENTS

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expired or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

FINANCIAL LIABILITIES

The Council's financial liabilities included other payables, bank and third-party loans. These are stated at their nominal amount which is a reasonable approximation of fair value.

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2020	2019
	€	€
In terms of section 55 of the Local Councils Act	757,112	720,234
Supplementary Government income	-	14,514
Other Government income	99,555	76,074
	<u>856,667</u>	<u>810,822</u>

4. FEES FROM BYE LAWS

	2020	2019
	€	€
Fees from Bye Laws	840	1,724
	<u>840</u>	<u>1,724</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

5. LOCAL ENFORCEMENT INCOME

	2020 €	2019 €
Fines and Penalties (10% on Contraventions)	8,279	8,334
Fines re Traffic contraventions from individuals	2,147	2,139
	<u>10,426</u>	<u>10,473</u>

6. INVESTMENT INCOME

	2020 €	2019 €
Bank Interest	143	365
	<u>143</u>	<u>365</u>

7. INCOME - GENERAL

	2020 €	2019 €
Other Income	963	8,300
Community services	14,392	16,833
Parking	527	21
	<u>15,882</u>	<u>25,154</u>

8. PERSONAL EMOLUMENTS

	2020 €	2019 €
Mayor's allowance	15,027	13,831
Executive Secretary	36,078	32,805
Employees' salaries	87,951	84,388
Councillors' Honoraria	17,800	13,167
Social Security Contributions	10,237	9,897
Performance Bonus	4,393	3,000
	<u>171,486</u>	<u>157,088</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

OPERATIONS AND MAINTENANCE

9. REPAIRS & UPKEEP

	2020	2019
	€	€
Road/Street pavements	2,144	8,097
Road Markings	6,615	7,230
Street signs	4,787	4,297
Street lighting maintenance	16,461	11,776
Sundry repairs	1,223	13
Other repairs & maintenance	5,060	2,831
	<u>36,290</u>	<u>34,244</u>

CONTRACTUAL SERVICES

	2020	2019
	€	€
Waste Disposal	60,854	65,111
Refuse Collection	94,043	96,377
Bulky refuse collection	16,289	12,848
Road & Street cleaning	79,770	44,946
Cleaning of Public Convenience	25,198	10,720
Provision of skips	2,470	4,529
Other Contractual services	1,612	3,713
Cleaning & Main Parks & Gardens	26,507	28,682
Cleaning & M. Soft Areas	27,820	14,820
Live streaming	-	-
Local Enforcement System	-	676
	<u>334,563</u>	<u>282,422</u>

TOTAL OPERATIONS AND MAINTENANCE COSTS

<u>370,853</u>	<u>316,666</u>
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PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

10. ADMINISTRATION AND OTHER EXPENDITURE

	2020	2019
	€	€
Utilities	10,349	14,225
Operating materials/General supplies	14,761	20,762
Rent	3,629	3,633
Stationery, Postage etc.	10,979	9,005
Transport	5,872	5,999
Public Relations	541	2,022
Insurance and charges	3,712	4,185
Professional services	45,039	30,305
Conferences/Training	2,500	6,404
Bank charges	2,429	133
Travel/Fair & Exhibitions	-	1,053
Community & Hospitality	36,990	42,715
Projects	-	-
Permits (MEPA)	233	233
Equipment hire	1,415	-
Depreciation	109,495	167,056
	<u>247,944</u>	<u>307,730</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT												
ASSET	Property Office Building	Furniture & Fixtures	Office Equipment	Computer System	Assets under construction	Plant & Machinery	Motor Vehicle	New Street Signs	Trees	Construction & Urban Improvement	Total	
COST	€	€	€	€	€	€	€	€	€	€	€	€
As at January 2019	97,834	37,828	32,593	36,547	64,300	24,157	36,506	15,148	17,006	1,986,415	2,348,334	
Additions	-	3,130	1,171	-	2,950	-	-	-	-	12,887	20,138	
Reclassification	-	-	-	-	(64,300)	-	-	-	-	64,300	-	
As at 31 December 2019	97,834	40,958	33,764	36,547	2,950	24,157	36,506	15,148	17,006	2,063,602	2,368,472	
DEPRECIATION												
As at 1 January 2019	11,832	25,614	19,375	26,821	-	18,809	8,455	15,148	-	1,253,507	1,379,561	
Charge for the year 2019	978	3,071	1,523	2,319	-	4,831	3,901	-	-	150,433	167,056	
As at 31 December 2019	12,810	28,685	20,898	29,140	-	23,640	12,356	15,148	-	1,403,940	1,546,617	
GRANTS & OTHER REIMBURSEMENTS												
As at 1 January 2019	-	-	12,188	-	-	-	17,000	-	14,157	482,088	525,433	
Charge for the year	-	-	-	-	-	-	-	-	-	71,937	71,937	
As at 31 December 2019	-	-	12,188	-	-	-	17,000	-	14,157	554,025	597,370	
WRITTEN DOWN VALUES												
As at 31 December 2019	85,024	12,273	678	7,407	2,950	517	7,150	-	2,849	105,637	224,485	
As at 31 December 2018	86,002	12,214	1,030	9,726	64,300	5,348	11,051	-	2,849	250,820	443,340	

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

12. PROPERTY, PLANT AND EQUIPEMENT

ASSET	Property Office Building	Furniture & Fixtures	Office Equipment	Computer System	Assets under construction	Plant & Machinery	Motor Vehicle	New Street Signs	Trees	Construction & Urban Improvement	Total
COST	€	€	€	€	€	€	€	€	€	€	€
As at January 2020	97,834	40,958	33,764	36,547	2,950	24,157	36,506	15,148	17,006	2,063,602	2,368,472
Additions	-	2,620	8,093	3,574	5,942	-	-	-	11,614	4,685	36,528
Reclassification	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2020	97,834	43,578	41,857	40,121	8,892	24,157	36,506	15,148	28,620	2,068,287	2,405,000
DEPRECIATION											
As at 1 January 2020	12,810	28,685	20,898	29,140	-	23,640	12,356	15,148	-	1,403,940	1,546,617
Charge for the year 2020	978	3,269	2,091	3,131	-	517	3,901	-	-	95,608	109,495
As at 31 December 2020	13,788	31,954	22,989	32,271	-	24,157	16,257	15,148	-	1,499,548	1,656,112
GRANTS & OTHER REIMBURSEMENTS											
As at 1 January 2020	-	-	12,188	-	-	-	17,000	-	14,157	554,025	597,370
Charge for the year	-	-	-	-	-	-	-	-	11,614	-	11,614
As at 31 December 2020	-	-	12,188	-	-	-	17,000	-	25,771	554,025	608,984
WRITTEN DOWN VALUES											
As at 31 December 2020	84,046	11,624	6,680	7,850	8,892	-	3,249	-	2,849	14,714	139,904
As at 31 December 2019	85,024	12,273	678	7,407	2,950	517	7,150	-	2,849	105,637	224,485

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

13. RECEIVABLES

	2020 €	2019 €
LES Debtors	144,957	144,957
Other debtors – Deposits	11,647	11,647
Provision for bad and doubtful debts – LES Debtors	(144,957)	(144,957)
Provision for doubtful debts	(11,647)	(11,647)
Trade Receivables	30,211	50,527
Accrued Income	63,623	48,660
Other Debtors	636	636
Financial Assets	94,470	99,823
Prepayments	4,972	8,071
Total Receivables	99,442	107,894

RECEIVABLES

General receivables are analysed as follows:

	2020 €	2019 €
Within credit period	30,211	50,527
Impaired and provided for	156,604	156,604
Provision for doubtful debts	(156,604)	(156,604)
	30,211	50,527

Local Enforcement System (LES Debtors)

The stated amount €144,957 refers to pre-pooling, while the amount of EUR 11,647 has been outstanding for a number of years now and has been fully provided for in 2017.

14. CASH AND CASH EQUIVALENTS

	2020 €	2019 €
Ordinary Bank balances	1,474,616	1,417,040
Cash	164	113
	1,474,780	1,417,153
Bank Overdrawn	(199)	(38,495)
	1,474,581	1,378,658

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

15. PAYABLES

	2020 €	2019 €
Current Liabilities		
Trade creditors	140,987	115,586
Other creditors	4,468	4,778
Bank Overdrawn	199	38,495
Accruals	51,936	74,067
Deferred Income	4,229	10,890
	<u>201,819</u>	<u>243,816</u>
Non Current Liabilities		
Advance Payment	<u>100,000</u>	<u>167,638</u>

16. THIRD PARTY LOAN

	2020 €	2019 €
Non-Current third party loan	<u>19,445</u>	<u>38,891</u>
Current third party loan	<u>19,447</u>	<u>19,447</u>
Repayable within one year	19,447	19,447
Repayable between two and five years	<u>19,445</u>	<u>38,891</u>
	<u>38,892</u>	<u>58,338</u>

The third party loan falls under the PPP scheme utilised for the construction. The loan is unsecured and is repayable by annual instalments in line with the scheme for a period of eight years.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

17. CAPITAL COMMITMENTS

	2020 €	2019 €
Capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	-	-
Contracted for but not provided for in Financial Statements	-	-
	<u>-</u>	<u>-</u>
Commitments approved and contracted for:		
Electric driven van	-	-
	<u>-</u>	<u>-</u>

18. RELATED PARTY TRANSCATIONS

The only significant transaction carried out by the Council with related parties having significant control was the following:

	2020 €	2019 €
Department for Local Government Annual Financial Allocation	<u>757,112</u>	<u>720,234</u>
	757,112	720,234

The number of related parties or bodies in terms of IAS 24, that the Paola Local Council had carried out transactions with during the year under review are the following:

Name of Entity	Nature of relationship
Department for Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

19. 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

CREDIT RISK

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one 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. The risk of default is negligible and in this respect the Council has no significant concentration of credit risk.

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 summarised as follows:

	2020 €	2019 €
Classes of financial assets – carrying amounts:		
Trade and Other Receivables	94,470	99,823
Cash and Cash Equivalents	<u>1,474,780</u>	<u>1,417,153</u>
	<u>1,569,250</u>	<u>1,516,976</u>

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. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €1,474,780. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €1,373,415 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

19. FINANCIAL RISK MANAGEMENT – continued

At 31 December 2020 the Council's financial liabilities have contractual maturities which are summarised below:

	Current Payable within 1 year €	Non-Current Payable within 2 & 5 years €	Payable after more than 5 years €
31 December 2020			
Payables	140,989	-	-
Other Payables	4,468	-	-
Accruals	51,936	-	-
Bank Borrowings	-	-	-
PPP Payables	19,447	19,445	-
Bank Overdrawn	199	-	-
	217,039	19,445	-
31 December 2019	€	€	€
Payables	115,586	-	-
Other Payables	4,778	-	-
Accruals	74,067	-	-
Bank Borrowings	-	-	-
PPP Payables	19,447	38,891	-
Bank Overdrawn	38,495	-	-
	252,373	38,981	-

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 currencies.

INTEREST RATE RISK

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

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

20. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2020	2019
	€	€
Current Assets		
Loans and Receivables:		
Trade and Other Receivables	94,470	99,823
Cash and Cash Equivalents	1,474,780	1,417,153
	<u>1,569,250</u>	<u>1,516,976</u>
Current and Non Current Liabilities		
Financial Liabilities measure at amortised cost:		
Payables	140,989	115,586
Other Payables	4,468	4,778
Accruals	51,936	74,067
Bank Borrowings	-	-
PPP Payables	38,892	58,338
Bank Overdrawn	199	38,495
	<u>236,484</u>	<u>291,264</u>

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. COMPARATIVE FIGURES

Certain amounts have been reclassified to conform with the current year's representation.

23. EVENTS AFTER THE REPORTING PERIOD

There were no particular important events or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.