



PAOLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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PAOLA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
For the year ended 31 December 2019

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 11th June 2020 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 2019

	Notes	2019 €	2018 €
REVENUE			
Funds received from Central Government	3a	810,822	735,548
Income raised under Local Council Bye-Laws	4	1,724	1,130
Income raised under Local Enforcement System	5	10,473	11,951
Investment Income	6	365	317
General Income	7	25,154	26,739
		848,538	775,685
EXPENDITURE			
Personal emoluments	8	157,088	132,081
Operations and maintenance	9	316,666	297,659
Administration and other expenses	10	307,730	310,751
Financial costs	11	-	509
		781,484	741,000
PROFIT FOR THE YEAR		67,054	34,685

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 2019

	Notes	2019 €	2018 €
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	<u>224,485</u>	<u>443,340</u>
Current Assets			
Receivables	13	<u>107,894</u>	<u>16,691</u>
Cash and cash equivalents	15	<u>1,417,153</u>	<u>1,114,983</u>
		<u>1,525,047</u>	<u>1,131,674</u>
TOTAL ASSETS		<u>1,749,532</u>	<u>1,575,014</u>
EQUITY			
RESERVES			
Retained earnings		<u>1,279,740</u>	<u>1,212,686</u>
NON-CURRENT LIABILITIES			
Long-term third party loan	17	<u>38,891</u>	<u>58,338</u>
Advance Payment	16	<u>167,638</u>	<u>50,000</u>
		<u>206,529</u>	<u>108,338</u>
CURRENT LIABILITIES			
Payables and accruals	16	<u>243,816</u>	<u>232,613</u>
Short-term borrowings	14	<u>-</u>	<u>1,930</u>
Short-term third party loan	17	<u>19,447</u>	<u>19,447</u>
		<u>263,263</u>	<u>253,990</u>
TOTAL LIABILITIES		<u>469,792</u>	<u>362,328</u>
RESERVES AND LIABILITIES		<u>1,749,532</u>	<u>1,575,014</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 11th June 2020



Dominic Grima
Mayor



Kurt Scerri
Executive Secretary

PAOLA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Retained Earnings	Total
	EUR	EUR
Year Ended 31 December 2018		
Balance as at 1 January 2018	1,178,001	1,178,001
Profit for the year	34,685	34,685
At 31 December 2018	<u>1,212,686</u>	<u>1,212,686</u>
Balance as at 1 January 2019	1,212,686	1,212,686
Profit for the year	67,054	67,054
Balance as at 31 December 2019	<u>1,279,740</u>	<u>1,279,740</u>

PAOLA LOCAL COUNCIL
 STATEMENT OF CASH FLOWS
 For the year ended 31 December 2019

	2019	2018
Notes	€	€
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	67,054	34,685
Reconciliation to cash generated from operations:		
Depreciation	167,057	200,302
Movement in provision for doubtful debts	-	-
Bank interest receivable	(365)	(317)
Interest payable		509
Operating surplus before working capital changes:	233,746	235,179
Decrease / (Increase) in Receivables	(91,203)	3,153
Increase / (Decrease) in Payables	37,633	103,990
NET CASH GENERATED FROM OPERATING ACTIVITIES	180,176	342,322
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20,138)	(85,947)
Interest received	365	317
NET CASH USED IN INVESTING ACTIVITIES	(19,773)	(85,630)
CASH FLOW USED IN FINANCIAL ACTIVITIES		
Repayment of short term borrowings	(1,930)	(14,789)
Repayment of third party loan	(19,447)	(19,447)
Grants Received	189,575	-
Interest paid on borrowings	-	(509)
NET CASH USED IN FINANCING ACTIVITIES	168,198	(34,745)
NET INCREASE IN CASH AND CASH EQUIVALENTS	328,601	221,947
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,050,057	828,110
CASH AND CASH EQUIVALENTS AT END OF YEAR	15 1,378,658	1,050,057

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 11th June 2020. 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 COVENTION

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 2019. 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

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.

IFRS 16 Leases, this standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to expectations, a 'right of use' asset will be capitalized in the statement of financial position, measured at present value of the unavoidable future lease payments to be made over the lease term. The expectations relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right of use' asset is recognised or lease payments are expensed to profit and loss as incurred. A liability corresponding to the capitalized lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases

On 12 December 2017, the IASB issued 'Annual Improvements to IFRS Standards 2015-2017 Cycle', which contains amendments to four IFRSs as a result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

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.

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

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.

This is a change in accounting policies and according to IAS 8 'Accounting Policies, Changes in Accounting Estimates', this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income, but has effected the Statement of Financial Position as per Note 26.

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.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

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

	2019 €	2018 €
In terms of section 55 of the Local Councils Act	720,234	682,819
Supplementary Government income	14,514	18,239
Other Government income	76,074	34,490
	<u>810,822</u>	<u>735,548</u>

4. FEES FROM BYE LAWS

	2019 €	2018 €
Fees from Bye Laws	<u>1,724</u>	<u>1,130</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

5. LOCAL ENFORCEMENT INCOME

	2019 €	2018 €
Fines and Penalties (10% on Contraventions)	8,334	9,852
Fines re Traffic contraventions from individuals	2,139	2,099
	<u>10,473</u>	<u>11,951</u>

6. INVESTMENT INCOME

	2019 €	2018 €
Bank Interest	365	317
	<u>365</u>	<u>317</u>

7. INCOME - GENERAL

	2019 €	2018 €
Other Income	8,300	519
Community services	16,833	26,192
Parking	21	28
	<u>25,154</u>	<u>26,739</u>

8. PERSONAL EMOLUMENTS

	2019 €	2018 €
Mayor's allowance	13,831	11,195
Executive Secretary	32,805	31,965
Employees' salaries	84,388	70,047
Councillors' Honoraria	13,167	8,800
Social Security Contributions	9,897	8,754
Performance Bonus	3,000	1,320
	<u>157,088</u>	<u>132,081</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

OPERATIONS AND MAINTENANCE

9. REPAIRS & UPKEEP

	2019	2018
	€	€
Road/Street pavements	8,097	2,829
Road Markings	7,230	2,445
Street signs	4,297	3,445
Street lighting maintenance	11,776	19,726
Sundry repairs	13	1,577
Other repairs & maintenance	2,831	3,768
	<u>34,244</u>	<u>33,790</u>

CONTRACTUAL SERVICES

	2019	2018
	€	€
Waste Disposal	65,111	61,840
Refuse Collection	96,377	78,901
Bulky refuse collection	12,848	13,852
Road & Street cleaning	44,946	50,794
Cleaning of Public Convenience	10,720	9,076
Provision of skips	4,529	3,815
Other Contractual services	3,713	1,268
Cleaning & Main Parks & Gardens	28,682	28,682
Cleaning & M. Soft Areas	14,820	14,820
Live streaming	-	821
Local Enforcement System	676	-
	<u>282,422</u>	<u>263,869</u>

TOTAL OPERATIONS AND MAINTENANCE COSTS

<u>316,666</u>	<u>297,659</u>
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PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

10. ADMINISTRATION AND OTHER EXPENDITURE

	2019 €	2018 €
Utilities	14,225	13,473
Operating materials/General supplies	20,762	18,887
Rent	3,633	3,620
Stationery, Postage etc.	9,005	7,693
Transport	5,999	4,184
Public Relations	2,022	2,835
Insurance and charges	4,185	3,003
Professional services	30,305	15,687
Conferences/Training	6,404	3,155
Bank charges	133	302
Travel/Fair & Exhibitions	1,053	2,361
Community & Hospitality	42,715	32,784
Projects	-	1,982
Permits (MEPA)	233	233
Penalties	-	250
Depreciation	167,056	200,302
	<u>307,730</u>	<u>310,751</u>

11. FINANCE COST

	2019 €	2018 €
Interest on Bank Loan	-	509
	<u>-</u>	<u>509</u>

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

12 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 2018	97,834	37,574	31,401	24,953	-	24,157	36,506	15,148	17,006	1,977,808	2,262,387
Additions	-	254	1,192	11,594	64,300	-	-	-	-	8,607	85,947
As at 31 December 2018	97,834	37,828	32,593	36,547	64,300	24,157	36,506	15,148	17,006	1,986,415	2,348,334
DEPRECIATION											
As at 1 January 2018	10,854	22,776	17,007	20,905	-	13,873	4,554	15,148	-	1,074,142	1,179,259
Charge for the year 2018	978	2,838	2,368	5,916	-	4,936	3,901	-	-	179,365	200,302
As at 31 December 2018	11,832	25,614	19,375	26,821	-	18,809	8,455	15,148	-	1,253,507	1,379,561
GRANTS & OTHER REIMBUR											
As at 1 January 2018	-	-	12,188	-	-	-	17,000	-	14,157	482,088	525,433
Charge for the year	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	-	-	12,188	-	-	-	17,000	-	14,157	482,088	525,433
WRITTEN DOWN VALUES											
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
As at 31 December 2017	86,980	14,798	2,206	4,048	-	10,284	14,952	-	2,849	421,578	557,695

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

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 1 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 2019

13. RECEIVABLES

	2019	2018
	€	€
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	50,527	1,438
Accrued Income	48,660	12,900
Other Debtors	636	100
Financial Assets	99,823	14,438
Prepayments	8,071	2,253
Total Receivables	107,894	16,691

RECEIVABLES	2019	2018
General receivables are analysed as follows:	€	€
Within credit period	50,527	1,438
Impaired and provided for	156,604	156,604
Provision for doubtful debts	(156,604)	(156,604)
	50,527	1,438

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 which has been fully provided for in 2017.

14. BORROWINGS

	2019	2018
	€	€
Non-Current		
Bank Loan	-	-
Current		
Bank Loan	-	1,930
Borrowings		
Repayable within one year	-	1,930
Repayable between two and five years	-	-
	-	1,930

Bank Loan

The bank loan is secured by General Hypotech over all the assets of the Paola Local Council, and pledges on the Council's Insurance Policy. The loan bears an interest rate of 5.15% per annum and is repayable within ten years, that is by the year 2019.

PAOLA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2019

15. CASH AND CASH EQUIVALENTS

	2019 €	2018 €
Ordinary Bank balances	1,417,040	1,114,918
Cash	113	65
	<u>1,417,153</u>	<u>1,114,983</u>
Bank Overdrawn	(38,495)	(64,926)
	<u>1,378,658</u>	<u>1,050,057</u>

16. PAYABLES

	2019 €	2018 €
Current Liabilities		
Trade creditors	115,586	69,047
Other creditors	4,778	70
Bank Overdrawn	38,495	64,926
Accruals	74,067	98,570
Deferred Income	10,890	-
	<u>243,816</u>	<u>232,613</u>
Non Current Liabilities		
Advance Payment	<u>167,638</u>	50,000

17. THIRD PARTY LOAN

	2019 €	2018 €
Non-Current third party loan	<u>38,891</u>	<u>58,338</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>38,891</u>	<u>58,338</u>
	<u>58,338</u>	<u>77,785</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 2019

18. CAPITAL COMMITMENTS

	2020	2019
	€	€
Capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	-	300,000
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>

19. RELATED PARTY TRANSCATIONS

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

	2019	2018
	€	€
Department for Local Government Annual Financial Allocation	720,234	701,636
	<u>720,234</u>	<u>701,636</u>

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

PAOLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

20. 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:

	2019	2018
	€	€
Classes of financial assets – carrying amounts:		
Trade and Other Receivables	99,823	14,438
Cash and Cash Equivalents	<u>1,417,153</u>	<u>1,114,983</u>
	<u>1,516,976</u>	<u>1,129,421</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 €1,417,153. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €1,279,740 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 2019

20. FINANCIAL RISK MANAGEMENT – continued

At 31 December 2019 the Council's financial liabilities have contractual maturities which are summarised below:

	Current	Non-Current	
	Payable within 1 year	Payable within 2 & 5 years	Payable after more than 5 years
	€	€	€
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	-
31 December 2018	€	€	€
Payables	69,047	-	-
Other Payables	70	-	-
Accruals	98,570	-	-
Bank Borrowings	1,930	-	-
PPP Payables	19,447	58,338	-
Bank Overdrawn	64,926	-	-
	253,990	58,338	-

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 2019

21. 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:

	2019	2018
	€	€
Current Assets		
Loans and Receivables:		
Trade and Other Receivables	99,823	14,438
Cash and Cash Equivalents	1,417,153	1,114,983
	<u>1,516,976</u>	<u>1,129,421</u>
Current and Non Current Liabilities		
Financial Liabilities measure at amortised cost:		
Payables	115,586	69,047
Other Payables	4,778	70
Accruals	74,067	98,570
Bank Borrowings	-	1,930
PPP Payables	58,338	77,785
Bank Overdrawn	38,495	64,926
	<u>291,264</u>	<u>312,328</u>

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. COMPARATIVE FIGURES

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

24. EVENTS AFTER THE REPORTING PERIOD

There were no particular important event or transactions affecting the company 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.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Paola Local Council set out on pages 2 to 22 which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the “Legislation”).

Basis for opinion

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

Responsibilities of those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

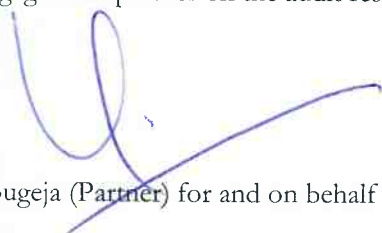
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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Triq L-Intornjatur, Zone 1
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Malta

11 June 2020