

San Pawl il-Bahar

**Il- laqgħa Nru 25 tas-seba' Kunsill  
saret nhar  
l-erbgha 20 ta' Frar 2013 fil-5.30pm  
fl-Uffiċċji Amministrattivi  
Triq San Pawl, San Pawl il-Bahar, SPB 3411 - Malta**

**Prezenti għal-Laqgħa:**

Mario Salerno	Sindku
Alexander Bezzina	Vici Sindku
Raymond Tabone	Kunsilliera
Mandy Buhagiar	Kunsillier
Jason Camilleri	Kunsilliera
Jane Chircop	Kunsillier
Carmel Hili	Kunsillier

Frans Chircop	Segr. Ezekuttiv
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**Skuzat/a:-**

John Bray, Graziella Galea, Peter Abela,  
Robert Piscopo , Anne Marie Fenech,  
Daniel Grima.

**Is-Sindku qal it-talba u ppresieda l-laqgħa.**

**Qari u approvazzjoni tal-minuti.**

1 Billi l-laqgħa kienet imsejha b'urgenza ma' kienx hemm minuti x' jinqraw u għaldaqstant l-accountant tal-kunsill intalbet biex tghati rendikont finanzjarju u tipprezenta l-financial statements għas-sena 2012..

2 Wara l-ispedizzjoni li inghatat l-accountant, tressqu għall approvazzjoni l-estimi finanzjarji għas-sena 2012. Kien hemm qbil unanimu u l-estimi finanzjarji gew approvati unanimament.

**Għeluq tal-laqgħa.**

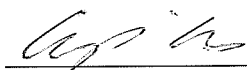
Il-laqgħa spiccat fis-1815 u s-sindku irringrazzja lill kull min attenda u lill accountant tax-xogħol siewi li dejjem għamlet.



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Mario Salerno

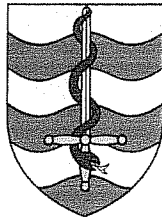
Sindku – Kunsill San Pawl il-Bahar.



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Frans Chircop

Seg. Ezekuttiv.-Kunsill San Pawl il-Bahar.



**SAN PAWL IL-BAHAR LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2012**

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

**SAN PAWL IL-BAĦAR LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2012**

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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 period and its retained funds as at the period 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.

\_\_\_\_\_  
Mario Salerno  
Mayor

\_\_\_\_\_  
Frans Chircop  
Executive Secretary

Date: \_\_\_\_\_

**SAN PAWL IL-BAHAR LOCAL COUNCIL  
STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2012**

	Notes	2012 Euro	2011 Euro
<b>INCOME</b>			
Funds received from Central Government	3	1,342,197	1,239,127
Income raised under Law Enforcement system	4	0	137,955
Income raised under Local Council Bye-Laws	5	12,893	12,242
General income	6	<u>78,483</u>	<u>219,986</u>
		<u>1,433,573</u>	<u>1,609,310</u>
<b>EXPENDITURE</b>			
Personnel emoluments	7	177,178	166,747
Operations and maintenance	8	767,073	698,285
Administration and other expenditure	9	<u>554,743</u>	<u>627,156</u>
		<u>1,498,994</u>	<u>1,492,188</u>
<b>OPERATING PROFIT FOR THE YEAR</b>		(65,421)	117,122
Finance Income	10	<u>14,791</u>	<u>14,805</u>
<b>PROFIT FOR THE YEAR</b>		<u>(€ 50,630)</u>	<u>€ 131,927</u>

The notes on page 8 to 24 form an integral part of these financial statements

**SAN PAWL IL-BAHAR LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2012**

	Notes	31 Dec 2012	31 Dec 2011
		Euro	Euro
<b>ASSETS</b>			
<b>Intangible Assets</b>			
Computer Software		105	131
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<u>2,343,989</u> 2,344,094	<u>1,857,705</u> 1,857,836
<b>Current Assets</b>			
Inventories	12	7,972	10,280
Trade and other receivables	13	194,249	240,862
Cash and cash equivalents	14	<u>696,880</u>	<u>1,190,091</u>
<b>Total Current Assets</b>		<u>899,101</u>	<u>1,441,233</u>
<b>TOTAL ASSETS</b>		<u>€ 3,243,195</u>	<u>€ 3,299,069</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained earnings		<u>1,973,626</u>	<u>2,024,256</u>
<b>Total reserves</b>		<u>1,973,626</u>	<u>2,024,256</u>
<b>Non-Current Liabilities</b>			
Payables	16	200,733	80,026
Deferred Income	15	<u>499,360</u>	<u>434,901</u>
		<u>700,093</u>	<u>514,927</u>
<b>Current Liabilities</b>			
Payables	16	<u>569,476</u>	<u>759,886</u>
<b>Total Liabilities</b>		<u>1,269,569</u>	<u>1,274,813</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>€ 3,243,195</u>	<u>€ 3,299,069</u>

The notes on pages 8 to 24 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the \_\_\_\_\_ and signed on its behalf by:

\_\_\_\_\_  
Mario Salerno  
Mayor

\_\_\_\_\_  
Frans Chircop  
Executive Secretary

SAN PAWL IL-BAHAR LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year 1 January to 31 December 2012

	Retained Funds Euro
At 1 January 2011	1,892,329
Profit for the year	<u>131,927</u>
At 31 December 2011	<u>2,024,256</u>
At 1 January 2012	2,024,256
(Loss) for the year	<u>(50,630)</u>
At 31 December 2012	<u>1,973,626</u>
Retained Funds	<u>€ 1,973,626</u>



**SAN PAWL IL-BAHAR LOCAL COUNCIL**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2012

	Notes	1 Jan-31 Dec 2012		1 Jan-31 Dec 2011	
		€	€	€	€
(Loss)/Profit for the year		(50,630)		131,927	
<b>Adjustments for:</b>					
Depreciation		262,830		187,224	
Deficit on Disposal of Assets		11,146		0	
Movement in Provision for Bad Debts		(80,503)		78,279	
Bad Debts written off		80,503		0	
Interest receivable		<u>(11,374)</u>		<u>(11,855)</u>	
		211,972		385,575	
Decrease/(Increase) in Receivables		46,613		(31,101)	
Decrease/(Increase) in Inventories		2,308		(4,540)	
(Decrease)/Increase in Payables		32,282		432,499	
Government Grant released		<u>(63,175)</u>		<u>(46,475)</u>	
<b>Cash generated from operating activities</b>			<b>230,000</b>		<b>735,958</b>
<b>Cash flows from investing activities</b>					
Interest received		11,374		11,855	
Purchase of property, plant and equipment		(739,585)		(391,864)	
Grants received		<u>5,000</u>		<u>0</u>	
<b>Cash generated from investing activities</b>			<b>(723,211)</b>		<b>(380,009)</b>
<b>Movement in cash and cash equivalents</b>			<b>(493,211)</b>		<b>355,949</b>
Cash and cash equivalents at the beginning of the year			1,190,091		834,142
<b>Cash and cash equivalents at end of year</b>	14		<b>696,880</b>		<b>1,190,091</b>

The notes on page 8 to 24 form an integral part of these financial statements.

**SAN PAWL IL-BAĦAR LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the period 1 January to 31 December 2012**

**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 \_\_\_\_\_.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

**Accounting Convention**

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act (CAP 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (CAP 363).

**New and amended standards adopted by the Local Council**

The Council has adopted the following new and amended standards as of 1 January 2012:

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value.

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

The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

- IAS 24 – Related party disclosures (effective 1 January 2011). Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.
- IFRIC 13 – Customer loyalties programmes (effective 1 January 2011). Amendments relating to fair value of credits.

**New important standards and amendments not yet adopted**

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures-Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The amendments are applicable for annual periods beginning on or after 1 July 2011.

**New important standards and amendments not yet adopted by EU**

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard has not yet been adopted by the EU at the date of authorisation of these financial statements.

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

- IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Local Councils to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

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.

***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 reducing balance method at 20% per annum.

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

***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 reducing 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

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.

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

***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 Income and Expenditure.

***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 income statement 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 costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

**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.

***Surpluses and deficits***

Only surpluses that were realised at the date of the Statement of Affairs 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 Affairs at face value. For the purposes of the Cash Flow Statement, 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 Estimates and Judgements***

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The judgements made in applying the Local Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in the remaining notes to the financial statements.

***Capital Management Policies and Procedures***

The San Pawl il-Baħar Local Council's objective is to continue as a going concern and to ensure that the Financial Statements' Indicator, that is the Net Asset Position of the Local Council, is above the 10% of the Annual Government Allocation, as stipulated by the Department of Local Government. This indicator is being monitored on a quarterly basis by the Council.

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

<b>3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT</b>	2012 Jan-Dec Euro	2011 Jan-Dec Euro
In terms of Section 55 of the Local Councils Act, 1993	€ 1,251,265	€ 1,171,557
Supplementary Government Income	€ 27,757	€ 21,095
Other Government Income	<u>€ 63,175</u>	<u>€ 46,475</u>
	<u>€1,342,197</u>	<u>€1,239,127</u>
<b>4. LOCAL ENFORCEMENT INCOME</b>	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Contraventions and Other Fines	0	78,278
Share of Profit from Joint Committee	<u>0</u>	<u>59,677</u>
	<u>€ 0</u>	<u>€ 137,955</u>
<b>5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS</b>	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Income from Hire of Skips	2,596	1,968
Advertising on Street Furniture	<u>10,297</u>	<u>10,274</u>
	<u>€ 12,893</u>	<u>€ 12,242</u>
<b>6. GENERAL INCOME</b>	2012 Jan-Dec	2011 Jan-Dec
Income from use of roads	3,984	3,476
Income from use of crane	10,734	11,893
Income from Kiosk	361	1,410
Income from Water Services	4,680	25,920
General Income	34,626	164,514
Advertising Council Magazine	2,120	4,064
Admin Fee 10% Regjuni	13,437	3,063
Library	466	458
Income from tender documents	8,075	3,107
EU Funded Programme	<u>0</u>	<u>2,081</u>
	<u>€ 78,483</u>	<u>€ 219,986</u>



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

**7. PERSONAL EMOLUMENTS**

	2012	2011
	Jan-Dec	Jan-Dec
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	13,078	12,728
Mayor's and Councillors' Allowances	15,400	13,600
Executive Secretary Salary and Allowances	30,795	30,213
Employees' Salaries	107,057	99,802
Social Security Contributions	<u>10,848</u>	<u>10,404</u>
	<u>€ 177,178</u>	<u>€ 166,747</u>

	2012	2011
	Jan-Dec	Jan-Dec
	Euro	Euro

**8. OPERATIONS AND MAINTENANCE EXPENSES**  
Operations and maintenance includes, *inter alia*

<b>REPAIRS AND UPKEEP</b>		
Patching	58,237	37,898
Repairs to Public Property	15,794	12,548
Road/Street pavements	31,424	750
Road signs and markings	75,749	70,353
Environmental upkeep	3,104	0
Office furniture & equipment	1,503	321
Sundry repairs	797	178
Plant & Machinery	78	452
Street lighting	26,390	26,475
	<u>213,076</u>	<u>148,975</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	302,007	260,098
Bulky refuse collection	28,060	20,713
Hire of skips	109	23,730
Road and street cleaning	92,959	106,875
Cleaning and maintenance public conveniences	42,465	40,600
Cleaning and maintenance parks and gardens	53,702	66,716
Cleaning and maintenance non-urban	24,010	23,288
Cleaning and maintenance council premises	1,775	1,278
Cleaning and maintenance beaches and coastal areas	200	0
LES related expenditure	5,108	369
Waste Disposal	0	25
Other contractual services	3,064	4,171
Lease of equipment	538	1,447
	<u>553,997</u>	<u>549,310</u>
<b>TOTAL OPERATIONS &amp; MAINTENANCE EXPENSES</b>	<b>€ 767,073</b>	<b>€ 698,285</b>

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

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
<b>9. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	262,830	187,224
Accountancy services	7,376	6,895
Advertising and public relations expenses	17,887	17,757
Bank charges	138	170
Other office services	426	854
Cleaning materials and supplies	39	323
Community services	78,914	67,671
Conference and participation expenses	434	6,941
Documentation	1,750	1,970
Donations	0	100
Engineering services	27,726	3,999
Insurance	18,665	16,188
Management and operation services	5,569	123,568
Operating materials and supplies	23,537	9,609
Legal and professional fees	13,871	8,109
Uniforms	585	782
Library expenses	2,477	1,709
Postages	3,759	2,916
Printing and stationery	10,737	8,459
Provision for bad debts	(80,503)	78,279
Bad debts written off	80,503	0
Loss on disposal of assets	11,146	0
Rent	24,356	35,322
Subscriptions	431	3,318
Sundry minor expenses	56	0
Telecommunications	9,604	6,900
Transport expenses	3,493	2,250
Water and Electricity	14,827	24,164
Day Centre Expenditure	14,110	11,679
	<u>554,743</u>	<u>627,156</u>
	2012 Jan-Dec Euro	2011 Jan-Dec Euro
<b>10. FINANCE INCOME</b>		
Bank Interests	<u>14,791</u>	<u>14,805</u>

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

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Trees	Office & Furn.	Comp. & Furn.	Trees	Office Equip.	Street Paving	Urban Improv.	Playground Furniture	Plant & Machinery	Motor Vehicles	New Street Signs	Construction Works	Special Programmes	Assets not yet Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2012	19,577	64,119	70,548	117,293	932,770	16,961	60,192	20,475	55,877	720,645	2,055,948	62,198	4,196,60		
Additions/Capitalisations	0	3,967	14,318	0	47,812	1,164	35,418	0	914	43,899	624,677	47,987	820,15		
Disposals/Capitalisations	0	(16,147)	(34,756)	(5,907)			(30,492)								
At 31st December 2012	19,577	51,939	50,110	117,293	974,675	18,125	65,118	20,475	56,791	764,544	2,680,625	50,263	4,869,53		
<b>Grants</b>															
At 1 January 2012	0	0	0	0	6,400	0	0	0	0	0	0	0	611,36		
Transferred	0	0	0	0	0	0	0	0	0	0	0	0	0		
At 31st December 2012	0	0	0	0	6,400	0	0	0	0	0	0	0	604,968		
<b>Depreciation</b>															
At 1 January 2012	0	32,245	60,039	50,467	597,403	16,961	32,163	14,800	55,877	438,451	428,993	0	1,727,39		
Charge for the period	0	2,571	5,375	6,683	38,245	1,164	12,657	1,135	914	32,534	161,552	0	262,83		
Released on disposal	(10,066)	(33,036)		(3,171)			(29,883)						(76,156)		
At 31st December 2012	0	24,750	32,378	57,150	632,477	18,125	14,937	15,935	56,791	470,985	590,545	0	1,914,07		
<b>Net Book Value</b>															
At 31st December 2012	19,577	27,189	17,732	60,143	335,798	0	50,181	4,540	0	293,559	1,485,112	50,263	2,344,09		
At 31st December 2011	19,577	31,874	10,509	66,826	328,967	0	28,029	5,675	0	282,194	1,021,987	62,198	1,857,83		

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

**11. PROPERTY, PLANT AND EQUIPMENT (cont.)**

Cost	Office Comp. & Furn. & Office		Street Paving	Urban Improv.	Furniture	Plant & Machinery	Motor Vehicles	New Street Construction		Special Programmes	Assets not yet Capitalised		Total
	Trees	Fittings						Equip.	€		€	€	
At 1 January 2011	18,577	62,844	66,888	117,293	924,074	7,501	34,741	20,475	55,877	687,903	1,812,219	35,749	3,844,141
Additions/Capitalisations	1,000	1,275	3,660	0	8,696	9,460	25,452	0	0	32,742	243,729	26,449	352,462
Disposals/Capitalisations	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	19,577	64,119	70,548	117,293	932,770	16,961	60,192	20,475	55,877	720,645	2,055,948	62,198	4,196,603
<b>Grants</b>													
At 1 January 2011	0	0	0	0	6,400	-	0	0	0	0	604,968	0	611,368
Transferred	0	0	0	0	-	0	0	0	0	0	0	0	0
At 31st December 2011	0	0	0	0	6,400	0	0	0	0	0	604,968	0	611,368
<b>Depreciation</b>													
At 1 January 2011	0	29,727	57,042	43,042	561,015	7,501	31,519	13,381	55,877	407,096	333,975	0	1,540,175
Charge for the period	0	2,518	2,997	7,425	36,388	9,460	644	1,419	0	31,355	95,018	0	187,224
Released on disposal	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	0	32,245	60,039	50,467	597,403	16,961	32,163	14,800	55,877	438,451	428,993	0	1,727,399
<b>Net Book Value</b>													
At 31st December 2011	19,577	31,874	10,509	66,826	328,967	0	28,029	5,675	0	282,194	1,021,987	62,198	1,857,836
At 31st December 2010	18,577	33,117	9,846	74,251	356,659	0	3,222	7,094	0	280,807	873,276	35,749	1,692,598

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

**12. INVENTORIES**

	2012 Jan-Dec	2011 Jan-Dec
Inventories – Books held for resale, medals and ceramic towers	€ 7,972	€ 10,280

**13. TRADE AND OTHER RECEIVABLES**

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Amount invoiced but not yet settled	150,738	105,436
LES Pre-Pooling debtors	92,034	172,537
Provision for Bad LES debts	(92,034)	(172,537)
Other debtors	8,618	8,616
Thalassalejn Bocci Club Guarantee	0	6,354
Prepayments and accrued income	<u>34,893</u>	<u>120,456</u>
	<u>194,249</u>	<u>240,862</u>

Amounts invoiced but not yet settled are analysed as follows:

Within credit period	17,178	34,946
Exceeded credit period(past due) but not impaired	<u>133,560</u>	<u>70,490</u>
	<u>150,738</u>	<u>105,436</u>

Other Debtors are analysed as follows:

Exceeded credit period(past due) but not impaired	<u>8,618</u>	<u>8,616</u>
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Prepayments include prepayments of Local Council property rental and insurance premium.

**14. CASH AND CASH EQUIVALENT**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Cash in hand	250	275
Bank balances		
- BOV savings account	73,632	60,884
- BOV/HSBC fixed accounts	<u>622,998</u>	<u>1,128,932</u>
	<u>696,880</u>	<u>1,190,091</u>

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

**15. DEFERRED INCOME**

	2012 Jan-Dec €	2011 Jan-Dec €
<b>Government Grants</b>		
At beginning of year	483,895	415,646
Increase in period	<u>135,302</u>	<u>114,724</u>
	619,197	530,370
Released in period	<u>(63,175)</u>	<u>(46,475)</u>
At end of year/period	<u>556,022</u>	<u>483,895</u>
<b>Current Deferred Income</b>	<u>56,662</u>	<u>48,994</u>
<b>Non-Current Deferred Income</b>	<u>499,360</u>	<u>434,901</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	107,418	46,475
Deferred between two and five years	181,328	149,602
Deferred in five years or more	<u>267,276</u>	<u>287,818</u>
	<u>556,022</u>	<u>483,895</u>
<b>Deferred after five years or more</b>		
Government Grants	<u>267,276</u>	<u>287,818</u>

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

**16. PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>Jan-Dec</b>	<b>Jan-Dec</b>
	<b>Euro</b>	<b>Euro</b>
Bank balance overdrawn	50,866	30,059
Trade creditors	388,786	365,389
Other creditors	6,393	7,629
Accruals and deferred income	123,431	356,809
	<u>569,476</u>	<u>759,886</u>

Provisions include estimates for goods and services received prior to 31 December 2012 and for which invoices have not yet been received by the Local Council.

<b>Payable after more than one year:</b>	<b>2012</b>	<b>2011</b>
	<b>Euro</b>	<b>Euro</b>
Payables (PPP Scheme)	<u>200,733</u>	<u>80,026</u>

**17. CONTINGENT LIABILITIES**

A liability exists with Wasteserv amounting to € 25,483 which is being disputed. This amount is being kept on hold from payment following a directive from the Local Council's Association.

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

**18. CAPITAL COMMITMENTS**

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
i- Capital expenditure that has been contracted for but Not provided for in the financial statements	734,492	1,317,423
ii- Capital expenditure that has been approved but not yet contracted for.	132,270	334,616

- i. The Capital expenditure that has been contracted for, but not included in these financial statements includes various road resurfacing works in the PPP Scheme (€618,492). The resurfacing works within PPP Scheme are payable over a period of 8 years, and the current portion of such works in Batch 1 and Batch 2 included in the San Pawl il-Baħar Local Council's Budget for 2013 amounts to €247,397. It also includes the playground near Thallassalejn Bocci Club (€116,000) which will be mainly financed out of MEPA's Urban Improvement funds. Included with Assets not yet capitalized is the amount of €43,823 pertaining to works in progress in Thallassalejn Bocci Club.
- ii. The Capital expenditure that has been approved but not yet contracted for represents the project for the Garden San Giraldu (€132,270).

**19. 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 – Tramuntana Joint Committee for Local Enforcement, North Regional Committee
- iii. No Control – Water Services Corporation, Enemalta Corporation, Transport Malta and 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.

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

	2012 Euro	2011 Euro
Annual Financial Allocation	1,251,265	1,171,557



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

**20. 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.

**21. GOING CONCERN**

The Statement of Affairs and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

**22. FINANCIAL RISK MANAGEMENT**

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

*Market Risk*

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

*Credit Risk*

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

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

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

	2012 Euro	2011 Euro
Trade receivables by class:		
Government Owned entities	129,388	90,129
Private entities	<u>21,350</u>	<u>15,307</u>
<i>U. Bonds &amp; Advances</i>	<u>150,738</u>	<u>105,436</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.

	2012 Euro	2011 Euro
31-60 days	2,541	32,147
61-90 days	2,277	0
91-180 days	12,360	0
181-365 days	38,854	15,307
Over 365 days	<u>94,706</u>	<u>57,982</u>
	<u>150,738</u>	<u>105,436</u>

*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.