

Faż-Żebbuġ Local Council

Annual Report and Financial Statements  
31 December 2016



Prepared by Paul Bugeja

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**Statement of Local Council Members' and Executive Secretary's Responsibilities**

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

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 26/04/17 and signed on its behalf by:



Sarah Agius  
Mayor



Paula Valletta  
Executive Secretary

**Report of the Local Government Auditor to the Auditor General****Report on the Financial Statements for the year ended 31 December 2016****Qualified Opinion**

We have audited the financial statements of Żebbuġ Local Council, set out on pages 5 to 29, which comprise the Statement of Financial Position as at 31 December 2016, and the statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraph above, the financial statements give a true and fair view of the financial position of the Zebbug Local Council as at 31 December 2016, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Basis for qualified opinion**

The fixed asset register was not prepared by the Local Council, thus we were unable to verify the completeness, existence, accuracy and valuation of the property, plant and equipment.

We were unable to test the valuation and recoverability of receivables amounting to €58,199.

**Material Uncertainty Relating to Going Concern**

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 6 which shows that at 31 December 2016 the Council's current liabilities exceeded current assets by €411,129. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

As explained in note 2 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialize, the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.

**Responsibilities of the Executive Secretary**

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

**Report of the Local Government Auditor to the Auditor General****Report on the Financial Statements for the year ended 31 December 2016****Auditors' Responsibility 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 auditors' 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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary.
- Conclude on the appropriateness of the Executive Secretary'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the entity 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 the Executive Secretary regarding, among other matters, the planned scope and timing of the audit and significant audit figures, including any significant deficiencies in internal control that we identify during our audit.

**Report of the Local Government Auditor to the Auditor General**

**Report on the Financial Statements for the year ended 31 December 2016**

**Report on other legal and regulatory requirements**

In our opinion, the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedure, due to the matters described below:

- The fixed asset register was not prepared by the local council, and
- Depreciation is calculated on yearly basis, rather than on a monthly basis.



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**Mr Manuel Castagna**

For and on behalf of

**Nexia BT**

**Certified Public Accountants**

**The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta**

**Date 27 April 2017**

**Statement of Profit or Loss and Other Comprehensive Income**

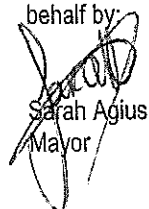
	Notes	2016 €	2015 €
<b>Income</b>			
Funds received from central government	5	902,684	939,748
Income raised under Local Enforcement System	6	13,382	49,385
General Income	8	45,589	42,995
		<u>961,655</u>	<u>1,032,128</u>
<b>Expenditure</b>			
Personal emoluments	9	134,315	137,675
Operations and Maintenance	10	355,469	437,385
Administrative and other Expenditure	11	300,918	424,963
		<u>790,702</u>	<u>1,000,023</u>
<b>Operating profit for the year</b>		<u>170,953</u>	<u>32,105</u>
Finance income	7	33	101
Finance costs	12	(2)	-
<b>Surplus for the year</b>		<u>170,984</u>	<u>32,206</u>
<b>Total comprehensive income for the year</b>		<u>170,984</u>	<u>32,206</u>

*The notes on pages 9 to 29 form an integral part of these financial statements*

## Statement of Financial Position

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	13	1,022	-
<b>Tangible assets</b>			
Property, plant and equipment	14	2,213,474	2,455,836
<b>Current assets</b>			
Inventories	15	5,291	5,291
Receivables	16	194,336	190,348
Cash at bank and in hand	17	58,354	140,839
		<b>257,981</b>	<b>336,478</b>
<b>Total Assets</b>		<b>2,472,477</b>	<b>2,792,314</b>
<b>Reserves</b>			
Retained Fund		331,977	160,993
<b>Non-current Liabilities</b>			
Long term deferred income	19	856,143	926,262
Payables	18	615,247	817,013
		<b>1,471,390</b>	<b>1,743,275</b>
<b>Current Liabilities</b>			
Payables	18	653,766	845,029
Short-term borrowings	17	15,344	43,017
		<b>669,110</b>	<b>888,046</b>
<b>Total Liabilities</b>		<b>2,140,500</b>	<b>2,631,321</b>
<b>Total Reserves and Liabilities</b>		<b>2,472,477</b>	<b>2,792,314</b>

These financial statements were approved by the Local Council on 27/04/17 and are signed on its behalf by:

  
Sarah Agius  
Mayor

  
Paula Valletta  
Executive Secretary

The notes on pages 9 to 29 form an integral part of these financial statements



**Statement of Changes in Equity**

	Retained Funds €	Total €
Balance at 1 January 2015	128,787	128,787
Surplus for the year	<u>32,206</u>	<u>32,206</u>
Total comprehensive income for the year	<u>32,206</u>	<u>32,206</u>
<b>Balance at 31 December 2015</b>	<b><u>160,993</u></b>	<b><u>160,993</u></b>
Balance at 1 January 2016	160,993	160,993
Surplus for the year	<u>170,984</u>	<u>170,984</u>
Total comprehensive income for the year	<u>170,984</u>	<u>170,984</u>
<b>Balance at 31 December 2016</b>	<b><u>331,977</u></b>	<b><u>331,977</u></b>

**Statement of Cash Flows**

	Note	2016 €	2015 €
<b>Cash flows used in operating activities</b>			
Profit for the year		170,984	32,206
Adjustments for:			
Depreciation		247,645	286,069
Amortisation charge		341	-
Provision for bad debts		(4,410)	37,180
Bad debts		8,807	-
Investment income receivable		(33)	(101)
Deferred grant released		(98,781)	(105,652)
		<u>324,553</u>	<u>249,702</u>
<b>Surplus for the period before working capital movements</b>			
Movement in receivables		(8,385)	(60,925)
Movement in payables		(383,117)	(82,255)
		<u>(66,949)</u>	<u>106,522</u>
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income receivable		33	101
Payment to acquire property, plant and equipment		(5,283)	(12,310)
Payment to acquire intangible assets		(1,363)	-
		<u>(6,613)</u>	<u>(12,209)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows used in financing activities</b>			
Grants		18,750	-
		<u>18,750</u>	<u>-</u>
<b>Net cash used in financing activities</b>			
		<u>(54,812)</u>	<u>94,313</u>
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		97,822	3,509
Cash and cash equivalents at the end of the year	17	<u>43,010</u>	<u>97,822</u>

## Notes to the Financial Statements For the year ended 31 December 2016

### 1. Statutory Information

Haż-Żebbuġ Local Council is the local authority of Haż-Żebbuġ setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Bishop Caruana Street, Żebbuġ ZBG 1905, Malta.

### 2. Going concern

At the statement of financial position date, the current liabilities of the Local Council exceeds its current assets by €411,129 (2015: €551,568). These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

### 3. Accounting policies

The principal accounting policies adopted 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.

#### a. Basis of preparation

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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.

#### b. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

### 3. Accounting policies - continued

#### c. New standards, interpretations and amendments to published standards effective from 1 January 2016

The following are the amendments and improvements which are effective from 1 January 2016:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- IFRS 10, IFRS 12 and IAS 28 *Amendments – Investment Entities: Applying the Consolidation Exemption*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*
- Annual Improvements 2012-2014 Cycle
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IFRS 7 *Financial Instruments: Disclosures*
  - IAS 19 *Employee Benefits*
  - IAS 34 *Interim Financial Reporting*

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the Council.

The Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on or after 1 January 2016. These are:

- Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments did not have any impact on the Council.

**3. Accounting policies - continued****c. New standards, interpretations and amendments to published standards effective from 1 January 2016 - continued**

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify that for intangible assets there is a rebuttable presumption that amortization based on revenue is not appropriate. This can only be rebutted in limited circumstances where either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

**d. New standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2018. These include the following:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

These amendments and improvements in IFRSs as adopted by the EU are not relevant to the Council.

The following are the new standards, amendments and interpretations to existing standards that have been published by the date of authorisation for issue of these financial statements that are mandatory for accounting periods beginning on or after 1 January 2018 which are relevant to the Council:

**e. Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:**

- IFRS 16 – Leases
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 – Disclosure Initiative
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Improvements to IFRS Standards 2014-2016 Cycle
- IAS 40 – Transfers of Investment Property

**3. Accounting policies - continued****e. Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union: - continued**

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Council in the period of initial application.

**f. Revenue recognition**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

**g. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**h. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents a percentage of administrative fee for contraventions paid at Haz-Zebbug Local Council.

**i. Government Grants**

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

**j. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (l)).

**3. Accounting policies - continued****k. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Land	0%
• Trees	0%
• Buildings	1%
• Office furniture and fittings	7.5%
• Construction works	10%
• Urban Improvements (Street Furniture)	10%
• Special Projects	10%
• Office Equipment	20%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Computer Equipment	25%

Other plant and equipment are listed on a replacement basis.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (l)).

**l. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**m. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**3. Accounting policies - continued****m. Amounts receivable**

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

**n. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

**o. Profits and losses**

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

**p. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**q. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**r. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.



**3. Accounting policies - continued****s. 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 a quarterly review of the working capital ratio ('Financial Situation Indicator'). 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.

**t. Financial instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

**u. 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 as 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 rate 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.

**3. Accounting policies - continued****u. Financial assets - continued**

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 considerable 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.

**v. Financial liabilities**

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

All interest-related charges are included within finance costs.

**4. Use of Judgements and Estimates**

Estimates and judgements are continually evaluated and based on historic 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 IAS 1 (revised) – 'Presentation of Financial Statements'.

**5. Funds Received from Central Government**

	2016 €	2015 €
In terms of Section 55 of the Local Councils Act (Cap 363)	764,993	741,581
Other Supplementary Government Income	37,237	88,430
Other Government Income	100,454	109,737
	<u>902,684</u>	<u>939,748</u>

**6. Income from Local Enforcement**

	2016 €	2015 €
Administrative fee	13,382	12,205
Contraventions fee	-	37,180
	<u>13,382</u>	<u>49,385</u>

**7. Finance income**

	2016 €	2015 €
Bank interest receivable	<u>33</u>	<u>101</u>

**8. General Income**

	2016 €	2015 €
(Reversal) of income from tender documents	(1,320)	2,100
Income from permits	31,484	18,358
Sponsorships	1,100	11,300
Contributions	13,005	11,237
	<u>45,589</u>	<u>42,995</u>

**9. Personal Emoluments**

	2016 €	2015 €
Mayor's allowance	12,443	12,972
Executive Secretary and allowances	32,780	33,797
Employees' salaries	71,555	73,641
Social Security Contributions	9,137	9,265
Councillors' remuneration	8,400	8,000
	<u>134,315</u>	<u>137,675</u>

**10. Operations and Maintenance**

	2016 €	2015 €
<b>Repairs and Upkeep:</b>		
Public property	10,161	41,749
Street signs	1,286	3,179
Road markings	2,622	1,456
Over-accrual of other repair and upkeep	(196)	2,566
	<u>13,873</u>	<u>48,950</u>
	2016 €	2015 €
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	115,975	130,244
Bulky refuse collection	17,273	-
Street sweeping	70,609	69,363
Cleaning and Maintenance of Non-Urban Roads	7,776	23,148
Cleaning and Maintenance of Public Conveniences	7,592	3,377
Waste disposal	88,148	108,988
Maintenance of Soft Areas	17,955	17,985
Street Lighting	15,658	32,963
Local Enforcement System	610	2,367
	<u>341,596</u>	<u>388,435</u>
	<u>355,469</u>	<u>437,385</u>

**11. Administrative and other expenditure**

	2016	2015
	€	€
Accountancy fees	3,957	3,928
Advertising	619	738
Amortisation charge	341	-
Architect fees	481	593
Bad debts written off	8,408	-
Carnival activities	-	3,912
Christmas decorations	-	926
Cleaning of council premises	3,865	3,851
Depreciation	247,645	286,069
Fines and penalties	-	8,833
Fuel	1,142	1,435
General expenses	598	2,718
Hospitality	800	631
Legal fees	2,721	166
Library services	156	5,283
Materials and supplies	3,782	2,600
Other contractual – Bank charges	235	405
Other contractual – Hire of equipment	7,376	6,075
Other contractual - Insurance	3,254	3,111
Participation fee – National Organizations	(45)	-
Provision for bad debts	(4,011)	37,180
Professional fees	2,727	13,216
Publications and newsletters	952	10,000
Social and cultural activities	3,677	10,401
Stationery, postage and documentation	1,416	9,740
Support and marketing services	-	4,062
Transport	(947)	5,086
Utilities	11,764	3,989
Withholding tax	5	15
	<u>300,918</u>	<u>424,963</u>

**12. Finance costs**

	2016	2015
	€	€
Interest payable	<u>2</u>	<u>-</u>

**13. Intangible asset**

	Computer Software €
<b>Cost</b>	
As at 1 January 2016	-
Additions	1,363
As at 31 December 2016	<u>1,363</u>
<b>Amortisation</b>	
As at 1 January 2016	-
Charge for the year	(341)
As at 31 December 2016	<u>(341)</u>
<b>Net book value</b>	
As at 31 December 2016	<u><u>1,022</u></u>

14a. Property, plant and equipment

Asset	Construction and Special Projects	Office furniture and fittings	New street signs	Urban improvements	Office & Computer Equipment	Plant and machinery	Assets under Construction	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2016	3,965,594	18,892	34,391	758,231	27,237	35,554	-	4,839,899
Additions	-	890	-	-	3,953	440	-	5,283
As at 31 December 2016	<u>3,965,594</u>	<u>19,782</u>	<u>34,391</u>	<u>758,231</u>	<u>31,190</u>	<u>35,994</u>	<u>-</u>	<u>4,845,182</u>
<b>Central Government Grants</b>								
As at 1 January 2016	401,815	-	-	-	-	-	-	401,815
As at 31 December 2016	<u>401,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,815</u>
<b>Depreciation</b>								
As at 1 January 2016	1,492,708	11,434	34,391	393,979	21,784	27,952	-	1,982,248
Charge for the year	207,107	626	-	36,425	1,879	1,608	-	247,645
As at 31 December 2016	<u>1,699,815</u>	<u>12,060</u>	<u>34,391</u>	<u>430,404</u>	<u>23,663</u>	<u>29,560</u>	<u>-</u>	<u>2,229,893</u>
<b>Net Book Value</b>								
As at 31 December 2016	<u>1,863,964</u>	<u>7,722</u>	<u>-</u>	<u>327,827</u>	<u>7,527</u>	<u>6,434</u>	<u>-</u>	<u>2,213,474</u>

14b. Property, plant and equipment

Asset	Construction and Special Projects	Office Furniture and Fittings	New street signs	Urban Improvements	Office and Computer Equipment	Plant and Machinery	Total
	€	€	€	€	€	€	€
<b>Cost</b>							
As at 1 January 2015	3,959,700	18,769	34,391	754,464	24,711	35,554	4,827,589
Additions	5,894	123	-	3,767	2,526	-	12,310
As at 31 December 2015	3,965,594	18,892	34,391	758,231	27,237	35,554	4,839,899
<b>Grants and other reimbursements</b>							
As at 1 January 2015	401,815	-	-	-	-	-	401,815
As at 31 December 2015	401,815	-	-	-	-	-	401,815
<b>Accumulated Depreciation</b>							
As at 1 January 2015	1,250,980	10,829	34,391	353,506	20,421	26,052	1,696,179
Charge for the year	241,728	605	-	40,473	1,363	1,900	286,069
As at 31 December 2015	1,492,708	11,434	34,391	393,979	21,784	27,952	1,982,248
<b>Net Book Value</b>							
As at 31 December 2015	2,071,071	7,458	-	364,252	5,453	7,602	2,455,836
As at 31 December 2014	2,306,905	7,940	-	400,957	4,290	9,502	2,729,595



**15. Inventories**

	2016 €	2015 €
Inventories	5,291	5,291

**16. Receivables**

	2016 €	2015 €
Receivables	58,199	50,112
Accrued income	71,154	79,228
Advance payments to suppliers	24,356	44,364
	<u>153,709</u>	<u>173,704</u>
Other receivables	23,903	-
Prepayments	16,724	16,644
	<u>194,336</u>	<u>190,348</u>

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2016 €	2015 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	945	200
91-120 days	4,234	36,836
Total	<u>5,179</u>	<u>37,036</u>

16. Receivables - continued

	2016 €	2015 €
<b>Movement in the allowance for doubtful debts</b>		
Balance at beginning of the year	219,888	182,708
Impairment losses recognised on receivables	(4,010)	37,180
Balance at end of the year	<u>215,878</u>	<u>219,888</u>

In determining the recoverability of receivables, the Local Council considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

LES debtors have a specific provision for doubtful debts amounting to €215,878 (2015 : €219,888). The amount of €5,179 (2015: €37,036) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment.

17. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2016 €	2015 €
Bank balances:		
Ordinary funds	58,084	140,558
Cash in hand	270	281
Bank balances overdrawn	(15,344)	(43,017)
	<u>43,010</u>	<u>97,822</u>

18. Payables

	2016 €	2015 €
<b>Non-Current</b>		
Trade payables (Note)	<u>615,247</u>	<u>817,013</u>

18. Payables - continued

Note:

As at 31 December 2016, the Flaz-Zebbug Local Council is contesting the amount due to one of the creditors amounting to €514,224 (2015: €514,224) and the case is in front of the Arbitration Board.

	2016 €	2015 €
<b>Current</b>		
Trade payables (Note)	491,992	587,040
Accruals	69,905	103,769
Contractor deposits	3,000	2,000
	<u>564,897</u>	<u>692,809</u>
<b>Financial liabilities</b>		
Other payables – FSS and NI	-	53,439
Deferred income – Government grants	88,869	98,781
	<u>653,766</u>	<u>845,029</u>

Note:

As at 31 December 2016, the Flaz-Zebbug Local Council is contesting the amount due to one of the creditors amounting to €71,253 (2015: €71,253) and the case is in front of the Arbitration board.

19. Deferred income government grants

	2016 €	2015 €
At 1 January 2016	1,025,043	1,130,695
Increase in year	18,750	-
	<u>1,043,793</u>	<u>1,130,695</u>
Released in year	(98,781)	(105,652)
At 31 December 2016	<u>945,012</u>	<u>1,025,043</u>
Current deferred income	<u>88,869</u>	<u>98,781</u>
Non-current deferred income	<u>856,143</u>	<u>926,262</u>

**19. Deferred income government grants - continued**

	2016	2015
	€	€
Deferred between 1 and 2 years	79,956	168,826
Deferred between 2 and 5 years	194,909	194,910
Deferred in 5 years or more	581,278	562,526
	<u>856,143</u>	<u>926,262</u>

**20. Related party transactions**

During the year under review, the Council carried out transactions with the following related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
South Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Associations	No control
Local Enforcement System Agency	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications 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 Inland Revenue	No control
Department of Lands	No control
Department of Information	No control
Permanent Secretary – Ministry of Education	No control
Commissioner for Data Protection	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control
Ministry of Finance	No control

**20. Related party transactions - continued**

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

	2016 €	2015 €
Funds received from Local Government	<u>902,684</u>	<u>939,748</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 9.

**21. 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. Bad debts are therefore 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:

	2016 €	2015 €
Classes of financial assets – carrying amounts		
Trade and other receivables	194,336	190,348
Cash and cash equivalents	43,010	97,822
	<u>237,346</u>	<u>288,170</u>

**21. Financial risk management - continued*****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 at bank and in hand the amount of €58,354.

At 31 December 2016 the council's financial liabilities have contractual maturities which are summarised below:

**At 31 December 2016**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	491,992	615,247	-
Other creditors	3,000	-	-
Accruals	69,905	-	-

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

**At 31 December 2015**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	587,040	817,013	-
Other creditors	2,000	-	-
Accruals	103,769	-	-

**21. Financial risk management - continued****Foreign currency risk**

Foreign currency transaction 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 objectives of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

**22. Capital commitments**

As at 31 December 2016 the company had no capital commitments.

**23. Contingent liabilities**

As at year end, the council had contingent liabilities in respect four claims made by Schembri Infrastructures Limited, Media Graphics Ltd, Untours Limited and Fogg Limited. The council is restricting those claims. No provision has been made in these financial statements in respect of these actions. The council's lawyer cannot quantify the contingent liability, except for Media Graphics Ltd which amounts to € 23,903.

As at year-end, the council had garnishee orders in favour of third parties amounting to € 23,903 (2015 : €10,231).