

ZEJTUN LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2011

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**STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S
for the year ended 31 December 2011**

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the 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 Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement of responsibilities was approved by the Council on 26 April 2012 and signed on its behalf by:

Attard Joseph
Mayor

Anton Falzon
Executive Secretary

ZEJTUN LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2011

	Notes	2011 €	2010 €
Revenue			
Funds received from Central Government	3	826,673	736,373
Income raised under Council Bye-Laws	4	10,066	16,327
Income from Law Enforcement System	5	62,686	8,500
General Income	6	57,750	72,101
		<u>957,175</u>	<u>833,301</u>
Expenditure			
Personal emoluments	7	(151,656)	(132,646)
Operations and maintenance	8	(375,857)	(372,434)
Administrative and other expenditure	9	(383,900)	(257,700)
		<u>(911,413)</u>	<u>(762,780)</u>
Operating surplus	10	45,762	70,521
Finance Income	11	1,528	1,243
Finance Costs	12	(230)	(142)
		<u>1,298</u>	<u>1,101</u>
Loss on disposal of assets	13	(30,356)	-
Net Profit for the year		<u>16,704</u>	<u>71,622</u>

The notes on pages 7 to 35 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION as at 31 December 2011

		2011	Restated 2010	Reported 2010
Assets	Notes	€	€	€
<i>Non-current assets</i>				
Property, plant and equipment	13	2,118,291	2,126,244	1,865,556
Grants Receivable	14	28,754	-	-
Total non-current assets		<u>2,147,045</u>	<u>2,126,244</u>	<u>1,865,556</u>
<i>Current assets</i>				
Receivables	14	609,562	114,960	12,885
Cash and cash equivalents	15	605,602	432,917	432,917
Total current assets		<u>1,215,164</u>	<u>547,877</u>	<u>445,802</u>
Total assets		<u>3,362,209</u>	<u>2,674,121</u>	<u>2,311,358</u>
Reserves and liabilities				
<i>Reserves</i>				
Retained Earnings		2,113,390	2,096,686	1,748,123
Total Reserves		<u>2,113,390</u>	<u>2,096,686</u>	<u>1,748,123</u>
<i>Non-current liabilities</i>				
Deferred revenue	16	825,548	265,229	330,005
Total non-current liabilities		<u>825,548</u>	<u>265,229</u>	<u>330,005</u>
<i>Current liabilities</i>				
Payables	17	423,271	312,206	233,230
Total current liabilities		<u>423,271</u>	<u>312,206</u>	<u>233,230</u>
Total liabilities		<u>1,248,819</u>	<u>577,435</u>	<u>563,235</u>
Total reserves and liabilities		<u>3,362,209</u>	<u>2,674,121</u>	<u>2,311,358</u>

The financial statements were approved by the Council on 26 April 2012 and signed on its behalf by:

Attard Joseph
Mayor

Anton Falzon
Executive Secretary

The notes on pages 7 to 35 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2011

	Retained Earnings €	Total €
At 1 January 2010 as previously stated	1,650,443	1,650,443
Prior Year Adjustment	<u>374,621</u>	<u>374,621</u>
At 1 January 2010 as re-stated	2,025,064	2,025,064
Retained Profit for the year	<u>71,622</u>	<u>71,622</u>
At 31 December 2010	<u>2,096,686</u>	<u>2,096,686</u>
At 1 January 2011	2,096,686	2,096,686
Retained Profit for the year	<u>16,704</u>	<u>16,704</u>
At 31 December 2011	<u>2,113,390</u>	<u>2,113,390</u>
Equity Interest	<u>2,113,390</u>	<u>2,113,390</u>

The notes on pages 7 to 35 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2011

		2011	2010
Cash flows from operating activities	Note	€	€
Profit for the year		16,704	71,622
Adjustments for:			
Depreciation		227,842	148,745
Loss on disposal of assets		30,356	-
Urban improvement funds released to income		(84,253)	(2,413)
Interest receivable		(1,528)	(1,243)
		<u>189,121</u>	<u>216,711</u>
Operating Profit before working capital changes:			
Increase / Decrease in receivables		(523,356)	9,114
(Decrease)/Increase in payables		102,991	64,594
Increase in deferred income		644,572	2,413
Net Cash flows from Operating activities		<u>413,328</u>	<u>292,832</u>
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(251,673)	(331,846)
Interest received		1,528	1,243
Proceeds from disposal of assets		1,427	-
Net Cash flows from Investing activities		<u>(248,718)</u>	<u>(330,603)</u>
Cash flows from financing activities			
Grants Received		-	90,017
Net Cash flows from Financing activities		<u>-</u>	<u>90,017</u>
Net Increase in cash in the year		164,610	52,246
Cash and cash equivalents at beginning of year		407,434	355,188
Cash and equivalents at end of year	15	<u>572,044</u>	<u>407,434</u>

The notes on pages 7 to 35 form an integral part of these financial statements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

1. General Information

The Zejtun Local Council is a local authority of Malta set up in accordance with the Local Councils Act. The office of the Local Council is situated at 28, Triq Sant' Anglu, Zejtun. These financial statements were approved for issue by the Council Member on the 26 April 2012. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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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, 1993 (Chap. 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, as adopted by the EU.

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, 1993 (Cap 363).

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 27 (revised) - Consolidated and separate financial statements (effective from 1 July 2009).
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IFRS 2 (amendment) - Group Cash-Settled and Share-Based payment transactions (effective from 1 January 2010).
- IFRS 3 (revised) - Business Combinations (effective from 1 July 2009).
- IFRS 5 (amendment) - Measurement of Non-Current assets (or disposal groups classified as held-for-sale (effective from 1 January 2010).
- IFRIC 9 (amendment) and IAS 39 - Embedded derivatives (effective from 1 July 2009). Amendments to reflect changes in other standards.
- IFRIC 17 - Distribution of Non-Current Assets to owners (effective on or after 1 July 2009).
- IFRIC 18 - Transfer of Assets from customers (effective from 1 July 2009).

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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New Relevant Standards and early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has early adopted them:

- IAS 24 - Related party disclosures (effective 1 January 2011). Amendments simplified the definition of 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.

New Relevant Standards and not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IAS 27 Consolidated and separate financial statements (effective from 1 July 2010).
- IAS 34 Interim Financial Reporting (effective from 1 January 2011).
- IFRS 3 (amendments) Business Combinations (effective from 1 January 2011).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IFRIC 13 Customer loyalties programmes (effective from 1 January 2011).
- IAS 12 (amendment) Income Taxes - IAS 12 (effective from 1 January 2012).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

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Notes to the Financial Statements for the year ended 31 December 2011

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	100

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 Comprehensive Income Statement during the financial year in which they are incurred.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables 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.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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General Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 22 , there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Funds Received from Central Government	2011	2010
	€	€
In terms of section 55 of the Local Councils Act, 1993	721,318	723,960
Supplementary Income	20,400	10,000
Urban Improvement Funds released to income	84,253	2,413
Delegation of responsibilities	702	-
	<u>826,673</u>	<u>736,373</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

4. Income raised under Council Bye-Laws	2011	2010
	€	€
Permits related to construction	3,753	4,872
Permits for Entertainemnt Activity	190	5
Bye Law Income	419	140
Placement of tables and chairs	105	12
Trenching Permits	229	2,346
Material Permits	367	1,068
Permits for use of Skips	250	425
Rental income use of facilities	-	6,525
Courses	982	769
Kiosks deposits	3,771	165
	<u>10,066</u>	<u>16,327</u>

5. Income raised under Law Enforcement System

	2011	2010
	€	€
LES Regional income	987	-
Contraventions Received	61,699	8,500
	<u>62,686</u>	<u>8,500</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on cash received from the Joint Committee.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

6. General Income	2011	2010
	€	€
Income from Publications	3	10
Cultural Activities	484	285
Income from Maltacom Bills	835	295
Contributions Youth and Sports	197	938
Waste separation at source	16,380	22,565
Tribunal Rent	12,356	12,356
General Income	13,738	7,363
Green Challenge Award	-	5,000
Tender Document Fees	2,288	1,541
WSC Agreement	-	12,300
Contributions Community Activites	11,469	9,448
	<u>57,750</u>	<u>72,101</u>

7. Personal emoluments	2011	2010
	€	€

Personal emoluments include, inter alia:

Mayor's Honoraria	9,546	9,546
Council Members' Allowance	10,500	11,200
Executive Secretary Salary and Allowance	32,752	28,237
Employees' Salaries	89,146	75,482
Social Security Contributions - Employer's Share	9,712	8,181
	<u>151,656</u>	<u>132,646</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

8. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2011	2010
	€	€
Repairs and Upkeep:		
Road and Street Pavements	30,643	20,519
Street Signs	46	-
Office Furniture & Equipment	1,552	597
Maintenance of Equipment	1,012	330
Other Repairs & Upkeep	701	-
Street Markings	11,121	8,398
Maintenance Council Property	2,332	2,891
	<u>47,407</u>	<u>32,735</u>
Contractual Services:		
Waste Disposal	76,964	72,561
Refuse Collection	66,040	89,332
Bulky Refuse Collection	8,875	8,518
Hire of Skips	31,003	38,828
Road & Street Cleaning	29,961	28,871
Cleaning and Maintenance of Non-Urban Roads	15,200	15,370
Clean. & Maint. - Public Conveniences	18,578	18,818
Cleaning Council Premises	3,791	3,693
Pruning of Trees	862	444
Clean. & Maint. of Parks & Gardens	45,106	43,868
Cleaning Services Feasts & Pub Activities	1,003	520
Street Lighting	31,067	18,876
	<u>328,450</u>	<u>339,699</u>
Total Operations and Maintenance expenses	<u><u>375,857</u></u>	<u><u>372,434</u></u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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9. Administration and Other Expenses	2011	2010
	€	€
Utilities	12,107	9,655
Fuel (other than transport)	4	-
Operating Materials & Supplies	6,359	1,342
Cleaning Materials & Supplies	430	230
Spare Parts	124	45
Upkeep of Photocopier	2,976	1,058
Rents	2,128	3,138
National/International Memberships	1,800	-
Printing	1,281	156
Stationery	4,971	5,009
Postages	1,171	1,212
Documentation	36	-
Library Books	1,110	661
Other Office Services	1,044	1,589
Hire of self drive cars	59	-
Fuel	508	335
Partly Use Personal Vehicle	1,190	923
Advertising	1,036	706
Insurance Coverage	4,467	4,439
IT Development Services	9,396	3,785
	<hr/>	<hr/>
Balance carried forward to next page	52,197	34,283
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ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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9. Administration and Other Expenses (cont.)		2011	2010
		€	€
Balance brought forward from previous page		52,197	34,283
Engineering Services		2,295	1,100
Legal Services		40	-
Accountancy Services		5,560	1,912
Conference Expenses		299	1,316
Education		4,646	3,262
Other Hospitality Costs		960	6,268
Social Events		68,784	50,331
Cultural Events		3,470	2,017
Sundry Minor Expenses		4,744	8,466
Penalties inflicted by DGL		10,459	-
Provision for Bad Debts		(11,504)	-
Bad Debts Written off		14,108	-
Depreciation Expense		227,842	148,745
		<u>383,900</u>	<u>257,700</u>
10. Profit for the year		2011	2010
	Note	€	€
Profit for the year is stated after charging:			
Personal Emoluments	7	151,656	132,646
Depreciation on property, plant and equipment	9	227,842	148,745
Loss on disposal of property, plant and equipment	9	30,356	-
Bad debts written off	9	14,108	-
Movement in Provision for doubtful debts	9	-	-
		<u> </u>	<u> </u>
and after crediting:			
Movement in provision for WSC doubtful debts		11,504	-
		<u> </u>	<u> </u>
11. Finance income		2011	2010
		€	€
Bank interests		1,528	1,243
		<u>1,528</u>	<u>1,243</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

12. Finance Costs

	2011	2010
	€	€
Bank Charges	<u>230</u>	<u>142</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

13. Property, plant and equipment

Cost	Property €	Special Prog. €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Trees €	Assets	
									Not yet Capitalised €	Total €
At 1 January 2011	328,467	3,229,349	50,359	49,174	501,753	46,117	4,849	35,194	449,655	4,694,917
Reclassifications	22,232	158,681	-	-	109,136	-	-	-	(290,049)	-
Additions	-	53,254	13,908	-	4,101	7,099	-	946	172,365	251,673
Disposals	-	(43,990)	(992)	-	(2,394)	(23,082)	(454)	(1,740)	(16,116)	(88,768)
At 31 December 2011	<u>350,699</u>	<u>3,397,294</u>	<u>63,275</u>	<u>49,174</u>	<u>612,596</u>	<u>30,134</u>	<u>4,395</u>	<u>34,400</u>	<u>315,855</u>	<u>4,857,822</u>
Government Grants										
At 1 January 2011 & 31 December 2011	-	678,573	-	-	115,489	-	-	4,026	-	798,088
Depreciation										
At 1 January 2011	13,920	1,371,993	26,637	49,174	268,334	37,340	3,187	-	-	1,770,585
Current charge	1,906	131,995	2,609	-	88,321	2,707	305	-	-	227,843
Eliminated on Disposals	-	(32,642)	(678)	-	(2,115)	(21,232)	(318)	-	-	(56,985)
At 31 December 2011	<u>15,826</u>	<u>1,471,346</u>	<u>28,568</u>	<u>49,174</u>	<u>354,540</u>	<u>18,815</u>	<u>3,174</u>	<u>-</u>	<u>-</u>	<u>1,941,443</u>
N.B.V. at 31 December 2011	<u><u>334,873</u></u>	<u><u>1,247,375</u></u>	<u><u>34,707</u></u>	<u><u>-</u></u>	<u><u>142,567</u></u>	<u><u>11,319</u></u>	<u><u>1,221</u></u>	<u><u>30,374</u></u>	<u><u>315,855</u></u>	<u><u>2,118,291</u></u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

13. Property, plant and equipment

Cost	Property €	Special Prog. €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Trees €	Assets	Total €
									Not yet Capitalised €	
At 1 January 2010	480,455	1,921,096	50,295	30,893	1,469,558	47,723	3,988	34,529	323,869	4,362,406
Reclassifications	(151,988)	1,123,099	(386)	15,688	(984,807)	(1,606)	-	-	-	-
Additions	-	185,154	450	2,593	17,002	-	861	665	125,786	332,511
At 31 December 2010	<u>328,467</u>	<u>3,229,349</u>	<u>50,359</u>	<u>49,174</u>	<u>501,753</u>	<u>46,117</u>	<u>4,849</u>	<u>35,194</u>	<u>449,655</u>	<u>4,694,917</u>
Government Grants										
At 1 January 2010 & 31 December 2010	-	678,573	-	-	115,489	-	-	4,026	-	798,088
Depreciation										
At 1 January 2010	12,107	1,248,492	24,726	46,581	252,437	34,636	2,861	-	-	1,621,840
Current charge	1,813	123,501	1,911	2,593	15,897	2,704	326	-	-	148,745
At 31 December 2010	<u>13,920</u>	<u>1,371,993</u>	<u>26,637</u>	<u>49,174</u>	<u>268,334</u>	<u>37,340</u>	<u>3,187</u>	<u>-</u>	<u>-</u>	<u>1,770,585</u>
N.B.V. at 31 December 2010	<u>314,547</u>	<u>1,178,783</u>	<u>23,722</u>	<u>-</u>	<u>117,930</u>	<u>8,777</u>	<u>1,662</u>	<u>31,168</u>	<u>449,655</u>	<u>2,126,244</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

14. Receivables		2011	2010
		€	€
Falling due within One Year			
Receivables	14. 1	1,471	218
Other Related Undertakings	14. 1	22,437	10,009
Grants receivable from Central Government	14. 2	552,463	20,275
Other receivables		700	-
Prepayments, accrued income and deferred expenditure		32,491	84,458
		<u>609,562</u>	<u>114,960</u>
		2011	2010
		€	€
14. 1 Credit period analysis:			
Within credit period		4,946	2,885
Exceeded credit period but not impaired		18,962	7,342
Impaired and provided for		21,305	32,809
Provision for doubtful debts		(21,305)	(32,809)
		<u>23,908</u>	<u>10,227</u>
Impaired and written off		<u>14,108</u>	<u>-</u>
		2011	2010
		€	€
14. 2 Government Grants:			
Balance at the beginning of the year		20,275	110,292
Increase		532,188	-
Received		-	(90,017)
Forefeited		-	-
		<u>552,463</u>	<u>20,275</u>
Amount receivable within one year		<u>523,709</u>	<u>20,275</u>
Amount treceivablebetween one and two years		<u>28,754</u>	<u>-</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

15. Cash and Cash Equivalents

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

	2011	2010
	€	€
Cash in hand	247	331
Bank balances: Current accounts	(33,556)	(25,481)
Bank balances: Savings accounts	605,353	432,584
	<u>572,044</u>	<u>407,434</u>
Transferred to payables	33,558	25,483
	<u>605,602</u>	<u>432,917</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

16. Deferred Income		2011	2010
Government Grants		€	€
	<i>Note</i>		
Balance at 1 January		351,714	354,127
Increase		560,942	-
		<u>912,656</u>	<u>354,127</u>
Released to income		(84,253)	(2,413)
Balance at 31 December		<u>828,403</u>	<u>351,714</u>
Non-Current		<u>825,548</u>	<u>265,229</u>
Current	<i>17</i>	<u>2,855</u>	<u>86,485</u>
Deferred Government Grants			
Amount to be released between one and two years		2,569	1,678
Amount to be released between two and five years		6,266	4,093
Amount to be released beyond five years		816,713	259,458
		<u>825,548</u>	<u>265,229</u>
Deferred after five or more years:			
Amount to be released beyond five years		<u>816,713</u>	<u>259,458</u>

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund, GAL Xlokk and other Central Government Grants, collectively referred to as 'Government Grants', up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

17. Payables	2011	2010
	€	€
Falling due within One Year		
Bank account - unpresented cheques	33,558	25,483
General Payables	241,075	170,453
Accruals and deferred income	148,638	116,270
	<u>423,271</u>	<u>312,206</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

18. Capital commitments

	2011 €	2010 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	<u>437,500</u>	<u>230,500</u>
(ii) Contracted for but not provided in the financial statements:	<u>260,610</u>	<u>-</u>
These can be analysed further as follows:		
(i) Approved but not yet contracted for:		
- Construction	15,000	8,000
- Special Programmes	270,000	-
- Office furniture and fittings	-	25,000
- Urban Improvements	-	10,000
- Road resurfacing	110,000	185,000
- Machinery and equipment	42,500	2,500
	<u>437,500</u>	<u>230,500</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction & Road Resurfacing	183,610	-
- Special Programmes (Library Extension)	71,000	-
- Urban Improvements	6,000	-
	<u>260,610</u>	<u>-</u>

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

19. Contingent liabilities

Included in the General Payables is the amount of € 81,174 (2010: € 54,288). The Council is in litigation with two of its suppliers for the amount in question. The outcome of the litigation is still uncertain as the Council is contesting the claims.

20. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local Council Zejtun is the Local Councils Department within the Office of the Prime Minister.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Local Council Zejtun but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be a related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant Control
Joint Committee - Local Law Enforcement	Joint Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Head of School	No Control
Kunsill Malti għall-Isport	No Control
Local Councils Association	No Control
Local Councils, other than Local Council Zejtun	No Control
Police Commissioner	No Control
Malta Environment & Planning Authority	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

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

	2011	2010
	€	€
Financial Income:		
Income - Annual Financial Allocation	721,318	723,960
Share of Results of Joint Committee	61,699	8,500
	<u> </u>	<u> </u>
	€	€
Non-Cash Transactions:		
Government Grants Released	84,253	2,413
	<u> </u>	<u> </u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks, that include market risks, credit risk, liquidity risk and interest 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.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

Interest Rate risk

The Council's interest rate risk arises from the long term bank loan. Borrowing issued at variable rates expose the Council to cash flow interest rate risk, In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables 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.

22. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

23. Going Concern

The statement of financial position on page 4 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 continued support of the Council's creditors. Any adverse change in either of these assumptions, would not let the Council meet its financial obligations as they fall due without curtailin future commitments.

24. Fair Value Estimation

The nominal values less estimated adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair value.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

25. Prior Year Adjustment

25.1 During 2011, Local Council Zejtun discovered the following items:

- (a) Following the re-build of the fixed assets register the amount of € 260,689 (€ 306,882 credit opening reserves and € 46,193 debit expense in 2010) had to be written back to the depreciation provision, refer note 13. Reclassifications within the categories also had to be carried out in order to bring the nominal ledger in line with the rebuilt fixed assets register;
- (b) Income relating to the re-instatement of roads receivable from the Water Services Corporation amounting to € 47,400 had to be written back to reserves;
- (c) The amount of € 10,000 representing supplementary income for Zejtun and € 9,000 for the Energy saving scheme had to be written back to reserves;
- (d) The release of Government Grants to the income statement incorrectly stated in prior years amounting to ,844 (€ 19,507 - brought forward balance and € 337 - release in 2010);
- (e) The amount of € 6,409.26 was removed from utilities expense as this should be refunded from MEPA;
- (f) The amount of € 20,274 still receivable on Government Grants was not recorded;
- (g) Adjustment to opening accruals of € 7,998;
- (h) Adjustment to the income account of € 2,260 resulting from receipts that were credited to income instead of receivables.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

25. 2 The effect on the Income Statement for the year ended 31 December 2010 are as follows:

		As revised	As previously
		2010	reported
Income		€	2010
		€	€
Funds received from Central Government	3	736,373	726,032
Income raised under Council Bye-Laws	4	16,327	28,627
Income from Law Enforcement System	5	8,500	8,500
General Income	6	72,101	62,061
		<u>833,301</u>	<u>825,220</u>
Expenditure			
Personal emoluments	7	(132,646)	(132,646)
Operations and maintenance	8	(372,434)	(372,434)
Administrative and other expenditure	9	(257,700)	(223,561)
		<u>(762,780)</u>	<u>(728,641)</u>
Finance income	11	1,243	1,243
Finance costs		(142)	(142)
		<u>1,101</u>	<u>1,101</u>
Total Comprehensive Profit or the year		<u><u>71,622</u></u>	<u><u>97,680</u></u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

25.3 The effect on the closing retained earnings at 31 December 2010 are as follows:

	As revised	As previously reported
	2010	2010
	€	€
Opening retained Earnings	2,025,064	1,650,443
Retained Earnings for the year	71,622	97,680
	<u>2,096,686</u>	<u>1,748,123</u>

25.4 The effect on the closing Statement of Affairs at 31 December 2010 are as follows:

	As revised	As previously reported
	2010	2010
	€	€
Non-Current Assets		
Property, plant and equipment	2,126,244	1,865,556
Current Assets		
General and other receivables	114,960	12,885
Cash and balance balances	432,917	432,917
Total Assets	<u>2,674,121</u>	<u>2,311,358</u>
Retained Earnings	2,096,686	1,748,123
Non-current liabilities		
Deferred revenue	265,229	330,005
Current Liabilities		
Overdrawn bank balance	25,483	25,483
General and other payables	286,723	207,747
Total equity and liabilities	<u>2,674,121</u>	<u>2,311,358</u>

ZEJTUN LOCAL COUNCIL

**REPORT OF THE LOCAL GOVERNMENT AUDITORS ON THE ZEJTUN LOCAL COUNCIL TO
THE DIRECTOR OF AUDIT**

Without further qualifying our opinion, we draw attention to Note 23 in the financial statements.