

**ZEJTUN LOCAL COUNCIL**

**Report and Financial Statements**

**for the year ended 31 December 2016**

*Prepared by:*  
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## **ZEJTUN LOCAL COUNCIL**

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# **ZEJTUN LOCAL COUNCIL**

## **Financial Statements for the year ended 31 December 2016**

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

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes the Council's Statement of Comprehensive Income 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 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, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 5 April 2017 and signed on its behalf by:



**Attard Joseph**  
Mayor



**Anton Falzon**  
Executive Secretary

## ZEJTUN LOCAL COUNCIL

Statement of Income	Notes	Year ended 31 December	
		2016	2015
		€	€
<b>Revenue</b>			
Funds received from Central Government	5	873,036	830,908
Income raised under Council Bye-Laws	6	26,719	19,539
Income from Law Enforcement System	7	10,329	14,866
General Income	8	107,524	122,791
<b>Total Income</b>		<b>1,017,608</b>	<b>988,104</b>
<b>Expenditure</b>			
Personal emoluments	9	(162,249)	(147,139)
Operations and maintenance	10	(376,181)	(343,918)
Administrative and other expenditure	11	(350,323)	(322,710)
<b>Total Expenditure</b>		<b>(888,753)</b>	<b>(813,767)</b>
<b>Operating surplus for the year</b>		<b>128,855</b>	<b>174,337</b>
Finance income	12	339	687
Finance Costs	13	(8,681)	(78,121)
Finance income - net		(8,342)	77,434
Scrapped equipment		(274)	(686)
<b>Surplus for the year</b>		<b>120,239</b>	<b>96,217</b>

*The notes on pages 7 to 37 form an integral part of these financial statements.*

## ZEJTUN LOCAL COUNCIL

### STATEMENT OF FINANCIAL POSITION

		<u>As at 31 December</u>	
	<b>Notes</b>	<b>2016</b>	<b>2015</b>
		<b>€</b>	<b>€</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>14</b>	2,352,782	2,371,107
<b>Total non-current assets</b>		<u>2,352,782</u>	<u>2,371,107</u>
<b>Current assets</b>			
Receivables	<b>15</b>	83,687	202,344
Cash and bank balances	<b>16</b>	1,267,319	1,011,735
<b>Total current assets</b>		<u>1,351,006</u>	<u>1,214,079</u>
<b>Total assets</b>		<u><b>3,703,788</b></u>	<u><b>3,585,186</b></u>

*The notes on pages 7 to 37 form an integral part of these financial statements.*

# ZEJTUN LOCAL COUNCIL


## STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2016 €	2015 €
<b>Reserves and liabilities</b>			
<b>Reserves</b>			
Retained Earnings		2,532,260	2,412,016
<b>Total Equity</b>		<u>2,532,260</u>	<u>2,412,016</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	17	46,868	62,594
Deferred income	18	683,318	635,997
<b>Total non-current liabilities</b>		<u>730,186</u>	<u>698,591</u>
<b>Current liabilities</b>			
Payables	19	441,342	474,579
<b>Total current liabilities</b>		<u>441,342</u>	<u>474,579</u>
<b>Total liabilities</b>		<u>1,171,528</u>	<u>1,173,170</u>
<b>Total reserves and liabilities</b>		<u>3,703,788</u>	<u>3,585,186</u>

The financial statements were approved by the Council on 5 April 2017 and signed on its behalf by:

  
Joseph Attard  
Mayor

  
Anton Falzon  
Executive Secretary

*The notes on pages 7 to 37 form an integral part of these financial statements.*

## ZEJTUN LOCAL COUNCIL

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	<b>Retained Earnings €</b>	<b>Total €</b>
<b>Balance as at 1 January 2015</b>	2,315,804	2,315,804
Total Surplus for the year	<u>96,217</u>	<u>96,217</u>
<b>Balance as at 31 December 2015</b>	2,412,021	2,412,021
<b>Balance as at 1 January 2016</b>	2,412,021	2,412,021
Total Surplus for the year	<u>120,239</u>	<u>120,239</u>
<b>Balance as at 31 December 2016</b>	<u>2,532,260</u>	<u>2,532,260</u>

*The notes on pages 7 to 37 form an integral part of these financial statements*

## **ZEJTUN LOCAL COUNCIL**

### **Statement of Cash Flows for the year ended 31 December 2016**

	<b>Note</b>	<b>2016 €</b>	<b>2015 €</b>
Cash generated from operating activities	<b>25</b>	261,977	319,689
<b>Net cash generated from operating activities</b>		<u>261,977</u>	<u>319,689</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(178,006)	(144,474)
Interest received		339	687
<b>Net cash used in investing activities</b>		<u>(177,667)</u>	<u>(143,787)</u>
<b>Cash flows from financing activities</b>			
Grants received		173,228	36,938
<b>Net cash generated from financing activities</b>		<u>173,228</u>	<u>36,938</u>
<b>Net increase in cash and cash equivalents</b>		257,538	212,840
Cash and cash equivalents at beginning of year		1,006,977	794,137
<b>Cash and equivalents at end of year</b>	<b>16</b>	<u>1,264,515</u>	<u>1,006,977</u>

*The notes on pages 7 to 37 form an integral part of these financial statements.*



## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

#### **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 5 April 2017. 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.

#### **2. Summary of the Significant accounting policies**

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.

##### **2.1 Basis of preparation**

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996

The financial statements of the Zejtun Local Council have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to entities/companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Local Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2. 1.1 Changes in accounting policy and disclosures**

##### *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Council, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Local Council Zejtun is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018. The Local Council Zejtun will also consider the impact of the remaining phases of IFRS 9 when completed by the Council.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Council.

#### **2. 2 Functional and presentation currency**

Items included in the financial statements of the Local Council Zejtun are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in euro (€), which is the Council's presentation currency which is also the functional currency.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2.3 Property, plant and equipment**

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	<b>Rates in %</b>
Buildings	1.0
Office Furniture & Fittings	7.5
Construction Works	10.0
New Street Signs	Replacement
Urban Improvements (Street Furniture)	10.0
Special Programmes (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Trees	0
Litter Bins	Replacement
Playground Equipment	100.0
Street Lighting	100.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

#### **2.4 Impairment of property, plant and equipment**

Property, plant and equipment 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of property, plant and equipment are reviewed for possible reversal at each reporting date.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2.5 Financial Assets**

##### **2.5.1 Classification**

The Council classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Council's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

#### **2.6. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **2.7. Impairment of financial assets**

##### *Assets carried at amortised cost*

The Local Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

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For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2.8 General Receivables**

General receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

General receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

General receivables are expected to be settled within the short-term and as such cash flows relating to such receivables are not discounted since the effect of discounting is immaterial.

Known bad debts are written off at the end of the accounting period.

#### **2.9 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and credit bank balance as per books.

#### **2.10 General payables**

General 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

General payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

General payables are expected to be settled within the short-term and as such cash flows relating to such payables are not discounted since the effect of discounting is immaterial.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2.11 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **2.12 Financial instruments**

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method.

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

#### **2.13 Provisions**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **2.14 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Government Grants. The Local Council Zejtun recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Local Council Zejtun bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **(a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993**

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expenditure headings on which the Council is bound to allocate.

##### **(b) Services provided**

The Council derives income from permit fees issued to the general public. The Council also provides services to the South East Regional Committee for; share of cleaning expenses; share of electronic infrastructure and Council employees attending Tribunal sittings.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees (up to the 30 September 2015) and (as from 1 October 2015) to the LESA Agency.

##### **(c) Central Government Grants**

Note 2.15, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.



## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

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#### **2.15 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 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.

There are no unfulfilled conditions and contingences attached to recognised grants. The Council immediately writes off any variance between the value of any grants that were originally agreed upon and that the amount receivable and/or received is less than that agreed once the Council comes to know of the variance.

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

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#### **3. 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.

#### *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 2016

..... continued

#### *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.

	Less than 3 month	Between 3 month and 1 year	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
	€	€	€	€	€
<b>At 31 December 2016</b>					
Payables under Private Public Partnership	-	15,726	15,726	15,726	31,142
General and other payables (excluding Grants deferred income)	225,777	130,033	355,810	-	-
	<u>225,777</u>	<u>145,759</u>	<u>371,536</u>	<u>15,726</u>	<u>31,142</u>
<b>At 31 December 2015</b>					
Payables under Private Public Partnership	-	15,726	15,726	15,726	46,868
General and other payables (excluding Grants deferred income)	202,205	112,658	314,863	-	-
	<u>202,205</u>	<u>128,384</u>	<u>330,589</u>	<u>15,726</u>	<u>46,868</u>

## ZEJTUN LOCAL COUNCIL

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

..... 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.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 22. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

	2016	2015
	€	€
30 to 60 days	1,422	4,320
61 to 90 days	-	-
+91 days	10,914	4,946
	<u>12,336</u>	<u>9,266</u>

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **4.1 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

##### **4.1.2 Useful lives of property, plant and equipment**

As described at 2.3 above, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Local Councils Department and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets are no longer useful or to impair the asset as required.

<b>5. Funds Received from Central Government</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act, 1993	789,235	764,797
Supplementary Income	10,772	10,683
Grants released to income	73,029	55,428
	<u>873,036</u>	<u>830,908</u>

## ZEJTUN LOCAL COUNCIL

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

..... continued

<b>6. Income raised under Council Bye-Laws</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Permits related to construction	17,028	12,233
Permits for entertainment activities	176	327
Advertising on street furniture	1,689	168
Trenching permits	632	722
Material permits	1,914	1,247
Permits for use of skips	485	587
Permits for local festivities	130	-
Permits from kiosks	4,665	4,255
	<u>26,719</u>	<u>19,539</u>

## **ZEJTUN LOCAL COUNCIL**

### **Notes to the Financial Statements for the year ended 31 December 2016**

..... continued

#### **7. Income raised under Law Enforcement System**

	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
a) LES Income from Regions	8,899	9,816
b) Contraventions - Share of JC Surplus	1,430	5,050
	<u>10,329</u>	<u>14,866</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 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 Surplus of the Joint Committee was recognised on a cash basis

As from September 2011 the contraventions previously accruing to the Joint Committee started accruing in favour of the 'Regjun Xlokk'.

On 1 October 2015 the contraventions previously accruing to the 'Regjun Xlokk' started accruing in favour of the LESA Regjun Xlokk.

The Council's income from the Law Enforcement System therefore reflects two revenue streams that are as follows:

- a) 10% on the contraventions accruing to all Regional Committees up to 30 September 2015 that are settled at the Council's cash point.
- b) Receipts from the Joint Committee representing the Council's share of surplus on the Law Enforcement System accruing up to the 31 August 2011;
- c) 10% on the contraventions accruing to all LESA Committees as from the 1 October 2015 that are settled at the Council's cash point.

## ZEJTUN LOCAL COUNCIL

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

..... continued

<b>8. General Income</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Cultural activities	1,459	584
Contributions youth and sports	1,777	210
Rental income	12,216	9,371
Income publications	89	58
Liabilities written off	-	4,482
Waste separation at source	21,272	18,360
Tribunal rent	16,122	15,652
Souvenirs	44	34
I.T. courses	930	335
Other income	3,080	20,312
Contractors guarantees	281	48
Document Info charges	1,012	629
Tender document fees	-	650
Zejt z-Zejtun	4,166	5,312
Elderly sub committee	384	430
Refund from ARMS ltd	-	5,925
Manucca CDCC	35,880	23,000
Contributions community activites	8,812	17,399
	<u>107,524</u>	<u>122,791</u>
<b>9. Personal emoluments</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Personal emoluments include, inter alia:		
Mayor's Honoraria	10,842	10,572
Council Members' Allowance	11,200	11,100
Executive Secretary Salary and Allowance	33,259	32,474
Employees' Salaries	96,263	83,596
Social Security Contributions - Employer's Share	10,685	9,397
	<u>162,249</u>	<u>147,139</u>



## ZEJTUN LOCAL COUNCIL

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

..... continued

#### 10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2016	2015
	€	€
<b>Repairs and Upkeep:</b>		
Public Property	470	486
Road and Street Pavements	18,057	24,184
Repairs of boundary & rubble walls	7,148	-
Street Signs	12,049	3,491
Bus Shelters	843	4,340
Office Furniture & Equipment	2,494	330
Other Repairs & Upkeep	1,753	984
Street Markings	9,384	5,417
Maintenance Council Property	11,342	6,705
	<u>63,540</u>	<u>45,937</u>
<b>Contractual Services:</b>		
Waste Disposal	68,184	62,938
Refuse Collection	103,001	104,134
Bulky Refuse Collection	14,513	8,391
Cleaning Services	-	1,734
Road & Street Cleaning	40,557	31,106
Cleaning and Maintenance of Non-Urban Roads	12,264	12,140
Clean. & Maint. - Public Conveniences	9,360	8,291
Cleaning Services Feasts & Public Act.	1,371	573
Cleaning Council Premises	3,959	2,454
Pruning of Trees	745	201
Clean. & Maint. of Parks & Gardens	31,524	34,564
Street Lighting	560	-
Street Lighting	26,603	30,879
Rain water drains	-	448
Law Enforcement System	-	128
	<u>312,641</u>	<u>297,981</u>
<b>Total Operations and Maintenance expenses</b>	<u>376,181</u>	<u>343,918</u>

## ZEJTUN LOCAL COUNCIL

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

..... continued

<b>11.1 Administration and Other Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Utilities	18,255	13,432
Operating Materials & Supplies	3,347	4,945
Cleaning Materials & Supplies	577	142
Uniforms	-	337
Sundry Materials & Supplies	-	56
Spare Parts	457	63
Upkeep of Photocopier	1,159	814
Rents	1,509	2,633
Membership - Local Organisations	643	1,286
Printing	1,139	2,130
Stationery	7,437	7,229
Postages	876	722
Library Books	876	1,856
Public library services	2,126	1,892
Other Office Services	2,612	1,115
Publications	-	493
Fuel	50	70
Partly use of personal vehicle	1,405	1,553
Advertising	1,053	1,165
Lease of Equipment	-	90
Insurance Coverage	4,560	4,874
Bank Charges	140	127
IT Development Services	4,856	8,081
Balance carried forward to next page	<u>53,077</u>	<u>55,105</u>

## ZEJTUN LOCAL COUNCIL

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

..... continued

<b>11.2 Administration and Other Expenses (cont.)</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Balance brought forward from previous page	53,077	55,105
Engineering Services	8,195	1,897
Legal Services	1,568	-
Accountancy Services	5,156	5,772
Other Support Services	-	171
Education	6,470	901
Other Hospitality Costs	3,703	3,517
Social Events: Communitiy	11,444	20,452
Social Events: Youths and Sports	5,848	2,475
Social Activity: Zejt iz-Zejtun	39,462	39,676
Elderly persons with disability sub comm	1,239	1,277
Cultural Events	6,901	3,921
Community Services	675	4,706
Incidental Expenses	10,530	6,956
Sundry Minor Expenses	-	45
Penalties inflicted by M.T.I.	-	623
Provision for Bad Debts	-	149
Bad Debts Written off	-	241
Depreciation Expense	196,055	174,826
	<u>350,323</u>	<u>322,710</u>
<b>12. Finance income</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Bank interest	339	687
	<u>339</u>	<u>687</u>
<b>13. Finance Costs</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
Interest charged by M.T.I.	8,681	78,121
	<u>8,681</u>	<u>78,121</u>

**ZEJTUN LOCAL COUNCIL**

**Notes to the Financial Statements  
for the year ended 31 December 2016**

..... continued

**14. 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 2016	486,957	4,288,837	114,892	53,452	798,454	30,252	4,968	39,198	45,439	5,862,449
Reclassifications	-	16,671	-	-	28,494	-	-	-	(45,165)	-
Additions	-	160,200	5,500	-	12,244	-	-	-	60	178,004
Disposals	-	-	-	-	-	-	-	-	(274)	(274)
<b>At 31 December 2016</b>	<b>486,957</b>	<b>4,465,708</b>	<b>120,392</b>	<b>53,452</b>	<b>839,192</b>	<b>30,252</b>	<b>4,968</b>	<b>39,198</b>	<b>60</b>	<b>6,040,179</b>
<b>Government Grants</b>										
At 1 January 2016 & 31 December 2016	-	678,573	-	-	115,489	-	-	4,026	-	798,088
<b>Depreciation</b>										
At 1 January 2016	27,651	2,077,095	43,874	53,452	463,886	23,152	4,144	-	-	2,693,254
Reclassifications	-	-	(1,169)	-	-	1,169	-	-	-	-
Current charge	3,243	159,701	5,487	-	25,689	1,771	164	-	-	196,055
<b>At 31 December 2016</b>	<b>30,894</b>	<b>2,236,796</b>	<b>48,192</b>	<b>53,452</b>	<b>489,575</b>	<b>26,092</b>	<b>4,308</b>	<b>-</b>	<b>-</b>	<b>2,889,309</b>
<b>N.B.V. at 31 December 2016</b>	<b>456,063</b>	<b>1,550,339</b>	<b>72,200</b>	<b>-</b>	<b>234,128</b>	<b>4,160</b>	<b>660</b>	<b>35,172</b>	<b>60</b>	<b>2,352,782</b>

**ZEJTUN LOCAL COUNCIL**

**Notes to the Financial Statements  
for the year ended 31 December 2016**

..... continued

**14. 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 2015	486,957	3,892,700	102,091	52,203	777,299	30,857	4,968	34,466	384,441	5,765,982
Reclassifications	-	348,781	9,861	-	17,162	-	-	4,732	(380,536)	-
Additions	-	47,356	2,940	1,249	3,993	-	-	-	41,615	97,153
Disposals	-	-	-	-	-	(605)	-	-	(81)	(686)
<b>At 31 December 2015</b>	<b>486,957</b>	<b>4,288,837</b>	<b>114,892</b>	<b>53,452</b>	<b>798,454</b>	<b>30,252</b>	<b>4,968</b>	<b>39,198</b>	<b>45,439</b>	<b>5,862,449</b>
<b>Government Grants</b>										
At 1 January 2015 & 31 December 2015	-	678,573	-	-	115,489	-	-	4,026	-	798,088
<b>Depreciation</b>										
At 1 January 2015	24,376	1,944,121	38,302	52,203	434,479	21,008	3,939	-	-	2,518,428
Current charge	3,275	132,974	5,572	1,249	29,407	2,144	205	-	-	174,826
At 31 December 2015	27,651	2,077,095	43,874	53,452	463,886	23,152	4,144	-	-	2,693,254
<b>N.B.V. at 31 December 2015</b>	<b>459,306</b>	<b>1,533,169</b>	<b>71,018</b>	<b>-</b>	<b>219,079</b>	<b>7,100</b>	<b>824</b>	<b>35,172</b>	<b>45,439</b>	<b>2,371,107</b>

**ZEJTUN LOCAL COUNCIL**

**Notes to the Financial Statements  
for the year ended 31 December 2016**

..... continued

<b>15. Receivables</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<b>Falling due within One Year</b>		
Receivables	<b>15. 1</b> 24,600	17,379
Other Related Undertakings	<b>15. 1</b> 13,475	14,507
Grants receivable from Central Government	<b>15. 2</b> 40,878	152,148
Other receivables	175	-
	<u>79,128</u>	<u>184,034</u>
Prepayments, accrued income and deferred expenditure	4,559	18,310
	<u>83,687</u>	<u>202,344</u>
	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>
<b>15. 1 Credit period analysis:</b>		
Within credit period	20,365	3,623
Exceeded credit period but not impaired	17,710	28,263
Impaired and provided for	460	460
Provision for doubtful debts	(460)	(460)
	<u>38,075</u>	<u>31,886</u>
Impaired and written off	<u>-</u>	<u>241</u>

## ZEJTUN LOCAL COUNCIL

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

..... continued

As at the date of the statement of financial position, the ageing analysis of the receivables is as follows:

	Total	current neither past due nor impaired	less than 30 days	Past due but not impaired		91 days and over
				31 to 60 days	61 to 90 days	
	€	€	€	€	€	€
At 2016	38,075	14,806	3,370	2,189	4	17,706
At 2015	31,886	10,583	2,055	6,437	940	11,871

	2016	2015
	€	€
<b>15.2 Government Grants:</b>		
Balance at the beginning of the year	152,148	117,065
Increase	72,126	72,083
Received	(173,228)	(36,938)
Forgone	(10,168)	(62)
	<b>40,878</b>	<b>152,148</b>
Amount receivable within one year	28,378	152,148
Amount receivable between one and two years	12,500	-

## ZEJTUN LOCAL COUNCIL

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

..... continued

#### 16. Cash and Cash Equivalents

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

	2016	2015
	€	€
Cash in hand	554	578
Bank balances: Current accounts	(2,802)	(4,756)
Bank balances: Savings accounts	1,266,763	1,011,155
	<u>1,264,515</u>	<u>1,006,977</u>
Transferred to payables	2,804	4,758
	<u>1,267,319</u>	<u>1,011,735</u>
<b>17. Amounts payable under the PPP agreement</b>	<b>2016</b>	<b>2015</b>
	€	€
	<i>Note</i>	
<b>Non-Current</b>		
Public Private Partnership (PPP) Agreement	<u>46,868</u>	<u>62,594</u>
<b>Current</b>		
Public Private Partnership (PPP) Agreement	<i>19</i> <u>15,726</u>	<u>15,726</u>
Total Amount payable under the PPP Agreement	<u>62,594</u>	<u>78,320</u>
Amount payable between one and two years	15,726	15,726
Amount payable between two and five years	<u>31,142</u>	<u>46,868</u>
	<u>46,868</u>	<u>62,594</u>



**ZEJTUN LOCAL COUNCIL**

**Notes to the Financial Statements  
for the year ended 31 December 2016**

..... continued

<b>18. Deferred Income</b>		<b>2016</b>	<b>2015</b>
Government Grants		<b>€</b>	<b>€</b>
	<i>Note</i>		
Balance at 1 January		770,133	763,540
Increase		72,125	62,083
		<u>842,258</u>	<u>825,623</u>
Released to income		(83,029)	(55,428)
Forgone	<i>(a)</i>	(10,168)	(62)
		<u><u>749,061</u></u>	<u><u>770,133</u></u>
<b>Non-Current</b>		<u>683,318</u>	<u>635,997</u>
<b>Current</b>	<i>19</i>	<u>65,743</u>	<u>134,136</u>
<b>Deferred Government Grants</b>			
Amount to be released between one and two years		65,743	56,418
Amount to be released between two and five years		160,483	137,739
Amount to be released beyond five years		457,092	441,840
		<u>683,318</u>	<u>635,997</u>
<b>Deferred after five or more years:</b>			
Amount to be released beyond five years		<u>457,092</u>	<u>441,840</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.

**(a) Foregone**

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 15. 2.

## ZEJTUN LOCAL COUNCIL

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

..... continued

19. Payables	2016	2015
	€	€
<b>Falling due within One Year</b>		
Amounts payable within one year under PPP agreement 17	15,726	15,726
Bank account - un-presented cheques	2,804	4,758
General payables	48,504	56,995
Amounts owed to related parties	177,273	145,210
Accruals and deferred income	197,015	251,870
Other Payables	20	20
	<u>441,342</u>	<u>474,579</u>

The amount payable under the Public Private Partnership (PPP) will be 50% paid out of Central Government Funds and 50% out of the Council's general funds, in line with the PPP agreement reached between the Central Government and the Council.

## ZEJTUN LOCAL COUNCIL

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

..... continued

#### 20. Financial Instruments

The Council manages its liquidity to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2015.

20.1 Categories of financial instruments	2016	2015
	€	€
<i>Financial Assets</i>		
<u><i>Non-Current Assets</i></u>		
Cash and cash equivalents	1,267,319	1,011,735
	1,267,319	1,011,735
<u><i>Current Assets</i></u>		
Grants Receivable	40,878	152,148
Receivables	38,075	48,100
	78,953	200,248
<i>Financial Liabilities</i>		
Financial liabilities restated at amortised cost		
<u><i>Non-Current Liabilities</i></u>		
Payables under PPP agreement	46,868	62,594
<u><i>Current Liabilities</i></u>		
Payables under PPP agreement	15,726	15,726
General Payables	355,810	314,863
Bank Balanc	2,804	4,758
	374,340	335,347

## ZEJTUN LOCAL COUNCIL

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

..... continued

#### 21. Capital commitments

	2016 €	2015 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	72,000	62,000
(ii) Contracted for but not provided in the financial statements:	255,726	255,726
	<u>327,726</u>	<u>317,726</u>

These can be analysed further as follows:

(i) Approved but not yet contracted for:		
- Special Programmes Gnien San Girgor	50,000	-
- Office furniture and fittings	3,000	3,000
- Urban Improvements	13,000	50,000
- Machinery and equipment	6,000	9,000
	<u>72,000</u>	<u>62,000</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction & Road Resurfacing	255,726	255,726
	<u>255,726</u>	<u>255,726</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 2016

..... continued

#### 22. 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 related parties:

<b>Name of Entity:</b>	<b>Nature of Relationship</b>
Department of Local Councils	Significant Control
Regional Committee - Local Law Enforcement	No Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Enemalta Corporation	No Control
Law Courts of Malta	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
Malta Tourism Authority	No Control
MITTS	No Control
Public Broadcasting Services Ltd	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control
Commissioner for Data Protection	No Control
Director of Information	No Control
University of Malta	No Control
Commissioner for Lands	No Control
Department of Agriculture	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control

## ZEJTUN LOCAL COUNCIL

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

..... continued

South East Regional Committee	No Control
Central Regional Committee	No Control
Arms Limited	No Control
Commissioner of Inland Revenue	No Control

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

	2016	2015
	€	€
<b>Cash Transactions:</b>		
Income - Annual Financial Allocation	789,235	764,797
Income - Share of Results of Joint Committee	1,430	5,050
Purchases of goods and services	79,295	93,651
Commissions receivable from Regional Committees	8,899	9,816

	2016	2015
	€	€
<b>Non-Cash Transactions:</b>		
Government Grants Released	73,029	55,428

<b>Year-end balances arising from related party transactions</b>	2016	2015
	€	€
Central Government Grants	40,878	152,148
Receivables from related parties	13,475	14,507

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Grants receivable and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest. Provisions amounting to € 310 are held against receivables from related parties (31 December 2015 - € 310).

	2016	2015
	€	€
Payables to related parties	168,592	145,210

## ZEJTUN LOCAL COUNCIL

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

..... continued

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

#### 23. Post Balance Sheet events

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

#### 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.

25. Cash generated from operations	2016 €	2015 €
Surplus for the year	120,239	96,217
Adjustments for:		
Depreciation	196,055	174,826
Bad debts written off	-	241
Provision for doubtful debts	-	149
Grants released to income	(83,029)	(55,428)
Investment income	(339)	(687)
Interest Payable	8,681	78,121
Disposal of assets	274	686
Movements in working capital:		
Receivables	7,389	(22,445)
Payables	12,707	48,009
<b>Cash Generated by Operations</b>	<b>261,977</b>	<b>319,689</b>