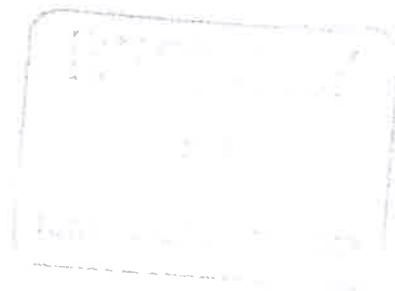


ZEJTUN LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2020



*Prepared by:
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San Gwann*

ZEJTUN LOCAL COUNCIL

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ZEJTUN LOCAL COUNCIL

Financial Statements for the year ended 31 December 2020

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 19 July 2021 and signed on its behalf by:



Abela Maria Dolores
Mayor



Anton Falzon
Executive Secretary

ZEJTUN LOCAL COUNCIL

Statement of Income	Notes	Year ended 31 December	
		2020 €	2019 €
Revenue			
Funds received from Central Government	5	1,034,377	981,559
Income raised under Council Bye-Laws	6	37,115	37,649
Income from Law Enforcement System	7	5,579	8,165
General Income	8	102,149	104,861
Total Income		<u>1,179,220</u>	<u>1,132,234</u>
Expenditure			
Personal emoluments	9	(177,606)	(162,495)
Operations and maintenance	10	(435,603)	(452,666)
Administrative and other expenditure	11	(474,532)	(505,042)
Total Expenditure		<u>(1,087,741)</u>	<u>(1,120,203)</u>
Operating surplus for the year		91,479	12,031
Finance income	12	25	351
Finance income - net		<u>25</u>	<u>351</u>
Surplus for the year		<u>91,504</u>	<u>12,382</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	2020	2019
		€	€
Assets			
Non-current assets			
Property, plant and equipment	13	<u>1,725,626</u>	<u>1,790,809</u>
Total non-current assets		<u>1,725,626</u>	<u>1,790,809</u>
Current assets			
Receivables	14	124,089	141,398
Cash and cash equivalents	15	1,462,536	1,336,235
Total current assets		<u>1,586,625</u>	<u>1,477,633</u>
Total assets		<u><u>3,312,251</u></u>	<u><u>3,268,442</u></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	2020	2019
		€	€
Reserves and liabilities			
Reserves			
Retained Earnings		2,899,897	2,808,393
Total Equity		<u>2,899,897</u>	<u>2,808,393</u>
Liabilities			
Non-current liabilities			
Financial liabilities	16	67,218	76,820
Total non-current liabilities		<u>67,218</u>	<u>76,820</u>
Current liabilities			
Payables	17	345,136	383,229
Total current liabilities		<u>345,136</u>	<u>383,229</u>
Total liabilities		<u>412,354</u>	<u>460,049</u>
Total reserves and liabilities		<u><u>3,312,251</u></u>	<u><u>3,268,442</u></u>

The financial statements were approved by the Council on 19 July 2021 and signed on its behalf by:



Maria Dolores Abela
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 2020**

	Retained Earnings €	Total €
Balance as at 1 January 2019	2,796,011	2,796,011
Total Surplus for the year	<u>12,382</u>	<u>12,382</u>
Balance as at 31 December 2019	<u>2,808,393</u>	<u>2,808,393</u>
Balance as at 1 January 2020	2,808,393	2,808,393
Total Surplus for the year	<u>91,504</u>	<u>91,504</u>
Balance as at 31 December 2020	<u>2,899,897</u>	<u>2,899,897</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 2020

	Note	2020 €	2019 €
Cash generated from operating activities	23	328,876	305,726
Net cash generated from operating activities		<u>328,876</u>	<u>305,726</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(275,672)	(409,067)
Interest received		25	351
Net cash used in investing activities		<u>(275,647)</u>	<u>(408,716)</u>
Cash flows from financing activities			
Grants received		73,072	10,625
Net cash generated from financing activities		<u>73,072</u>	<u>10,625</u>
Net increase in cash and cash equivalents		126,301	(92,365)
Cash and cash equivalents at beginning of year		1,336,235	1,428,600
Cash and equivalents at end of year	15	<u>1,462,536</u>	<u>1,336,235</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 2020

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 19 July 2021. 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. A change in the depreciation from Reducing balance method to Straight line method has been effected according to the instructions in the DLG Directive 1/2017.

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 2020

..... continued

2. 1.1 Changes in accounting policy and disclosures

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the council.

The council anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No new Standards, amendments and Interpretations are expected to have a material impact on the council's financial statements.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

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 main areas of expected impact are as follows:

- o the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- o an expected credit loss-based impairment will need to be recognised on trade receivables

- o The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018. Amendments made to IAS 1 Presentation of Financial Statements following the release of IFRS 9 Financial Instruments now require the separate presentation of the following line items in the statement of profit or loss:

- (a) interest revenue calculated using the effective interest rate method, separately from other revenue
- (b) gains and losses from the derecognition of financial assets measured at amortised cost
- (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains
- (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss

Comparatives in first year after adoption of IFRS 9 Financial Instruments As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

Impairment of financial assets: While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

In line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. No impact was identified as the leased assets as the identified value was immaterial.

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 2020

..... 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 straight line 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:

	Rates in %
Buildings	1.0 - 1.28
Office Furniture & Fittings	7.5 - 100.0
Construction Works	10.0 - 46.15
New Street Signs	Replacement
Urban Improvements (Street Furniture)	10.0 - 100.0
Special Programmes (Projects)	10.0 - 100.0
Office Equipment	20.0 - 100.0
Motor Vehicles	20.0
Plant and Machinery	20.0 - 100.0
Computer Equipment	25.0 - 100.0
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 2020

..... 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 2020

..... continued

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.

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... 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 2020

..... 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 2020

..... 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 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 2020

..... continued

2.15 Government grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to the year ended 31st December 2017, government grants were accounted for using the income approach according to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. On 1st January 2018, the capital approach, according to IAS 20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

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 2020

..... 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
	€	€	€	€
At 31 December 2020				
Payables under Private Public Partnership	-	-	-	-
General and other payables (excluding Grants deferred income)	167,431	35,589	203,020	-
	<u>167,431</u>	<u>35,589</u>	<u>203,020</u>	<u>-</u>
At 31 December 2019				
Payables under Private Public Partnership	-	15,726	-	-
General and other payables (excluding Grants deferred income)	123,383	52,855	176,238	-
	<u>123,383</u>	<u>68,581</u>	<u>176,238</u>	<u>-</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... 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 20. 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.

	2020	2019
	€	€
30 to 60 days	27,394	7,285
61 to 90 days	10,440	25,299
+91 days	52,287	743
	<u>90,121</u>	<u>33,327</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... 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

4.2 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.

5. Funds Received from Central Government	2020	2019
	€	€
In terms of section 55 of the Local Councils Act, 1993	940,103	889,903
Income from other entities	(473)	12,018
Grants released to income	33,563	21,928
Other government income	61,184	57,710
	<u>1,034,377</u>	<u>981,559</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2020**

..... continued

6. Income raised under Council Bye-Laws	2020	2019
	€	€
Permits related to construction	33,790	27,569
Advertising on street furniture	466	889
Trenching permits	558	619
Permits for use of skips	2,147	4,252
Permits from kiosks	154	4,320
	<u>37,115</u>	<u>37,649</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

7. Income raised under Law Enforcement System

	2020	2019
	€	€
a) LES Income from Regions	5,579	8,165
	<u>5,579</u>	<u>8,165</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 LESA 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 three revenue streams that are as follows:

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

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

8. General Income	2020	2019
	€	€
Contributions youth and sports	2,112	7,333
Rental income	11,707	11,835
Tribunal rent	18,145	17,617
Souvenirs	57	24
I.T. courses	-	310
Other income	1,789	10,594
Insurance Claim	-	827
Document Info charges	3,444	2,860
Zejt z-Zejtun	7	4,370
Elderly sub committee	-	380
Manucca CDCC	60,482	36,000
Contributions community activites	4,406	12,711
	<u>102,149</u>	<u>104,861</u>

9. Personal emoluments	2020	2019
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria	15,027	13,690
Council Members' Allowance	22,600	16,900
Executive Secretary Salary and Allowance	37,003	35,731
Employees' Salaries	92,217	86,161
Social Security Contributions - Employer's Share	10,759	10,013
	<u>177,606</u>	<u>162,495</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2020	2019
	€	€
Repairs and Upkeep:		
Road and Street Pavements	17,056	24,193
Repairs of boundary & rubble walls	-	874
Street Signs	3,597	6,224
Office Furniture & Equipment	4	1,417
Other Repairs & Upkeep	1,821	1,477
Street Markings	2,577	2,927
Maintenance Council Property	8,938	7,314
	<u>33,993</u>	<u>44,426</u>
Contractual Services:		
Waste Disposal	65,331	66,113
Refuse Collection	110,602	119,239
Bulky Refuse Collection	25,729	30,799
Road & Street Cleaning	57,741	55,119
Cleaning and Maintenance of Non-Urban Roads	28,846	27,384
Clean. & Maint. - Public Conveniences	3,883	13,334
Cleaning Council Premises	5,433	5,763
Clean. & Maint. of Parks & Gardens	51,182	54,930
Street Lighting	37,001	35,559
Provision for bad debts	15,862	-
	<u>401,610</u>	<u>408,240</u>
Total Operations and Maintenance expenses	<u>435,603</u>	<u>452,666</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

11.1 Administration and Other Expenses	2020	2019
	€	€
Utilities	12,732	13,722
Operating Materials & Supplies	10,131	7,611
Cleaning Materials & Supplies	735	410
Uniforms	1,609	391
Upkeep of Photocopier	1,060	760
Rents	1,282	1,454
Membership - Local Organisations	643	643
Printing	1,451	3,948
Stationery	3,343	4,751
Postage	395	963
Documentation	-	155
Public library services	1,520	3,012
Other Office Services	1,915	2,362
Fuel	1,788	2,188
Advertising	630	441
Insurance Coverage	5,363	4,382
Bank Charges	486	2,749
Other contractual service	35,920	16,106
IT Development Services	14,415	8,385
Balance carried forward to next page	<u>95,418</u>	<u>74,433</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

11.2 Administration and Other Expenses (cont.)	2020	2019
	€	€
Balance brought forward from previous page	95,418	74,433
Engineering Services	36,296	23,772
Accountancy Services	4,484	6,195
Professional fees	4,602	3,422
Other cost	24,566	2,209
Conference Expenses	(427)	1,452
Education	1,148	4,231
Other Hospitality Costs	2,291	8,404
Social Events: Community	839	16,101
Social Events: Youths and Sports	4,145	6,400
Social Activity: Zejt iz-Zejtun	1,832	53,147
Elderly persons with disability sub comm	802	816
Cultural Events	3,221	8,806
Incidental Expenses	8,555	23,275
Local Enforcement	-	448
10% Administration fee	255	266
Depreciation Expense	286,505	271,665
	<u>474,532</u>	<u>505,042</u>
12. Finance income	2020	2019
	€	€
Bank interest	25	351
	<u>25</u>	<u>351</u>

ZETUN LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2020

13 Property, plant and equipment

Cost	Property €	Special Programmes €	Furniture & Fittings €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Trees €	Assets not yet capitalised €	Total €
At 1 January 2020	486,957	5,214,195	125,141	53,452	871,525	35,496	5,323	39,198	66,087	6,897,374
Reclassification	-	33,754	-	-	32,333	-	-	-	(66,087)	-
Additions	-	175,424	1,677	-	-	225	-	-	98,346	275,672
At 31 December 2020	486,957	5,423,373	126,818	53,452	903,858	35,721	5,323	39,198	98,346	7,173,046
Government Grants										
Less Government Grants as 1 Jan 2020	(50,000)	(1,359,771)	-	-	(428,306)	(2,078)	-	(4,026)	-	(1,844,181)
Less Government Grants 2020	(50,000)	(1,392,567)	-	-	(428,306)	(2,078)	-	(4,026)	(40,276)	(1,917,253)
Depreciation										
At 1 January 2020	37,591	2,662,030	79,848	53,452	396,245	28,214	5,004	-	-	3,262,384
Charge for the Year	3,294	218,318	7,544	-	37,096	1,460	71	-	-	267,783
	40,885	2,880,348	87,392	53,452	433,341	29,674	5,075	-	-	3,530,167
N.B.V. at 31.12.20	396,072	1,150,458	39,426	-	42,211	3,969	248	35,172	58,070	1,725,626
N.B.V. at 31.12.19	399,366	1,192,394	45,293	-	46,974	5,204	319	35,172	66,087	1,790,809

ZEITUN LOCAL COUNCIL

Notes to the Financial Statements
for the year ended 31 December 2019

13 Property, plant and equipment

Cost	Property €	Special Programmes €	Furniture & Fixtures €	Street Signs €	Urban Improvements €	Office Equipment €	Plant & Machinery €	Trees €	Assets not yet capitalised €	Total €
At 1 January 2019	486,957	4,842,693	124,286	53,452	839,192	31,475	4,968	39,198	65,156	6,487,377
Reclassification	-	19,463	-	-	32,333	-	-	-	(51,796)	-
Additions	-	352,039	855	-	-	4,021	355	-	52,727	409,987
At 31 December 2019	486,957	5,214,195	125,141	53,452	871,525	35,496	5,323	39,198	66,087	6,897,374
Government Grants										
Less Government Grants as 1 Jan 2018	(50,000)	(1,359,771)	-	-	(428,306)	(2,078)	-	(4,026)	-	(1,844,181)
Less Government Grants 2019	(50,000)	(1,359,771)	-	-	(428,306)	(2,078)	-	(4,026)	-	(1,844,181)
Depreciation										
At 1 January 2019	34,551	2,408,625	72,662	53,452	389,748	26,713	4,968	-	-	2,990,719
Charge for the year	3,040	253,405	7,186	-	6,497	1,501	36	-	-	271,665
	37,591	2,662,030	79,848	53,452	396,245	28,214	5,004	-	-	3,262,384
N.B.V. at 31.12.19	399,366	3,192,394	45,293	-	46,974	5,204	319	35,172	66,087	1,790,809
N.B.V. at 31.12.18	402,406	3,074,297	51,624	-	21,138	2,684	-	35,172	65,156	1,652,477

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

14. Receivables		2020	2019
		€	€
Falling due within One Year			
Receivables	14. 1	6,640	30,881
Other Related Undertakings	14. 1	83,021	75,043
Grants receivable from Central Government	14. 2	33,573	33,474
Other receivables		175	175
Financial Assets		123,409	139,573
Prepayments, accrued income and deferred expenditure		680	1,825
		<u>124,089</u>	<u>141,398</u>

		2020	2019
		€	€
14. 1 Credit period analysis:			
Within credit period		27,394	86,499
Exceeded credit period but not impaired		62,267	19,425
Impaired and provided for		16,322	460
Provision for doubtful debts		(16,322)	(460)
		<u>89,661</u>	<u>105,924</u>

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	Past due but not impaired			91 days and over
			less than 30 days	31 to 60 days	61 to 90 days	
	€	€	€	€	€	€
At 2020	<u>89,661</u>	<u>20,263</u>	<u>7,131</u>	<u>4,988</u>	<u>5,452</u>	<u>51,827</u>
At 2019	<u>105,924</u>	<u>17,153</u>	<u>607</u>	<u>56</u>	<u>34,316</u>	<u>53,792</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

	2020	2019
	€	€
14.2 Government Grants:		
Balance at the beginning of the year	33,474	13,450
Increase	28,989	30,649
Received	(28,890)	(10,625)
Forgone	-	-
	<u>33,573</u>	<u>33,474</u>
Amount receivable within one year	<u>10,780</u>	<u>14,752</u>
Amount receivable between one and two years	<u>22,793</u>	<u>18,722</u>

15. 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.

	2020	2019
	€	€
Cash in hand	2,268	681
Bank balances: Current accounts	-	(52,133)
Bank balances: Savings accounts	1,460,268	1,335,554
	<u>1,462,536</u>	<u>1,284,102</u>
Transferred to payables	-	52,133
	<u>1,462,536</u>	<u>1,336,235</u>

ZEJTUN LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2020**

..... continued

16. Amounts payable under the PPP agreement	2020	2019
	€	€
	<i>Note</i>	
Non-Current		
Ministry for Transport, Infrastructure and Capital Projects	<u>67,218</u>	<u>76,820</u>
Current		
Public Private Partnership (PPP) Agreement & Penalty	<i>17</i> <u>9,603</u>	<u>15,416</u>
Total Amount payable under the PPP Agreement & Penalty	<u>76,821</u>	<u>92,236</u>
Amount payable within one years	9,603	15,416
Amount payable between two and five years	<u>67,218</u>	<u>-</u>
	<u>76,821</u>	<u>15,416</u>
17. Payables	2020	2019
	€	€
Falling due within One Year		
Amounts payable within one year under PPP agreement	<i>16</i> -	15,416
Bank account - un-presented cheques	39,503	52,133
General payables	74,787	95,781
Amounts owed to related parties	92,644	27,602
Advanced payment	1,648	34,400
Accruals and deferred income	65,222	156,927
Other Payables	<u>71,332</u>	<u>970</u>
	<u>345,136</u>	<u>383,229</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 2020

..... continued

18. 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 2019.

18.1 Categories of financial instruments	2020	2019
	€	€
<i>Financial Assets</i>		
<u><i>Current Assets</i></u>		
Grants Receivable	33,573	33,474
Receivables	89,661	105,924
Cash and cash equivalents	1,462,536	1,336,235
	<u>1,585,770</u>	<u>1,475,633</u>
<i>Financial Liabilities</i>		
Financial liabilities restated at amortised cost		
<u><i>Non-Current Liabilities</i></u>		
Payables under PPP agreement & Penalty	<u>67,218</u>	<u>76,820</u>
<u><i>Current Liabilities</i></u>		
Payables under PPP agreement	-	15,416
General Payables	167,431	123,383
Accruals	35,599	52,855
Bank Balance	39,503	52,133
	<u>242,533</u>	<u>243,787</u>

ZEJTUN LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2020

..... continued

19. Capital commitments

	2020	2019
	€	€
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	243,479	270,242
(ii) Contracted for but not provided in the financial statements:	-	90,000
	<u>243,479</u>	<u>360,242</u>

These can be analysed further as follows:

(i) Approved but not yet contracted for:		
Special Programmes	220,000	270,242
- LESA Funding	13,479	-
- Machinery and equipment	10,000	-
	<u>243,479</u>	<u>270,242</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction & Road Resurfacing	-	90,000
	<u>-</u>	<u>90,000</u>

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