

HAŽ-ŽABBAR LOCAL COUNCIL
FINANCIAL STATEMENTS
For the year ended 31 December 2016

CONTENTS	PAGES
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 – 35
Auditors' report	36

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Chartered Certified Accountants & Auditors

HAŻ-ŻABBAR LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 27 April 2017 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Ranier Busuttil
Agent Executive Secretary

HAŽ-ŽABBAR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes:	2016 €	2015 €
Revenue			
Funds received from the Central Government	4	854,484	828,032
Income raised under Council Bye-Laws	5	19,296	16,240
Income Raised under Local Enforcement System	6	11,216	12,298
General Income	7	8,911	4,602
		<hr/>	<hr/>
		893,907	861,172
Expenditure			
Personnel Emoluments	8	(147,483)	(126,447)
Operations and maintenance	9	(447,964)	(345,865)
Administration and other expenditure	10	(164,601)	(220,758)
Other expenditure/income	11	(43,731)	(363)
		<hr/>	<hr/>
Total Expenditure		(803,779)	(693,433)
		<hr/>	<hr/>
Operating profit for the year		90,128	167,739
		<hr/>	<hr/>
Finance income	12	306	679
		<hr/>	<hr/>
Surplus for the year		€ 90,434	€ 168,418
		<hr/>	<hr/>

HAŻ-ŻABBAR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,131,003	959,991
Current assets			
Inventories	14	11,935	12,144
Receivables	15 / 16	122,978	124,092
Cash and cash equivalents	17	721,938	789,734
		<u>856,851</u>	<u>925,970</u>
Total assets		<u>€ 1,987,854</u>	<u>€ 1,885,961</u>
RESERVES			
Retained earnings		<u>1,462,416</u>	<u>1,371,982</u>
LIABILITIES			
Non-current liabilities			
Other financial payables	18	57,700	74,251
Deferred income	19	241,204	262,098
Total Non-current liabilities		<u>298,904</u>	<u>336,349</u>
Current liabilities			
Trade and other payables	20	226,534	177,630
Total reserves and liabilities		<u>€ 1,987,854</u>	<u>€ 1,885,961</u>

These financial statements were approved by the Local Council on 27 April 2017 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Ranier Busuttill
Agent Executive Secretary

HAŻ-ŻABBAR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Retained Earnings €
At 1 January 2014	1,171,865
Surplus for the year	31,699
At 31 December 2014	<u>1,203,564</u>
At 1 January 2015	1,203,564
Surplus for the year	168,418
At 31 December 2015	<u>€ 1,371,982</u>
At 1 January 2016	1,371,982
Surplus for the year	90,434
At 31 December 2016	<u>€ 1,462,416</u>

HAŽ-ŽABBAR LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 €	2015 €
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash generated from operating activities	22	235,572	283,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(303,619)	(41,035)
Interest received		251	623
NET CASH (USED IN) INVESTING ACTIVITIES		(303,368)	(40,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		-	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(67,796)	243,389
Cash and equivalents at beginning of year		789,734	546,345
Cash and equivalents at end of year	17	721,938	€ 789,734

HAŻ-ŻABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 GENERAL INFORMATION

The Haż-Żabbar Local Council is the local Authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Civic Centre, Triq ic-Cawgli, Haż-Żabbar. These financial statements were approved for issue by the council members on 27 April 2017. The Local Council's financial statements are presented in Euro (€) which is the functional currency of the council. Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

(a) Basis of preparation

These financial statements are prepared under the historical cost convention except as disclosed below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of International Financial Reporting Standards as adopted by the European Union.

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).

(b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2016 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(b) Standards, amendments and interpretations to existing standards - continued

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The council has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- 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
- an expected credit loss-based impairment will need to be recognised on trade receivables
- 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.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The council has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(b) Standards, amendments and interpretations to existing standards - continued

IFRS 16 'Leases'

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

(c) Functional and presentation currency

Items included in the financial statements of the Haž-Žabbar Local Council are measured using the current 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.

(d) 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 calculated to write down the cost less residual value of each asset, other than land and trees, over its expected useful life as follows:

	%
Trees	-
Office furniture and fittings	7.5
Construction works	10
Road signs	replacement basis
Urban improvements (Street furniture)	10
Special projects	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Litter bins	replacement basis
Playground furniture	100
Street lights	100

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(d) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

(f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of comprehensive income.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(h) Cash and equivalents

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise 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 balances as per books.

(i) 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 recognized 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 cashflows relating to such payables are not discounted since the effect of discounting is immaterial.

(j) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

(k) Revenue

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 Haž-Žabbar Local Council recognizes 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 has been met for each of the Council's activities, as described below. The Haž-Žabbar Local Council 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.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(k) Revenue (continued)

I. 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 account. 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 accounts 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 the specific expenditure headings on which the Councils is bound to allocate.

II. Sales of goods

The council has a number of items (books) recognized in these financial statements under inventories, that are for sale to general public.

III. 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 or; shares of cleaning expenses; share of electronic infrastructure and Council employees attending Tribunal sittings.

The council also derives income in the form of 10% omission on the payments of contraventions under the Local Enforcement System accruing to the five Regional Committees.

(l) Government grants

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

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(m) Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(m) Provisions, contingent liabilities and contingent assets (continued)

Financial liabilities

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

All interest-related charges are included within 'finance costs'.

(n) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the council has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the council can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(o) Capital management policies and procedures

The council's capital consists of its net assets, including working capital, represented by its retained funds. The council's management objectives are to ensure:

- that the council's ability to continue as a going concern is still valid and
- that the council maintains a positive working capital rate.

To achieve the above, the council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and the council is working to improve the situation. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

(p) Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. 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 revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 SURPLUS FOR THE YEAR

	Notes	2016 €	2015 €
Surplus for the year is stated after charging:			
Personal emoluments	8	147,483	126,447
Depreciation on property, plant and equipment	10	88,876	100,641
Loss on disposal of property, plant and equipment	11	43,731	363
Movement in provision for doubtful debts	10	-	36,588
		<hr/>	<hr/>
and after crediting:			
Movement in provision for doubtful debts	10	1,624	1,322
		<hr/>	<hr/>

4 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2016 €	2015 €
In terms of section 55 of the Local Council Act, (Cap 363)	821,047	796,199
Supplementary Income	21,237	18,142
Urban Improvement Funds released to income	12,200	13,691
	<hr/>	<hr/>
	€ 854,484	€ 828,032
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

5 INCOME RAISED UNDER COUNCIL BYE-LAWS

	2016	2015
	€	€
Community services	699	617
Placement of tables and chairs	590	665
Machinery permits	13,385	10,670
Kiosks permits	2,958	2,962
Occasional entertainment	128	280
Trenching permits	1,035	857
Material permits	79	84
Scaffolding permits	422	105
	<hr/>	<hr/>
	€ 19,296	€ 16,240
	<hr/>	<hr/>

6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM

	2016	2015
	€	€
Contraventions received	1,624	1,322
Contraventions – Sentenced cases	(1,624)	(1,322)
Regjun Centru	368	2,712
Regjun Tramuntana	35	638
Regjun Nofsinhar	163	2,000
Regjun Xlokk	351	5,658
Regjun Ghawdex	13	93
L.E.S.A Administration fees	10,286	1,197
	<hr/>	<hr/>
	€ 11,216	€ 12,298
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HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM (continued)

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, (Cap 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

As from 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Xlokk'. The Council's income from the Law Enforcement System therefore started reflecting three revenue streams as of that date. The revenue streams are as follows:

- (a) Receipts of contraventions that accrued in favour of the Council up to the 31 August 2011;
- (b) Movement in Tribunal Pending cases of contraventions that had accrued in favour of the Councils up to the 31 August 2011;
- (c) 10% on the contraventions accruing to all Regional Committees that are settled at the Council's cash point.
- (d) 10% on the contraventions accruing to L.E.S.A that are settled at the Council's cash point.

7 GENERAL INCOME

	2016	2015
	€	€
Document / Info Charges / Tenders	-	2,400
Publications	93	82
Refund of expenses	8,818	2,120
	<hr/>	<hr/>
	€ 8,911	€ 4,602
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8 PERSONNEL EMOLUMENTS

	2016 €	2015 €
Mayor's Honoraria	14,457	14,096
Council Members' allowance	13,600	13,600
Executive secretary salary and allowance	33,818	33,537
Employees' salaries	76,680	57,834
Social Security Contributions – employer's share	8,928	7,380
	<hr/> € 147,483	<hr/> € 126,447

9 OPERATIONS AND MAINTENANCE

	2016 €	2015 €
Repairs and upkeep:		
Public property	7,065	4,259
Road and street pavements	103,850	20,802
Street signs	6,810	7,030
Road markings	13,549	3,679
Office furniture and equipment	5,266	4,957
Maintenance of equipment	936	701
Maintenance Council property	4,580	1,351
	<hr/> € 142,056	<hr/> € 42,779

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9 OPERATIONS AND MAINTENANCE (continued)

	2016 €	2015 €
Contractual Services:		
Waste disposal	413	510
Refuse collection	83,519	87,850
Bulky refuse collection	16,192	15,554
Open skips	1,076	240
Disposal fees at landfill BIS	84,845	86,527
Cleaning services	460	130
Road and street cleaning	55,149	52,889
Cleaning and maintenance of non - urban roads	5,771	5,709
Cleaning - public conveniences	23,646	15,722
Cleaning Council Premises	1,596	2,506
Other contractual services	2,154	1,997
Clean & maintenance of parks & gardens	3,685	1,590
Cleaning and maintenance soft areas	13,300	19,000
Warden services	-	63
Street lighting	12,655	11,282
Local enforcement expenses	1,447	1,517
	<hr/> 305,908	<hr/> 303,086
Total operations and maintenance costs	<hr/> € 447,964	<hr/> € 345,865

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 ADMINISTRATION AND OTHER EXPENDITURE

	2016 €	2015 €
Utilities	14,793	10,538
Fuel (other than transport)	6	47
Operating materials & supplies	574	608
Cleaning materials & supplies	307	458
Uniforms	1,134	416
Rents	2,092	1,343
Membership in Local organisations	796	1,571
Printing	926	651
Stationary	1,111	1,017
Postages	725	634
Documentation	20	40
Maintenance of vehicles	585	1,740
Hire of transport	861	105
Fuel costs	1,117	1,488
Payment of use of personal vehicle	147	263
Transportation of goods	100	250
Overseas tickets	1,455	1,005
Overseas subsistence & accommodation	376	270
Advertising costs	1,737	2,354
Publications and newsletters	944	-
Library expenses	4,861	3,843
Insurance coverage	4,552	4,396
Legal charges	-	1,756
Management & operating services	-	531
Bank charges	204	210
Legal services	1,138	770
Accountancy services	2,510	4,570
Course fees – local training	550	-
Conference expenses	221	887
Visits foreign delegations	1,271	2,225
(continues)	45,113	€ 43,987

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

10 ADMINISTRATION AND OTHER EXPENDITURE (continued)

	2016 €	2015 €
Balance brought forward from page 20	45,113	43,987
Other hospitality costs	1,200	1,973
Social events	-	130
Cultural events	30,433	27,368
Lejl fil-Belt Hompesh	214	10,591
Christmas village	-	124
Sundry minor expenses	389	47
Decrease in provision for LES doubtful debts	(1,624)	(1,322)
Increase in provision for doubtful debts	-	36,588
Bad debts written off	-	631
Depreciation expense	88,876	100,641
	<u>€ 164,601</u>	<u>€ 220,758</u>

11 OTHER EXPENSES

	2016	2015
Loss on disposal of assets	€ 43,731	€ 363
	<u>€ 43,731</u>	<u>€ 363</u>

12 FINANCE INCOME

	2016	2015
Bank interest receivable	€ 306	€ 679
	<u>€ 306</u>	<u>€ 679</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Assets Not yet Capitalised €	Total €
Cost										
At 1 January 2016	11,379	2,743,609	73,221	31,395	307,785	34,066	32,298	18,386	45,934	3,298,073
Additions	-	13,581	1,131	-	2,496	751	855	-	284,805	303,619
Disposals	-	(303,015)	-	-	(27,762)	-	-	-	-	(330,777)
At 31 December 2016	€ 11,379	€ 2,454,175	€ 74,352	€ 31,395	€ 282,519	€ 34,817	€ 33,153	€ 18,386	€ 330,739	€ 3,270,915
Government Grants										
At 1 January 2016 & at 31 December 2016	-	€ 921,147	-	-	-	€ 5,199	-	-	€ 7,485	€ 933,831
Depreciation										
At 1 January 2016	-	1,002,514	44,374	31,395	268,308	18,460	21,207	17,993	-	1,404,251
Charge for the year	-	78,458	2,128	-	3,864	2,277	2,077	72	-	88,876
Eliminated on disposals	-	(263,633)	-	-	(23,413)	-	-	-	-	(287,046)
At 31 December 2016	€ -	€ 817,339	€ 46,502	€ 31,395	€ 248,759	€ 20,737	€ 23,284	€ 18,065	€ -	€ 1,206,081
Net book value										
At 31 December 2016	€ 11,379	€ 715,689	€ 27,850	€ -	€ 33,760	€ 8,881	€ 9,869	€ 321	€ 323,254	€ 1,131,003

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Assets Not yet Capitalised €	Total €
Cost										
At 1 January 2015	11,379	2,743,609	71,202	31,395	305,755	35,548	32,271	18,386	19,997	3,269,542
Additions	-	-	2,167	-	2,030	1,442	27	-	25,937	31,603
Disposals	-	-	(148)	-	-	(2,924)	-	-	-	(3,072)
At 31 December 2015	€11,379	€2,743,609	€73,221	€31,395	€307,785	€34,066	€32,298	€18,386	€45,934	€3,298,073
Government Grants										
At 1 January 2015 & at 31 December 2015	-	€921,147	-	-	-	€5,199	-	-	€7,485	€933,831
Depreciation										
At 1 January 2015	-	915,216	42,348	31,395	263,025	18,002	18,438	17,895	-	1,306,319
Charge for the year	-	87,298	2,245	-	5,283	2,948	2,769	98	-	100,641
Eliminated on disposals	-	-	(219)	-	-	(2,490)	-	-	-	(2,709)
At 31 December 2015	€ -	€1,002,514	€44,374	€31,395	€268,308	€18,460	€21,207	€17,993	€ -	€1,404,251
Net book value										
At 31 December 2015	€11,379	€819,948	€28,847	€ -	€39,477	€10,407	€11,091	€393	€38,449	€959,991

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14 INVENTORIES

	2016	2015
Books for sale	€ 11,935	€ 12,144

15 RECEIVABLES

	2016 €	2015 €
<u>Falling due within one year</u>		
Other related undertakings	17,421	14,008
Prepayments and accrued income	105,557	110,084
	<u>€ 122,978</u>	<u>€ 124,092</u>

Credit period analysis:

	2016 €	2015 €
Within credit period	-	-
Exceeded credit period but not impaired	-	-
Impaired and provided for	400,250	403,065
Provision for doubtful debts	(400,250)	(402,434)
Written off	-	(631)
	<u>€ -</u>	<u>€ -</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

16 PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts is as follows:

	2016 €	2015 €
Balance at 1 January	402,434	367,168
(Decrease) in provision for LES doubtful debtors	(2,184)	(1,322)
Increase in provision of doubtful debtors	-	36,588
Balance at 31 December	<u>€ 400,250</u>	<u>€ 402,434</u>

17 CASH AND CASH EQUIVALENTS

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

	2016 €	2015 €
Cash in hand	100	118
Bank balances	721,838	832,183
Bank overdraft	-	(42,567)
	<u>€ 721,938</u>	<u>€ 789,734</u>

Included with bank balances of € 721,838 there is a balance of € 1,164 that is restricted under a guarantee in favor of a related party.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

18 OTHER FINANCIAL PAYABLES

	2016 €	2015 €
<u>Non Current</u>		
Public Private Partnership (PPP) agreement	57,700	74,251
<u>Current</u>		
Public Private Partnership (PPP) agreement	17,497	56,074
Total amounts payable under the PPP agreement	75,197	€ 130,325
Amounts payable within one year	17,497	56,074
Amount payable between one and two years	16,551	16,551
Amount payable between two and five years	41,149	49,654
Amount payable after more than five years	-	8,046
	€ 75,197	€ 130,325

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

19 DEFERRED INCOME

	2016 €	2015 €
Government Grants (note)		
Balance at 1 January	274,298	187,989
Additions	-	100,000
Released to income	(12,200)	(13,691)
Forgone	-	-
Balance at 31 December	262,098	274,298
Non-Current	€ 241,204	€ 262,098
Current	€ 20,894	€ 12,200
Deferred Government Grants		
Amounts payable within one year	20,894	12,200
Amount payable between one and two years	19,747	20,893
Amount payable between two and five years	53,641	50,719
Amount payable after five more than years	167,816	190,486
	262,098	€ 274,298

Note:

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund and other Central Government Grants, collectively referred to as 'Government Grant', 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 capitalized up to the end of the year under review.

Deferred grants foregone, represents the amounts previously agreed with the relevant authority but were eventually not received.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

20 PAYABLES

	2016 €	2015 €
Payables	75,639	42,192
Current portion on PPP Agreement (note 18)	17,497	56,074
Current portion on Deferred Grants (note 19)	20,894	12,200
Law Enforcement Unidentified deposits	4,967	4,967
Amounts owed to other Councils	112	112
Accruals and deferred income	107,425	62,085
	<u>€ 226,534</u>	<u>€ 177,630</u>

21 CAPITAL COMMITMENTS

	2016 €	2015 €
Details of capital commitments at the reporting date are as follows:		
(i) Approved but not yet contracted for:		
- Resurfacing	-	50,000
- Construction	-	8,714
- Improvements	-	5,000
- Equipment	-	2,000
	<u>€ -</u>	<u>€ 65,714</u>
(ii) Contracted for but not provided in the financial statements:		
- Construction (Gnien il-Kunsill)	120,000	165,297
- Equipment (Gnien il-Kunsill)	71,851	107,739
- Cameras (Gnien il-Kunsill)	-	18,250
- Payment works	15,328	-
	<u>€ 207,179</u>	<u>€ 291,286</u>

The Council will be financing the construction projects on Gnien il-Kunsill, through a grant from the Urban Improvements Funds of €100,000.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

22 CASH GENERATED FROM OPERATIONS

	2016 €	2015 €
Surplus for the year	90,434	168,418
Adjustment for:		
Depreciation	88,876	100,641
Loss on disposal of assets	43,731	363
Grants released to income	(12,200)	(13,691)
Investment income	(306)	(679)
Provision for doubtful debts	(1,624)	35,266
Bad debts written off	-	631
Operating profit before working capital changes	208,911	290,949
Decrease in inventories	209	335
Decrease/ (increase) in general and other receivables	2,793	(2,125)
Increase/ (decrease) in general and other payables	23,659	(5,358)
Cash generated from operations	€ 235,572	€ 283,801

23 CONTINGENT LIABILITIES

	2016 €	2015 €
Claims by suppliers	632	3,718
Contested claims for damages of motor vehicles	645	1,775
Claims for damages of motor vehicles	-	5,096
	€ 1,277	€ 10,589

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

24 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 operations decisions.

The ultimate controlling party of the Haž-Žabbar Local Council is the Department for Local Government within the Parliamentary Secretariat for Culture.

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Haž-Žabbar Local Council 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 related parties.

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

Name of entity	Nature of relationship
Department of Local Government	Significant control
Regional Committee – Local Law Enforcement	No control
Southern Harbour District Joint Committee	No control
Bank of Valletta plc	No control
Cleansing Services Department	No control
Lands Department	No control
Enemalta Corporation	No control
ARMS Limited	No control
MITTS	No control
Local Councils Association	No control
Other Local Councils	No control
Police Commissioner	No control
Water Services Corporation	No control
Wasteserv Malta Limited	No control
Works Division – Director General Works	No control

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

24 RELATED PARTY TRANSACTIONS (continued)

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

	2016 €	2015 €
Cash Transactions:		
Income - Annual financial allocation	821,047	796,199
Income – Law Enforcement System	11,216	12,298
	<hr/>	<hr/>
Non-Cash Transactions:		
Government Grants released	€ 12,200	€ 13,691
	<hr/>	<hr/>
Year-end balances arising from related party transactions		
Receivables from related parties (excluding Grants receivable)	€ 16,706	€ 14,008
	<hr/>	<hr/>
The receivables from related parties arise mainly from the annual financial allocations by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest.		
Payables to related parties	€ 2,195	€ 1,458
	<hr/>	<hr/>

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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES

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 minimize potential adverse effects on the Council's financial performance.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Where applicable, any significant changes in the Council's exposure of the financial risks or manner in which the Councils manages and measured 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.

Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	Less than 3 months €	Between 3 months and 1 year €	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2016						
Payables under Private Public Partnership	-	17,497	17,497	16,551	41,149	-
Trade and other payables (excluding Grants deferred income)	124,070	58,994	183,064	-	-	-
	<u>€ 124,070</u>	<u>€ 76,491</u>	<u>€ 200,561</u>	<u>€ 16,551</u>	<u>€ 41,149</u>	<u>€ -</u>

HAŽ-ZABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Liquidity risk (continued)

	Less than 3 months €	Between 3 months and 1 year €	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2015						
Payables under Private Public Partnership	-	56,074	56,074	16,551	49,654	8,046
Trade and other payables (excluding Grants deferred income)	80,781	23,496	104,277	-	-	-
	<u>€ 80,781</u>	<u>€ 79,570</u>	<u>€ 160,351</u>	<u>€ 16,551</u>	<u>€ 49,654</u>	<u>€ 8,046</u>

Credit risk

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 evidence 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.

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 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. 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.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Credit risk (continued)

	2016 €	2015 €
30 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	€ 45,662	€ 37,782
	<hr/>	<hr/>

Summary of the financial assets and liabilities by category

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2016 €	2015 €
Financial Assets		
<u>Current Assets</u>		
General receivables	17,421	14,008
Cash and bank balances	721,938	832,301
	<hr/> € 739,359	<hr/> € 846,309
Financial Liabilities		
<u>Non – Current Liabilities</u>		
Payables under Public Private Partnership agreement	€ 57,700	€ 74,251
	<hr/>	<hr/>
<u>Current Liabilities</u>		
Payables under Public Private Partnership agreement	17,497	56,074
General payables	188,143	109,356
Bank overdraft	-	42,567
	<hr/> 205,640	<hr/> € 207,997

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

25 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

HAŽ-ŽABBAR LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT