

**Zurrieq Local Council**

**Financial Statements for the year  
ended 31 December 2013**

Prepared by: Joseph Azzopardi CPA  
AB/05/88

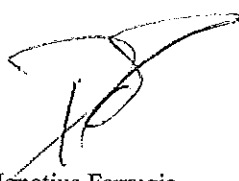
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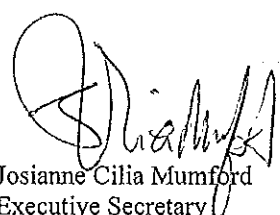
## Statement of Local Council Member's and Executive Secretary's Responsibilities

The Local Council's (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the Statement of Comprehensive Income of the Local Council for the year and its retained funds as at the year end, and that they comply with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (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 Councils (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.



Ignatius Farrugia  
Mayor



Josianne Cilia Mumford  
Executive Secretary

Wednesday, 23<sup>rd</sup> April 2014

**Financial Statements for the year ended 31 December 2013**

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

We have audited the accompanying financial statements of Zurrieq Local Council set out on page 4 to 23 which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Respective responsibilities of the Local Council and Local Government auditor***

As described in page 2, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for qualified opinion***

1. During the year under review the council scrapped items of property, plant and equipment which were fully written off in the accounting records but which, according to the fixed assets register, had a net book value of € 127,737.

As shown in note 10 to these financial statements, the net book value of property, plant and equipment at 31 December 2013 amounted to € 2,112,077. Our audit work revealed that the fixed assets register, which is intended to support the figures shown in the financial statements, showed that the carrying amounts of these assets at balance sheet date amounted to € 2,160,520 (after adjusting for the items scrapped). The Council could not give us satisfactory explanations for this discrepancy.

In view of the matters explained above we could not satisfy ourselves as to the existence, completeness and valuation of the carrying amount of property, plant and equipment at 31 December 2013 amounting to € 2,112,077.

2. The quantitative disclosures required by *IFRS 7, Financial Instruments: Disclosures* relating to liquidity risk (refer to note 21(iii)) do not include the required disclosures about the contractual maturities of financial liabilities. Moreover the financial statements do not disclose the classes of financial assets and liabilities.
3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Zurrieq Local Council

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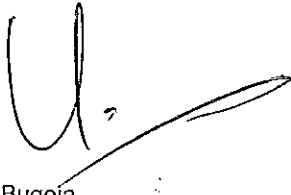
Financial Statements for the year ended 31 December 2013

Report of the Local Government auditor to the Auditor General (continued)

*Qualified Opinion*

In our opinion, except for the effects of the matters described in paragraph 1 above, the financial statements give a true and fair view of the financial position of Zurrieq Local Council as at 31 December 2013, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on in these financial statements.

Because of the matters set out in paragraphs 2 and 3 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraph 2 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja  
f/Grant Thornton  
Certified Public Accountants  
Grant Thornton  
Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013

23 April 2014

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Statement of Comprehensive Income**

|  | Note | Year ended<br>31 December 2013 | Year ended<br>31 December 2012 |
|--|------|--------------------------------|--------------------------------|
|  |      | EUR                            | EUR                            |
| <b>Income</b>                          |      |                                |                                |
| Funds received from central government | 3    | 780,967                        | 752,565                        |
| Income from Local Enforcement          | 4    | 6,591                          | 6,211                          |
| General Income                         | 6    | 36,432                         | 42,163                         |
|  |      | <u>823,990</u>                 | <u>800,939</u>                 |
| <b>Expenditure</b>                     |      |                                |                                |
| Personal Emoluments                    | 7    | 118,072                        | 111,779                        |
| Operations and Maintenance             | 8    | 328,991                        | 387,279                        |
| Administration and other expenditure   | 9    | 277,651                        | 270,729                        |
|  |      | <u>724,714</u>                 | <u>769,787</u>                 |
| <b>Operating surplus for the year</b>  |      | <b>99,276</b>                  | <b>31,152</b>                  |
| Investment income                      | 5    | 2,875                          | 3,963                          |
| <b>Profit for the year</b>             |      | <b>102,151</b>                 | <b>35,115</b>                  |

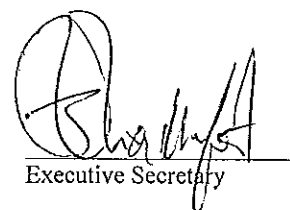
Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

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Statement of Financial Position

|                                       | Note | 31 December<br>2013<br>EUR | 31 December<br>2012<br>EUR |
|---------------------------------------|------|----------------------------|----------------------------|
| <b>ASSETS</b>                         |      |                            |                            |
| <b>Non Current Assets</b>             |      |                            |                            |
| Property, Plant and Equipment         | 10   | <u>2,116,486</u>           | <u>1,621,114</u>           |
| <b>Current Assets</b>                 |      |                            |                            |
| Receivables                           | 11   | 155,507                    | 362,956                    |
| Cash and cash equivalents             | 12   | 207,632                    | 542,204                    |
|                                       |      | <u>363,139</u>             | <u>905,160</u>             |
| <b>Total Assets</b>                   |      | <u>2,479,625</u>           | <u>2,526,274</u>           |
| <b>RESERVES AND LIABILITIES</b>       |      |                            |                            |
| <b>Reserves</b>                       |      |                            |                            |
| Retained Funds                        |      | <u>1,356,731</u>           | <u>1,254,580</u>           |
| <b>Current Liabilities</b>            |      |                            |                            |
| Payables                              | 13   | <u>989,503</u>             | <u>945,102</u>             |
| <b>Long Term Liabilities</b>          |      |                            |                            |
| Long Term Payables                    | 14   | <u>133,391</u>             | <u>326,592</u>             |
| <b>Total Liabilities</b>              |      | <u>1,122,894</u>           | <u>1,271,694</u>           |
| <b>Total Reserves and Liabilities</b> |      | <u>2,479,625</u>           | <u>2,526,274</u>           |

These Financial Statements were approved by the Local Council on Wednesday, 23<sup>rd</sup> April 2014 and signed on its behalf:

  
\_\_\_\_\_  
Mayor  
\_\_\_\_\_  
Executive Secretary

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

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**Statement of Changes in Equity**

|  | <b>Retained<br/>Funds<br/>EUR</b> |
|--|-----------------------------------|
| Balance as at 1 January 2012                 | 1,219,465                         |
| Total comprehensive income for the year 2012 | 35,115                            |
| Balance at 31 December 2012                  | <u>1,254,580</u>                  |
| Balance as at 1 January 2013                 | 1,254,580                         |
| Total comprehensive income for the year 2013 | 102,151                           |
| Balance at 31 December 2013                  | <u>1,356,731</u>                  |



Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Statement of Cash Flows**

|   | Note | 2013<br>EUR      | 2012<br>EUR      |
|---|------|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>                   |      |                  |                  |
| Profit for the year   |      | 102,151          | 35,115           |
| <b>Adjustments for:</b>                                       |      |                  |                  |
| Depreciation  |      | 123,871          | 107,028          |
| Increase in provision for doubtful LES debtors                |      | 11,299           | 18,301           |
| Investment income receivable                                  |      | (2,875)          | (3,963)          |
| Government grant released                                     |      | (29,835)         | (22,835)         |
| <b>Operating Profit before Working Capital Changes</b>        |      | <u>204,611</u>   | <u>133,646</u>   |
| Decrease/(Increase) in Receivables                            |      | 85,824           | 7,451            |
| Increase/(Decrease) in Payables                               |      | (134,389)        | 336,742          |
| <b>Net cash from operating activities</b>                     |      | <u>156,046</u>   | <u>477,839</u>   |
| <b>Cash flows from investing activities</b>                   |      |                  |                  |
| Purchases of property, plant and equipment                    |      | (619,243)        | (800,341)        |
| Investment income received                                    |      | 2,875            | 3,963            |
| <b>Net Cash used in investing activities</b>                  |      | <u>(616,368)</u> | <u>(796,378)</u> |
| <b>Cash flows from financing activities</b>                   |      |                  |                  |
| Receipt of grants   |      | 144,116          | 198,335          |
| <b>Net Cash from financing activities</b>                     |      | <u>144,116</u>   | <u>198,335</u>   |
| <b>Net movement in Cash and Cash Equivalents</b>              |      | <u>(316,206)</u> | <u>(120,204)</u> |
| <b>Cash and cash equivalents at the beginning of the year</b> |      | <u>519,787</u>   | <u>639,991</u>   |
| <b>Cash and cash equivalents at the end of the year</b> 12,13 |      | <u>203,581</u>   | <u>519,787</u>   |

## Notes to the Financial Statements for the period ended 31 December 2013

### 1. General Information

Zurrieq Local Council is the local authority of Zurrieq setup in accordance with the Local Councils Act. The office of the Local Council is situated at Centru Komunita Joe Cassar, Triq Pietru Pawl Saydon, Zurrieq.

### 2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up applying IFRSs and in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996. The principal accounting policies and reporting procedures used by the Local Councils are as follows:

#### a. Local Enforcement System and Payables

With effect from 1 September 2011 the Council formed part of the Southern Region. This had been notified to the Council by Memo 85/2011 whereby it was decided that the compensation due to Local Councils from the Regional Committee had to be of 10% of every payment effected in respect of traffic contraventions remitted to the respective Local Council. As per Legal Notice 363.41 the Council raises an invoice to each of the five Regions during the first week of the following month.

#### b. Critical accounting estimates and judgements

In preparing the Financial Statements the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) – 'Presentation of Financial Statements'.

#### c. New and amended standards adopted by the Local Council

These changes did not have a material effect on the Local Council's financial statements:

- IAS 1 (amendment) -- Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) -- Statement of cash flows. Amendments to reflect changes in other standards.
- IAS 24 (amendment) -- Related party disclosures -- Amendment simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.
- IAS 36 (Impairment of assets) - Amendments to reflect changes in other standards.
- IAS 39 (amendment) - Financial instruments: Recognition and Measurement (effective from 1 Jan 2010).

#### d. New important standards and early adopted

There were no new amendments to existing standards which are mandatory for the Local Council's accounting periods beginning on or after 1 January 2012.

## Notes to the Financial Statements ... continued

### 2. Accounting Policies and Reporting Procedures (contd.)

#### e. Revenue recognition

Income from central government is not recognised until there is reasonable assurance that the council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses. Interest income is recognised in the income statement as it accrues.

#### f. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

|                                       | %      |
|---------------------------------------|--------|
| Land                                  | 0.00   |
| Trees                                 | 0.00   |
| Buildings                             | 1.00   |
| Office furniture and fittings         | 7.50   |
| Construction works                    | 10.00  |
| Urban Improvements (street furniture) | 10.00  |
| Special Programmes (Projects)         | 10.00  |
| Office Equipment                      | 20.00  |
| Motor Vehicles                        | 20.00  |
| Plant & Machinery                     | 20.00  |
| Computer Equipment                    | 25.00  |
| Plants                                | 100.00 |
| Litter bins                           | 100.00 |
| Playground Furniture                  | 100.00 |
| Traffic signs                         | 100.00 |
| Road Signs                            | 100.00 |
| Street Mirrors                        | 100.00 |
| Street Lights                         | 100.00 |

#### g. Government Grants

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

#### h. 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

#### i. 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 in 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 Income and Expenditure.

## Notes to the Financial Statements ... continued

### 2. Accounting Policies and Reporting Procedures (contd.)

In accordance with prevailing regulations any local enforcement dues which have exceeded two years since being issued have been provided for.

#### j. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and present currency. Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Affairs.

#### k. Surpluses and deficits

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

#### l. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

### 3. Funds Received from Central Government

|   | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|---|---------------------------|---------------------------|
|   | EUR                       | EUR                       |
| In terms of Sections 55 of the Local Councils Act (CAP 363) | 710,687                   | 716,921                   |
| Special needs Government Income                             | -                         | 465                       |
| Other government income                                     | 70,280                    | 35,179                    |
|   | <u>780,967</u>            | <u>752,565</u>            |

### 4. Local Enforcement System Income

|                                 | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|---------------------------------|---------------------------|---------------------------|
|                                 | EUR                       | EUR                       |
| Income from administration fees | 6,591                     | 6,211                     |
|                                 | <u>6,591</u>              | <u>6,211</u>              |

### 5. Investment Income

|                          | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|--------------------------|---------------------------|---------------------------|
|                          | EUR                       | EUR                       |
| Bank interest receivable | 2,875                     | 3,963                     |
|                          | <u>2,875</u>              | <u>3,963</u>              |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements ... continued

6. General Income

|   | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|---|---------------------------|---------------------------|
|   | EUR                       | EUR                       |
| Income from tender documents                            | 3,030                     | 3,100                     |
| Income from events, courses and activities              | 14,766                    | 12,374                    |
| Income from permits                                     | 18,486                    | 26,031                    |
| Income from rent of premises                            | -                         | 658                       |
| Sundry contributions & donations                        | 150                       | -                         |
| In terms of Local Councils (Financial) Procedures, 1996 | <u>36,432</u>             | <u>42,163</u>             |

7. Personal Emoluments

|  | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|--|---------------------------|---------------------------|
|  | EUR                       | EUR                       |
| Personal emoluments include, inter alia: |                           |                           |
| Mayor's Allowance                        | 11,396                    | 10,085                    |
| Executive Secretary Salary               | 27,043                    | 30,821                    |
| Employees' Salaries                      | 59,493                    | 52,540                    |
| Social Security Contributions            | 6,361                     | 6,394                     |
| Other allowances                         | 13,779                    | 11,939                    |
|  | <u>118,072</u>            | <u>111,779</u>            |

8. Operations and Maintenance

|                           | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|---------------------------|---------------------------|---------------------------|
|                           | EUR                       | EUR                       |
| Repairs and Upkeep:       |                           |                           |
| Road Asphalting           | 57,508                    | 88,657                    |
| Public Property           | 287                       | 171                       |
| Road Markings             | 17,494                    | 15,226                    |
| Repair works on fountains | -                         | 118                       |
|                           | <u>75,289</u>             | <u>104,172</u>            |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements ... continued

8. Operations and Maintenance (cont...)

|  | Note | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|--|------|---------------------------|---------------------------|
|  |      | EUR                       | EUR                       |
| <b>Contractual Services:</b>                     |      |                           |                           |
| Refuse collection (including bins on wheels)     |      | 154,962                   | 187,068                   |
| Bulky refuse collections (including open skips)  |      | 13,428                    | 12,469                    |
| Road and Street Cleaning (mechanical and manual) |      | 40,306                    | 37,686                    |
| Cleaning and Maintenance of Public Conveniences  |      | 10,378                    | 9,396                     |
| Cleaning and Maintenance of Parks and Gardens    |      | 11,715                    | 9,300                     |
| Cleaning and Maintenance of Non-Urban areas      |      | -                         | 10,729                    |
| Cleaning and Maintenance of Soft Areas           |      | 8,482                     | 7,302                     |
| Cleaning and Maintenance of Council Premises     |      | 2,826                     | 360                       |
| Local Enforcement system expenses                |      | 1,011                     | 1,710                     |
| Street lighting                                  |      | 10,594                    | 7,087                     |
|  |      | <u>253,702</u>            | <u>283,107</u>            |
| <b>Total Operations and Maintenance expenses</b> |      | <u>328,991</u>            | <u>387,279</u>            |

9. Administration and other expenditure

|  |    | Year ended<br>31 Dec 2013 | Year ended<br>31 Dec 2012 |
|--|----|---------------------------|---------------------------|
|  |    | EUR                       | EUR                       |
| Utilities                                |    | 16,969                    | 12,694                    |
| Uniforms                                 |    | 846                       | -                         |
| Other repairs and upkeep                 |    | 36,705                    | 40,887                    |
| Advertising and publications             |    | 8,217                     | 7,148                     |
| Insurance coverage                       |    | 3,492                     | 3,796                     |
| Materials and Supplies                   |    | 3,261                     | 2,824                     |
| Office Services                          |    | 5,397                     | 8,454                     |
| Transport                                |    | 2,243                     | 2,123                     |
| Information Services                     |    | 3,988                     | 2,587                     |
| Rent                                     |    | 2,569                     | 3,652                     |
| Sundry expenses                          |    | -                         | 5                         |
| Professional Services                    |    | 20,112                    | 25,919                    |
| EU Projects                              | 19 | -                         | 6,358                     |
| International relationships              |    | 2,437                     | 3,874                     |
| Community services & events              |    | 33,787                    | 20,943                    |
| Other contractual services               |    | 2,153                     | 4,061                     |
| Bad debts written off                    |    | -                         | (100)                     |
| Increase in provision for doubtful debts |    | 11,299                    | 18,301                    |
| Bank charges                             |    | 305                       | 175                       |
| Depreciation                             |    | <u>123,871</u>            | <u>107,028</u>            |
|  |    | <u>277,651</u>            | <u>270,729</u>            |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements for the period ended 31 December 2013 (cont...)

10. Property, Plant and Equipment

|                                 | Property<br>EUR | Office<br>Furniture<br>/Fittings<br>EUR | Plant &<br>Machinery<br>EUR | Trees<br>EUR | Office<br>Equipment<br>EUR | Urban<br>Improvement<br>EUR | New Street<br>Signs<br>EUR | Construct<br>EUR | Special<br>Programm<br>EUR | Assets<br>under<br>construct<br>EUR | Total<br>EUR |
|---------------------------------|-----------------|---|-----------------------------|--------------|----------------------------|-----------------------------|----------------------------|------------------|----------------------------|-------------------------------------|--------------|
| Cost as at 1 January 2013       | 176,229         | 58,195                                  | 3,658                       | 35,545       | 20,565                     | 253,032                     | 26,954                     | 272,150          | 1,584,162                  | 300,476                             | 2,730,966    |
| Additions during the period     | -               | 671                                     | 429                         | -            | 3,822                      | 2,126                       | -                          | -                | 418,812                    | 193,383                             | 619,243      |
| Disposals                       | -               | (9,644)                                 | (431)                       | -            | (387)                      | -                           | (318)                      | -                | (129,455)                  | -                                   | (140,235)    |
| Cost at 31 December 2013        | 176,229         | 49,222                                  | 3,656                       | 35,545       | 24,000                     | 255,158                     | 26,636                     | 272,150          | 1,873,519                  | 493,859                             | 3,209,974    |
| Grants at 1 January 2013        | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | 360,281                    | -                                   | 360,281      |
| Other reimbursements            | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | -                          | -                                   | -            |
| Grants at 31 December 2013      | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | 360,281                    | -                                   | 360,281      |
| Acc. Dep'n beginning of period  | 25,456          | 27,094                                  | 1,447                       | 16,453       | 15,242                     | 159,770                     | 26,954                     | 175,830          | 301,325                    | -                                   | 749,571      |
| Charge for the period           | 4,018           | 2,030                                   | 434                         | -            | 1,510                      | 10,085                      | -                          | 3,432            | 102,362                    | -                                   | 123,871      |
| Disposals                       | -               | (9,644)                                 | (431)                       | -            | (387)                      | -                           | (318)                      | -                | (129,455)                  | -                                   | (140,235)    |
| Acc. Dep'n end of Period        | 29,474          | 19,480                                  | 1,450                       | 16,453       | 16,365                     | 169,855                     | 26,636                     | 179,262          | 274,232                    | -                                   | 733,207      |
| Net Book Value 31 December 2013 | 146,755         | 29,742                                  | 2,206                       | 19,092       | 7,635                      | 85,303                      | -                          | 92,888           | 1,239,006                  | 493,859                             | 2,116,486    |

Zurrieg Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)

10 b. Property, Plant and Equipment ... continued

|                                 | Property<br>EUR | Office<br>Furniture<br>/Fittings<br>EUR | Plant &<br>Machinery<br>EUR | Trees<br>EUR | Office<br>Equipment<br>EUR | Urban<br>Improvement<br>EUR | New Street<br>Signs<br>EUR | Construct<br>EUR | Special<br>Programm<br>EUR | Assets<br>under<br>construct<br>EUR | Total<br>EUR |
|---------------------------------|-----------------|---|-----------------------------|--------------|----------------------------|-----------------------------|----------------------------|------------------|----------------------------|-------------------------------------|--------------|
| Cost as at 1 January 2012       | 176,229         | 78,561                                  | 3,451                       | 36,306       | 33,967                     | 261,481                     | 37,069                     | 293,904          | 1,286,720                  | 78,062                              | 2,285,750    |
| Additions during the period     | -               | -                                       | 1,064                       | -            | 4,016                      | -                           | -                          | -                | 572,847                    | 222,414                             | 800,341      |
| Disposals                       | -               | (20,366)                                | (857)                       | (761)        | (17,418)                   | (8,449)                     | (10,115)                   | (21,754)         | (275,405)                  | -                                   | (355,125)    |
| Cost at 31 December 2012        | 176,229         | 58,195                                  | 3,658                       | 35,545       | 20,565                     | 253,032                     | 26,954                     | 272,150          | 1,584,162                  | 300,476                             | 2,730,966    |
| Grants at 1 January 2012        | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | 360,281                    | -                                   | 360,281      |
| Other reimbursements            | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | -                          | -                                   | -            |
| Grants at 31 December 2012      | -               | -                                       | -                           | -            | -                          | -                           | -                          | -                | 360,281                    | -                                   | 360,281      |
| Acc. Dep'n beginning of period  | 20,755          | 44,942                                  | 2,009                       | 17,214       | 31,332                     | 154,875                     | 37,069                     | 194,007          | 495,465                    | -                                   | 997,668      |
| Charge for the period           | 4,701           | 2,518                                   | 295                         | -            | 1,328                      | 13,344                      | -                          | 3,577            | 81,265                     | -                                   | 107,028      |
| Disposals                       | -               | (20,366)                                | (857)                       | (761)        | (17,418)                   | (8,449)                     | (10,115)                   | (21,754)         | (275,405)                  | -                                   | (355,125)    |
| Acc. Dep'n end of Period        | 25,456          | 27,094                                  | 1,447                       | 16,453       | 15,242                     | 159,770                     | 26,954                     | 175,830          | 301,325                    | -                                   | 749,571      |
| Net Book Value 31 December 2012 | 150,773         | 31,101                                  | 2,211                       | 19,092       | 5,323                      | 93,262                      | -                          | 96,320           | 922,556                    | 300,476                             | 1,621,114    |



Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)

|   |                |                |
|---|----------------|----------------|
| <b>11. Receivables</b>  |                |                |
|   | <b>2013</b>    | <b>2012</b>    |
|   | <b>EUR</b>     | <b>EUR</b>     |
| Trade Receivables   | 3,652          | 23,763         |
| LES Receivables   | -              | 12,463         |
| Prepayments   | 7,064          | 7,952          |
| Garnishee order   | 1,044          | 64,705         |
| Accrued Income Receivable                                     | 143,747        | 254,073        |
|   | <b>155,507</b> | <b>362,956</b> |
| <b>Provision for bad and doubtful Debts as at 31 December</b> |                |                |
|   | <b>EUR</b>     | <b>EUR</b>     |
| Opening provision for bad and doubtful debts                  | 296,814        | 278,513        |
| Increase in provision for the year                            | 11,299         | 18,301         |
| Closing balance of bad and doubtful debts provision           | <b>308,113</b> | <b>296,814</b> |
| <b>12. Cash and Cash Equivalents</b>                          |                |                |
|   | <b>2013</b>    | <b>2012</b>    |
|   | <b>EUR</b>     | <b>EUR</b>     |
| <b>Bank Balances:</b>   |                |                |
| Bank Current Account  | 4,888          | 86,900         |
| Savings Accounts  | 99,297         | 251,800        |
| Fixed Account   | 103,000        | 203,000        |
| Cash in hand  | 447            | 504            |
| Cash at Bank and in Hand                                      | <b>207,632</b> | <b>542,204</b> |

The fixed savings account held with a leading banking institution has been blocked in conjunction with existing bank guarantees – as per measures 313 and 323 - this restriction is expected to remain blocked for the time being but there is a possibility that it will be released during 2014. The physical work on both measures is expected to be completed in 2014. Work also encompasses statistical evaluation which must follow-on after same completion.

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)

**13. Payables**

|                             | <b>2013</b>    | <b>2012</b>    |
|-----------------------------|----------------|----------------|
|                             | <b>EUR</b>     | <b>EUR</b>     |
| Amounts due within one year |                |                |
| Bank balance overdrawn      | 4,051          | 22,417         |
| Trade Payables              | 170,771        | 123,406        |
| Other payables              | 64             | 63             |
| Accruals                    | 20,983         | 9,539          |
| Deferred Income             | 793,634        | 789,677        |
|                             | <u>989,503</u> | <u>945,102</u> |

**14. Long Term payables**

|                                  | <b>2013</b>    | <b>2012</b>    |
|----------------------------------|----------------|----------------|
|                                  | <b>EUR</b>     | <b>EUR</b>     |
| Amounts due after one year - PPP | 133,391        | 326,592        |
|                                  | <u>133,391</u> | <u>326,592</u> |

**15. Deferred Income**

|  | <b>2013</b>    | <b>2012</b>    |
|--|----------------|----------------|
|  | <b>EUR</b>     | <b>EUR</b>     |
| Balance at 1 January                                     | 789,677        | 803,737        |
| (Decrease)/Increase in funds during the year             | 48,293         | 8,775          |
| Amount released to the Statement of Comprehensive Income | (44,336)       | (22,835)       |
| Balance at 31 December                                   | <u>793,634</u> | <u>789,677</u> |
| Amounts deferred to between:                             |                |                |
| One and two years  | 81,733         | 20,559         |
| Two and five years                                       | 711,901        | 769,118        |
| Five years or more                                       | -              | -              |
|  | <u>793,634</u> | <u>789,677</u> |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**16. Capital Commitments**

|   | 2013           | 2012           |
|---|----------------|----------------|
|   | EUR            | EUR            |
| (i) Details of Capital Commitments are as follows:                    |                |                |
| Approved but not yet contracted for (ii)                              | 4,000          | 8,000          |
| Contracted for but not provided in the financial statements (iii)     | 204,253        | 768,039        |
|   | <u>208,253</u> | <u>776,039</u> |
| These could be analysed as follows:                                   |                |                |
| (ii) Approved but not yet contracted for:                             |                |                |
| Special Programmes  | 4,000          | 8,000          |
|   | <u>4,000</u>   | <u>8,000</u>   |
| (iii) Contracted for but not provided for in the financial statements |                |                |
| Public Private Partnership Scheme:                                    |                |                |
| - Road resurfacing (3 locations)                                      | 136,955        | 136,955        |
| Road resurfacing  | 57,298         | 440,829        |
| New public gardens UIF (1 location)                                   | -              | 92,655         |
| Hal-Millieri Project  | 10,000         | 45,000         |
| Canopy  | -              | 19,000         |
| Patching  | -              | 28,300         |
| Special Programmes  | -              | 5,300          |
|   | <u>204,253</u> | <u>768,039</u> |

**17. Contingent Liabilities**

The Council is engaged in two commitments on measures – numbered 313 and 323 – projects, the resurfacing of a major road in the locality, a medieval chapel parvis and entry road to it have now been completed. Works which have remained outstanding as at 31<sup>st</sup> December 2013 were road signs leading to the same localities.

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**18. Other allowances**

The Council has paid the following additional allowances during 2013. These are shown as gross amounts.

|                         | 2013                 | 2012                 |
|-------------------------|----------------------|----------------------|
|                         | EUR                  | EUR                  |
| Mayor                   | 1,600                | 1,600                |
| Vice Mayor              | 1,200                | 1,200                |
| Councillors' allowances | 10,800               | 8,580                |
| Executive Secretary     | <u>1,539</u>         | <u>1,539</u>         |
|                         | <b><u>15,139</u></b> | <b><u>12,919</u></b> |

**19. Prior year adjustments**

There were no prior year adjustments made in the course of 2013 nor deemed necessary during the course of preparation of these financial statements.

**20. Related Parties**

During the year under review, the Council entered into ongoing transactions with the following entities which are under full or partial Government control and which could therefore be deemed as related parties:

| <u>Name of Entity</u>                    | <u>Relationship</u> |
|--|---------------------|
| Department of Local Government           | Significant control |
| Local Enforcement System                 | Joint control       |
| Regional committees                      | Joint control       |
| Lands Department                         | No control          |
| Malta Environment and Planning Authority | No control          |
| Water Services Corporation               | No control          |
| ARMS Limited                             | No control          |
| Cleansing Services Department            | No control          |
| Director General - Works Division        | No control          |
| Wasteserv Malta Limited                  | No control          |
| Commissioner of Police                   | No control          |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**20. Related Parties (contd.)**

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

| <b>(i) Annual allocation from Department of Local Government</b> |  |  |
|--|--|--|
|  | <b>Year ended<br/>31 December<br/>2013<br/>EUR</b> | <b>Year ended<br/>31 December<br/>2012<br/>EUR</b> |
| Annual Financial Allocation                                      | <u>710,687</u>                                     | <u>716,921</u>                                     |
| <br><b>(ii) Year-end balances</b>                                |  |  |
|  | <b>Year ended<br/>31 December<br/>2013<br/>EUR</b> | <b>Year ended<br/>31 December<br/>2012<br/>EUR</b> |
| <b>Receivables:</b>  |  |  |
| Water Services Corporation                                       | <u>-</u>   | <u>20,650</u>                                      |
| <b>Payables:</b>   |  |  |
| ARMS Limited   | 998  | 765  |
| Wasteserv Limited  | <u>23,189</u>                                      | <u>44,241</u>                                      |

**21. Comparative figures**

Where necessary the figures of the previous years have been reclassified for comparison purposes.

**22. Financial risk management**

The exposure to risks and the way in which they arise, coupled with the Council's policies and processes for managing, measuring and processing them in the course of meeting its objectives are disclosed in more detail in this section. The Council must manage its finances in a manner which achieves the intended targets by employing financial resources made available to it by the respective Department of Local Governance in the annual allocation as well as funds made available through other authorised partnerships and sources.

Methods used to measure such risks as employed by the Council are under continuous development and improvement. These serve to uphold the Council's objectives, processes and policies.

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**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**22 Financial risk management (contd.)**

Significant changes in the Council's exposure to financial risks and the manner in which they are measured and managed are disclosed below.

The risks to which the Council has been or may be exposed in the foreseeable future may be categorised as follows:

**Financial risk factors**

The Council's activities may expose it to a variety of risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and currency risk arising from the financial instruments it may hold. The risk management policies employed by the Council to manage these risks are discussed below:

**(i) Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Council's income and operating cash flows are not dependent on changes in market interest rates.

**(ii) Credit risk**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from debt balances owed to the Council at the balance sheet date. The Council is exposed to this risk whenever amounts are owed to the Council by individuals and companies. Any cash balances as well as all surplus cash are deposited with reputable local banking institutions.

Amounts receivable by the Council include Local Enforcement System debts and other receivables which are subject to the risk of non-payment. It is the Council's policy to impair and provide for any debt which exceeds two years and which therefore does not remain within the acceptable limit of the credit period. This policy effects the provision for doubtful debts as follows:

|   | Year ended<br>31 December<br>2013<br>EUR | Year ended<br>31 December<br>2012<br>EUR |
|---|--|--|
| Amounts receivable within credit period       | 3,652                                    | 36,226                                   |
| Impaired and provided for                     | 11,299                                   | 18,301                                   |
| Provision for doubtful debts as per IFRS 7.37 | (11,299)                                 | (18,301)                                 |
|   | <u>3,652</u>                             | <u>36,226</u>                            |

**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**22 Financial risk management (contd.)**

**(iii) Liquidity risk**

Liquidity risk is the risk that arises in the event that maturity of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. There are sufficient liquid assets to ensure the ongoing operation of the Council for the foreseeable future.

**(iv) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Council's functional currency. The Council is not exposed to foreign exchange risk at the present time.

**(v) Summary of financial assets and liabilities by category**

The carrying amounts of the Council's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows:

|                              | Year ended<br>31 December<br>2013<br>EUR | Year ended<br>31 December<br>2012<br>EUR |
|------------------------------|--|--|
| <b>Financial assets</b>      |  |  |
| Cash and bank balances       | 207,632                                  | 542,204                                  |
| Receivables                  | 155,507                                  | 355,004                                  |
|                              | <u>363,139</u>                           | <u>897,208</u>                           |
| <b>Financial liabilities</b> |  |  |
| Bank balance overdrawn       | 4,051                                    | 22,417                                   |
| Payables                     | 323,826                                  | 459,600                                  |
|                              | <u>329,260</u>                           | <u>482,017</u>                           |

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

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**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**22 Financial risk management (contd.)**

**Capital management**

It is the Council's policy to maintain a strong liquidity base so as to ensure compliance with the Local Councils (Financial) Regulations, 1993 whereby it is to be ascertained that an acceptable level of positive liquidity is maintained at all times. Such policy on the Council's liquidity also ensures that suppliers will be in a position to provide the necessary services at all times, with confidence that they will get paid and on their part to deliver the agreed services to the quality expectations being requested and within completion timeframes. Sufficient liquidity sustains future development of the Council's work and ensures the delivery of intended works and services to the community which it serves.

The Council is not dependent upon any form of short or long term borrowing, nor does it envisage to request or require such funding in the foreseeable future. The Council's reserves comprise of retained funds which during the past year have remained stable as shown hereunder:

|                 | <b>31 December<br/>2013<br/>EUR</b> | <b>31 December<br/>2012<br/>EUR</b> |
|-----------------|-------------------------------------|-------------------------------------|
| <b>Reserves</b> |                                     |                                     |
| Retained funds  | <b>1,356,731</b>                    | <b>1,254,580</b>                    |

**Financial Situation Indicator**

In terms of section 55 of the Local Councils Act, the Financial Situation Indicator (FSI) of a Local Council should not be permitted to drop below 10%. This is derived by expressing the net current assets at year-end as a percentage of the Annual Government Allocation for that year.

On 1<sup>st</sup> February 2012 the Council's Executive Secretary had communicated a request by email to the DLG asking for a review of the 10% benchmark commencing from 2012. The Council's net allocation for 2013 was of € 710,687 (year ended 31<sup>st</sup> December 2012: €716,924) whereas the sum of its current assets less current liabilities as at 31 December 2013 amounted to net liabilities of €256,197 (31<sup>st</sup> December 2012: net assets of € 51,382). This gives a FSI of -36.05% (31<sup>st</sup> December 2012: +7.1%).

The current liabilities as at 31<sup>st</sup> December 2013 included an accrual of €133,391 (2012: € 326,592) which represented the remaining portion of the PPP scheme – roads resurfacing – pending invoicing by the contractor. The total balance due to the contractor entrusted under the PPP scheme amounted to € 254,516 as at 31<sup>st</sup> December 2013. Meanwhile funds received by the Council in order to remit payments to this contractor are not issued from the Council's ordinary allocation.

**Notes to the Financial Statements for the period ended 31 December 2013\_(cont...)**

**Financial Situation Indicator (contd.)**

Therefore in relation to the Annual Government Allocation for ordinary expenditure and considering that the net liabilities equate almost equally with the amount due to the PPP contractor, the FSI as at 31<sup>st</sup> December 2013 should be adjusted to read -0.2 percent (31<sup>st</sup> December 2012 : 52.7%).

It is to be noted that in instances when the FSI has fallen below the 10% benchmark, the Executive Secretary is bound to notify the Director for Local Governance (DLG) immediately.

**23. Fair values estimation**

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

Zurrieq Local Council  
Financial Statements for the year ended 31<sup>st</sup> December 2013

**Analysis of budget to actuals for the year**

|   | Budget               |                  | Actual               |                    |
|---|----------------------|------------------|----------------------|--------------------|
|   | 1 Jan to 31 Dec 2013 |                  | 1 Jan to 31 Dec 2013 |                    |
|   | EUR                  | EUR              | EUR                  | EUR                |
| <b><u>Income</u></b>                                    |                      |                  |                      |                    |
| Annual allocation                                       |                      | 709,770          |                      | 710,687            |
| Other income:   |                      |                  |                      |                    |
| - Supplementary income                                  | 168,330              |                  | 70,280               |                    |
| - Bye-laws  | 35,000               |                  | 43,023               |                    |
| - Invements   | 1,000                |                  | 2,875                |                    |
| - Other income  | 200                  |                  | -                    |                    |
|   |                      | 204,530          |                      | 116,178            |
| <b>Total income</b>                                     |                      | <b>914,300</b>   |                      | <b>826,865</b>     |
| <b><u>Allocation to ordinary expenditure</u></b>        |                      |                  |                      |                    |
| - Salaries  | 120,800              |                  | 118,072              |                    |
| - Utilities   | 6,000                |                  | 16,969               |                    |
| - Materials and supplies                                | 4,000                |                  | 4,107                |                    |
| - Repairs and maintenance                               | 95,500               |                  | 111,994              |                    |
| - Rent  | 4,000                |                  | 2,569                |                    |
| - Memberships   | 2,000                |                  | 2,437                |                    |
| - Office services                                       | 5,200                |                  | 5,397                |                    |
| - Transport   | 2,000                |                  | 2,243                |                    |
| - Other services  | 11,500               |                  | 15,697               |                    |
| - Contractual services                                  | 13,760               |                  | 2,153                |                    |
| - Cleaning services                                     | 227,700              |                  | 252,691              |                    |
| - Professional services                                 | 21,610               |                  | 20,112               |                    |
| - Community services                                    | 30,000               |                  | 33,787               |                    |
| - Bank charges  | -                    |                  | 305                  |                    |
| - Local enforcement                                     | 1,000                |                  | 1,011                |                    |
|   |                      | (545,070)        |                      | (589,544)          |
| <b><u>Allocation to capital expenditure</u></b>         |                      |                  |                      |                    |
| - Improvements  | -                    |                  | 4,493                |                    |
| - Plant and machinery                                   | -                    |                  | 429                  |                    |
| - Resurfacing projects                                  | 182,424              |                  | 420,938              |                    |
| - Special programmes                                    | 59,000               |                  | 193,383              |                    |
|   |                      | (241,424)        |                      | (619,243)          |
| <b>Total budgeted/actual expenditure</b>                |                      | <b>(786,494)</b> |                      | <b>(1,208,787)</b> |
| <b>Total budgeted surplus / (variance) for the year</b> |                      | <b>127,806</b>   |                      | <b>(381,922)</b>   |