

KUNSILL LOKALI HAL LIJA
HAL LIJA LOCAL COUNCIL

Lija Local Council
Report and Financial Statements

for the year ended 31 December 2017

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Lija Local Council

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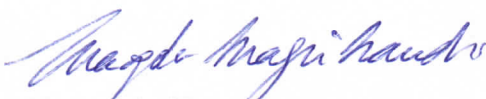
Statement of Local Council Members' and Executive Secretary's Responsibilities

For the year ended 31 December 2017

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which included 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 the Local Council, the income and expenditure of the Local Council for the year its retained funds as at the year end, and that they comply with the Act, the Local Councils (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 Local Council on 26th April 2018 and signed on its behalf by:-



Ms Magda Magri Naudi

Mayor



Ms Georgette Borg

Executive Secretary

Lija Local Council
Statement of Comprehensive Income
For the year ended 31 December 2017

| | Notes | 2017 | 2016 |
|---|-------|----------------------|----------------------|
| | | € | € |
| Revenue | | | |
| Funds received from central government | 9 | 284,082 | 272,810 |
| Income raised from Local Enforcement System | 10 | 8,582 | 4,017 |
| General Income | 11 | 18,605 | 27,860 |
| | | <u>311,269</u> | <u>304,687</u> |
| Expenditure | | | |
| Personal emoluments | 12 | (90,247) | (87,551) |
| Operations and maintenance | 13 | (91,301) | (111,318) |
| Administration and other expenditure | 14 | (71,296) | (71,516) |
| | | <u>(252,844)</u> | <u>(270,385)</u> |
| Operating Surplus for the year | | 58,425 | 34,302 |
| Investment Income | 15 | 17 | 20 |
| Surplus for the year | | <u>58,442</u> | <u>34,322</u> |

The notes on pages 6 - 22 form an integral part of these financial statements.

Lija Local Council
Statement of Financial Position
As at 31 December 2017

Statement of Financial Position

| | Notes | 2017 € | 2016 € |
|-------------------------------------|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Non Current Assets | | | |
| Property, Plant and equipment | 3 | <u>313,717</u> | <u>351,164</u> |
| Current Assets | | | |
| Inventory | 4 | 3,738 | 3,791 |
| Trade and other receivables | 5 | 16,609 | 24,944 |
| Cash and Cash Equivalents | 6 | <u>132,436</u> | <u>81,796</u> |
| | | <u>152,783</u> | <u>110,531</u> |
| Total Assets | | <u><u>466,500</u></u> | <u><u>461,695</u></u> |
| RESERVES AND LIABILITIES | | | |
| Reserves | | | |
| Retained earnings | | <u>290,161</u> | <u>231,719</u> |
| Non-current Liabilities | | | |
| Deferred Income | 7 | 88,193 | 95,334 |
| Long-term payables | 8 | <u>28,124</u> | <u>42,185</u> |
| | | <u>116,317</u> | <u>137,519</u> |
| Liabilities | | | |
| Payables | 8 | <u>60,022</u> | <u>92,457</u> |
| | | <u>176,339</u> | <u>229,976</u> |
| Total equity and liabilities | | <u><u>466,500</u></u> | <u><u>461,695</u></u> |

The notes on pages 6 to 22 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 26th April 2018 and signed on its behalf by:-



Ms Magda Magri Naudi
Mayor



Ms Georgette Borg
Executive Secretary

Lija Local Council
Statement of Changes in Equity
Year ended 31 December 2017

| | Retained Funds 2017 € | Retained Funds 2016 € |
|-----------------------|--|--|
| At 1 January | 231,719 | 197,397 |
| Surplus for the year | 58,442 | 34,322 |
| At 31 December | <u>290,161</u> | <u>231,719</u> |

The notes on pages 6 - 22 form an integral part of these financial statements.

Lija Local Council
Statements of Cash Flows
Year ended 31 December 2017

| | Notes | 2017 | 2016 |
|--|-------|-----------------|----------|
| | | € | € |
| Cash Flow from Operating Activities | | | |
| Surplus for the year | | 58,442 | 34,322 |
| Adjustments for: | | | |
| Depreciation | | 34,433 | 38,233 |
| Impairment of PPE | | 3,384 | - |
| Stock Write Off | | - | 548 |
| Deferred income released | | (15,280) | (20,005) |
| Interest receivable | | (17) | (20) |
| Operating Profit before Working Capital Changes | | 80,962 | 53,078 |
| Working Capital Changes : | | | |
| (Increase)/decrease in inventories | | 53 | 137 |
| (Increase)/decrease in receivables | | (4,156) | 2,378 |
| (Decrease)/Increase in payables/grants | | (13,236) | (17,766) |
| Net Cash flows from operating activities | | 63,623 | 37,827 |
| Cash flows from Investing Activities | | | |
| Purchase of property, plant and equipment | | (14,432) | (17,360) |
| New grants received | | 13,499 | 10,525 |
| Interest received | | 17 | 20 |
| Cash Flow (used in)/generated from Investing Activities | | (916) | (6,815) |
| Net decrease in | | | |
| Cash and Cash Equivalent | | 62,707 | 31,012 |
| Cash and Cash Equivalent | | | |
| at the Beginning of period/year | | 58,823 | 27,811 |
| Cash and Cash Equivalent | | | |
| at the End of period/year | 6 | 121,530 | 58,823 |

The notes on pages 6 - 22 form an integral part of these financial statements.

Notes to the Financial Statements for the Year ended 31 December 2017

1. General Information

Hal Lija Local Council is the local authority of Hal Lija set up in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija. These financial statements were approved for issue by the Council on 26th April 2018. The Council's financial statements are presented in euro which is the functional currency of the Council.

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. Accounting convention

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 Ministry 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 as adopted by the EU 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.

b. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2017:

- IAS 7 Amendments – Statement of Cash Flows Disclosure initiative (effective from 1 January 2017)
- IAS 12 Amendment – Recognition of deferred tax assets for unrealised losses (effective from 1

The adoption of the above new and amended standards did not have a material effect on the financial position or performance of the Council.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2017

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Council has not yet adopted. These are as follows:

- IFRS 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)
- IFRS 9 – Financial instruments (effective from 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)
- IFRS 4 Amendment – Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contract (effective from 1 January 2018)
- IFRS 16 Leases

The Council is assessing the impact that the adoption of the above standards would have on initial application.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 14 – Regulatory Deferral Accounts (EFRAG endorsement process will be launched when the final standard is issued)
- IFRS 10 and IAS 28 Amendments – Sale or contribution of assets between an investor and its associate or joint venture (EFRAG endorsement process and IASB effective date have been deferred indefinitely)
- IFRS 2 Amendment – Classification and measurement of share based payment transaction
- Annual improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration
- IAS 40 Amendments – Transfer of investment property
- IFRS 17 – Insurance Contracts

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Council in the period of initial application.

c. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

d. Local Enforcement System

During 2017 the amount disclosed in the financial statement under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees and LESA for contraventions paid at the Council.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

e. Property, Plant and Equipment

Property, plant and equipment is 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 |
| Trees | 0 |
| Buildings | 1 |
| Office Furniture and Fittings | 7.5 |
| Construction Works | 10 |
| Urban Improvements (Street Furniture) | 10 |
| Special Projects | 10 |
| Office Equipment | 20 |
| Motor Vehicles | 20 |
| Plant and Machinery | 20 |
| Computer Equipment | 25 |
| Plants | 100 |
| Litter Bins | Replacement basis |
| Playground furniture | 100 |
| Road and traffic Signs | Replacement basis |
| Street Mirrors | Replacement basis |
| Street Lights | 100 |

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating 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 local council and the cost of the item can be measured reliably. All other repairs and maintenance are charge to the statement of comprehensive income during the financial period in which they are incurred.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive income over the period necessary to match them with the related costs which they intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 recognized as an expense in the statement of comprehensive income.

h. Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 amounts 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 recognized in the statement of comprehensive income.

i. 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 EUR at the rates of exchange prevailing at the date of the Statement of Financial Position.

j. Surplus and deficits

Only surpluses that were realized at the date of the Statement of Financial Position are recognized 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.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

k. Cash and Equivalent

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

l. Related parties

Related parties are those persons or bodies of persons having relationship with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation and Malta Environmental and Planning Authority.

m. Payables

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.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the local council.

n. Financial Instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharges, 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 measurements, 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"

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

k. Cash and Equivalent

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

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During the year under review, the Local Council's related party that exercised a significant control was the Department of Local Government. The parties that exercise no control were Water Services Corporation and Malta Environmental and Planning Authority.

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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"

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

| 3 a Property, Plant & Equipment | | Office Furniture/ Fitting € | Plant & Machinery € | Office Equipment € | Urban Improvement € | New Street Signs € | Construction Works € | Motor Vehicles € | Total € |
|--|--|-----------------------------------|------------------------|-----------------------|------------------------|-----------------------|-------------------------|---------------------|------------------|
| Cost | | | | | | | | | |
| As at 1 January 2017 | | 16,849 | 3,986 | 40,131 | 178,054 | 41,019 | 785,366 | 8,000 | 1,073,405 |
| Additions during the year | | - | - | 370 | - | - | - | - | 370 |
| As at 31 December 2017 | | 16,849 | 3,986 | 40,501 | 178,054 | 41,019 | 785,366 | 8,000 | 1,073,775 |
| Grants and other reimbursements | | | | | | | | | |
| As at 1 January 2017 | | - | - | 2,644 | - | 7,687 | 86,935 | - | 97,266 |
| As at 31 December 2017 | | - | - | 2,644 | - | 7,687 | 86,935 | - | 97,266 |
| Depreciation and impairment Provision | | | | | | | | | |
| As at 1 January 2017 | | 12,550 | 3,934 | 31,169 | 102,780 | 33,332 | 437,473 | 3,737 | 624,975 |
| Charge for the year | | 312 | 10 | 1,206 | 7,192 | - | 24,934 | 779 | 34,433 |
| Impairment charge | | - | - | - | - | - | - | 3,384 | 3,384 |
| As at 31 December 2017 | | 12,862 | 3,944 | 32,375 | 109,972 | 33,332 | 462,407 | 7,900 | 662,792 |
| NET BOOK VALUE | | | | | | | | | |
| As at 31 December 2017 | | 3,987 | 42 | 5,482 | 68,082 | - | 236,024 | 100 | 313,717 |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

3 a Property, Plant & Equipment

| | Office Furniture/ Fitting | Plant & Machinery | Office Equipment | Urban Improvement | New Street Signs | Construction Works | Motor Vehicles | Total |
|--|------------------------------|-------------------|------------------|-------------------|------------------|--------------------|----------------|-----------|
| | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | |
| As at 1 January 2016 | 16,849 | 3,986 | 40,131 | 178,054 | 41,019 | 785,366 | 8,000 | 1,073,405 |
| As at 31 December 2016 | 16,849 | 3,986 | 40,131 | 178,054 | 41,019 | 785,366 | 8,000 | 1,073,405 |
| Grants and other reimbursements | | | | | | | | |
| As at 1 January 2016 | - | - | 2,644 | - | 7,687 | 86,935 | - | 97,266 |
| As at 31 December 2016 | - | - | 2,644 | - | 7,687 | 86,935 | - | 97,266 |
| Depreciation Provision | | | | | | | | |
| As at 1 January 2016 | 12,214 | 3,922 | 29,757 | 94,828 | 33,332 | 409,905 | 2,784 | 586,742 |
| Charge for the year | 336 | 12 | 1,412 | 7,952 | | 27,568 | 953 | 38,233 |
| As at 31 December 2016 | 12,550 | 3,934 | 31,169 | 102,780 | 33,332 | 437,473 | 3,737 | 624,975 |
| NET BOOK VALUE | | | | | | | | |
| As at 31 December 2016 | 4,299 | 52 | 6,318 | 75,274 | - | 260,958 | 4,263 | 351,164 |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

| | 2017 € | 2016 € |
|--------------------|--------------|--------------|
| 4 Inventory | | |
| Inventory of books | <u>3,738</u> | <u>3,791</u> |

In 2016, the Council wrote off Euro 548 in lost inventories.

| | 2017 € | 2016 € |
|----------------------|---------------|---------------|
| 5 Receivables | | |
| Receivables | 2,883 | 3,456 |
| Other receivables | 5,378 | - |
| Prepayment | 8,348 | 2,925 |
| Accrued income | - | 18,563 |
| | <u>16,609</u> | <u>24,944</u> |

| | 2017 € | 2016 € |
|---|--------------|--------------|
| Trade receivables | | |
| Within the current period | 1,505 | 2,900 |
| Exceed credit period but not yet impaired | 1,378 | 556 |
| | <u>2,883</u> | <u>3,456</u> |

Receivables are stated net of provision for doubtful debts of Euro 430 (2016 : Euro 430)
LES related receivables are stated net of provision for doubtful debts of Euro 1,463 (2016 : Euro 1,463)

6 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:-

| | 2017 € | 2016 € |
|--------------------------|----------------|---------------|
| Bank Balances: | | |
| Current Accounts | (7,932) | (22,973) |
| Savings Accounts | 129,393 | 81,674 |
| Cash in Hand | 69 | 122 |
| | <u>121,530</u> | <u>58,823</u> |
| Transfer to payables | 10,906 | 22,973 |
| Cash at bank and in hand | <u>132,436</u> | <u>81,796</u> |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

| | 2017 € | 2016 € |
|--|-----------|-----------|
| 7 Deferred Income Grants | | |
| Opening Balance | 113,370 | 110,359 |
| Reversal of UIF Grants recognised in Prior Periods | (12,491) | - |
| Allocation of grants | 13,499 | 23,016 |
| Release of grants | (15,280) | (20,005) |
| Closing Balance | 99,098 | 113,370 |
| Less Current portion | (10,905) | (18,036) |
| Non-current portion | 88,193 | 95,334 |
| Deferred Income - between 1 to 2 years | 7,236 | 8,022 |
| Deferred Income - between 2 to 5 years | 17,739 | 19,657 |
| Deferred Income - over 5 years | 63,218 | 67,655 |
| | 88,193 | 95,334 |
| 8 Trade and other payables | | |
| Overdrawn bank balances | 10,906 | 22,973 |
| Accounts payable | 29,627 | 39,651 |
| Accruals | 8,381 | 11,266 |
| Deferred Grant | 10,905 | 18,036 |
| Other Deferred Income | 203 | 531 |
| Financial liabilities | 60,022 | 92,457 |
| Non-Current | | |
| Long term payable | 28,124 | 42,185 |
| 9 Funds received from Central Government | | |
| In terms of Section 55 of the Local Councils Act (Cap 363) | 267,802 | 246,733 |
| Other Government Income | 8,896 | 20,005 |
| Other Supplementary Government Income | 7,384 | 6,072 |
| | 284,082 | 272,810 |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

| | 2017 € | 2016 € |
|---|--------------|--------------|
| 10 Income raised from Local Enforcement System | | |
| Regional Committee/LESA - Administration fee | 4,653 | 4,017 |
| LESA Surplus distributed to Council | 3,756 | - |
| Regional Committee | 173 | - |
| | <u>8,582</u> | <u>4,017</u> |

| | 2017 € | 2016 € |
|------------------------------------|---------------|---------------|
| 11 General Income | | |
| Income from Tender Documents | - | 550 |
| Income from Permits | 10,053 | 12,022 |
| Sundry Contributions and Donations | 7,626 | 14,212 |
| Income from Insurance Claim | 711 | 711 |
| Other Income | 215 | 365 |
| | <u>18,605</u> | <u>27,860</u> |

| | | |
|---|---------------|---------------|
| 12 Personal emoluments | | |
| Personal Emoluments include, inter alia: | | |
| | 2017 € | 2016 € |
| Mayor's Allowance | 7,345 | 7,262 |
| Councillor's Allowance | 6,334 | 6,475 |
| Executive Secretary's Salary | 29,390 | 28,587 |
| Employees' Salaries | 41,470 | 39,811 |
| Social Security Contributions | 5,708 | 5,416 |
| | <u>90,247</u> | <u>87,551</u> |

Average number of people employed

| | | |
|-------------------------|----------|----------|
| Employees - Full Timers | 3 | 3 |
| Employees - Part Timer | 1 | 1 |
| Mayor & Councillors | <u>5</u> | <u>5</u> |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

| | 2017 € | 2016 € |
|--|---------------|----------------|
| 13 Operations and Maintenance | | |
| Operations and maintenance includes, inter alia: | | |
| Repairs and Upkeep: | | |
| Road/Street pavements | 906 | - |
| Signs and road markings | 4,182 | 4,434 |
| Other repairs and upkeep | 1,796 | - |
| Total | <u>6,884</u> | <u>4,434</u> |
| Contractual Services: | | |
| Refuse Collection | 46,949 | 53,785 |
| Bulky Refuse Collection | 2,796 | 2,726 |
| Road and street cleaning | 16,427 | 31,126 |
| Cleaning and Maintenance of Public Conveniences | 4,227 | 4,740 |
| Cleaning and Maintenance of Parks and Gardens | 7,508 | 9,834 |
| Street Lights | 4,502 | 2,964 |
| Other | 2,008 | 1,709 |
| | <u>84,417</u> | <u>106,884</u> |
| Total Operations and Maintenance Expenses | <u>91,301</u> | <u>111,318</u> |

| | 2017 € | 2016 € |
|--|---------------|---------------|
| 14 Administration and other expenditure | | |
| Utilities | 2,988 | 1,802 |
| Rent Payable | 8,850 | 8,850 |
| National and International Memberships and Subscriptions | 445 | 207 |
| Office Services | 2,011 | 2,663 |
| Motor Vehicles Insurance/Licence including fuel | 1,281 | 1,035 |
| Publications /Advertising | 257 | 1,161 |
| Professional Services | 13,543 | 16,200 |
| Community Services and Events | 1,502 | 1,141 |
| Bank Interest and Charges | 72 | 99 |
| Penalties and Claims | - | 1 |
| Impairment of PPE | 3,384 | - |
| Depreciation | 34,433 | 38,233 |
| Insurance | 1,896 | - |
| Other Expenses | 634 | 124 |
| | <u>71,296</u> | <u>71,516</u> |

| | 2017 € | 2016 € |
|-----------------------------|-----------|-----------|
| 15 Investment Income | | |
| Bank Interest Receivable | <u>17</u> | <u>20</u> |

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

16 Capital Commitments

By the time these financial statements were approved, the Council did not approve any major capital commitments.

17 Related party transactions

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

| Name of Entity | Nature of relationship |
|--|-------------------------------|
| Department of Local Councils | Significant Control |
| Regional Committees (Local Enforcement) | No control |
| LESA | No control |
| Malta Environment and Planning Authority | No control |
| Water Services Corporation | No control |
| Enemalta Corporation / Arms | No control |

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

| | 2017 | 2016 |
|-----------------------------|-----------------------|-----------------------|
| | € | € |
| Annual financial allocation | <u>267,802</u> | <u>246,733</u> |

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Key management compensation

Transactions with key management personnel are disclosed in note 12. The Council considers its Mayor, Councillors and the Executive Secretary to be Key Management Personnel. Remuneration paid to its Key Management Personnel amounted to Euro 44,871 for 2017 (2016: Euro 44,117)

18 Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risk to which the council is exposed are described below.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

18 Risk management objectives and policies (continued)

18.1 Credit risk

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

| | | 2017 € | 2016 € |
|---|----------|----------------|----------------|
| Classes of financial assets - carrying amounts | | | |
| Trade and other receivables | (Note 5) | 2,883 | 22,019 |
| Cash and cash equivalents | (Note 6) | 132,436 | 81,796 |
| | | <u>135,319</u> | <u>103,815</u> |

The Council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Council's policy is to deal with only creditworthy counterparties.

The Council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Council's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.2 Liquidity risk

The Council's trade and other payables 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 manages 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 insufficient in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

| | 2017 € | 2016 € |
|---|---------------|---------------|
| Current liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Trade and other payables | 29,627 | 39,651 |
| Bank Overdrawn | 10,906 | 22,973 |
| Accruals | 8,381 | 11,266 |
| | <u>48,914</u> | <u>73,890</u> |
| Non - Current Liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Long term payables | <u>28,124</u> | <u>42,185</u> |

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

18 Risk management objectives and policies (continued)

18.2 Liquidity risk (continued)

At 31 December, the Council's financial liabilities have contractual maturities which are summarised below :

31 December 2017

| | Current within 1 year € | Non-current 1 to 5 years € | later than 5 years € |
|--------------------------|----------------------------------|-------------------------------------|----------------------------|
| Trade and other payables | 29,627 | - | - |
| Bank Overdrawn | 10,906 | - | - |
| Accruals | 8,381 | - | - |
| Long term payables | - | 28,124 | - |

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

31 December 2016

| | Current within 1 year € | Non-current 1 to 5 years € | later than 5 years € |
|--------------------------|----------------------------------|-------------------------------------|----------------------------|
| Trade and other payables | 39,651 | - | - |
| Bank Overdrawn | 22,973 | - | - |
| Accruals | 11,266 | - | - |
| Long term payables | - | 42,185 | - |

18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalent (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

18.4 Foreign currency risk

The Council is not exposed to foreign exchange risk since it does not transact in foreign currencies.

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

18 Risk management objectives and policies (continued)

18.5 Summary of financial assets and liabilities by category

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

| | 2017 € | 2016 € |
|---|----------------|----------------|
| Current assets | | |
| Loans and receivables: | | |
| Trade and other receivables | 2,883 | 22,019 |
| Cash and cash equivalents | 132,436 | 81,796 |
| | <u>135,319</u> | <u>103,815</u> |
| Current liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Trade and other payables | 29,627 | 39,651 |
| Bank Overdrawn | 10,906 | 22,973 |
| Accruals | 8,381 | 11,266 |
| | <u>48,914</u> | <u>73,890</u> |
| Non - Current Liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Long term payables | <u>28,124</u> | <u>42,185</u> |

18.6 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.

19 Fair Value Estimation

As 31 December 2017 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

20 Events after the end of the reporting period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Council.

Lija Local Council

Notes to the Financial Statements for the Year ended 31 December 2017 - continued

21 Contingent liabilities

As at year - end the Council had contingent liabilities in respect of two claims against it.

Claim 1 - SMS Insurance Agency Ltd et v Malta Transport Authority, with a court order dated 13th January 2011 the claim was shifted from Malta Transport Authority to Lija Local Council - No M1851/2009 - estimated claim is of circa Euro 2,536.49

Claim 2 - Mallia Joseph noe v Magri Naudi Madga noe et: This claim is for Euro 18,485.97. Originally this claim was between Ms Annalise Cilia and the Insurance Company, infact the Insurance company did pay Ms Annalise Cilia for damages caused to furniture and home appliances amounting to Euro 17,161 and Euro 1,324.97 on survey fees regarding the case, but then after the Insurance Company opened this claim against the Mayor as representative of the Lija Local Council. Mr Joseph Mallia is acting as representative of the Insurance Company - Lloyd's Malta Ltd.

The Council is restricting such claims and no provision has been made in these financial statements in

- respect of such claims.

22 Leases

The Council is aware that no official rental agreement exist with regards to the premises from where the Council operate. Infact members of the Council met with the lessor to present an official contract. As at today, the Council has in hand a draft contract, however still the Council has some issue regarding the third party clause. The Council is also aware that if this contract is to be agreed upon it has to follow the procurement procedure too. In the mean time too, the Council is exploring other options with regards to the renting of office space - one of which is the issue of an Expression of Interest on the subject.