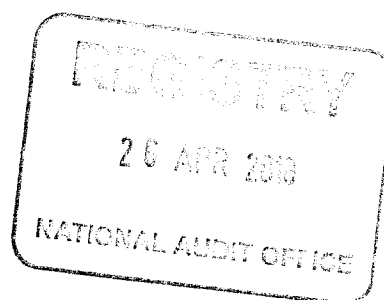


MARSA LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2017



Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Total Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 23
Report of Local Government Auditor to the Auditor General	24 - 25

## MARSA LOCAL COUNCIL

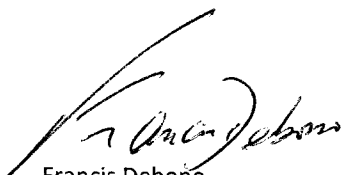
### STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2017

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

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

This statement was approved by the Council on 11 April 2018 and signed on its behalf by :



Francis Debono  
Mayor



Edward Spiteri Audibert  
Executive Secretary

MARSA LOCAL COUNCIL  
STATEMENT OF TOTAL COMPREHENSIVE INCOME  
For the year ended 31 December 2017

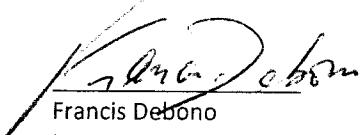
	Notes	2017 €	2016 €
<b>REVENUE</b>			
Funds received from Central Government	3	<b>547,908</b>	554,871
Income raised under Local Council Bye-Laws	4	-	1,093
Income raised under Local Enforcement System	5	<b>15,498</b>	6,198
General Income	6	<b>24,465</b>	15,457
		<hr/>	<hr/>
		<b>587,871</b>	577,619
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personal emoluments	7	<b>(87,673)</b>	(82,302)
Operations and maintenance	8	<b>(365,038)</b>	(313,910)
Administration and other expenses	9	<b>(152,099)</b>	(160,051)
		<hr/>	<hr/>
		<b>(604,810)</b>	(556,263)
		<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT FOR THE YEAR</b>		<b>(16,939)</b>	21,356
Finance income	10	<b>28</b>	32
Finance cost	10	<b>(14,994)</b>	(14,845)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	7	<b>(31,905)</b>	6,543
		<hr/>	<hr/>


The notes on pages 7 to 23 form an integral part of these financial statements.

MARSA LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
As at 31 December 2017

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible asset	11	2,446	1,262
Property, plant and equipment	12	1,178,899	1,169,300
		<u>1,181,345</u>	<u>1,170,562</u>
<b>Current Assets</b>			
Inventories	13	358	359
Receivables	14	23,862	20,682
Cash and cash equivalents	15	264,715	309,738
		<u>288,935</u>	<u>330,779</u>
<b>TOTAL ASSETS</b>		<u>1,470,280</u>	<u>1,501,341</u>
<b>EQUITY</b>			
<b>RESERVES</b>			
Retained earnings		831,640	863,545
<b>NON-CURRENT LIABILITIES</b>			
Long-term third party loan	18	10,422	20,040
Long-term borrowings	17	243,793	258,837
Deferred income	19	231,697	233,003
		<u>485,912</u>	<u>511,880</u>
<b>CURRENT LIABILITIES</b>			
Payables	16	127,915	102,455
Short-term third party loan	18	9,618	8,875
Short-term borrowings	17	15,195	14,586
		<u>152,728</u>	<u>125,916</u>
<b>TOTAL LIABILITIES</b>		<u>638,640</u>	<u>637,796</u>
<b>RESERVES AND LIABILITIES</b>		<u>1,470,280</u>	<u>1,501,341</u>

The notes on pages 7 to 23 form an integral part of these financial statements.  
These financial statements were approved by the Council on 11 April 2018

  
Francis Debono  
Mayor

  
Edward Spiteri Audibert  
Executive Secretary

MARSA LOCAL COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2017

	Retained Earnings
	EUR
<b>Year Ended 31 December 2016</b>	
Balance as at 1 January 2016	857,002
Profit for the year	6,543
<b>At 31 December 2016</b>	<u>863,545</u>
Balance as at 1 January 2017	863,545
Loss for the year	(31,905)
<b>Balance as at 31 December 2017</b>	<u>831,640</u>

MARSA LOCAL COUNCIL  
CASH FLOW STATEMENT  
For the year ended 31 December 2017

	Notes	2017 €	2016 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit for the year		(31,905)	6,543
Reconciliation to cash generated from operations:			
Depreciation		87,762	95,612
Amortisation		298	246
Movements in provision for doubtful debts		(66)	145
Interest receivable		(28)	(32)
Government grant released		(22,536)	(24,170)
Operating loss before working capital changes		33,525	78,344
Decrease in inventories		1	4
(Increase) / Decrease in receivables		(3,114)	18,119
Increase / (Decrease) in payables		26,609	(6,359)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>57,021</b>	<b>90,108</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(97,361)	(5,615)
Purchase of intangible assets		(1,482)	(519)
Interest received		28	32
Receipt of grants		22,500	37,500
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(76,315)</b>	<b>31,398</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Repayment of short term borrowings		(14,435)	(10,688)
Repayment of third party loan		(11,294)	(11,296)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(25,729)</b>	<b>(21,984)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(45,023)</b>	<b>99,522</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>309,738</b>	<b>210,216</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	15	<b>264,715</b>	<b>309,738</b>

**1. GENERAL INFORMATION**

Marsa Local Council is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Pont San Tumas, Marsa. These financial statements were approved for issue by the Council Members on 11<sup>th</sup> April 2018. The Local Council's presentation as well as functional currency is dominated in €.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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

**ACCOUNTING COVENTION**

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

**NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL**

During the year under review, the Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting year beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

**NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED**

IFRS 9 Financial Instruments addresses the clarification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS17. IFRS 16 was issued in January 16 and applies to annual reporting periods beginning on or after 1 January 2019.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

## 2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### NEW IMPORTANT STANDARDS AND AMENDMENTS

Amendments to IAS 7 Statements of Cash Flows effective for annual reporting periods beginning on or after 1 January 2017, provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

### REVENUE RECOGNITION

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Funds received from Central Government, income earned from Bye-Laws and interest income are recognised in the income statement as they accrue.

### LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### INTANGIBLE FIXED ASSETS

In line with IAS 38, intangible assets are initially recorded at cost and are subsequently stated at cost less amortisation. Amortisation to write off the cost is calculated on a monthly basis using the reducing balance method.

	%
Computer software	20



## 2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### PROPERTY, PLANT AND EQUIPMENT

In line with IAS 16, property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount, 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 group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Income, during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of fixed assets on a monthly basis using the reducing balance method over the expected useful lives of the assets concerned having regard to their residual value. The annual rates used for this purpose, which are applied consistently, are:

	%
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
Traffic signs	Replacement basis
Road signs	Replacement basis
Street mirrors	Replacement basis
Street lights	100

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated.

### IMPAIRMENT OF ASSETS

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

## **2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **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 comprehensive income.

### **RELATED PARTIES**

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Standard number 24.

### **GOVERNMENT GRANTS**

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

### **SURPLUSES AND DEFICITS**

Only surpluses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential 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.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and balances held with banks.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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 Secretary, 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'.

## **2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

### **CAPITAL MANAGEMENT**

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

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

To achieve the above, the Council carries out quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

### **FINANCIAL INSTRUMENTS**

A financial instrument is recognised if the Council becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Council's contractual rights to the cash flows from the financial assets expired or if the Council transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Council commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Council's obligations specified in the contract expire or are discharged or cancelled.

### **FINANCIAL ASSETS**

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

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

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

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

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

### **FINANCIAL LIABILITIES**

The Council's financial liabilities included other payables, bank and third party loans. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest related charges are included with 'Finance Costs'.

**3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	2017 €	2016 €
In terms of section 55 of the Local Councils Act	472,735	469,345
Supplementary Government income	41,226	51,634
Other Government income	33,947	33,892
	<u>547,908</u>	<u>554,871</u>

**4 INCOME RAISED FROM BYE-LAWS**

	2017 €	2016 €
Bye-Law – Protection of public land	-	1,093

**5 LOCAL ENFORCEMENT SYSTEM**

	2017 €	2016 €
LESA Income distribution	8,981	-
LES administration fee	6,517	6,198
	<u>15,498</u>	<u>6,198</u>

**6 GENERAL INCOME**

	2017 €	2016 €
Community services	2,219	747
Donations	-	1,350
Document and information charges	75	552
Contributions	4,961	1,334
Income from permits	17,210	11,474
	<u>24,465</u>	<u>15,457</u>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**7 (LOSS)/PROFIT FOR THE YEAR**

	2017 €	2016 €
<b>(Loss)/Profit for the year is stated after charging:</b>		
Staff Salaries (note)	87,673	82,302
Depreciation on tangible assets	87,762	95,612
Amortisation on intangible assets	298	246
<b>Staff salaries</b>		
<b>Personal emoluments include, inter alia:</b>		
Mayor's remuneration	7,345	7,229
Allowances	6,400	6,400
Executive secretary salary and allowances	29,626	19,369
Employees' salaries	38,317	43,978
Social security contributions	5,985	5,326
	<b>87,673</b>	<b>82,302</b>

**8 OPERATIONS AND MAINTENANCE**

	2017 €	2016 €
<b>Repair and upkeep:</b>		
Road and street pavements (patching works)	60,315	32,114
Street signs	2,253	1,038
Road markings	7,845	6,075
Office furniture and equipment	800	-
	<b>71,213</b>	<b>39,227</b>
<b>Contractual Services:</b>		
Refuse collection	141,919	134,673
Bulky refuse collection	7,325	7,090
Road and street collection	49,452	43,478
Cleaning and maintenance of public conveniences	20,116	19,152
Cleaning and maintenance of parks and gardens	12,171	9,346
Cleaning and maintenance of verges / non-urban	48,134	47,279
Other contractual services	14,708	13,665
	<b>293,825</b>	<b>274,683</b>
<b>Total</b>	<b>365,038</b>	<b>313,910</b>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**9 ADMINISTRATION AND OTHER EXPENSES**

	2017 €	2016 €
Utilities	9,795	14,069
Office services	4,698	4,646
Transport	686	129
Information services	4,612	2,170
Other contractual services	11,645	9,787
Staff uniforms	483	98
Professional services	5,328	8,793
Provision for doubtful debtors	(66)	145
Rent	700	700
Community and hospitality	19,715	17,889
Depreciation on tangible assets	87,762	95,612
Amortisation on intangible assets	298	246
Training	800	1,080
Repairs	4,104	3,229
Foreign delegations	-	1,458
Hire of Equipment	733	-
Streaming Services	806	-
	<u>152,099</u>	<u>160,051</u>

**10 FINANCE INCOME / COST**

	2017 €	2016 €
Bank interest receivable	<u>28</u>	<u>32</u>
Interest payable	<u>14,994</u>	<u>14,845</u>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**11 INTANGIBLE ASSETS**

	€
<b>Cost</b>	
As at 1 <sup>st</sup> January 2017	2,898
Addition for the year	1,482
	<hr/>
As at 31 <sup>st</sup> December 2017	4,380
	<hr/>
<b>Depreciation</b>	
As at 1 <sup>st</sup> January 2017	1,636
Amortisation for the year	298
	<hr/>
As at 31 <sup>st</sup> December 2017	1,934
	<hr/>
<b>Net Book Value</b>	
As at 31 <sup>st</sup> December 2017	2,446
	<hr/>
<b>Net Book Value</b>	
As at 31 <sup>st</sup> December 2016	1,262
	<hr/>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

12 PROPERTY, PLANT AND EQUIPMENT

ASSET	Office furniture & fittings	Buildings	New Street signs	Office equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>COST</b>									
As at January 2016	153,856	329,212	15,046	25,999	9,053	64,021	1,019,175	981,068	2,597,430
Additions	1,448			1,158			3,085		5,691
As at 31 December 2016	155,304	329,212	15,046	27,157	9,053	64,021	1,022,260	981,068	2,603,121
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>									
As at 1 January 2016	-	-	-	-	-	-	-	337,755	337,755
Charge for the year									
As at 31 December 2016	-	-	-	-	-	-	-	337,755	337,755
<b>ACCUMULATED DEPRECIATION</b>									
As at 1 January 2016	28,613	5,982	15,046	14,474	5,536	20,039	541,798	368,966	1,000,454
Charge for the year	9,782	3,219	-	2,268	336	8,036	45,757	26,214	95,612
As at 31 December 2016	38,395	9,201	15,046	16,742	5,872	28,075	587,555	395,180	1,096,066
<b>NET BOOK VALUE</b>									
As at 31 December 2016	116,909	320,011	-	10,415	3,181	35,946	434,705	248,133	1,169,300

Prepared by Reanda Malta Limited



MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

12 PROPERTY, PLANT AND EQUIPEMENT

ASSET	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
<b>COST</b>									
As at January 2017	155,304	329,212	15,046	27,157	9,053	64,021	1,022,260	981,068	2,603,121
Additions	-	-	-	2,200	-	-	666	94,495	97,361
As at 31 December 2017	155,304	329,212	15,046	29,357	9,053	64,021	1,022,926	1,075,563	2,700,482
<b>GRANTS &amp; OTHER REIMBURSEMENTS</b>									
As at 1 January 2017	-	-	-	-	-	-	-	337,755	337,755
Charge for the year	-	-	-	-	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-	-	-	337,755	337,755
<b>ACCUMULATED DEPRECIATION</b>									
As at 1 January 2017	38,395	9,201	15,046	16,742	5,872	28,075	587,555	395,180	1,096,066
Charge for the year	9,001	3,185	-	2,203	304	6,565	41,576	24,928	87,762
As at 31 December 2017	47,396	12,386	15,046	18,945	6,176	34,640	629,131	420,108	1,183,828
<b>NET BOOK VALUE</b>									
As at 31 December 2017	107,908	316,826	-	10,412	2,877	29,381	393,795	317,700	1,178,899

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**13 INVENTORIES**

	2017 €	2016 €
Lapel badges / sets for resale	358	359

**14 RECEIVABLES**

	2017 €	2016 €
Receivables (note 1)	5,060	1,942
LES debtors (note 2)	-	-
Other receivables	521	466
Prepayments and accrued income	18,281	18,274
	<u>23,862</u>	<u>20,682</u>

Note 1: General receivables are analysed as follows:

	2017 €	2016 €
Within Credit period	5,060	1,942
Exceeded credit period but not impaired	-	-
Impaired and provided for	7,930	7,930
Provision for doubtful debts	(7,930)	(7,930)
	<u>5,060</u>	<u>1,942</u>

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur 95,615 (2016: Eur 95,743)

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

	2017 €	2016 €
LES Debtors	95,615	95,743
Provision for Doubtful Debts	(95,615)	(95,743)
	<u>-</u>	<u>-</u>

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**15 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2017 €	2016 €
Bank balances:		
Ordinary funds	264,421	309,374
Cash in hand	294	364
	<b>264,715</b>	<b>309,738</b>

**16 PAYABLES**

	2017 €	2016 €
Payables	78,005	59,336
Accruals and deferred income	49,910	43,119
	<b>127,915</b>	<b>102,455</b>

**17 BORROWINGS**

	2017 €	2016 €
Non-Current		
Bank borrowings	243,793	258,837
Current		
Bank borrowings	15,195	14,586
Repayable within one year	15,195	14,586
Repayable between two and five years	86,177	63,242
Repayable between five years and more	157,616	195,595
	<b>258,988</b>	<b>273,423</b>

The two bank loans are secured by First General Hypothec over the assets of the Council and by a letter of undertaking by the Government of Malta to channel funds due to the Council. The loans bears interest at 4.15% (2016: 4.15%) per annum and are repayable over 20 years by monthly instalments of €1,682 and €456 respectively.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**18 THIRD PARTY LOAN**

	2017 €	2016 €
Non-Current third party loan	10,422	20,040
Current third party loan	9,618	8,875
Repayable within one year	9,618	8,875
Repayable between two and five years	10,422	20,040
	20,040	28,915

The third party loan falls under the PPP scheme utilised for the construction of two major roads in the locality. The loan is unsecured and is repayable by annual instalments in line with the scheme for a period of eight years.

**19 DEFERRED INCOME**

	2017 €	2016 €
Government grants		
At 1 January	254,607	238,334
Increase in year	22,500	40,097
	277,107	278,431
Released in year	(22,534)	(23,824)
At 31 December	254,573	254,607
Current deferred income	22,876	21,604
Non-current deferred income	231,697	233,003
<b>Deferred Government grants:</b>		
Deferred within one year	22,876	21,604
Deferred between two and five years	84,166	66,473
Deferred in five years and more	147,531	166,530
	254,573	254,607
Deferred after five years or more: Government Grants	147,531	166,530

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**20 CAPITAL COMMITMENTS**

	2017 €	2016 €
Details of capital commitments at 31 December 2017 are as follows;		
Approved but not yet contracted for	-	78,800
These could be analysed further as follows:		
Approved but not yet contracted for:		
Roads Resurfacing	-	78,800
	-	78,800

**21 RELATED PARTY TRANSCATIONS**

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

Name of Entity	Nature of relationship
Department of Local Government	Significant Control
South Eastern Regional Committee	Joint Control
Police General Head Quarters	No Control
Central Regional Committee	No Control
South Regional Committee	No Control
Gozo Regional Committee	No Control
North Regional Committee	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Cleansing Services Department	No Control
Director General – Works Division	No Control
Department of Lands	No Control
Bank of Valletta Plc	No Control
Wasteserv Malta Limited	No Control
Transport Malta	No Control
Local enforcement system agency	No Control

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

	2017 €	2016 €
Annual financial allocation	482,735	469,345

## 22 FINANCIAL RISK MANAGEMENT

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

### CREDIT RISK

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bank debts are therefore negligible and in this respect the Council has no significant concentration of 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 and is summarised as follows:

	2017 €	2016 €
Classes of financial assets – carrying amounts:		
Trade and Other Receivables	23,862	20,682
Cash and Cash Equivalents	264,715	309,738
	<b>288,397</b>	<b>330,420</b>

### LIQUIDITY RISK

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of €264,715. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €831,640 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**22 FINANCIAL RISK MANAGEMENT – continued**

At 31 December 2017 the Council's financial liabilities have contractual maturities which are summarised below:

	Current Payable within 1 year €	Non-Current Payable within 2 & 5 years €	Payable after more than 5 years €
31 December 2017			
Payables	78,005	-	-
Accruals	26,379	-	-
Bank Borrowings	15,195	86,177	157,616
PPP Payables	9,618	10,422	-
	<b>129,197</b>	<b>96,599</b>	<b>157,616</b>
31 December 2016			
Payables	59,336	-	-
Accruals	21,515	-	-
Bank Borrowings	14,586	63,242	195,595
PPP Payables	8,875	20,040	-
	<b>104,312</b>	<b>83,282</b>	<b>195,595</b>

**FOREIGN CURRENCY RISK**

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

**INTEREST RATE RISK**

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

MARSA LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**23 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES**

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

	2017 €	2016 €
<b>Current Assets</b>		
Loans and Receivables:		
Trade and Other Receivables	23,862	20,682
Cash and Cash Equivalents	264,715	309,738
	<b>288,397</b>	<b>330,420</b>
<b>Current and Non Current Liabilities</b>		
Financial Liabilities measure at amortised cost:		
Payables	78,005	59,336
Accruals	26,379	21,515
Bank Borrowings	258,988	273,423
PPP Payables	20,040	28,915
	<b>383,776</b>	<b>383,189</b>

**25 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.

**26 EVENTS AFTER THE REPORTING PERIOD**

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.



# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Marsa Local Council set out on pages 2 to 23 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of those charged with governance for the financial statements

As described on page 1 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

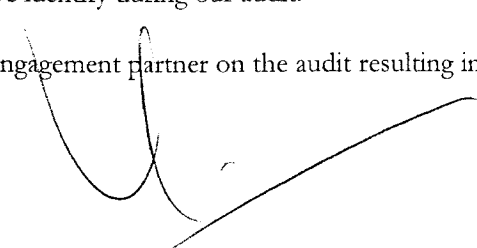
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON**  
Certified Public Accountants

Fort Business Centre  
Mriehel Bypass  
Birkirkara BKR 3000  
Malta

11 April 2018