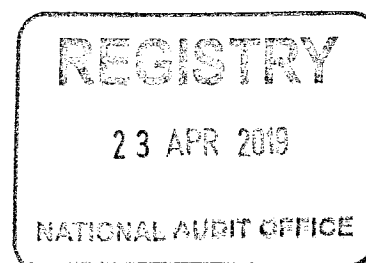


MARSA LOCAL COUNCIL

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

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



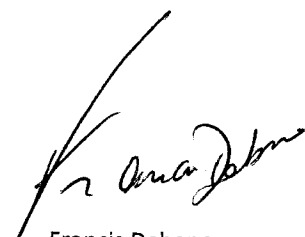
MARSA LOCAL COUNCIL

STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES For the year ended 31 December 2018

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 10 April 2019 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 2018

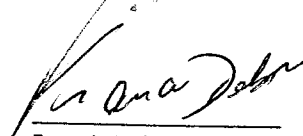
	Notes	2018 €	Re-stated 2017 €
REVENUE			
Funds received from Central Government	3a	572,005	525,372
EU Funding	3b	19,285	-
Income raised under Local Council Bye-Laws	4	1,285	-
Income raised under Local Enforcement System	5	5,092	15,498
General Income	6	21,553	24,465
		<hr/>	<hr/>
		619,220	565,335
EXPENDITURE			
Personal emoluments	7	(94,855)	(87,673)
Operations and maintenance	8	(427,541)	(365,038)
Administration and other expenses	9	(423,325)	(129,563)
		<hr/>	<hr/>
		(945,721)	(582,274)
OPERATING LOSS FOR THE YEAR			
		(326,501)	(16,939)
Finance income	10	28	28
Finance cost	10	(10,660)	(12,573)
Interest on third party loan	10	(1,678)	(2,421)
		<hr/>	<hr/>
LOSS FOR THE YEAR	7	(338,811)	(31,905)
		<hr/>	<hr/>

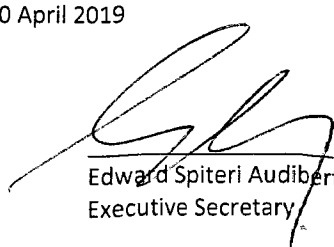
The notes on pages 6 to 23 form an integral part of these financial statements.

MARSA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 €	Re-stated 2017 €
ASSETS			
NON-CURRENT ASSETS			
Intangible asset	11	2,095	2,444
Property, plant and equipment	12	<u>616,903</u>	<u>946,827</u>
		<u>618,998</u>	<u>949,271</u>
Current Assets			
Inventories	13	322	358
Receivables	14	33,653	23,862
Cash and cash equivalents	15	<u>275,729</u>	<u>264,715</u>
		<u>309,704</u>	<u>288,935</u>
TOTAL ASSETS		<u>928,702</u>	<u>1,238,206</u>
EQUITY			
RESERVES			
Retained earnings		<u>492,829</u>	<u>831,640</u>
NON-CURRENT LIABILITIES			
Long-term third party loan	18	-	10,422
Long-term borrowings	17	<u>228,101</u>	<u>243,793</u>
		<u>228,101</u>	<u>254,215</u>
CURRENT LIABILITIES			
Payables	16	181,489	127,538
Short-term third party loan	18	10,422	9,618
Short-term borrowings	17	<u>15,861</u>	<u>15,195</u>
		<u>207,772</u>	<u>152,351</u>
TOTAL LIABILITIES		<u>435,873</u>	<u>406,566</u>
RESERVES AND LIABILITIES		<u>928,702</u>	<u>1,238,206</u>

The notes on pages 6 to 23 form an integral part of these financial statements.
These financial statements were approved by the Council on 10 April 2019


Francis Debono
Mayor


Edward Spiteri Audibert
Executive Secretary

MARSA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Retained Earnings
	EUR
Year Ended 31 December 2017	
Balance as at 1 January 2017	863,545
Profit for the year	(31,905)
At 31 December 2017	<u>831,640</u>
Balance as at 1 January 2018	831,640
Loss for the year	(338,811)
Balance as at 31 December 2018	<u>492,829</u>

MARSA LOCAL COUNCIL
CASH FLOW STATEMENT
For the year ended 31 December 2018

	Notes	2018 €	Re-stated 2017 €
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit for the year		(338,811)	(31,905)
Reconciliation to cash generated from operations:			
Depreciation		334,471	65,226
Amortisation		1,146	298
Release of grants		(20,248)	-
Movements in provision for doubtful debts		(169)	(66)
Interest receivable		(28)	(28)
Operating profit before working capital changes		(23,639)	33,525
Decrease in inventories		36	1
(Increase) / Decrease in receivables		(9,622)	(3,114)
Increase / (Decrease) in payables		61,699	26,609
NET CASH FLOW FROM OPERATING ACTIVITIES		28,474	57,021
CASH FLOW USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,547)	(97,361)
Purchase of intangible assets		(797)	(1,482)
Interest received		28	28
Receipt of grants		12,500	22,500
NET CASH FROM INVESTING ACTIVITIES		7,184	(76,315)
CASH FLOW FROM FINANCIAL ACTIVITIES			
Repayment of short term borrowings		(15,026)	(14,435)
Repayment of third party loan		(9,618)	(11,294)
NET CASH USED IN FINANCING ACTIVITIES		(24,644)	(25,729)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		11,014	(45,023)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		264,715	309,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	275,729	264,715

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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 10th April 2019. 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 2018. 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.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's credit risk is recorded in other Comprehensive Income rather than the Income Statement, unless this creates and an accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

NEW IMPORTANT STANDARDS AND AMENDMENTS NOT YET ADOPTED

IFRS 16, Leases, introduces a single, on balance lease sheet accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. Lessors continue to classify leases as finance or operating leases. IFRS16 replaces existing leases guidance included IAS17, Leases, IFIRC 4, Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard is effective for annual period beginning on or after 1 January 2019.

The Council has also changed the accounting policy on Government grants as advised by the Local Government Authority. A detailed explanation of the effect of this change of policy is explained in Note 26 to the financial statements.

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.

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 straight line method.

	%
Computer software	25 - 100

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line 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 - 100
Construction works	10 - 100
Urban improvements (street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20
Plant and machinery	20 - 100
Computer equipment	25 - 100
Plants	100
Litter bins	100
Playground furniture	100
Traffic signs	100
Road signs	100
Street mirrors	100
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.

Directive issued in 2017 by the Department of Local Councils, applicable as from 1 January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures (P1.X1).

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

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

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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.

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.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS39 that relate to the classification and measurement of Financial Instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measure at amortised cost. The determination is made at initial recognition. The classification depends on the entities business module for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of IAS39 requirements. The main change is that, in cases of where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's credit risk is recorded in other Comprehensive Income rather than the Income Statement, unless this creates and accounting mismatch. The council adopted IFRS 9 for annual reporting periods beginning on or after 1 January 2018.

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

During the year the Local Council has changed the accounting of Government Grants from the Income Approach to the Capital Approach as defined by IAS20 'Government Grants'. With the Capital Approach grants are deducted from Capital assets.

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department of Local Government in respect of the Accounting of Grants as per IAS 20 'Government Grants'. The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

GOVERNMENT GRANTS – continued

This is a change in accounting policies and, according to IAS 8 'Accounting Policies, Changes in Accounting Estimates, this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income, but has effected the Statement of Financial Position as per note 26.

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'.

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.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

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 in 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 A. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2018 €	2017 €
In terms of section 55 of the Local Councils Act	492,995	472,735
Supplementary Government income	-	18,690
Other Government income	79,010	33,947
	<u>572,005</u>	<u>525,372</u>

3 B. FUNDS RECEIVED FROM EU

	2018 €	2017 €
EU Funding	<u>19,285</u>	-

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4 INCOME RAISED FROM BYE-LAWS

	2018 €	2017 €
Income from bye-laws	1,285	-

5 LOCAL ENFORCEMENT SYSTEM

	2018 €	2017 €
LESA Income distribution	-	8,981
LES administration fee	5,092	6,517
	<u>5,092</u>	<u>15,498</u>

6 GENERAL INCOME

	2018 €	2017 €
Community services	772	2,219
Donations	1,275	-
Document and information charges	15	75
Contributions	1,800	4,961
Income from permits	17,691	17,210
	<u>21,553</u>	<u>24,465</u>

7 LOSS FOR THE YEAR

	2018 €	2017 €
Loss for the year is stated after charging:		
Staff Salaries (note)	94,855	87,673
Depreciation on tangible assets	334,471	87,762
Amortisation on intangible assets	1,146	298

Staff salaries

Personal emoluments include, inter alia:

Mayor's remuneration	7,464	7,345
Allowances	6,400	6,400
Executive secretary salary and allowances	30,279	29,626
*Employees' salaries	44,043	38,317
Social security contributions	6,669	5,985
	<u>94,855</u>	<u>87,673</u>

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

8 OPERATIONS AND MAINTENANCE

	2018 €	2017 €
Repair and upkeep:		
Road and street pavements (patching works)	84,610	60,315
Street signs	7,358	2,253
Road markings	7,548	7,845
Office furniture and equipment	78	800
	<u>99,594</u>	<u>71,213</u>
Contractual Services:		
Refuse collection	145,045	141,919
Bulky refuse collection	7,485	7,325
Road and street collection	65,097	49,452
Cleaning and maintenance of public conveniences	19,274	20,116
Cleaning and maintenance of parks and gardens	20,918	12,171
Cleaning and maintenance of verges / non-urban	47,137	48,134
Other contractual services	22,991	14,708
	<u>327,947</u>	<u>293,825</u>
Total	<u>427,541</u>	<u>365,038</u>

9 ADMINISTRATION AND OTHER EXPENSES

	2018 €	2017 €
Utilities	12,296	9,795
Office services	7,332	4,698
Transport	570	686
Information services	4,136	4,612
Other contractual services	12,399	6,658
Insurance	2,734	4,987
Overseas Tickets	1,240	-
Staff uniforms	287	483
Professional services	836	5,328
Provision for doubtful debtors	(169)	(66)
Rent	700	700
Community and hospitality	29,290	19,715
Depreciation on tangible assets	334,471	65,226
Amortisation on intangible assets	1,146	298
Training	660	800
Office Expenditure and Repairs	10,197	4,104
Hire of Equipment	244	733
Restoration	4,956	-
Streaming Services	-	806
	<u>423,325</u>	<u>129,563</u>

MARSA LOCAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

10 FINANCE INCOME / COST

	2018 €	2017 €
Bank interest receivable	28	28
Interest payable from banks	10,660	12,573
Interest payable to third parties	1,678	2,421

11 INTANGIBLE ASSETS

	€
Cost	
As at 1 st January 2018	4,380
Addition for the year	797
	<hr/>
As at 31 st December 2018	5,177
	<hr/>
Depreciation	
As at 1 st January 2018	1,936
Amortisation for the year	1,146
	<hr/>
As at 31 st December 2018	3,082
	<hr/>
Net Book Value	
As at 31 st December 2018	2,095
	<hr/>
Net Book Value	
As at 31 st December 2017	2,444
	<hr/>

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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
	€	€	€	€	€	€	€	€	€
COST									
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
GRANTS & OTHER REIMBURSEMENTS									
As at 1 January 2017	-	-	-	-	-	-	-	337,755	337,755
Prior Year Adjustment – Note 28	-	-	-	-	-	19,800	321,585	-	341,385
Charge for the year	-	-	-	-	-	-	-	-	-
As at 31 December 2017	-	-	-	-	-	19,800	321,585	337,755	679,140
ACCUMULATED DEPRECIATION									
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
Prior Year Adjustment – Note 28	-	-	-	-	-	(10,131)	(99,182)	-	(109,313)
As at 31 December 2017	47,396	12,386	15,046	18,945	6,176	24,509	529,949	420,108	1,074,515
NET BOOK VALUE									
As at 31 December 2017	107,908	316,826	-	10,412	2,877	19,712	171,392	317,700	946,827

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

12 PROPERTY, PLANT AND EQUIPEMENT

ASSET	Assets not yet Capitalized	Office furniture & fittings	Buildings	New Street signs	Office Equipment	Computer equipment	Plant & Machinery	Urban Improvements & Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
COST										
As at January 2018	-	155,304	329,212	15,046	29,357	9,053	64,021	1,022,926	1,075,563	2,700,482
Additions	1,100	910	-	-	2,537	-	-	-	-	4,547
As at 31 December 2018	1,100	156,214	329,212	15,046	31,894	9,053	64,021	1,022,926	1,075,563	2,705,029
GRANTS & OTHER REIMBURSEMENTS										
As at 1 January 2018	-	-	-	-	-	-	19,800	321,585	337,755	679,140
Charge for the year	-	-	-	-	-	-	-	-	-	-
As at 31 December 2018	-	-	-	-	-	-	19,800	321,585	337,755	679,140
ACCUMULATED DEPRECIATION										
As at 1 January 2018	-	47,396	12,386	15,046	18,945	6,176	24,509	529,949	420,108	1,074,515
Charge for the year	-	14,345	3,295	-	7,095	2,877	16,896	151,659	138,304	334,471
As at 31 December 2018	-	61,741	15,681	15,046	26,040	9,053	41,405	681,608	558,412	1,408,986
NET BOOK VALUE										
As at 31 December 2018	1,100	94,473	313,531	-	5,854	-	2,816	19,733	179,396	616,903

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

13 INVENTORIES

	2018 €	2017 €
Lapel badges / sets for resale	322	358

14 RECEIVABLES

	2018 €	2017 €
Receivables (note 1)	17,077	5,060
LES debtors (note 2)	-	-
Other receivables	799	521
Accrued Income	14,517	17,068
Financial Assets	32,393	22,649
Prepayments	1,260	1,213
Total Receivables	33,653	23,862

Note 1: General receivables are analysed as follows:

	2018 €	2017 €
Within Credit period	17,077	5,060
Exceeded credit period but not impaired	-	-
Impaired and provided for	7,930	7,930
Provision for doubtful debts	(7,930)	(7,930)
	17,077	5,060

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to Eur (2018: Eur 95,446)

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

	2018 €	2017 €
LES Debtors	95,446	95,615
Provision for Doubtful Debts	(95,446)	(95,615)
	-	-

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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:

	2018 €	2017 €
Bank balances:		
Ordinary funds	275,435	264,421
Cash in hand	294	294
	<u>275,729</u>	<u>264,715</u>

16 PAYABLES

	2018 €	2017 €
Payables and other payables	143,459	78,005
Accruals	23,278	27,033
Deferred Income	14,752	22,500
	<u>181,489</u>	<u>127,538</u>

17 BORROWINGS

	2018 €	2017 €
Non-Current		
Bank borrowings	<u>228,101</u>	<u>243,793</u>
Current		
Bank borrowings	<u>15,861</u>	<u>15,195</u>
Repayable within one year	15,861	15,195
Repayable between two and five years	70,307	86,177
Repayable between five years and more	157,794	157,616
	<u>243,962</u>	<u>258,988</u>

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% (2017: 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 2018

18 THIRD PARTY LOAN

	2018 €	2017 €
Non-Current third party loan	-	10,422
Current third party loan	10,422	9,618
Repayable within one year	10,422	9,618
Repayable between two and five years	-	10,422
	10,422	20,040

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 CAPITAL COMMITMENTS

	2018 €	2017 €
Details of capital commitments at 31 December 2018 are as follows;		
Approved but not yet contracted for	-	78,800
Approved and contracted for	48,000	-
Roads Resurfacing	-	78,800
Mini Pitch	48,000	-
	48,000	78,800

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

20 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 for 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:

	2018	2017
	€	€
Annual financial allocation	492,995	472,735

21 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 a quality financial institution with a credit rating of BBB+. 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. The risk of default is negligible for both bank and debtors and hence there are no expected credit losses.

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

21 FINANCIAL RISK MANAGEMENT – continued

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:

	2018 €	2017 €
Classes of financial assets – carrying amounts:		
Trade and Other Receivables	32,393	22,649
Cash and Cash Equivalents	275,729	264,715
	308,122	287,364

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 €275,729. This should ensure ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €509,863 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2018 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 2018			
Payables	143,459	-	-
Accruals	23,278	-	-
Bank Borrowings	15,861	70,307	157,794
PPP Payables	10,422	-	-
	193,020	70,307	157,794
31 December 2017			
Payables	78,005	-	-
Accruals	27,033	-	-
Bank Borrowings	15,195	86,177	157,616
PPP Payables	9,618	10,422	-
	129,197	96,599	157,616

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.

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

21 FINANCIAL RISK MANAGEMENT – continued

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.

22 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:

	2018 €	2017 €
Current Assets		
Loans and Receivables:		
Trade and Other Receivables	32,393	22,649
Cash and Cash Equivalents	275,729	264,715
	<u>308,122</u>	<u>287,364</u>
Current and Non Current Liabilities		
Financial Liabilities measure at amortised cost:		
Payables	143,459	78,005
Accruals	23,278	27,033
Bank Borrowings	243,962	258,988
PPP Payables	10,422	20,040
	<u>421,121</u>	<u>384,066</u>

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.

24 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.

25 GOING CONCERN

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they all due without curtailing its future commitments.

MARSA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

26 PRIOR YEAR ADJUSTMENT

On 1 January 2018, the Local Council applied Directive 1/2017 issued by the Department of Local Government in respect of the Accounting of Grants as per IAS 20 'Government Grants'. The Department for Local Government has instructed Local Councils to adopt the alternative capital approach as from 1 January 2018.

This is a change in accounting policies and, according to IAS 8 'Accounting Policies, Changes in Accounting Estimates, this has been accounted for retrospectively. The change in accounting policy did not effect the Statement of Comprehensive Income, but has effected the Statement of Financial Position as follows:

The comparative figures in the Statement of Financial Position were restated as follows:

	Note	Balances before Adjustments	Adjustments	Balances after Adjustments
Non-Current Assets				
Intangible Assets	11	2,444	-	2,444
Property, Plant and Equipment	12	1,178,899	(232,072)	946,827
		<u>1,181,343</u>	<u>(232,072)</u>	<u>949,271</u>
Current Assets				
Inventories	13	358	-	358
Receivables	14	23,862	-	23,862
Cash and Cash Equivalents	15	264,715	-	264,715
		<u>288,935</u>	<u>-</u>	<u>288,935</u>
Total Assets		<u>1,470,278</u>	<u>(232,072)</u>	<u>1,238,206</u>
Reserves and Liabilities				
Reserves				
Retained Earnings		831,640	-	831,640
Non-Current Liabilities				
Non-Current Payables	17,18	485,912	(231,697)	254,215
Current Liabilities				
Trade and other Payables	16,17,18	152,726	(375)	152,351
Total Liabilities		<u>638,638</u>	<u>(232,072)</u>	<u>406,566</u>
Total Equity and Liabilities		<u>1,470,278</u>	<u>(232,072)</u>	<u>1,238,206</u>

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 2018, 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 2018, 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

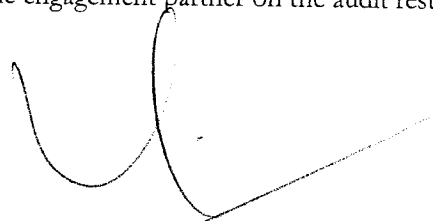
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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

10 April 2019