

Fontana Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2013

**Prepared by
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2013**

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Independent auditors' report	21


Financial Statements for the year ended 31 December 2013


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

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

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

Approved by the Council and signed on its behalf on 29 April 2014 by:


Saviour Borg
Mayor


Amanda Abela
Acting Executive Secretary

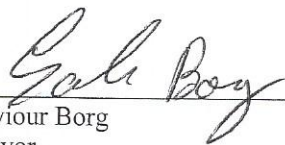
STATEMENT OF FINANCIAL POSITION


As at 31 December 2013

	Notes	31 December 2013 €	31 December 2012 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	315,903	300,971
		<u>315,903</u>	<u>300,971</u>
Current Assets			
Receivables	4	8,273	14,083
Cash and Cash Equivalents	5	81,891	175,250
		<u>90,164</u>	<u>189,333</u>
Total Assets		<u><u>406,067</u></u>	<u><u>490,304</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		342,146	340,843
Non-current Liabilities			
Deferred Income	6	37,514	43,307
Liabilities			
Payables	7	26,407	106,154
Total reserves and liabilities		<u><u>406,067</u></u>	<u><u>490,304</u></u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 29 April 2014 and signed on its behalf by:


Saviour Borg
Mayor


Amanda Abela
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 €	2012 €
REVENUE			
Funds received from central government	8	145,139	147,486
General Income	9	3,206	7,360
		<u>148,345</u>	<u>154,846</u>
EXPENDITURE			
Personal emoluments	10	(36,383)	(35,385)
Operations and maintenance	11	(48,071)	(41,825)
Administration and other expenditure	12	(62,878)	(73,139)
		<u>(147,332)</u>	<u>(150,349)</u>
Operating Surplus for the year		1,013	4,497
Investment income	13	290	408
Total Comprehensive Income for the year		<u>1,303</u>	<u>4,905</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Retained Funds 2013 €	Retained Funds 2012 €
At 1 January	340,843	335,938
Total Comprehensive Income for the year	1,303	4,905
	<hr/>	<hr/>
At 31 December	342,146	340,843

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Note	2013 €	2012 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		1,303	4,905
Adjustments for:			
Depreciation		36,431	28,845
Deferred income released		(6,786)	(7,301)
Interest receivable		(290)	(408)
Operating Profit before Working Capital Changes		30,658	26,041
Decrease in receivables		5,810	13,189
(Decrease)/Increase in payables		(37,652)	38,546
Net Cash (used in)/generated from operating activities		(1,184)	77,776
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(51,363)	(76,445)
New grants received		-	7,270
Interest received		290	408
Cash Flow used in Investing Activities		(51,073)	(68,767)
Net (Decrease)/Increase in Cash and Cash Equivalents		(52,257)	9,009
Cash and Cash Equivalents at the Beginning of Year		133,235	124,226
Cash and Cash Equivalents at the End of Year	5	80,978	133,235

The notes on pages 8 to 19 are an integral part of the financial statements.

Notes to the Financial Statements for the Year ended 31 December 2013

1. General Information

Fontana Local Council is the local authority of Fontana setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq ta' Mulejja Fontana.

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 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 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. Standards, amendments and interpretations to existing standards

Annual Improvements: 2013 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

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

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements require entities to group together items within other comprehensive income that may be reclassified to the profit and loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The standard is applicable for annual periods beginning on or after 1 January 2013.

Notes to the Financial Statements for the period ended 31 December 2013 – continued

The IASB issued 'Annual Improvements 2009-2011 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2009–2011 cycle. Five standards are primarily affected by the amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 January 2013.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council. These include the following:

Amendments to IAS 32 Financial Instruments: Presentation – These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendment to IAS 36 Impairment of Assets – This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9 Financial Instruments (not yet endorsed by the EU) – This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement and that they will have no material impact on the financial statements in the period of initial application.

c. Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

d. Local Enforcement System

Fontana Local Council formed part of Gozo Joint Committee until the 1st September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2013 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Gozo Regional Committee for contraventions paid at the Council.

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	100
Playground furniture	100

replacement basis

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

Road and traffic Signs	%
Street Mirrors	replacement basis
Street Lights	replacement basis
	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 charged to the statement of comprehensive income during the financial period in which they are incurred.

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 periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

g. Impairment of Assets

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

h. 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 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 recognised 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.

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

j. Surplus and deficits

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

k. Cash and 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.

l. Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

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 recognised when the council becomes a party to the contractual provisions of the financial instrument.

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

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

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

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

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

Notes to the Financial Statements for the year ended 31 December 2013 - continued

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 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 include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

o. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Notes to the Financial Statements for the year ended 31 December 2013 - continued

3a Property, Plant and Equipment

	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Playground furniture	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2013	15,640	17,939	4,371	12,590	191,247	2,161	355,808	-	599,756
Additions this year	2,200	-	640	-	25,790	-	19,748	2,985	51,363
At 31 December 2013	17,840	17,939	5,011	12,590	217,037	2,161	375,556	2,985	651,119
Grants and other reimbursements									
At 1 January 2013	-	-	-	-	(24,109)	-	(3,769)	-	(27,878)
Received during the year	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	(24,109)	-	(3,769)	-	(27,878)
Depreciation Provision									
At 1 January 2013	(8,797)	(5,212)	(3,606)	(11,590)	(71,058)	(2,161)	(168,483)	-	(270,907)
Charge for the year	(642)	(2,325)	(303)	(183)	(11,208)	-	(18,785)	(2,985)	(36,431)
At 31 December 2013	(9,439)	(7,537)	(3,909)	(11,773)	(82,266)	(2,161)	(187,268)	(2,985)	(307,338)
Net Book Value									
At 31 December 2013	8,401	10,402	1,102	817	110,662	-	184,519	-	315,903

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

3b Property, Plant and Equipment

	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2012	15,640	10,921	4,371	12,590	189,501	2,161	288,127	523,311
Additions this year	-	7,018	-	-	1,746	-	67,681	76,445
At 31 December 2012	15,640	17,939	4,371	12,590	191,247	2,161	355,808	599,756
Grants and other reimbursements								
At 1 January 2012	-	-	-	-	(24,109)	-	(3,769)	(27,878)
Received during the year	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	(24,109)	-	(3,769)	(27,878)
Depreciation Provision								
At 1 January 2012	(8,262)	(2,856)	(3,386)	(11,366)	(59,163)	(2,161)	(154,868)	(242,062)
Charge for the year	(535)	(2,356)	(220)	(224)	(11,895)	-	(13,615)	(28,845)
At 31 December 2012	(8,797)	(5,212)	(3,606)	(11,590)	(71,058)	(2,161)	(168,483)	(270,907)
Net Book Value								
At 31 December 2012	6,843	12,727	765	1,000	96,080	-	183,556	300,971

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

	2013	2012
	€	€
4 Receivables		
Other receivables	4,872	400
Prepayments and accrued income	3,401	13,683
	<u>8,273</u>	<u>14,083</u>

	2013	2012
	€	€
Receivables		
Within the current period	7,043	14,083
Exceeded credit period but not yet impaired	1,230	-
	<u>8,273</u>	<u>14,083</u>

5 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:

	2013	2012
	€	€
Bank Balances:		
Overdrawn bank balance	(913)	(42,015)
Savings Account	81,570	175,086
Cash in hand	321	164
	<u>80,978</u>	<u>133,235</u>
Transfer to payables	913	42,015
Cash at bank and in hand	<u>81,891</u>	<u>175,250</u>

6 Deferred Income Grants

	2013	2012
	€	€
Deferred Income – between 1 to 2 years	4,957	5,792
Deferred Income – between 2 to 5 years	11,065	12,867
Deferred Income - over 5 years	21,492	24,648
	<u>37,514</u>	<u>43,307</u>

	2013	2012
	€	€
Opening Balance	50,093	50,124
Increase in grants	-	7,270
Release of grants	6,786	7,301
Closing balance	<u>43,307</u>	<u>50,093</u>
Less Current portion	5,793	6,786
Non-current portion	<u>37,514</u>	<u>43,307</u>

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

7 Payables	2013	2012
	€	€
Overdrawn bank balance	913	42,015
Accounts payable	10,317	37,797
Accruals	9,384	19,556
Deferred income	5,793	6,786
	<u>26,407</u>	<u>106,154</u>
8 Funds received from Central Government	2013	2012
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	130,868	133,185
Other Government Income	14,271	14,301
	<u>145,139</u>	<u>147,486</u>
9 General Income	2013	2012
	€	€
Income from Tender Documents	702	1,375
Income from Permits	997	490
Sundry contributions and donations	1,507	5,495
	<u>3,206</u>	<u>7,360</u>
10 Personal Emoluments	2013	2012
Personal emoluments include, inter alia:	€	€
Mayor's honoraria	6,727	4,069
Mayor's and Councillors' Allowances	5,920	6,400
Executive Secretary's Salary	15,846	23,128
Employees' salaries	6,443	-
Social Security Contributions	1,447	1,788
	<u>36,383</u>	<u>35,385</u>

Notes to the Financial Statements for the year ended 31 December 2013 (cont)**11 Operations and Maintenance**

Operations and maintenance includes, inter alia:	2013	2012
	€	€
Repairs and Upkeep:		
Signs and road markings	889	760
Road /street pavements	13,003	-
Public property	3,155	5,294
Other repairs and upkeep	3,848	2,550
Total	<u>20,895</u>	<u>8,604</u>

Contractual Services:

	2013	2012
	€	€
Refuse Collection (including bins on wheels)	13,459	13,400
Bulky Refuse Collection (including open skips)	423	544
Cleaning and Maintenance of Public Conveniences	1,824	1,824
Road and street cleaning	278	-
Parks and gardens and soft areas	-	432
Tipping fees	5,732	13,269
Street Lighting	5,460	3,752
	<u>27,176</u>	<u>33,221</u>
Total Operations and Maintenance Expenses	<u>48,071</u>	<u>41,825</u>

12 Administration and other expenditure

	2013	2012
	€	€
Utilities	1,709	4,549
Rent	2,894	1,444
National and International Memberships	1,137	435
Office Services	3,374	2,810
Transport	307	1,367
Travel	-	213
Information services	1,935	2,480
Professional Services	5,496	9,636
Community and Hospitality	1,157	872
Social Events	6,910	18,632
Cultural Events	1,447	1,347
Bank Charges	81	176
Fines / Penalties	-	333
Depreciation	36,431	28,845
	<u>62,878</u>	<u>73,139</u>

13 Investment income

	2013	2012
	€	€
Bank Interest Receivable	290	408
	<u>290</u>	<u>408</u>

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

14 Contingent Liability

The Council has a guarantee in favour of MEPA amounting to Euro 400.

15 Capital commitments	2013	2012
	€	€
Approved but not contracted for	22,300	20,000
Contracted for but not provided for	4,500	34,050
	<u>26,800</u>	<u>54,050</u>
Approved but not contracted for:		
Non Slip tiles for public roof of Council office	12,000	12,000
Outdoor fitness equipment/safety carpets	3,000	3,000
Works on J. Gaspard Le Merchant Street	5,000	5,000
Live streaming	2,300	-
	<u>22,300</u>	<u>20,000</u>
Contracted for but not provided for:		
Decorative luminaries	4,500	4,500
Wied Siekel	-	25,500
Garage doors	-	2,200
Construction	-	1,850
	<u>4,500</u>	<u>34,050</u>

16 Related Parties Disclosures

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	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2013	2012
Significant control:		
Revenue:	€	€
Annual financial allocation	<u>130,868</u>	<u>133,185</u>

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

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

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

17. 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 risks to which the council is exposed are described below.

17.1 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:

	2013	2012
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	8,273	14,083
Cash and Cash Equivalents	81,891	175,250
	<u>90,164</u>	<u>189,333</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. See note 4 for further information on impairment or financial assets 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.

17.2 Liquidity risk

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

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

	2013	2012
	€	€
Payables	26,407	106,154
	<u>26,407</u>	<u>106,154</u>

Notes to the Financial Statements for the year ended 31 December 2013 - continued

17.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), 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.

17.4 Summary of the financial assets and liabilities by category

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

	2013 €	2012 €
Current Assets		
Loans and receivables:		
Trade and other receivables	8,273	14,083
Cash and Cash Equivalents	81,891	175,250
	<u>90,164</u>	<u>189,333</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	26,407	106,154
	<u>26,407</u>	<u>106,154</u>

17.5 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.

18 Fair value estimation

At 31 December 2013 and 31 December 2012, 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.

19 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



Spiteri Bailey & Co.

Accountancy Audit Advisory

LOCAL COUNCIL FONTANA

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of Local Council Fontana set out on pages 4 to 20, which comprise the statement of financial position as at 31st December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Spiteri Bailey & Co.

Triq Dun Karm, Birkirkara Bypass
Birkirkara BKR 9038, Malta

Tel: +356 21499250

Mob: +356 79499248

Fax: +356 21444815

advice@spiteribailey.com
www.spiteribailey.com

Council Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and the Council, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2013 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.



Spiteri Bailey & Co.

Accountancy Audit Advisory

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

**This copy of the audit report has been signed by
Conrad Borg FCCA FIA DipIFR CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**

Certified Public Accountants

Members of PrimeGlobal

Dun Karm Street,

Birkirkara By-pass,

Birkirkara BKR 9038,

Malta.

29/04/2014