

Fontana Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2012

**Prepared by
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2012**

<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 auditor's report	21


Financial Statements for the year ended 31 December 2012

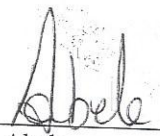
Statement of Local Council Members' and Executive Secretary's Responsibilities

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 company 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 27 April 2013 by:


Saviour Borg
Mayor


Amanda Abela
Acting Executive Secretary

STATEMENT OF FINANCIAL POSITION


As at 31 December 2012

	Notes	31 December 2012 €	31 December 2011 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	300,971	253,371
		<u>300,971</u>	<u>253,371</u>
Current Assets			
Receivables	4	14,083	27,272
Cash and Cash Equivalents	5	175,250	124,226
		<u>189,333</u>	<u>151,498</u>
Total Assets		<u>490,304</u>	<u>404,869</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		340,843	335,938
Non-current Liabilities			
Deferred Income	6	43,307	43,552
Liabilities			
Payables	7	106,154	25,379
Total reserves and liabilities		<u>490,304</u>	<u>404,869</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 27 April 2013 and signed on its behalf by:


Saviour Borg
Mayor


Amanda Abela
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 €	2011 €
REVENUE			
Funds received from central government	8	147,486	147,127
General Income	9	<u>7,360</u>	<u>8,840</u>
		<u>154,846</u>	<u>155,967</u>
EXPENDITURE			
Personal emoluments	10	(35,385)	(32,637)
Operations and maintenance	11	(39,275)	(23,336)
Administration and other expenditure	12	<u>(75,689)</u>	<u>(59,992)</u>
		<u>(150,349)</u>	<u>(115,965)</u>
Operating Surplus for the year		4,497	40,002
Investment income	13	408	313
Total Comprehensive Income for the year		<u><u>4,905</u></u>	<u><u>40,315</u></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 2012

	Retained Funds 2012 €	Retained Funds 2011 €
At 1 January	335,938	295,623
Total Comprehensive Income for the year	4,905	40,315
	<hr/>	<hr/>
At 31 December	340,843	335,938

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

STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Note	2012 €	2011 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		4,905	40,315
Adjustments for:			
Depreciation		28,845	25,959
Deferred income released		(7,301)	(11,815)
Interest receivable	4	(408)	(313)
Operating Profit before Working Capital Changes		26,041	54,146
Decrease in receivables		13,189	13,037
Increase/(Decrease) in payables		38,546	(27,652)
Net Cash inflow from operating Activities		77,776	39,531
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(76,445)	(24,277)
New grants received		7,270	22,819
Interest received		408	313
Cash Flow used in Investing Activities		(68,767)	(1,145)
Net Increase in			
Cash and Cash Equivalents		9,009	38,386
Cash and Cash Equivalents at the Beginning of Year		124,226	85,840
Cash and Cash Equivalents at the End of Year	5	133,235	124,226

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 2012

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: 2012 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.

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.

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.

Information on new standards, amendments and interpretations that are expected to be 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 a material impact on the council's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

c. Revenue recognition

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

d. Local Enforcement System

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 2012 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is now 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	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2012 - continued

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 company.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2012 - continued

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 2012 (cont)

3a 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	4,371	12,590	10,921	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	11,389	12,590	10,921	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	(8,261)	(3,275)	(11,444)	(4,486)	(57,732)	(1,996)	(154,868)	(242,062)
Charge for the year	(535)	(2,356)	(220)	(224)	(11,895)	-	(13,615)	(28,845)
At 31 December 2012	(8,796)	(5,631)	(11,664)	(4,710)	(69,627)	(1,996)	(168,483)	(270,907)
Net Book Value								
At 31 December 2012	6,844	5,758	926	6,211	97,511	165	183,556	300,971

Notes to the Financial Statements for the Year ended 31 December 2012 (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 2011	15,320	4,371	12,590	10,921	165,544	2,161	288,127	499,034
Additions this year	320	-	-	-	23,957	-	-	24,277
At 31 December 2011	15,640	4,371	12,590	10,921	189,501	2,161	288,127	523,311
Grants and other reimbursements								
At 1 January 2011	-	-	-	-	(24,109)	-	(3,769)	(27,878)
Received during the year	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	(24,109)	-	(3,769)	(27,878)
Depreciation Provision								
At 1 January 2011	(7,691)	(3,102)	(11,094)	(1,054)	(49,812)	(2,161)	(141,189)	(216,103)
Charge for the year	(570)	(1,802)	(283)	(273)	(9,352)	-	(13,679)	(25,959)
Reclassifications	-	1,629	(67)	(3,159)	1,432	165	-	-
At 31 December 2011	(8,261)	(3,275)	(11,444)	(4,486)	(57,732)	(1,996)	(154,868)	(242,062)
Net Book Value								
At 31 December 2011	7,379	(533)	1,213	9,594	106,228	-	129,490	253,371

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

	2012 €	2011 €
4 Receivables		
Other receivables	400	11,317
Prepayments and accrued income	13,683	15,955
	<u>14,083</u>	<u>27,272</u>

	2012 €	2011 €
Trade receivables		
Within the current period	14,083	15,955
Exceeded credit period but not yet impaired	-	11,317
	<u>14,083</u>	<u>27,272</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:

	2012 €	2011 €
Bank Balances:		
Overdrawn bank balance	(42,015)	-
Current Account	-	240
Savings Account	175,086	123,739
Cash in hand	164	247
	<u>133,235</u>	<u>124,226</u>
Transfer to payables	42,015	-
Cash at bank and in hand	<u>175,250</u>	<u>124,226</u>

6 Deferred Income Grants

	2012 €	2011 €
Deferred Income – between 1 to 2 years	5,792	5,617
Deferred Income – between 2 to 5 years	12,867	12,509
Deferred Income - over 5 years	24,648	25,426
	<u>43,307</u>	<u>43,552</u>

	2012 €	2011 €
Opening Balance	50,124	39,120
Increase in grants	7,270	22,819
Release of grants	7,301	11,815
Closing balance	50,093	50,124
Less Current portion	6,786	6,572
Non-current portion	<u>43,307</u>	<u>43,552</u>

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

7 Payables	2012	2011
	€	€
Overdrawn bank balance	42,015	-
Accounts payable	37,797	9,015
Accruals	19,556	9,792
Deferred income	6,786	6,572
	<u>106,154</u>	<u>25,379</u>
	2012	2011
	€	€
8 Funds received from Central Government		
In terms of section 55 of the Local Councils Act (CAP 363)	133,185	130,312
Other Government Income	14,301	16,815
	<u>147,486</u>	<u>147,127</u>
	2012	2011
	€	€
9 General Income		
Income from Tender Documents	1,375	1,320
Income from Permits	490	554
Sundry contributions and donations	5,495	6,966
	<u>7,360</u>	<u>8,840</u>
	2012	2011
	€	€
10 Personal Emoluments		
Personal emoluments include, inter alia:		
Mayor's Allowance	4,069	6,364
Councillors' Allowance	6,400	6,200
Executive Secretary's Salary	23,128	18,657
Social Security Contributions	1,788	1,416
	<u>35,385</u>	<u>32,637</u>

Notes to the Financial Statements for the year ended 31 December 2012 (cont)**11 Operations and Maintenance**

Operations and maintenance includes, inter alia:	2012	2011
	€	€
Repairs and Upkeep:		
Signs and road markings	760	1,198
Public property	5,294	1,838
Total	<u>6,054</u>	<u>3,036</u>
Contractual Services:	2012	2011
	€	€
Refuse Collection (including bins on wheels)	13,400	13,453
Bulky Refuse Collection (including open skips)	544	429
Cleaning and Maintenance of Public Conveniences	1,824	1,664
Parks and gardens and soft areas	432	-
Tipping fees	13,269	-
Street Lighting	3,752	4,754
	<u>33,221</u>	<u>20,300</u>
Total Operations and Maintenance Expenses	<u>39,275</u>	<u>23,336</u>

12 Administration and other expenditure

	2012	2011
	€	€
Utilities	4,549	1,934
Other repairs and upkeep	2,550	2,377
Rent	1,444	1,983
National and International Memberships	435	170
Office Services	2,810	1,538
Transport	1,367	803
Travel	213	684
Information services	2,480	2,844
Professional Services	9,636	9,933
Community and Hospitality	872	604
Social Events	18,632	5,090
Cultural Events	1,347	5,122
Bank Charges	176	312
Fines / Penalties	333	639
Depreciation	28,845	25,959
	<u>75,689</u>	<u>59,992</u>

13 Investment income

	2012	2011
	€	€
Bank Interest Receivable	408	313
	<u>408</u>	<u>313</u>

Notes to the Financial Statements for the year ended 31 December 2012 (cont)**14 Contingent Liability**

The Council has a garnishee order amounting to Eur 1,384.

The Council has a MEPA guarantee amounting to Eur 400.

15 Capital commitments	2012	2011
	€	€
Authorised but not contracted for	20,000	213,500
Contracted for but not provided for	34,050	-
	<u>54,050</u>	<u>213,500</u>
Authorised but not contracted for:		
Non Slip tiles for public roof of Council office	12,000	-
Outdoor fitness equipment	3,000	-
Other commitments	5,000	-
	<u>20,000</u>	<u>-</u>
Contracted for but not provided for:		
Resurfacing	-	75,000
Urban Improvements	-	49,000
Decorative luminaries	4,500	-
Wied Siekel	25,500	-
Garage doors	2,200	-
PV System	-	10,000
Construction	1,850	4,500
Civic Centre	-	75,000
	<u>34,050</u>	<u>213,500</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:

	2012	2011
	€	€
Significant control:		
Revenue:		
Annual financial allocation	<u>133,185</u>	<u>130,312</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 2012 (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:

	2012	2011
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	14,083	27,272
Cash and Cash Equivalents	175,250	124,226
	<u>189,333</u>	<u>151,498</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.

	2012	2011
	€	€
Payables	106,154	25,379
	<u>106,154</u>	<u>25,379</u>

Notes to the Financial Statements for the year ended 31 December 2012 - continued

17.3 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:

	2012 €	2011 €
Current Assets		
Loans and receivables:		
Trade and other receivables	14,083	27,272
Cash and Cash Equivalents	<u>175,250</u>	<u>124,226</u>
	<u>189,333</u>	<u>151,498</u>
 Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>106,154</u>	<u>25,379</u>
	<u>106,154</u>	<u>25,379</u>



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 2012, 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.

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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 2012 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,
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27/04/13