

FONTANA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2018

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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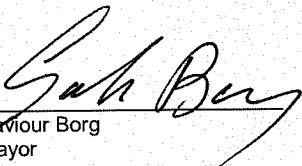
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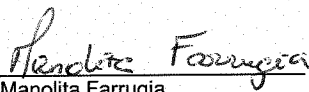
Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes 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, the 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.

This statement was approved by the Local Council on the 11th February 2019 and signed on its behalf by


Saviour Borg
Mayor


Manolita Farrugia
Deputy Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018 €	2017 €
	<i>Notes</i>		
Revenue			
Funds received from Central Government	4	170,738	156,832
Income raised under Local Enforcement System	5	412	2,698
General Income	6	2,539	4,712
		<u>173,689</u>	<u>164,242</u>
Expenditure			
Personal emoluments	8	(47,912)	(50,215)
Operations and maintenance	9	(52,821)	(53,973)
Administrative and other expenditure	10	(138,549)	(53,371)
		<u>(239,282)</u>	<u>(157,559)</u>
Operating (Deficit) / Suplus for the year		(65,593)	6,683
Finance income	11	64	67
(Deficit) / Surplus for the year		<u>(65,529)</u>	<u>6,750</u>

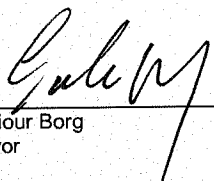
The notes on pages 8 to 23 form an integral part of these financial statements

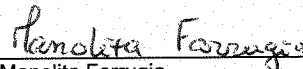
STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018 €	2017 €
	Notes		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	196,212	215,467
		<u>196,212</u>	<u>215,467</u>
Current Assets			
Receivables	13	9,697	6,519
Cash and Cash Equivalents	14	311,184	173,913
		<u>320,881</u>	<u>180,432</u>
Total Assets		<u>517,093</u>	<u>395,899</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		310,168	375,697
		<u>310,168</u>	<u>375,697</u>
Current Liabilities			
Payables	15	206,925	20,202
		<u>206,925</u>	<u>20,202</u>
Total Equity and Liabilities		<u>517,093</u>	<u>395,899</u>

These financial statements were approved by the Local Council on 11th February 2019 and signed on its behalf by:


Saviour Borg
Mayor


Manolita Farrugia
Deputy Executive Secretary

The notes on pages 8 to 23 form an integral part of these financial statements

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

	Retained Funds €
At 1 January 2017	368,947
Surplus for the year 2017	6,750
	<hr/>
At 31 December 2017	375,697
	<hr/> <hr/>
At 1 January 2018	375,697
Deficit for the year 2018	(65,529)
	<hr/>
At 31 December 2018	310,168
	<hr/> <hr/>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from Operating Activities			
(Deficit)/Surplus for the year		(65,529)	6,750
Reconciliation to cash generated from operations:			
Depreciation		49,001	25,847
Reduction in value of PPE in line with Directive 1/2017		52,072	-
Interest receivable		(64)	(67)
Grant released		-	(4,647)
Operating Profit before Working Capital Changes		35,480	27,883
Increase in receivables		(3,178)	(2,785)
Increase in payables		52,461	138
Cash generated from operating activities		84,763	25,236
Cash flows from Investing Activities			
Interest received		64	67
Purchase of property, plant & equipment		(81,821)	(34,532)
Receipt of grant		134,265	-
Cash generated from / (used in) investing activities		52,508	(34,465)
Net Increase / (decrease) in Cash and Cash Equivalents		137,271	(9,229)
Cash and Cash Equivalents at the Beginning of the year		173,913	183,142
Cash and Cash Equivalents at the End of the year	14	311,184	173,913

The notes on pages 8 to 23 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

1. General Information

The Fontana Local Council is the local Authority of Fontana (Gozo) set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Triq ta' Mulejja, Fontana, Gozo, FNT1113. These financial statements were approved for issue by the Council Members on 11th February 2019. The Local Council's presentation as well as functional currency is denominated in €.

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.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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).

New and amended standards adopted by the Local Council

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative. Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. The Regional Committee has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. It's effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 40 Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. Annual Improvements in Annual Improvements 2012-2014 Cycle include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Regional Committee. The package also includes amendments to IFRS 12 which is mandatorily effective for the Regional Committee in the current year. Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

3. Accounting Policies and Reporting Procedures

IFRIC 22 Foreign Currency Transactions and Advance Consideration. Addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

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 Council anticipates 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.

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
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

The change in the depreciation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

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 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 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.

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 Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 and 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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.

Financial assets (cont.)

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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 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'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. The Council also had income from the Joint Committee under the Pooling System.

Government grants

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1st January 2018, the capital approach, according to IAS20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been accounted for retrospectively.

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 €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € 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 2018 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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.

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 a 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.

3. Judgments in applying accounting policies and key sources of estimation

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 Council, 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.

4. Funds received from central government

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act	150,511	144,326
Other Government Income	20,227	7,859
Grants Released	-	4,647
	170,738	156,832

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

5. Local Enforcement system

	2018 €	2017 €
Income from pooling	70	2,348
Administrative fees	342	350
	<u>412</u>	<u>2,698</u>

6. General Income

	2018 €	2017 €
Community Services	793	1,249
Rent Receivable	310	340
General	13	528
Income from Permits	1,423	2,595
	<u>2,539</u>	<u>4,712</u>

7. Surplus for the year

	2018 €	2017 €
Profit for the year is stated after charging		
Staff salaries	47,912	50,215
Depreciation of property, plant & equipment	49,001	25,847
	<u>47,912</u>	<u>50,215</u>

8. Personal Emoluments

	2018 €	2017 €
Mayor's Remuneration	7,464	7,345
Mayor's and Councillors' Allowances	6,354	6,400
Executive Secretary Salary and Allowances	14,621	17,257
Employees' Salaries	17,949	17,760
Social Security Contributions	1,524	1,453
	<u>47,912</u>	<u>50,215</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

9. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	3,057	14,705
Signs and Road Markings	3,754	1,094
Other repairs and Upkeep	3,277	2,432
Public Property	1,038	442
	<u>11,126</u>	<u>18,673</u>
<i>Contractual Services:</i>		
Refuse Collection	21,434	20,236
Bulky Refuse Collection	1,141	1,085
Road & Street Cleaning	337	39
Cleaning - Public Conveniences	3,835	1,569
Cleaning & Maintaining Parks & Gardens	900	594
Tipping fees	4,452	4,074
Street Lighting	9,596	7,703
	<u>41,695</u>	<u>35,300</u>
Total Operations and Maintenance Costs	<u>52,821</u>	<u>53,973</u>

10. Administrative and other expenditure

	2018	2017
	€	€
Utilities	1,880	2,424
Rent	1,779	528
National and International Memberships	568	887
Office Services	2,147	3,383
Transport	910	1,157
Information Services	1,039	438
Insurance Coverage	1,742	1,531
Bank Charges	32	89
Professional Services	20,066	10,921
Social Events	3,479	2,488
Cultural Events	1,210	350
Community and Hospitality	2,230	2,883
Sundry Minor Expenses	387	178
LES related expenses	7	265
Reduction in value of PPE in line with Directive 1/2017	52,072	-
Depreciation	49,001	25,847
	<u>138,549</u>	<u>53,371</u>

11. Finance Income

	2018	2017
	€	€
Bank Interest Receivable	64	67
	<u>64</u>	<u>67</u>

FONTANA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

12. Property, plant and equipment

	Office Furniture & Fittings €	Plant & Machinery €	Computer Equipment €	Office Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Playground Furniture €	Assets under construction €	Total €
Cost										
At 1 January 2018	20,646	17,939	5,951	12,590	179,715	2,161	392,299	6,242	1,272	638,815
Additions	-	-	-	2,837	45,581	-	33,403	-	-	81,821
Reclassification	-	-	-	-	-	-	-	-	-	-
At 31 December 2018	20,646	17,939	5,951	15,427	225,296	2,161	425,702	6,242	1,272	720,636
Depreciation										
At 1 January 2018	12,142	13,585	4,745	12,584	104,405	2,161	239,606	6,242	-	395,470
Charge for the year	1,232	-	108	500	13,897	-	33,264	-	-	49,001
Adjustment	1,467	4,354	510	345	17,725	-	27,674	-	-	52,075
At 31 December 2018	14,841	17,939	5,363	13,429	136,027	2,161	300,544	6,242	-	496,546
Grants										
At 1 January 2018	-	-	-	-	24,109	-	3,769	-	-	27,878
At 31 December 2018	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2018	5,805	-	588	1,998	65,160	-	121,389	-	1,272	196,212

FONTANA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

12. Property, plant and equipment (cont.)

	Office Furniture & Fittings €	Plant & Machinery €	Computer Equipment €	Office Equipment €	Urban Improvements €	New Street Signs €	Special Programmes €	Playground Furniture €	Assets under construction €	Total €
Cost										
At 1 January 2017	20,071	17,939	5,561	14,869	222,027	2,161	390,142	6,242	1,272	680,284
Additions	575	-	390	-	2,089	-	31,478	-	-	34,532
Government grants prior years	-	-	-	(2,279)	(44,401)	-	(29,321)	-	-	(76,001)
At 31 December 2017	20,646	17,939	5,951	12,590	179,715	2,161	392,299	6,242	1,272	638,815
Depreciation										
At 1 January 2017	11,476	12,497	4,523	13,142	115,694	2,161	237,350	6,242	-	403,085
Charge for the year	666	1,088	222	417	8,277	-	15,177	-	-	25,847
Adjusted	-	-	-	(975)	(19,566)	-	(12,921)	-	-	(33,462)
At 31 December 2017	12,142	13,585	4,745	12,584	104,405	2,161	239,606	6,242	-	395,470
Grants										
At 1 January 2017	-	-	-	-	24,109	-	3,769	-	-	27,878
At 31 December 2017	-	-	-	-	-	-	-	-	-	-
Net Book values										
At 31 December 2017	8,504	4,354	1,206	6	51,201	-	148,924	-	1,272	215,467

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

13. Receivables

	2018	2017
	€	€
Other receivables	3,081	4,871
Prepayments and accrued income	6,616	1,648
	<u>9,697</u>	<u>6,519</u>

Receivables

General receivables are analysed as follows:

	2018	2017
	€	€
Within credit period	6,674	4,336
Exceeded credit period but not impaired	3,023	2,183
Impaired and provided for	-	-
Provision for doubtful debts	-	-
	<u>9,697</u>	<u>6,519</u>

Included in the other receivables are amounts due from related parties amounting to €5,938 (2017 : €1,106). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2018	2017
	€	€
Cash at Bank	311,050	173,393
Cash in Hand	134	520
	<u>311,184</u>	<u>173,913</u>

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

15. Payables

	2018	2017
	€	€
Payables	58,067	6,062
Accruals	14,593	14,140
	<u>72,660</u>	<u>20,202</u>

Included in the accounts payable are amounts due to related parties amounting to €392 (2017 : €1,120). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2018	2017
	€	€
Government grants		
At 1 January	-	47,187
Increase in year	134,265	-
	-	47,187
Adjustment in line with Directive 1/2017		(42,540)
Released in year	-	(4,647)
At 31 December	<u>134,265</u>	<u>-</u>
Current Deferred Income	<u>134,265</u>	<u>-</u>
Non-Current Deferred Income	<u>-</u>	<u>-</u>
Deferred Government Grants		
Deferred between one and two years	-	-
Deferred between two and five years	-	-
Deferred in five years or more	-	-
	<u>-</u>	<u>-</u>
Deferred after five years or more	<u>-</u>	<u>-</u>

17. Contingent Liability

The Council was involved as a Witness in a Criminal Case instituted between the Police against a Supplier of the Council. The Council has appealed the decision by the Criminal Court and is waiting for its decision.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

18. Capital Commitments

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	196,000	192,792
- Contracted for but not provided in the financial statements	<u>158,500</u>	<u>-</u>
(i) Approved but not yet contracted for:		
Construction Works and non-slip tiles for public roof of Council office	-	36,000
Upgrading of the area behind the Village Church In Porfido	140,000	-
Locality Information Sign	3,000	-
Resurfacing Triq I-Ghajn	-	70,000
Christmas Lights Triq Kappillan Hili	-	10,000
Renovation works - Civic Centre Hall	15,000	25,000
Construction Rubble wall - Wied ix-Xlendi	8,000	8,000
New decorative luminaries	30,000	43,792
	<u>196,000</u>	<u>192,792</u>
(i) Contracted for but not provided in the Financial Statements:		
Resurfacing Triq I-Ghajn	158,500	-
	<u>158,500</u>	<u>-</u>

19. Ultimate controlling party

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.

20. Financial Risk Management

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.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

20. Financial Risk Management (cont.)

Credit risk

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

	2018	2017
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	9,697	6,519
Cash and Cash Equivalents	311,184	173,913
	<u>320,881</u>	<u>180,432</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>58,067</u>	<u>6,062</u>

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 Euro 311,184. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of Euro 113,956 (2017: €160,230) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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 currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

21. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2018		Related party activity	2017	
	€	Total activity	%	€	Total activity	%
		€			€	
<i>Income</i>						
Transactions with central government	170,738			152,185		
Transactions with regions	412			2,698		
	<u>171,150</u>	<u>173,689</u>	<u>99</u>	<u>154,883</u>	<u>164,242</u>	<u>94</u>
<i>Expenditure</i>						
Transactions with government entities	4,452			4,074		
Key personnel remuneration	47,912			50,215		
	<u>52,364</u>	<u>239,282</u>	<u>22</u>	<u>54,289</u>	<u>157,559</u>	<u>34</u>

22. Fair values estimation

At 31 December 2018 and at 31 December 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

23. Prior year figures

The comparative figures in these financial statements have been changed as per the instructions of DLG Directive 1/2017

Report of the Local Government Auditors to the Auditor General

