

**Fontana Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2014**

**Prepared by  
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2014**

<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	20

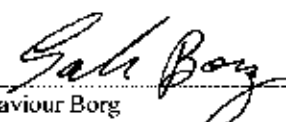
**Financial Statements for the year ended 31 December 2014**

**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 *19* February 2015 by:

  
Saviour Borg  
Mayor

  
Odette Camilleri  
Executive Secretary

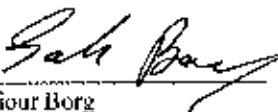
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

	Notes	31 December 2014 €	31 December 2013 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>287,769</u>	<u>315,903</u>
		<u>287,769</u>	<u>315,903</u>
<b>Current Assets</b>			
Receivables	4	3,245	8,273
Cash and Cash Equivalents	5	<u>140,040</u>	<u>81,891</u>
		<u>143,285</u>	<u>90,164</u>
<b>Total Assets</b>		<u><u>431,054</u></u>	<u><u>406,067</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		353,667	342,146
<b>Non-current Liabilities</b>			
Deferred Income	6	55,700	37,514
<b>Liabilities</b>			
Payables	7	21,687	26,407
<b>Total reserves and liabilities</b>		<u><u>431,054</u></u>	<u><u>406,067</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 19 February 2015 and signed on its behalf by:

  
 Saviour Borg  
 Mayor

  
 Odette Caamilleri  
 Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2014

	Notes	2014 €	2013 €
<b>REVENUE</b>			
Funds received from central government	8	148,606	145,139
General income	9	<u>4,172</u>	<u>3,206</u>
		<u>152,777</u>	<u>148,345</u>
<b>EXPENDITURE</b>			
Personal emoluments	10	(43,406)	(36,383)
Operations and maintenance	11	(35,759)	(48,071)
Administration and other expenditure	12	<u>(62,258)</u>	<u>(62,878)</u>
		<u>(141,424)</u>	<u>(147,332)</u>
<b>Operating Surplus for the year</b>		11,353	1,013
Investment income	13	167	290
<b>Total Comprehensive Income for the year</b>		<u>11,520</u>	<u>1,303</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 2014

	Retained Funds 2014 €	Retained Funds 2013 €
At 1 January	342,146	340,843
Total Comprehensive Income for the year	11,521	1,303
	<hr/>	<hr/>
At 31 December	353,667	342,146

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

**STATEMENT OF CASH FLOWS**  
Year ended 31 December 2014

	Note	2014 €	2013 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Income for the year		11,520	1,303
Adjustments for:			
Depreciation		33,490	36,431
Deferred income released		(6,505)	(6,786)
Interest receivable		(167)	(290)
<b>Operating Profit before Working Capital Changes</b>		<b>38,338</b>	<b>30,658</b>
(Increase)/Decrease in receivables		5,028	5,810
(Decrease) in payables		(9,958)	(37,652)
<b>Net Cash inflow from operating Activities</b>		<b>33,408</b>	<b>(1,184)</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(5,356)	(51,363)
New grants received		24,782	-
Interest received		167	290
<b>Cash Flow used in Investing Activities</b>		<b>19,593</b>	<b>(51,073)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>53,002</b>	<b>(52,257)</b>
<b>Cash and Cash Equivalents at the Beginning of Year</b>		<b>80,978</b>	<b>133,235</b>
<b>Cash and Cash Equivalents at the End of Year</b>	5	<b>133,980</b>	<b>80,978</b>

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 2014**

**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' Mnejja 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:** 2014 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 32 Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities specifically clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2014.

*IFRS 11 Joint Arrangements*

IFRS 11 classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form. Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. The standard is effective for annual periods beginning on or after 1 January 2014.

*Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets*

These amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.



**Notes to the Financial Statements for the year ended 31 December 2014 – continued**

**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:

The IASB issued 'Annual Improvements 2010-2012 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 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 July 2014.

**IFRS 9 Financial Instruments** – 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. IFRS 9 requires financial assets that fall due within its scope to be classified on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss. This standard is applicable for annual periods beginning on or after 1 January 2018.

The IASB issued 'Annual Improvements 2011-2013 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. The issues included in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (IFRS 13); and Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner occupied property. The amendments are effective for annual periods beginning on or after 1 July 2014.

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**

During 2014 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees 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

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

**e. Property, Plant and Equipment (cont)**

	%
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 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 year 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.

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

**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.

**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.

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

**Financial assets**

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets 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.

**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 year in which the estimate is revised if the revision affects only that year, or in the year 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 2014 - continued

3a Property, Plant and Equipment

	Office Furniture /fitings	Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Playground furniture	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2014	17,846	17,919	5,011	12,596	217,037	2,161	575,556	2,985	-	651,119
Additions this year	-	-	-	-	490	-	583	3,008	1,273	5,356
At 31 December 2014	17,846	17,919	5,011	12,596	217,527	2,161	576,141	5,993	1,273	656,473
Grants and other reimbursements										
At 1 January 2014	-	-	-	-	(24,169)	-	(2,789)	-	-	(27,878)
Received during the year	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	(24,169)	-	(2,789)	-	-	(27,878)
Depreciation Provisions										
At 1 January 2014	(9,439)	(3,537)	(3,869)	(11,773)	(82,258)	(2,161)	(187,268)	(2,985)	-	(307,339)
Charge for the year	(999)	(1,819)	(739)	(147)	(10,389)	-	(17,298)	(2,608)	-	(33,939)
At 31 December 2014	(10,438)	(5,356)	(4,608)	(11,920)	(92,647)	(2,161)	(204,567)	(5,593)	-	(340,829)
Net Book Value										
At 31 December 2014	7,408	12,563	4,403	10,676	124,880	430	371,574	400	1,273	315,644

Notes to the Financial Statements for the year ended 31 December 2014 - continued

3h 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	17,929	4,571	12,580	191,247	2,131	355,808	-	599,756
Additions this year	2,260	-	640	-	25,790	-	19,748	2,985	51,323
At 31 December 2013	17,900	17,929	5,211	12,580	217,037	2,131	375,556	2,985	651,116
Grants and other reimbursements									
At 1 January 2013	-	-	-	-	(21,109)	-	(3,769)	-	(27,878)
Received during the year	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	(21,109)	-	(3,769)	-	(27,878)
Depreciation Provision									
At 1 January 2013	(8,797)	(5,212)	(3,665)	(1,596)	(71,658)	(2,161)	(168,485)	-	(270,914)
Charge for the year	(642)	(2,325)	(393)	(184)	(1,268)	-	(18,785)	(2,985)	(36,433)
At 31 December 2013	(9,439)	(7,537)	(4,058)	(1,780)	(72,926)	(2,161)	(187,268)	(3,985)	(307,346)
Net Book Value									
At 31 December 2013	8,461	10,392	1,153	10,800	144,111	427	188,288	(1,000)	343,769

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

<b>4 Receivables</b>	2014	2013
	€	€
Other receivables	544	4,872
Prepayments and accrued income	2,701	3,401
	<u>3,245</u>	<u>8,273</u>
	2014	2013
	€	€
<b>Receivables</b>		
Within the current period	2,015	7,043
Exceeded credit period but not yet impaired	1,230	1,230
	<u>3,245</u>	<u>8,273</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:

	2014	2013
	€	€
<b>Bank Balances:</b>		
Overdrawn bank balance	(6,060)	(913)
Savings Account	139,282	81,570
Cash in hand	758	321
	<u>133,980</u>	<u>80,978</u>
Transfer to payables	6,060	913
Cash at bank and in hand	<u>140,040</u>	<u>81,891</u>

<b>6 Deferred Income Grants</b>	2014	2013
	€	€
Deferred Income – between 1 to 2 years	5,322	4,957
Deferred Income – between 2 to 5 years	13,104	11,065
Deferred Income - over 5 years	37,274	21,492
	<u>55,700</u>	<u>37,514</u>

	2014	2013
	€	€
Opening Balance	43,307	50,093
Increase in grants	24,782	-
Release of grants	6,505	6,786
Closing balance	<u>61,584</u>	<u>43,307</u>
Less Current portion	5,884	5,793
Non-current portion	<u>55,700</u>	<u>37,514</u>

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

<b>7 Payables</b>	2014	2013
	€	€
Overdrawn bank balance	6,060	913
Accounts payable	7,129	10,317
Accruals	2,614	9,384
Deferred income	5,884	5,793
	<u>21,687</u>	<u>26,407</u>
<b>8 Funds received from Central Government</b>	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	130,560	130,868
Other Government Income	18,046	14,271
	<u>148,606</u>	<u>145,139</u>
<b>9 General Income</b>	2014	2013
	€	€
Income from Tender Documents	1,116	702
Income from Permits	746	997
Sundry contributions and donations	2,310	1,507
	<u>4,172</u>	<u>3,206</u>
<b>10 Personal Emoluments</b>	2014	2013
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	6,868	6,727
Councillors' Allowance	6,400	5,920
Executive Secretary's Salary	21,521	15,846
Employees' salaries	6,684	6,443
Social Security Contributions	1,933	1,447
	<u>43,406</u>	<u>36,383</u>
<b>11 Operations and Maintenance</b>	2014	2013
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Signs and road markings	257	889
Road /street pavements	910	13,003
Public property	3,157	3,155
Other repairs and upkeep	2,139	3,848
Total	<u>6,463</u>	<u>20,895</u>



**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

**11 Operations and Maintenance - continued**

<b>Contractual Services:</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Refuse Collection (including bins on wheels)	13,356	13,459
Bulky Refuse Collection (including open skips)	653	423
Cleaning and Maintenance of Public Conveniences	1,788	1,824
Road and street cleaning	-	278
Parks and gardens and soft areas	67	-
Tipping fees	4,123	5,732
Street Lighting	9,309	5,460
	<u>29,296</u>	<u>27,176</u>
<b>Total Operations and Maintenance Expenses</b>	<b><u>35,759</u></b>	<b><u>48,071</u></b>

<b>12 Administration and other expenditure</b>	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Utilities	1,987	1,709
Rent	2,020	2,894
National and International Memberships	612	1,137
Office Services	4,801	3,374
Transport	185	307
Travel	-	-
Information services	720	1,935
Professional Services	12,177	5,496
Community and Hospitality	2,722	1,157
Social Events	3,115	6,910
Cultural Events	300	1,447
Bank Charges	123	81
LES related expenses	6	-
Depreciation	33,490	36,431
	<u>62,258</u>	<u>62,878</u>

**14 Contingent Liability**

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

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

<b>15 Capital commitments</b>	2014 €	2013 €
Approved but not contracted for	79,000	22,300
Contracted for but not provided for	<u>105,000</u>	<u>4,500</u>
	<u>184,000</u>	<u>26,800</u>
Approved but not contracted for:		
Non Slip tiles for public roof of Council office	59,000	12,000
Outdoor fitness equipment/safety carpets	-	3,000
Works on J. Gaspard Le Merchant Street	20,000	5,000
Live streaming	-	2,300
	<u>79,000</u>	<u>22,300</u>
Contracted for but not provided for:		
Decorative luminaries	-	4,500
Wied ix-Xlendi	50,000	-
Refurbishing Triq l-Ghajj	<u>55,000</u>	<u>-</u>
	<u>105,000</u>	<u>4,500</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:

	2014	2013
Significant control:		
Revenue:	€	€
Annual financial allocation	<u>130,560</u>	<u>130,868</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.

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.

**Notes to the Financial Statements for the year ended 31 December 2014 - continued**

**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:

	2014	2013
	€	€
Class of financial assets -- carrying amounts		
Trade and other receivables	3,245	8,273
Cash and Cash Equivalents	<u>140,040</u>	<u>81,891</u>
	<u>143,285</u>	<u>90,164</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 of 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.

	2014	2013
	€	€
Payables	<u>21,687</u>	<u>26,407</u>
	<u>21,687</u>	<u>26,407</u>

**Notes to the Financial Statements for the year ended 31 December 2014 - 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:

	2014	2013
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	3,245	8,273
Cash and Cash Equivalents	<u>140,040</u>	<u>81,891</u>
	<u>143,285</u>	<u>90,164</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>21,687</u>	<u>26,407</u>
	<u>21,687</u>	<u>26,407</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 2014 and 31 December 2013, 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.

Fontana Local Council

---

**Financial Statements for the year ended 31 December 2014**

**Independent Auditor's report**