



ST. VENERA LOCAL COUNCIL

Audited Report and Financial Statements

For the year 1 January to 31 December 2016

Prepared by:

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ST. VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2016

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ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

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

The Local Councils (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's income and expenditure 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 Council (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

IFFIRMAT

Stephen Sultana
Mayor

IFFIRMAT

Jane Yvonne Spiteri
Executive Secretary

Date: 27th April 2017

ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Statement of Comprehensive Income

	Notes	2016	2015
		€	€
INCOME			
Funds received from Central Government	3	466,756	455,649
Income from Local Enforcement System	4	10,558	10,044
Income raised under Local Council Bye Laws		120	1,600
General Income	5	30,866	25,593
		<u>508,300</u>	<u>492,886</u>
 EXPENDITURE			
Personal emoluments	6	86,779	88,227
Operations and maintenance	7	200,020	194,880
Administration and other expenditure	8	150,656	146,639
		<u>(437,455)</u>	<u>(429,746)</u>
 OPERATING SURPLUS FOR THE YEAR		70,845	63,140
Finance Income	9	222	270
 SURPLUS FOR THE YEAR		71,067	63,410

The notes on page 8 to 22 form an integral part of these financial statements.

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Financial Statements for the year ended 31 December 2016

Statement of Financial Position

	Notes	2016 €	2015 €
ASSETS			
Non-current Assets			
Property, plant and equipment	10	793,964	618,483
Current Assets			
Receivables	11	140,967	118,765
Cash and cash equivalents	12	457,893	577,862
		<u>598,860</u>	<u>696,627</u>
TOTAL CURRENT ASSETS		<u>1,392,824</u>	<u>1,315,110</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Funds		<u>883,656</u>	<u>812,589</u>
Non-Current Liabilities			
Payable and Deferred income	13	267,909	277,882
Current Liabilities			
Trade & Other Payables	13	241,259	224,639
		<u>509,168</u>	<u>502,521</u>
TOTAL RESERVES AND LIABILITIES		<u>1,392,824</u>	<u>1,315,110</u>

These financial statements were approved by the Local Council on 27th April 2017 and signed on its behalf by:

IFFIRMAT

Stephen Sultana
Mayor

IFFIRMAT

Jane Yvonne Spiteri
Executive Secretary

The notes on page 8 to 22 form an integral part of these financial statements.

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Financial Statements for the year ended 31 December 2016
Statement of Changes in Equity

	Retained Funds €
Balance at 01 January 2015	749,179
Surplus for the year	63,410
	<hr/>
Balance at 31 December 2015	812,589
Changes in equity	
Surplus for the year	71,067
	<hr/>
Balance at 31 December 2016	883,656
	<hr/> <hr/>

The notes on page 8 to 22 form an integral part of these financial statements.

SANTA VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2016

Statement of Cash flows

	Note	2016	2015
		€	€
Cash flow from operating activities			
Surplus for the year		71,067	63,410
Adjustment for:			
Depreciation		80,922	64,388
Provision for Bad Debts		-	7,679
Interest Receivable		(222)	(270)
		<u>151,767</u>	<u>135,207</u>
Movement in payables		(6,959)	(17,907)
Movement in receivables		17,373	(30,217)
Grant utilized for period		(36,355)	(22,528)
		<u>(25,941)</u>	<u>(70,652)</u>
<i>Net cash generated from operating activities</i>		<u>125,826</u>	<u>64,555</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(292,622)	(65,718)
Interest received		222	270
Grants received		46,605	104,503
<i>Net cash used in investing activities</i>		<u>(245,795)</u>	<u>39,055</u>
Net increase in cash and cash equivalents		(119,969)	103,610
Cash and cash equivalents at beginning of year		577,862	474,252
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year	12	<u>457,893</u>	<u>577,862</u>

The notes on page 8 to 22 form an integral part of these financial statements.

Notes to the Financial Statements

1. General Information

St. Venera Local Council is the local authority of St. Venera set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at Umberto Calosso complex, St. Joseph High Street, St. Venera.

The financial statements were authorized for issue by the Council on the 27th April 2017. The Local Council's presentation as well as functional currency are denominated in Euro.

2.1 Accounting Policies and Reporting Procedures

These financial statements have been drawn up in accordance with the accounting policies and the reporting procedures prescribed for Local Council is 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 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.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2016:

- IAS 1 Amendments – Disclosure Initiative (effective from 1 January 2016)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (effective from 1 January 2016)
- IAS 27 Amendments – Equity Method in Separate Financial Statements (effective from 1 January 2016)
- IAS 16 and IAS 41 Amendments – Bearer Plants (effective from 1 January 2016)
- IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- IFRS 11 Amendments – Accounting for Acquisition of interest in Joint Operations (effective from 1 January 2016)
- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exemption (effective from 1 January 2016)

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2016

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Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements – (continued)

Up to the financial position date, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which the Company has not yet adopted. These are as follows:

- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (*effective on adoption of IFRS 9*)
- IFRS 9 – Financial instruments (effective from 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)

The Council is assessing the impact that the adoption of the above standards would have on initial application.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 14 – Regulatory Deferral Accounts (EFRAG endorsement process not yet launched)
- IFRS 16 – Leases
- IFRS 10 and IAS 28 Amendments – Sale or contribution of assets between an investor and its associate or joint venture (EFRAG endorsement process has been deferred indefinitely)
- IAS 12 Amendment – Recognition of deferred tax assets for unrealised losses
- IAS 7 Amendment – Disclosure initiative
- IFRS 15 Amendment – Clarification on revenue from contracts with customers
- IFRS 2 Amendment – Classification and measurement of share based payment transaction
- IFRS 4 Amendment – Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts
- Annual improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration
- IAS 40 Amendments – Transfer of investment property

The Council is assessing the impact that the adoption of these Financial Reporting Standards will have in the financial statements of the Company in the period of initial application.

2.3 Summary of Significant Accounting Policies

The Principal accounting policies and reporting procedures used by the Local Councils are as follows:

a. Revenue Recognition

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

b. Local Enforcement System

Income from the Local Enforcement System is recognized in the Income Statement as it accrues.

Notes to the Financial Statements – (continued)

c. Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities must be recognised in the statement of financial position and measured in accordance with their assigned category.

2.3 Summary of Significant Accounting Policies (continued)

Financial assets

The Council classifies financial assets to IAS 39 category loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate (EIR) method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the EIR method. This category generally applies to trade and other receivables.

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred, and subsequently carried at amortised cost using the EIR method. The Council's financial liabilities comprise mainly deposits of non-bank customers, deposits and balances of banks and other financial institutions, and amounts due to related companies.

Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the statement of comprehensive income.

Determination of fair value

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

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Financial Statements for the year ended 31 December 2016
Notes to the Financial Statements (continued)

2.3 Summary of Significant Accounting Policies (continued)

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Local Council for similar financial liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. Street signs and litter bins are on a replacement basis. Depreciation is calculated monthly using the reducing balance method at the following annual percentage rates:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Utile dominium of property	16.67
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	On a Replacement Basis
Playground Furniture	100
Traffic Signs	On a Replacement Basis
Road Signs	On a Replacement Basis
Street Mirrors	100
Street Lights	100

e. Government Grants

Government grants are accounted for on a systematic basis in the Income and Expenditure Account 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 costs, then the grant is accounted for when it becomes receivable.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

2.3 Summary of Significant Accounting Policies (Continued)

recoverable. An impairment loss is recognized 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 less cost to sell and the value in use. Impairment losses are immediately recognized as an expense in the Statement of Income and Expenditure.

g. Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 recognized in the Statement of Income and Expenditure.

h. 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 present currency.

Transactions denominated in foreign currencies are translated in € at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated in € at the rates of exchange prevailing at the date of the Statement of Affairs.

i. Profit and Losses

Only profits that were realised at the date of the Statement of Affairs are recognized 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.

j. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

k. Local Enforcement System

St. Venera Local Council forms part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses and 10% commission income from LES administration fees.

l. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgments made in the preparation of

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

2.3 Summary of Significant Accounting Policies (Continued)

the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) – ‘Presentation of Financial Statements’.

m. Operating Lease

The council is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

	2016 €	2015 €
3. Funds Received from central government		
Central Government income	396,761	384,804
Supplementary Government income	33,696	48,317
Other Government income	36,299	22,528
In terms of article 55 of the Local Councils Act (Cap 363)	<u>466,756</u>	<u>455,649</u>
	2016 €	2015 €
4. Local Enforcement Income		
Income including fines and penalties	1,200	871
LES administration fees	9,358	9,173
Income including fines and penalties	<u>10,558</u>	<u>10,044</u>
	2016 €	2015 €
5. General Income		
Income from permits	17,998	10,674
Income from Kiosks	181	373
Other income	9,687	1,546
Twinning Project and cultural activities	3,000	13,000
	<u>30,866</u>	<u>25,593</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

	2016 €	2015 €
6. Personal Emoluments		
Mayor's and Councilors' Allowance	8,802	8,468
Mayor's Honoraria	10,844	10,572
Executive Secretary salary and allowances	26,704	29,518
Employee's salaries	35,808	34,501
Social Security contributions	4,621	5,168
	<u>86,779</u>	<u>88,227</u>
	2016 €	2015 €
7. Operations and maintenance		
Repairs and upkeep:		
Office Furniture	-	4
Road markings	4,278	4,870
Other repairs and upkeep	3,022	3,945
	<u>7,300</u>	<u>8,819</u>
Contractual Services:		
Refuse collection	66,470	70,794
Bulky refuse collection	3,616	3,532
Waste Disposal	64,645	53,602
Road and Street Cleaning	18,852	18,972
Cleaning and maintenance of Public Conveniences	5,468	4,061
Other cleaning and maintenance services	15,516	16,834
Materials & Support	1,900	2,985
Other contractual services	2,400	2,400
Street Lighting maintenance	13,493	12,881
Local warden services	360	-
	<u>192,720</u>	<u>186,061</u>
	<u>200,020</u>	<u>194,880</u>

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Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

	Notes	2016 €	2015 €
8. Administration and other expenditure			
Utilities		5,766	5,930
Other repairs and upkeep		766	220
Rent		9,730	9,730
National and International Memberships		329	666
Office services		4,087	3,166
Advertising		683	157
Transport		4,120	4,868
Information Services		775	2,293
Insurance		1,798	2,034
Professional services		17,632	24,665
Cost of organization of meetings		-	13,785
Community and hospitality		21,929	6,553
Bank charges		57	50
Lease of Equipment		989	922
Depreciation	9	80,922	64,388
Sundry minor expenses		1,073	533
Provision for Bad Debts		-	7,679
		<u>150,656</u>	<u>146,639</u>
		2016 €	2015 €
9. Finance Income			
Bank Interests		<u>222</u>	<u>270</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

10a. Property, Plant and Equipment

Asset	Office Furniture & Fittings	Office Equipment	Motor Vehicle	Computer Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Trees	Plant & Machinery	Assets not Capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1 January 2015	30,801	17,017	500	21,417	37,216	255,789	621,524	666,592	4,141	5,826	920	1,661,743
Additions	-	2,467	-	-	-	9,333	27,333	-	-	-	-	39,133
As at 31 December 2015	30,801	19,484	500	21,417	37,216	265,122	648,857	666,592	4,141	5,826	920	1,700,876
Grants												
At 31 December 2015	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation												
As at 1 January 2015	20,753	14,861	83	19,099	37,216	94,137	165,052	251,312	-	3,152	-	605,665
Charge for the year	754	829	84	545	-	15,978	37,741	7,922	-	535	-	64,388
As at 31 December 2015	21,507	15,690	167	19,644	37,216	110,115	202,793	259,234	-	3,687	-	670,053
Net Book Value												
As at 31 December 2015	9,294	3,794	333	1,773	-	155,007	365,018	74,992	4,141	2,139	920	618,483

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

10b. Property, Plant and Equipment

Asset	Office Furniture & Fittings	Office Equipment	Motor Vehicle	Computer Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Trees	Plant & Machinery	Assets not Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€
As at 1 January 2016	30,801	19,484	500	21,417	37,216	265,122	648,857	666,592	4,141	5,826	920	1,700,876
Additions	354	664	-	-	-	7,122	233,037	-	15,226	-	-	254,403
Disposals	-	-	-	-	-	-	920	-	-	-	(920)	-
As at 31 December 2016	31,155	20,148	500	21,417	37,216	272,244	882,814	666,592	19,367	5,826	-	1,957,279
Grants												
At 31 December 2016	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation												
As at 1 January 2016	21,507	15,690	167	19,644	37,216	110,115	202,793	259,234	-	3,687	-	670,053
Charge for the year	719	825	66	417	-	15,233	40,343	7,165	15,226	428	-	80,922
As at 31 December 2016	22,226	16,515	233	20,061	37,216	125,348	24,636	266,399	15,226	4,115	-	750,995
Net Book Value												
As at 31 December 2016	8,929	3,633	267	1,356	-	146,896	559,204	67,827	4,141	1,711	-	793,964

SANTA VENERA LOCAL COUNCIL
Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

	2016 €	2015 €
11. Receivables		
Due within one year:-		
Trade receivables	4,416	6,932
Prepayments	1,645	1,608
Accrued income	134,906	110,225
	<u>140,967</u>	<u>118,765</u>

(i) Details of trade receivables are as follows:

Due within the credit period	2,744	6,749
Exceeding credit period but not provided for	1,672	183
	<u>4,416</u>	<u>6,932</u>

Prepayments include prepayments of Local Council property rental and insurance premium.
Receivables are stated net of provision for Bad Debts of Euro 7,679 (2015: €7,679)

12. Cash and Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	2016 €	2015 €
Bank balances:		
- ordinary funds	460,758	584,890
- overdrawn balance	(2,882)	(7,044)
Cash in Hand	17	16
	<u>457,893</u>	<u>577,862</u>

	2016 €	2015 €
13. Payables		
Payables	21,202	36,055
Accruals	21,262	27,833
Deferred income	196,955	159,392
Other deferred income	1,840	1,360
	<u>241,259</u>	<u>224,639</u>

Due after more than one year:-

Non-current payables PPP Project	-	22,235
Other deferred income	204,849	186,013
Deferred Income PPP Scheme	63,060	69,634
	<u>267,909</u>	<u>277,882</u>

Provisions include estimates for goods and services received prior to 31 December 2016 and for which invoices have not yet been received by the Local Council.

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Financial Statements for the year ended 31 December 2016

Notes to the Financial Statements (continued)

14. Capital Commitments

	2016 €	2015 €
Details of capital commitments are as follows:		
Approved but not yet contracted for (i)	313,000	472,733
	<u>313,000</u>	<u>472,733</u>

These could be analysed as follows:

Gnien Romeo Romano – Flood Lights Installation		3,033
Urban Green Project	15,000	30,000
Misrah Barrieri	34,000	
Signs & Other	18,000	
Improvements – Various Roads	100,000	89,700
Landscaping – Palazz l-Ahmar	80,000	70,000
Misrah il-Barrieri		280,000
Pathing Works – Various Roads	66,000	-
	<u>313,000</u>	<u>472,733</u>

15. Operating Lease Commitments

Operating lease commitments - where the council is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 €	2015 €
Not later than 1 year	9,516	8,723
Later than 1 year and not later than 5 years	-	793
	<u>9,516</u>	<u>9,516</u>

The Council has an operating lease agreement with the Government of Malta in respect of the council's premises and old peoples' centre

Notes to the Financial Statements (continued)

16. Related Parties

St. Venera Local Council has the following related parties, exercising:

- (i) Significant Control – The Department of Local Government
- (ii) Joint Control – Group C Joint Committee for Local Enforcement, Central Regional Committee
- (iii) No Control – Water Services Corporation, Enemalta Corporation, Wasteserv Malta Ltd., South Regional Committee, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Headquarters, Malta Environment and Planning Authority and the Department of Lands.

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

	2016 €	2015 €
Annual Financial Allocation	<u>396,761</u>	<u>384,684</u>

17. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset is any asset that is cash or a contractual right to receive cash. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Financial instruments give rise to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at banks, receivables and due from related parties. The Local Council controls this credit risk through strict monitoring procedures and regular coordination with its related parties, with the result that the Local Council's exposure to impairment loss is not significant. The Local Council's maximum exposure to credit risk is the carrying amount of its financial assets.

	2016 €	2015 €
Trade and other receivables	139,322	117,157
Bank balances:		
- ordinary funds	460,758	584,890
- overdrawn balance	(2,284)	(7,044)
Cash in Hand	17	16
	<u>597,813</u>	<u>695,019</u>

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Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

The Local Council's cash at bank are placed with financial institutions of high credit standing. In the director's opinion, receivables are fully recoverable. Accordingly, the Local Council has no significant credit risk.

The council accounts for funds received and receivable from persons guilty of contraventions under the local enforcement system. The council is not responsible for the collection of the funds which is the responsibility of another central government department.

Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The council receives guaranteed funds from central government which are predetermined as to how they are to be spent in services towards the community. Other funds are available to the council to finance capital projects.

The Council's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Council closely monitors its cash flows to be able to finance its operations and capital expenditures and pay its obligation as and when they fall due.

The table below summarises the maturity profile of the Local Council's financial liabilities at 31 December 2016 based on the contractual undiscounted payments.

Details	0-3 months	3 - 12 months	1-5 years	Totals
Accruals	21,262	-	-	21,262
Payables	-	21,202	-	21,202
PPP Scheme (N/C)	-	-	0	0
Totals	21,262	21,202	0	42,464

This compares to the maturity of the council financial liabilities in the previous reporting period as follows:

Details	0-3 months	3 - 12 months	1-5 years	Totals
Accruals	27,832	-	-	27,832
Payables	-	36,055	-	36,055
PPP Scheme (N/C)	-	-	22,235	22,235
Totals	27,832	36,055	22,235	86,122

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

Foreign Currency Risk

Foreign currency transactions arise when the council buys and 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 foreign currency.

Interest Rate Risk

Interest rate risk mainly arise through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximize the net interest income and expenses.

Fair values

The carrying amounts of current financial assets and current financial liabilities approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial liabilities are not materially different from their carrying amounts. Thus, as at 31 December 2015, the carrying amounts of the borrowings are a reasonable approximation of its fair value.

Capital management

The primary objectives of the Council's capital management are to ensure that it maintains its ability to continue as a going concern, to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value and to meet the regulatory capital requirements at all times. The Local Council manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Summary of financial assets and liabilities

The carrying amount of the council's financial assets and liabilities as recognised at the reporting dates unless revised are categorised as follows:

	2016 €	2015 €
Current Assets		
Loans and Receivables		
Trade and Other Receivables	139,322	117,157
Cash & cash equivalents	458,491	577,862
	<u>597,813</u>	<u>695,019</u>
Current Liabilities		
Financial Liabilities measured at amortized cost		
Payables	21,202	36,055
Accruals	21,262	27,832
	<u>42,464</u>	<u>63,887</u>
Non-Current Liabilities		
Payables	-	22,235

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