



## ST. VENERA LOCAL COUNCIL

### Report and Financial Statements Unaudited

For the year 1 January to 31 December 2014

Adrian Sciberras, FCCA, CPA  
Christian Farrugia, B.Com Hons, M.A Fin. Services

*Accounting Services Ltd, Gemini, Level 1,  
Old Railway Track, Sta Venera, SVR 9014*  
e: [asciberras@accountingservices.com.mt](mailto:asciberras@accountingservices.com.mt)  
t: +356 2704 0903 | m: +356 7989 0072  
[www.accountingservices.com.mt](http://www.accountingservices.com.mt)

*Handwritten signatures in blue ink.*

# ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

## Contents

Section	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Local Government auditor to the Auditor General	4
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 23



## ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

### **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.



---

Stephen Sultana  
Mayor



---

Michael Mifsud  
Executive Secretary

Date: 18/02/2015

ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

Two blue ink signatures are present at the bottom right of the page. The first signature is a stylized, cursive 'P' followed by a circle. The second signature is a stylized 'M' followed by a circle.

ST. VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

A handwritten signature in blue ink, consisting of a stylized 'P' followed by a circled 'M' and a small scribble.

**ST. VENERA LOCAL COUNCIL**

Financial Statements for the year ended 31 December 2014

**Statement of Comprehensive Income**

	Notes	2014	2013
		€	€
<b>INCOME</b>			
Funds received from Central Government	3	411,247	406,974
Income raised under Local Enforcement System	4	70,000	2,742
General Income	5	9,782	9,174
Administrative Fee		6,931	5,854
Advertising		1,480	480
		<hr/>	<hr/>
		499,440	425,224
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personal emoluments	6	83,397	70,805
Operations and maintenance	7	192,623	187,305
Administration and other expenditure	8	120,318	106,105
		<hr/>	<hr/>
		(396,338)	(364,215)
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>		103,102	61,009
Finance Income	9	999	1,521
		<hr/>	<hr/>
<b>SURPLUS FOR THE PERIOD</b>		€104,101	€ 62,530
		<hr/>	<hr/>

The notes on page 10 to 23 form an integral part of these financial statements.



# SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

## Statement of Financial Position

	Notes	2014 €	2013 €
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	10	643,738	678,869
Receivables	11	-	-
		<u>643,738</u>	<u>678,869</u>
<b>Current Assets</b>			
Receivables	11	83,742	119,227
Cash and cash equivalents	12	473,992	334,976
		<u>557,734</u>	<u>454,204</u>
<b>TOTAL CURRENT ASSETS</b>		<u><u>€1,201,472</u></u>	<u><u>€ 1,133,072</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Funds		<u>814,517</u>	<u>710,416</u>
<b>Non-Current Liabilities</b>			
Unutilised Grant	13	90,306	97,849
<b>Current Liabilities</b>			
Trade & Other Payables	13	296,649	324,807
		<u>386,955</u>	<u>422,656</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>€1,201,472</u></u>	<u><u>€ 1,133,072</u></u>

These financial statements were approved by the Local Council on 18/02/2015 and signed on its behalf by:

  
 Stephen Sultana  
 Mayor

  
 Michael Mifsud  
 Executive Secretary

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

**Statement of Changes in Equity**

	<b>Retained Funds €</b>	<b>Total €</b>
Balance at 01 January 2013	647,886	647,886
Surplus for the year	62,530	62,530
	<hr/>	<hr/>
Balance at 31 December 2013	710,416	710,416
	<hr/>	<hr/>
<b>Changes in equity</b>		
Surplus for the year	€104,101	€104,101
	<hr/>	<hr/>
Balance at 31 December 2014	€814,517	€814,517
	<hr/>	<hr/>



SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2014

**Statement of Cash flows**

	Note	2014	2013
		€	€
<b>Cash flow from operating activities</b>			
Surplus for the year		104,101	62,530
Adjustment for:			
Depreciation		67,453	56,930
Interest Receivable		(999)	(1,770)
		<u>170,555</u>	<u>117,690</u>
Increase in payables		(35,702)	283,201
Decrease in receivables		<u>35,485</u>	<u>(104,843)</u>
		(217)	178,358
<i>Net cash from operating activities</i>		<u>170,338</u>	<u>296,048</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(32,322)	(380,021)
Interest received		999	1,768
		<u>(31,323)</u>	<u>(378,253)</u>
<i>Net cash generated ( used in) investing activities</i>			
<b>Cash flows from financing activities</b>			
Additions of grants		-	-
		<u>-</u>	<u>-</u>
<i>Net cash from financing activities</i>			
Net increase in cash and cash equivalents		139,015	(82,205)
Cash and cash equivalents at beginning of year		<u>334,977</u>	<u>417,182</u>
Cash and cash equivalents at end of year	12	<u>473,992</u>	<u>334,977</u>

# SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

## 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 18/02/2015.  
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

**Standards, interpretations and amendments to published standards which are not yet endorsed by the EU**

- IAS 27 (Amendments) - Equity method in separate financial statements (effective for financial years on or after 1 January 2016)
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation (effective for financial years on or after 1 January 2016)
- IFRS 9 - Financial instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 7 - (Amendment) Disclosure for initial application of IFRS 9 (effective for financial years beginning on or after 1 January 2015)
- IFRS 14 - Regulatory deferral accounts (effective for financial years beginning on or after 1 January 2016)
- IAS 19 (Amendments) - Defined benefit plans: Employee contributions (effective for financial years beginning on or after 1 January 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle



**Notes to the Financial Statements (cont ...)**

**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.

**c. Financial assets and liabilities**

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

*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 derecognised 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



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

**Notes to the Financial Statements (cont...)**

recognised 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.

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.

## SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

### Notes to the Financial Statements (cont...)

#### c. 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 on a monthly basis 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	100
Playground Furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

#### d. 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.

#### e. 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 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.

## SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

### Notes to the Financial Statements (cont...)

#### f. 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.

#### g. 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.

#### h. 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.

#### i. 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.

#### j. 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.

	2014	2013
	€	€
<b>3. Funds Received from central government</b>		
Central Government Allocation	372,256	372,848
Other Government Income	38,991	34,126
In terms of article 55 of the Local Councils Act (Cap 363)	<u>411,247</u>	<u>406,974</u>



SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

Notes to the Financial Statements (cont...)

	2014	2013
	€	€
<b>4. Local Enforcement Income</b>		
Income including fines and penalties	<u>70,000</u>	<u>2,742</u>

	2014	2013
	€	€
<b>5. General Income</b>		
Income from permits	4,574	6,774
Income from Kiosks	451	-
Other income	4,757	2,400
	<u>9,782</u>	<u>9,174</u>

	2014	2013
	€	€
<b>6. Personal Emoluments</b>		
Mayor's and Councillors' Allowance	7,840	8,371
Mayor's Honoraria	10,302	9,621
Executive Secretary salary and allowances	20,172	16,689
Employee's salaries	40,344	32,641
Social Security contributions	4,739	3,483
	<u>83,397</u>	<u>70,805</u>

SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

Notes to the Financial Statements (cont...)

	2014	2013
	€	€
<b>7. Operations and maintenance</b>		
Repairs and upkeep:		
Office Furniture	384	-
Road markings	2,130	4
Other repairs and upkeep	10,037	11,717
	<u>12,551</u>	<u>11,721</u>
 Contractual Services:		
Refuse collection	71,193	71,193
Bulky refuse collection	3,120	3,097
Waste Disposal	55,194	41,301
Road and Street Cleaning	16,834	21,800
Cleaning and maintenance of Public Conveniences	4,061	4,037
Other cleaning and maintenance services	18,999	16,131
Materials & Support	1,299	3,041
Hire of Skips	140	71
Other contractual services	2,215	2,363
Street Lighting maintenance	6,938	12,164
Local warden services	79	386
	<u>180,072</u>	<u>175,584</u>
	 <u>192,623</u>	 <u>187,305</u>

**SANTA VENERA LOCAL COUNCIL**

Financial Statements for the year ended 31 December 2014

**Notes to the Financial Statements (cont...)**

	<b>2014</b>	<b>2013</b>
	€	€
<b>8. Administration and other expenditure</b>		
Utilities	9,060	5,596
Other repairs and upkeep	274	-
Rent	9,730	9,662
National and International Memberships	675	132
Office services	1,969	2,916
Advertising	123	407
Transport	3,897	4,774
Information Services	2,771	3,115
Insurance	1,746	1,611
Professional services	12,606	14,273
Local Enforcement Expenditure	3,364	464
Community and hospitality	3,811	2,509
Bank charges	93	43
Lease of Equipment	835	932
Depreciation	68,639	56,929
Sundry minor expenses	513	2,742
Loss on disposal	212	-
	<u>120,318</u>	<u>106,105</u>

	<b>2014</b>	<b>2013</b>
	€	€
<b>9. Finance Income</b>		
Bank Interests	<u>999</u>	<u>1,521</u>

SANTA VENERA LOCAL COUNCIL  
Financial Statements for the year ended 31 December 2014

Notes to the Financial Statements (cont...)

10a. Property, Plant and Equipment

Asset	Office Furniture & Fittings	Office Equipment	Computer Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Trees	Plant & Machinery	Assets not Capitalised	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
As at 1 January 2013	31,298	16,763	20,980	35,308	98,072	371,466	666,592	4,141	3,859	920	1,249,399
Additions	181	655	437	763	2,053	375,489	-	-	444	-	380,022
As at 31 December 2013	31,479	17,418	21,417	36,071	100,125	746,955	666,592	4,141	4,303	920	1,629,421
Grants											
As at 1 January 2013	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2013	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation											
As at 1 January 2013	19,607	14,600	17,460	35,308	70,142	89,448	232,300	-	2,417	-	481,282
Charge for the year	956	501	923	763	7,884	35,564	9,999	-	340	-	56,930
As at 31 December 2013	20,563	15,101	18,383	36,071	78,026	125,012	242,299	-	2,757	-	538,212
Net Book Value											
As at 31 December 2013	10,916	2,317	3,034	-	22,099	541,969	91,927	4,141	1,546	920	678,869

**SANTA VENERA LOCAL COUNCIL**  
Financial Statements for the year ended 31 December 2014

**Notes to the Financial Statements (cont...)**  
**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 2014	31,479	17,418	-	21,417	36,071	100,125	746,955	666,592	4,141	4,303	920	1,629,421
Additions	-	319	500	-	1,145	155,664	(125,431)	-	-	1,523	-	32,322
Disposal	(678)	(720)	-	-	-	-	-	-	-	-	-	-
As at 31 December 2014	30,801	17,017	500	21,417	37,216	255,789	621,524	666,592	4,141	5,826	920	1,661,743
Grants												
As at 1 January 2014	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Additions	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	-	-	79,974	332,366	-	-	-	412,340
Depreciation												
As at 1 January 2014	20,563	15,101	-	18,383	36,071	78,026	125,012	242,299	-	2,757	-	538,212
Charge for the year	190	(240)	83	716	1,145	16,111	40,040	9,013	-	395	-	67,453
As at 31 December 2014	20,753	14,861	83	19,099	37,216	94,137	165,052	251,312	-	3,152	-	605,665
Net Book Value												
As at 31 December 2014	10,048	2,156	417	2,318	-	161,652	536,446	747,646	4,141	2,674	920	643,738

# SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

## Notes to the Financial Statements (cont...)

	2014 €	2013 €
<b>11. Receivables</b>		
Due within one year:-		
Trade receivables	9,726	11,170
Prepayments and accrued income	69,085	101,981
Other receivables	4,931	6,076
	<u>83,742</u>	<u>119,227</u>
Due after more than one year:-		
Unutilised Grant	<u>-</u>	<u>-</u>
(i) Details of trade receivables are as follows:		
Due within the credit period	83,742	119,227
Exceeding credit period but not provided for	-	-
	<u>83,742</u>	<u>119,227</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

## 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:

	2014 €	2013 €
Bank balances:		
- ordinary funds	477,914	343,644
- overdrawn balance	(3,950)	(8,693)
Cash in Hand	28	26
	<u>473,992</u>	<u>334,977</u>

	2014 €	2013 €
<b>13. Payables</b>		
Payables	96,170	84,655
Accruals and deferred income	200,479	240,152
	<u>296,649</u>	<u>324,807</u>

Due after more than one year:-

Unutilised Grant	<u>90,306</u>	<u>97,849</u>
------------------	---------------	---------------

Provisions include estimates for goods and services received prior to 31 December 2014 and for which invoices have not yet been received by the Local Council.



# SANTA VENERA LOCAL COUNCIL

Financial Statements for the year ended 31 December 2014

## Notes to the Financial Statements (cont...)

### 14. Contingent Liabilities

Contingent Liabilities for the council as at year end include Euro 3,007 in favor of Light House Keepers and another one in favor of Mr Tanti for which the amount has not yet been determined.

### 15. Capital Commitments

	2014	2013
	€	€
Details of capital commitments are as follows:		
Approved but not yet contracted for (i)	133,000	133,000
	<u>133,000</u>	<u>133,000</u>
These could be analysed as follows:		
(i)		
Road Resurfacing – PPP Scheme	<u>133,000</u>	<u>133,000</u>

Against the Capital Commitment for Road Resurfacing of €133,000 Central Government has already granted the St. Venera Local Council a Grant of €105,762 towards the PPP Scheme which has been included in these financial statements with unutilised grants.

### 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:

	2014	2013
	€	€
Annual Financial Allocation	<u>372,256</u>	<u>372,848</u>

**Notes to the Financial Statements (cont...)**

**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.

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 manages its liquidity risk by operating within the parameters of funding available to it.

**SANTA VENERA LOCAL COUNCIL**

Financial Statements for the year ended 31 December 2014

**Notes to the Financial Statements (cont...)**

**Capital management**

The primary objectives of the Company'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.