

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. General**

The accounts have been prepared in accordance with the Accounting Code of Practice on local authority accounting, as revised by the Department of Environment Heritage and Local Government at the 31<sup>st</sup> December 2006. Exceptions to this are stated in the Policies and Notes to the Accounts.

### **2. Accruals**

The revenue and capital accounts have been prepared on an accrual basis in accordance with the Code of Practice. The only exception is that not all income in respect of Development Levies has been accrued, as we continue to determine collectable income for this heading. Liabilities may have been discharged by the performance of works in lieu etc. In relation to expenditure it consists of invoices matched against goods received and an accrual for unmatched Goods received Notes. It also includes issue from stores and machinery transfers.

### **3. Interest Charges**

Loans payable can be divided into the following two categories:

- Mortgage related loans
- Non- mortgage related loans

#### **3.1 Mortgage Related Loans**

Mortgage related loans in the main have a corresponding stream of income from long term advances (i.e. monies lent by the local authority to borrowers), for the purchase of houses. Only the interest element is charged or credited to the Income & Expenditure Statement.

#### **3.2 Non Mortgage Related Loans**

Note 8 to the accounts sets out the types of borrowings under this heading. Loans relating to assets/grants, revenue funding, inter local authority will not have a corresponding stream of income. Bridging finance will eventually become part of permanent funding. Loans in respect of the other headings will have a corresponding value in Note 3. The purpose of these loans is generally to acquire assets. The loan repayment cost of principal and interest is funded through the annual budget process. At the end of the financial year the funding element of the principal is transferred and offset against a loan repayment reserve. This transfer is included in the 'Income & Expenditure Account Statement' under the heading 'Transfers to/from reserves'.

### **4. Pensions**

Payments in respect of pensions and gratuities are charged to the revenue account in the accounting period in which the payments are made. The cost of salaries and wages in the accounts includes deductions in respect of superannuation (including Widows and Orphans) benefits. Such deductions are credited as receipts to the Income & Expenditure Statement. The requirements of current accounting

standards relating to pensions and their application to local authority accounting is currently under consideration. All pension entitlements of staff are conferred under a defined benefit scheme established under the Local Government (Superannuation) Consolidation Scheme 1998 (and amendments) and pension obligations are met as they arise.

## **5. Overheads**

Within the programme group structure there are certain costs that can be attributed to more than one programme. These costs are defined as a Central Management Charge (CMC). The net expenditure of the CMC is allocated on the basis of the net budgeted expenditure of each programme group, excluding the CMC (Support Services) and is included under the sub-heading "Administration and Miscellaneous" of each Programme Group.

## **6. Agency and Other Services**

Expenditure on services provided or carried out on behalf of other local authorities is recouped at cost or in accordance with specific agreements.

## **7. Insurance**

Donegal County Council operated an insurance excess of €6,500 for the 2006 financial year.

## **8. Provision for Bad & Doubtful Debts**

Provision has been made in the relevant accounts for Bad & Doubtful debts.

## **9. Fixed Assets**

### **9.1 Classification of Assets**

Fixed assets are classified into categories as set out in the balance sheet. A further breakdown by asset type is set out in note 1 to the accounts.

### **9.2 Recognition**

All expenditure on the acquisition or construction of fixed assets is capitalised on an accrual basis.

### **9.3 Measurement**

A balance sheet incorporating practically all of the assets of the local authority was included for the first time in the Annual Financial Statement for 2003. The assets were valued based on the 'Valuation Guideline' issued by the DEHLG (Department of the Environment, Heritage and Local Government). All assets purchased or constructed as from 1/1/2004 have been included at historical cost. Accounting policies relating to leases are currently being developed and will be reflected in the financial statements for 2007.

### **9.4 Revaluation**

As set out in the Accounting Code of Practice it will be the policy to revalue assets where appropriate, at intervals of not more than five years.

## 9.5 Disposals

In respect of disposable assets, income is credited to a specific reserve and is generally applied in the purchase of new assets and/or the redemption of high interest loan balances (which were originally drawn down for the purpose of purchasing fixed assets). Proceeds of the sale of local authority houses are to be applied as directed by the DEHLG.

## 9.6 Depreciation

Under the current method of accounting the charge for depreciation is offset by the amortisation of the source of funding the asset. This method has a neutral impact on the Income & Expenditure Account and consequently the charge for depreciation and the corresponding credit from amortisation is excluded from the Income & Expenditure Statement.

The policies applied to assets subject to depreciation are as follows:

Asset Type	Bases	Depreciation Rate
Plant & Machinery		
- Long life	S/L	10%
- Short life	S/L	20%
Equipment	S/L	20%
Furniture	S/L	20%
Heritage Assets		Nil
Library Books		Nil
Playgrounds	S/L	20%
Parks	S/L	2%
Water Assets		
- Water schemes	S/L	Asset life over 70 years
- Drainage schemes	S/L	Asset life over 50 years

The Council does not charge depreciation in the year of disposal and will charge a full years depreciation in the year of acquisition.

## 10. Government Grants

Government grants are accounted for on an accrual basis. Grants received to cover day to day operations are credited to the Income & Expenditure Statement. Grants received, relating to the construction of assets, are shown as part of the income of work-in-progress. On completion of the project the income is transferred to a capitalisation account.

## **11. Debt Redemption**

The proceeds from, the early redemption of loans by borrowers, where possible are applied in the redemption of mortgage related borrowings from the HFA and OPW.

## **12. Lease Schemes**

Rental payments under operating leases if any are charged to the Income and Expenditure Account. Assets acquired under a finance lease if any are included in the fixed assets. The amounts due on outstanding balances is shown under current liabilities and long-term creditors.

## **13. Stock**

Stocks are valued on an average cost basis.

This basis of valuation of issues of materials from Machinery Yard Stores is the average cost plus an overhead recovery charge of 7%.

Opening stocks at 1 November, 2000 (go-live date for introduction of Agresso) have been included in the Specific Revenue Reserves in the Balance Sheet.

Credit is not given to the urban authorities in respect of stock balances held. Donegal County Council carries the holding costs of its stock.

## **14. Work-in-Progress & Preliminary Expenditure**

Work-in progress and preliminary expenditure is the accumulated historical cost of various capital related projects. The income accrued in respect of these projects is shown in the balance sheet as 'Income WIP' (Work-in-Progress).

## **15. Debtors and Creditors**

### **15.1 Debtors**

At the close of the financial year, debtors represent income due but not yet received.

### **15.2 Creditors**

At the close of the financial year, creditors represent payments due in respect of goods received and services rendered but not yet paid.

## **16. Interest in Local Authority Companies**

The interest in the companies listed in Appendix 8 has not been incorporated in the financial statements. As at the 31<sup>st</sup> December 2006 Donegal County Council had no shares in any companies listed in Appendix 8.

## **17. General**

Every effort has been made to observe the detail of the Accounting Guidelines and the Policies in terms of accounting treatment and the inclusion of all items in the accounts. Matters which may be still outstanding, and these are not expected to be material with the possible exception of Development Levies (see number 2 earlier), which has progressed somewhat in 2006 and will be fully dealt with as set out in Departmental guidelines in the completion of the accounts for the 2007 Annual Financial Statement.