

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 31st December 2004. 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 have been accrued. 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 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

Non mortgage loans do not have a corresponding stream of income. 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. All pension entitlements of staff are conferred under a defined benefit scheme established under the Local Government (Superannuation) Act, 1980 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 expenditure of each programme group, excluding the CMC 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 €31,743 for the 2004 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 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. All assets purchased or constructed as from 1/1/2004 have been included at historical cost.

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. 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 Account.

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

Asset Type	Bases	Depreciation Rate
Plant & Machinery		10
- Long life	SL	20
- Short life	SL	20
Equipment	SL	20
Furniture	SL	20
Heritage Assets		Nil
Library Books		Nil
Playgrounds	SL	20
Parks	SL	2
Water Assets		
- Water schemes	SL	Asset life of 70 years
- Drainage schemes	SL	Asset life of 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, are not currently applied in the redemption of mortgage related borrowings from the HFA and OPW.

12. Lease Schemes

No rental payments under operating leases are charged to the Income and Expenditure Account.

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 FMS) 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 WIP income.

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. 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. To the extent that there are still gaps in respect of Income Accruals, Classifications of Prepayments, Development Levies on an accrual basis, Historical Fixed Assets, etc. these and other matters which are outstanding will be dealt with in the completion of the accounts for the 2005 Annual Financial Statement.