

IKWEZI MUNICIPALITY

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the institute of Municipal Treasurers and Accountants in its Report on the Standardisation of Financial Statements of Local Authorities. (2nd edition - 1996)

1.2 The financial statements are prepared on the historical cost basis. The accounting policies are consistent with those applied in the previous year.

1.3 *The financial statements are prepared on the accrual basis:*

income is accrued when collectable and measurable.

Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes Rate and General Services, Housing Services, Trading Services and the different funds, reserves and provisions. All inter-department charges are set-off against each other, with the exception of assessment rates, refuse removals, electricity and water, which are treated as income and expenditure in the respective departments.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Property, plant and equipment are stated at historical cost while they are in existence and fit for use, except for the property that is brought in at the valuation as determined by the Valuer in 2007.

3.2 **Depreciation:** The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

Appropriation from operating income. Where the full cost of the assets forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.

Grant of donation where the amount representing the value of such grant or donation is immediately credited to the "Local Redeemed and other Capital Receipts" account.

3.3 All Nett proceeds from the sale of property and proceeds from the sale of all other assets are credited to the Revolving Fund.

3.4 Capital assets are financed from different sources, including external loans, operating income and Government Grants. These loans repaid within the estimated lives of the assets acquired from such loans. Interest is charged to the service concerned at the ruling rates applicable at the time the advance is made.

4. FUNDS AND RESERVES

4.1 Revolving Fund

The Municipal Ordinance, No. 20 of 1974 section 75 (1)(a) requires a minimum contribution equal to 20 % more than the previous year's contribution.

5. PROVISIONS

The provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amount involved cannot be determined with substantial accuracy.

6. RETIREMENT BENEFITS

Ikwezi Municipality and its employees contribute to the SALA Pension Fund, IMATU Retirement Fund and the SAMWU National Provident Fund.

7. SURPLUS AND DEFICITS

Any surplus or deficit arising from the operating of the electricity and water services are transferred to Rate and General Services to alternate the tax burden of the rate payers.

8. INVESTMENTS

Investments are shown at market value and are invested according to the provisions contained in Circular 43 of 1993 issued by the Provision Administration.

9. INCOME RECOGNITION

9.1 Electricity and Water Billings

Electricity meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. Water is charged at fixed monthly tariffs.

9.2 Assessment rates

Assessments rates are levied at the same rate on the value of land and building.

10. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The Cost Section: "Administrations" and "Councils' General Expenses" are charged out to other departments according to their respective expenditure incurred during the year.