

INDEPENDENT
CHARTERED ACCOUNTANTS
AUDIT REPORT

FINANCIAL YEAR: 2016-2017

MUNICIPALITY, PHALODI
JODHPUR (RAJ)

AUDITOR



K.K. CHANANI & ASSOCIATES
Chartered Accountants



An ISO 9001:2008
Certified Firm

K. K. Chanani & Associates

Chartered Accountants

Head Office: 5/1 Clive Row, 3rd Floor, Room No.78, Kolkata-700001

Branches: Bhubaneswar, Bangalore, Chandigarh, Guwahati, Jaipur,

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INDEPENDENT AUDITOR'S REPORT

To,
The Executive Officer ,
Municipal Board Phalodi,
Rajasthan

Report to Financial Statement

We have audited the accompanying financial statements of **Municipal Board Phalodi, Rajasthan** which comprise the Balance Sheet as at March 31, 2017, the Income and Expenditure Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the ULB in accordance with the Rajasthan Municipal Accounts Manual. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and



perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ULB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ULB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Subject to statement on additional matters as given in Annexure-A attached herewith, and the following:

- a) *Liabilities that may arise on account of late filing of return, late payment, short or non-deduction and mismatching of TDS, RVAT, Royalty and Labour Cess has not been ascertained and hence not considered. To this extent Deficit of Income over Expenditure is overstated and Liabilities are understated.*
- b) *Liabilities or recovery on account of pending cases and/or notices filed against or by municipal Council by/against third parties is not ascertainable and hence not considered. Financial impact of such cases has not been ascertained and hence we are unable to comment on correctness or otherwise of Income, Expenditure, Assets or Liabilities to this extent. Contingent Liabilities, if any, arising out of these cases has not been estimated by the municipal Council nor has been disclosed in notes to accounts.*



- c) *Closing Stock of Stores has not been determined by the municipality and hence not considered in the accounts. To this extent both, Deficit of Income over Expenditure and Assets are understated.*
- d) *Bank Reconciliation, in respect of several bank accounts, have not been provided since long. Hence, treatment of differences arising out of reconciliation remains unaccounted for. Besides, bank charges as also interest income on deposit in saving account remains unaccounted for. The amount has not been determined by the management. To this extent accounts does not reflect true and fair view.*
- e) *The amount receivable on account of Urban Development Tax has not been determined and not considered as income of the year. As such, Income and Assets are understated to this extent.*
- f) *All expenses except salary, contribution towards new pension scheme, accounting charges and audit fee are accounted for on cash basis. Similarly, all incomes are accounted for on cash basis. Receipts in PD Accounts (treasury) by deposit of amount directly by the tax payers are taken into account on verification with treasury irrespective of the year of receipt.*

in our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the Rajasthan Municipal Accounts Manual:

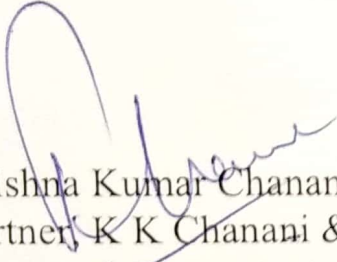
- a) in the case of the Balance Sheet, of the state of affairs of the ULB as at March 31, 2017; and
- b) in the case of the Income and Expenditure Statement, of the deficit for the year ended on that date.

We further report that:

- a) we have obtained all the available information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the ULB so far as appears from our examination of those books;



- c) the Balance Sheet and Income & Expenditure Account dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet and Income & Expenditure Account comply with the Rajasthan Municipal Accounts Manual.



Krishna Kumar Chanani
Partner, K K Chanani & Associates
Chartered Accountants
Firm Regn. No.: 322232E
Membership No.: 056045



Kolkata; 12th April. 2019



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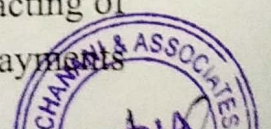
Annexure A to Auditor's Report (2016-17)

Additional Matters to be reported by the financial statement auditor

1. In our opinion and according to records examined by us and to the best of our knowledge and belief all sums due to and received by the Municipality have been brought to account on Cash Basis except for certain expenditure which are brought to accounts on accrual basis and have been **generally** appropriately classified;
2. In our opinion and according to the information and explanations given to us all grants sanctioned or received by the Municipality during the year, have been accounted properly on cash basis, and where any deduction is made out of such grants towards any dues of the Municipality, **in some cases such deductions have not been properly accounted. As such income and expenditure are understated to that extent.**
3. Earmarked Funds have been created by the Municipality for Gratuity and Provident Fund, According to the information and explanations given to us Earmarked Funds have been utilized for the purposes for which they were created. **However, contribution to these funds in respect of previous year is yet to be made and for which amount has not been ascertained.**



4. As explained to us the Municipality is maintaining records showing full particulars, including quantitative details. However, *situation* of fixed assets has not been specified in the records so maintained.
Management of ULB has not carried out *physical verification of fixed assets*. As such we are unable to comment on material discrepancies, if any, on physical verification and its treatment in books of accounts.
5. The Municipality *is not maintaining proper records showing full particulars of leasehold property*. Lease Rentals are therefore not verified.
6. As explained to us, physical verification has been conducted by the Municipality at reasonable intervals in respect of stores.
In our opinion and according to the information and explanations given to us, the procedures of physical verification of stores followed by the Municipality are reasonable.
In our opinion and according to the information and explanations given to us, no material discrepancies have been noticed on physical verification of stores as compared to stores records. *However, neither the stores has been verified at the year-end nor has same been recognized in the accounts prepared for the year under report.*
7. As explained to us, there are no parties other than the employees to whom loans or advances have been given by the Municipality.
8. The Municipality has granted loans to the employees against PF. Deduction from salary are made towards the loans and interest.
9. In our opinion and according to the information and explanations given to us, there exists an adequate internal control procedure for the purchase of stores, fixed assets and services.
10. In our opinion and according to the information and explanations given to us, there exists an adequate internal control procedure for the contracting of works and projects, periodic inspections and measurements, and payments



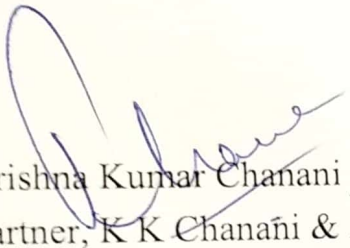
there for. *However, according to information and explanation given to us, works contracts are not subject to quality checks. Besides, some weakness in internal control procedures* which require immediate attention of the management are as under:

- a) In PWA Form 278, Pan No. and Aadhar Card No. should be given at suitable place along with details of bank account where NEFT payment is to be done. Besides, such Form should be signed under the seal of the firm and passing authority should also affix their seal.
 - b) The suppliers of materials and/ or providers of services should submit their bill within 30 days of the completion of their supply and/or job and the concerned passing authority should pass the bill or otherwise do necessary action within a further period of 30 days. Any delay on either part should be penalized with fine as deemed necessary by the competent authority. This will help in determining liability as and when arises to a great extent.
 - c) Payment Voucher Serial No. is as per voucher issued by various department. Voucher No. and date should be specified on each voucher separately on the basis of date of issue of cheques. Cheques should be prepared only after the sanction by competent authority.
11. *The Municipality is not regular in depositing undisputed statutory dues including tax deducted at source, works contract tax, cess and royalty payable to the Government, ESI, PF etc.*
 12. To the best of our knowledge and according to information and explanation given to us, no personal expenses have been charged to the Municipality's accounts.
 13. To the best of our knowledge and according to information and explanation given to us, the books and registers specified under the Rajasthan Municipal Accounts Manual and other applicable acts and rules have been



properly maintained. *However, Bank Reconciliation statements have not been prepared for the bank accounts of the Municipality. Accounting effect of bank charges debited by Bank, Non- collection of cheques, Interest credited by Bank, Cancellation of stale cheques not Presented has not been determined and considered in accounts.*

14. To the best of our knowledge and according to information and explanation given to us, year-end procedures have been carried out *but reconciliation procedures at year end have not been carried out.*


Krishna Kumar Chanani
Partner, K K Chanani & Associates
Chartered Accountants
Firm Regn. No.: 322232E
Membership No.: 056045



Kolkata; 12th April. 2019

Balance Sheet of Municipal Board Phalodi As on 31 March 2017

PARTICULARS	Schedule	2016-2017	2015-2016
		(Amount in Rs.)	(Amount in Rs.)
I - LIABILITIES			
RESERVE & SURPLUS			
Municipal (General) Fund			
Earmarked Funds	1	43,20,25,691	46,69,50,481
Total Reserve & Surplus (A)	2	21,16,841	61,35,938
GRANT/ CONTRIBUTION FOR SPECIFIC PURPOSE (B)	3	43,41,42,532	47,30,86,419
LOANS		19,39,65,932	12,92,16,778
CURRENT LIABILITIES & PROVISIONS			
Sundry Deposits			
Sundry Creditors	4	79,31,974	75,69,962
Statutory Liabilities	5	16,55,784	20,22,902
Other Liabilities	6	66,42,334	76,65,351
Total Current Liabilities and Provisions (C)	7	1,64,31,404	1,38,95,329
TOTAL LIABILITIES (A+B+C)		3,26,61,496	3,11,53,544
II - ASSETS			
FIXED ASSETS			
Gross Block			
Depreciation Fund	8	63,63,26,463	59,63,66,622
Net Block	9	15,39,25,530	12,01,16,716
Total Fixed Assets (A)		48,24,00,933	47,62,49,906
INVESTMENTS			
General Fund Investments			
Specific Fund Investments	10	11,31,30,769	8,96,70,254
Total Investments (B)	11	4,11,497	17,03,641
CURRENT ASSETS, LOAN & ADVANCES		11,35,42,266	9,13,73,895
Cash & Bank Balances			
Loans, Advances & Deposits	12	6,47,12,414	6,15,62,834
Total Current Assets, Loans & Advances (C)	13	1,14,346	42,70,105
TOTAL ASSETS(A+B+C)		6,48,26,760	6,58,32,939
		66,07,69,959	63,34,56,741

Notes to Accounts and Accounting Policies

For **KK Chanani & Associates**
Chartered Accountants
Firm Regn. No. - 322232E

Krishna Kumar Chanani
(Partner)
Membership No. - 056045

Date: - 12.4.2019
Place: - Kolkata



कमला शानवी
लेखाकार
नगर पालिका, फलोदी

For and Behalf on Nagar Palika

कमला शानवी
अध्यक्ष
नगर पालिका, फलोदी
अभिशाषी अधिकारी
नगर पालिका, फलोदी

**Income and Expenditure Account of Municipal Board Phalodi
For the Year Ending 31 March 2017**

PARTICULARS	Schedule	2016-2017	2015-2016
		(Amount in Rs.)	(Amount in Rs.)
INCOME			
Income From Taxes			
Assigned Compensations	14	2,68,789	-
Rental Income from Municipal Properties	15	2,59,62,000	-
Fees and User Charges	16	4,09,016	7,77,284
Revenue Grants, Contributions and Subsidies	17	88,49,895	35,69,568
Income from Corporation Assets and Investment	18	-	3,02,98,450
Miscellaneous Income	19	41,99,690	43,43,372
Total Income - I	20	2,26,16,144	4,44,14,065
EXPENDITURE			
Establishment Expenses			
General Administrative Expenses	21	4,85,46,420	4,17,65,265
Public Works	22	54,43,714	65,15,701
Interest & Financial Exp.	23	72,98,001	1,28,04,016
Miscellaneous Expenses	24	4,387	61,012
Depreciation During the Year	25	21,28,988	13,96,620
Total Expenditure - II		3,38,08,814	3,18,83,731
		9,72,30,325	9,44,26,345
Surplus\ (Deficit) before adjustment of prior period items and Depreciation		-3,49,24,791	-1,10,23,606
Less; Prior Period Items			
Less: Prior Period adjustment of Depreciation			
Less: Transfer to Reserve Fund			
Less: Provision for Leave Encashment		-	29,14,273
Less: Provision for Gratuity		-	10,86,453
NET SURPLUS\ DEFICIT		-3,49,24,791	-1,50,24,332

Notes to Accounts and Accounting Policies

For KK Chanani & Associates
Chartered Accountants
Firm Regn. No. - 322232E
Krishna Kumar Chanani
(Partner)
Membership No. - 056045



कनिष्ठ लेखाकार
नगर पालिका, फलोदी

For and Behalf on Nagar Palika

कमला शानवी
अध्यक्ष
नगर पालिका, फलोदी
अधिसारी अधिकारी
(Executive Officer) फलोदी

Date: - 12.4.2019
Place: - Kolkata

**Schedule forming part of Balance Sheet of Municipal Board Phalodi
As on 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 1 MUNICIPAL (GENERAL) FUND		
Opening balance	46,69,50,481	48,17,62,814
Add : - Addition during the year	-	2,12,000
Less:- Deduction during the year	-	
Add: Excess of Income over Expenditure	-3,49,24,791	-1,50,24,332
Total	43,20,25,691	46,69,50,481
Schedule - 2 EARMARKED FUND		
Gratuity Fund	6,86,907	2,82,865
General Provident Fund	14,29,934	58,53,073
Total	21,16,841	61,35,938
Schedule - 3 GRANT/CONTRIBUTION FOR SPECIFIC PURPOSE		
Grant from State Govt.	1,00,826	1,00,826
Special Grant for 13/14th Financial Commission	5,36,51,334	3,59,23,334
Special Grant for MP MLA	1,90,67,527	26,27,527
Special Grant for Swach Bharat mission Grant	2,44,44,541	87,81,541
Special Grant for BPL Awas Yojna	14,46,141	14,46,141
Special Grant for IDSMT	52,60,981	52,60,981
Special Grant for 4TH & 5TH Fin Com.	5,90,30,974	3,73,59,974
Special Grant for IHSDP	10,58,772	10,58,772
Special Grant for Swarna Jayanti Sahari Roj gar Sch.	4,21,607	4,21,607
Special Grant from S.F.C.	3,62,36,075	3,62,36,075
Other Grants	-67,52,846	-
Total	19,39,65,932	12,92,16,778
Schedule - 4 SUNDRY DEPOSITS		
Security & Amanat Payable	79,31,974	75,69,962
From Contractors	-	-
Total	79,31,974	75,69,962
Schedule - 5 SUNDRY CREDITORS		
Creditors For supplies	-	-
Other Creditors	16,55,784	20,22,902
Total	16,55,784	20,22,902



**Schedule forming part of Balance Sheet of Municipal Board Phalodi
As on 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 6		
STATUTORY LIABILITIES		
Income Tax (TDS) Payable	16,07,053	3,08,276
Commercial Tax Payable	-	2,08,610
Salary Payable	40,20,531	36,77,071
Labour Cess Deduction	10,14,750	34,71,394
Total	66,42,334	76,65,351
Schedule - 7		
OTHER LIABILITIES		
Royalty Payable	-	5,69,452
Employee Liabilities	20,37,709	41,263
Recoveries Payable	1,43,93,695	1,32,84,614
Total	1,64,31,404	1,38,95,329
Schedule - 8		
GROSS BLOCK		
Immovable Assets		
Land	3,25,87,445	3,27,63,356
Office Building	12,96,87,749	11,94,64,261
Residential Building	9,78,149	9,78,149
Parks & Garden A/c	14,91,14,023	14,89,38,112
Infrastructure Assets		
Roads & Bridge	20,25,79,830	19,04,51,891
Sewerage & Drainage	8,29,66,354	6,80,41,584
Water ways	24,10,553	13,34,487
Public Lighting	1,39,86,410	77,72,721
Others	32,70,005	70,85,922
Moveable Assets		
Plant & Machinery	85,60,104	85,23,954
Vehicles	47,82,048	47,82,048
Furniture & Fixture	47,80,613	37,27,899
Office Equipment	-	18,93,208
Computers	6,23,180	6,09,030
Total	63,63,26,463	59,63,66,622



**Schedule forming part of Balance Sheet of Municipal Board Phalodi
As on 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 9 DEPRECIATION FUND		
Opening Balance	12,01,16,716.00	8,82,32,985
Add:- Depreciation provided during the year	3,38,08,814	3,18,83,731
Less:- Depreciation for the previous year	-	-
Total	15,39,25,530	12,01,16,716.00
Schedule - 10 GENERAL FUND INVESTMENT		
P.D Account with Interest	11,31,30,769	8,96,70,254
Non-Interest Bearing PD A/c	-	-
Total	11,31,30,769	8,96,70,254
Schedule - 11 SPECIFIC FUND INVESTMENT		
Employee's GPF Accounts	1,28,632	14,20,776
Gratuity P.D A/c	2,82,865	2,82,865
Total	4,11,497	17,03,641
Schedule - 12 CASH & BANK BALANCES		
Cash in Hand	-	-
Balances in Saving & Current a/cs	6,47,12,414	6,15,62,834
Total	6,47,12,414	6,15,62,834
Schedule - 13 LOANS,ADVANCES & DEPOSITS		
Loans to Staff	-	34,12,423
Advance to Contractors and Suppliers	1,14,346	2,17,336
Deposits with others department	-	6,01,000
Prepaid Expenses	-	39,346
Total	1,14,346	42,70,105



**Schedule forming part of Income and Expenditure Account of Municipal Board Phalodi
For the Year Ending 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 14		
INCOME FROM TAXES		
Urban Development Tax	2,68,789	-
Total	2,68,789	-
Schedule - 15		
ASSIGNED COMPENSATION		
Octroi Compensations	2,59,62,000	-
Total	2,59,62,000	-
Schedule - 16		
RENTAL INCOME FROM MUNICIPALE PROPERTIES		
Income from Rent and Teh Bazari	3,71,800	7,77,284
Rent from Office Buildings	10,500	-
Rent from Guest Houses	6,764	-
Other rents	19,952	-
Total	4,09,016	7,77,284
Schedule - 17		
FEES AND USER CHARGES		
Cattle House	10,18,000	-
Copy Fees	3,860	1,786
Empanelment & Registration Charges	25,742	36,481
Fees for Certificate or Extract	5,73,415	13,15,047
Fees for Grant of Permit	8,48,118	39,190
Development Charges	38,62,048	11,04,572
Regularisation Fees	24,20,924	1,10,361
Other Fees	65,238	9,62,131
Other Charges	32,550	-
Total	88,49,895	35,69,568



**Schedule forming part of Income and Expenditure Account of Municipal Board Phalodi
For the Year Ending 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 18		
REVENUE GRANT, CONTRIBUTION, SUBSIDIES		
Annual Aid by Govt.	-	3,02,98,450
Total	-	3,02,98,450
Schedule - 19		
INCOME FROM CORP. ASSET/INVESTMENT		
Sale of Manure	-	6,40,000
Interest from Bank Accounts	41,99,690	37,03,372
Total	41,99,690	43,43,372
Schedule - 20		
MISCELLANEOUS INCOME		
Cleaning of Gutters	1,90,800	3,30,000
Penalties under Different Act & Rules	1,59,992	2,95,399
Sale of Forms & Publications	1,71,100	3,85,710
Sale of Others	2,12,25,722	4,32,79,579
Recovery from Employees	6,81,154	46,560
Others	1,87,376	76,817
Total	2,26,16,144	4,44,14,065
Schedule - 21		
ESTABLISHMENT EXP.		
Corporator (Parishad) Allowance	8,66,150	6,83,647
Leave Pension contribution	5,64,271	-
Medical Reimbursement	1,06,247	-
Salary and Other Payment	4,26,22,126	4,09,33,010
Travelling Reimbursement	1,97,624	1,48,608
Other Terminal & Retirement Benefits	41,90,002	-
Total	4,85,46,420	4,17,65,265



**Schedule forming part of Income and Expenditure Account of Municipal Board Phalodi
For the Year Ending 31 March 2017**

PARTICULARS	2016-2017	2015-2016
	(Amount in Rs.)	(Amount in Rs.)
Schedule - 22		
GENERAL ADMINISTRATION EXP.		
Advertisement Expenses	15,26,360	17,89,981
Audit fees	3,75,000	57,000
Books and Newspaper	10,566	6,575
Cleaning & Garbage Transportation on Contract	-	7,080
Court Expenses	66,800	1,98,332
Dress	1,49,250	-
Communication Expenses	1,06,632	83,971
Printing and Stationery	2,19,880	5,71,761
Travelling & Conveyance	1,49,392	-
Insurance	48,937	23,706
Professional and other Fees	3,74,143	2,72,320
Membership & subscriptions	4,000	-
Other Administrative Expenses	1,59,464	1,39,162
Power & Fuel	17,87,275	21,06,465
Bulk Purchases	17,380	-
Hire Charges	1,07,540	2,07,197
Repairs & maintenance – Buildings	77,492	-
Repairs & maintenance – Vehicles	2,30,272	10,52,151
Repairs & maintenance – Others	16,311	-
Other operating & maintenance expenses	17,020	-
Total	54,43,714	65,15,701
Schedule - 23		
PUBLIC WORKS		
Maintenance of Road and Gutter	48,02,405	28,11,555
Work against Public Participation	24,95,596	99,92,461
Total	72,98,001	1,28,04,016
Schedule - 24		
INTEREST AND FINANCE CHARGES		
Bank Charges	4,387	61,012
Total	4,387	61,012
Schedule - 25		
MISCELLANEOUS EXPENSES		
Maintenance of Nigam Building	-	3,02,183
Election Expenses	14,800	41,812
Own Programmes	5,03,045	9,10,662
Other Miscellaneous Expenses	16,11,143	1,41,963
Total	21,28,988	13,96,620



MUNICIPAL BOARD
PHALODI(2016-17)

SCHEDULE 26

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (2016-17)

I ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements are prepared on a going concern and under historical cost basis under cash basis of accounting except in case of salary payment, borrowing costs and contractual payments like accounting charges and audit fees and interest earned on bank deposits. The method of accounting is the double entry system.

2. Recognition of Revenue

i. Revenue

- a. Property and Other Taxes are recognized in the period in which they are received
- b. Revenues in respect of Profession Tax on Organization's/entities are determined in the year in which they are received
- c. Advertisement taxes are considered on receipt basis.
- d. Revenue in respect of Trade License Fees are determined in the year in which they are received
- e. Assigned revenues like Entertainment Tax, Duty / Surcharge on transfer of Immovable properties are accounted during the year only upon actual receipt.
- f. Other Incomes, which are of an uncertain nature or for which the amount is not ascertainable or where demand is not raised in regular course of operations, is recognized on actual receipt

ii. Provision against payables

- a. Provisions against payables are made based on type of income; age judgement and past experience of the management. Security deposits and earnest money deposit more than three years old and no longer payable due to non-claim by parties or otherwise are being written back and considered as income.



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Recognition of Expenditure

i. Expenditure

- a. Expenses on Salaries, bonus and other allowances are recognized as and when they are due for payment
- b. All revenue expenditures are treated as expenditures in the period in which they are paid.
- c. In case of works contracts, expenditures are considered in the year in which the payment has been made.
- d. Provision for expenses are made at the year-end for certain expenses of yearly contractual nature for which the amount is known beforehand like audit fees, accounting charges, computer operator salary, etc.
- e. Retirement benefit viz encashment of leave etc. are recognized on cash basis i.e. when they are due for payment.

ii. Provision against receivables

- a. Provisions against receivables are made based on type of income; age of receivable and judgement and past experience of the management. Incomes that have been accrued and are doubtful of recovery are provided for.

Fixed Assets

i. Recognition

- a. All Fixed Assets are carried at cost less accumulated depreciation. The cost of fixed assets include cost incurred/money spent in acquiring or installing or constructing the fixed asset, interest on borrowings directly attributable to acquisition or construction of qualifying fixed assets up to the date of commissioning of the assets and other incidental and indirect expenses incurred up to that date.
- b. All assets costing less than Rs.5,000/- would be expensed / charged to Income & Expenditure Account in the year of purchase.
- c. Any Fixed Asset, which has been acquired free of cost or in respect of which no payment has been made, is recorded at nominal value of Re. 1/-



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ii. *Depreciation*

Depreciation is provided on Written down value method as per rates specified in Income Tax Act, 1961 as suggested in Rajasthan Municipal Accounting Manual.

iii. *Revaluation of Fixed Assets:*

- a. Revaluation of fixed assets is undertaken either at the time of issue of municipal bonds or when commercial development / lease of properties is made.
- b. Increase in net book value arising on revaluation is credited to 'Revaluation Reserve Account'. Decrease in net book value is charged to Income and Expenditure account.
- c. Revaluation reserve is amortized by proportionate amount of depreciation charged on the revalued portion of the cost of the fixed assets.

5. Borrowing cost

Borrowing cost is recognized as revenue expenditure on accrual basis excepting the case of fixed assets.

6. Inventories

Inventories are valued as follows:

- a. Raw materials are valued at Cost based on first in first out method
- b. Finished goods are valued at lower of the cost or market value.

7. Grants

- a. General Grants, which are of revenue nature, are recognized as income on actual receipt
- b. Grants, which are re-imburement of specific revenue expenditure is recognized as income in the accounting period in which the corresponding revenue expenditure is charged to the Income and Expenditure Account.
- c. Grant received towards capital expenditure is treated as a liability till such time the fixed asset is constructed or acquired. On construction/acquisition of fixed asset, the grant corresponding to the value of the asset so constructed/acquired is treated as a capital receipt and transferred to capital contribution.



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8. Employee benefits

- a. Separate Funds are formed for meeting the provident and gratuity.
- b. Contribution towards Provident and gratuity funds are recognized as and when it is due

9. Investments

- a. All investments are initially recognized at cost. The cost of investment shall include cost incurred in acquiring the investment and other incidental expenses incurred for its acquisition.
- b. Long-term investments are carried at their cost. However in the event of any permanent diminution in their value as on the date of balance sheet, these are provided for.
- c. Short-term investments are carried at their cost or market value (if quoted) whichever is lower.

II NOTES TO ACCOUNT

1. Balance of the Deposits received from contractors/suppliers is on the basis of receipts issued against deposit and deduction made from payments to them and has been taken from the register maintained in computer.
2. Balance of Loan against Provident Fund given to employees are subject to their confirmation.
3. Balances of Debtors, Creditors and other parties are subject to confirmation
4. These accounts have been prepared covering receipts of various Grants/Aids/Funds from State Government for specific purpose/scheme. In view of long duration of scheme, utilization of same is subject to verification on completion of scheme

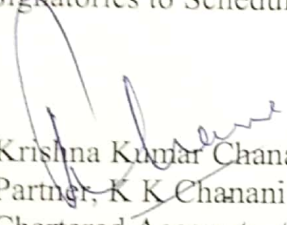


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5. The Financials are prepared on the basis of Cash Books maintained by ULB and Information provided by Municipal Board.
6. The Closing Balance of Grants/Schemes are not provided. Therefore, the same is considered as per the cashbook.
7. "Security Deposits" are not maintained Party-wise only Control Account is maintained.
8. "Loans and Advance Balance" are taken as per information provided by ULB.
9. There is "Employee Liabilities" e.g. GPF Loan payable, is "Negative" which shown excess payment by municipal Board.

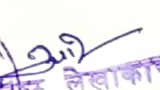
Signatories to Schedule 1 to 26

In confirmation and witness of facts


Krishna Kumar Chanani
Partner, K K Chanani & Associates
Chartered Accountants
FRN NO. 322232E
Membership No. 056045

For Municipal Board: Phalodi, Rajasthan




जम्मल चानवी
अध्यक्ष
सीओ/कॉमिश्नर
अधिकाारी
द्वारा पालिका, फलोदी

Kolkata, the 12th April. 2019

CAO/ Sr. A.O.