



Vijayawada Municipal Corporation
Financial Statements for the year 2008-09



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1. Accrual Based Accounting System at VMC – An Overview

1.1 Current system of accounting

1.1.1 Vijayawada was constituted as Municipal Corporation on 6 June, 1981 as per Vijayawada Municipal Corporation Act, 1981 (VMC Act). Under Section 7 of VMC Act, the provisions of Hyderabad Municipal Corporations Act, 1955 (HMC Act) applies to Vijayawada. Earlier, Vijayawada was a municipality governed under Andhra Pradesh Municipalities Act, 1965 (APM Act).

1.1.2 In terms of sub section (3) of Section 6 of VMC Act, the rules issued under APM Act will continue to be in force until they are replaced by the rules issued under VMC Act, provided the former rules are not inconsistent with the provisions of VMC Act.

1.1.3 Under sections 180 and 181 of HMC Act, the Commissioner has to prepare every year an Administration Report containing detailed report on administration of the city; and a Statement of Accounts containing the receipts and disbursements together with the balances at the end of the year. Under section 179, the Standing Committee specifies the manner and forms under which accounts are kept. The administration report and the statement of accounts have to be placed before the Standing Committee, and after its approval should be submitted to Government. Detailed accounting rules have not been issued under HMC Act.

1.1.4 Under APM Act, accounting rules were issued in GO Ms. No.42 MA dated 20th January, 1970 titled as 'Andhra Pradesh Municipalities (Preparation and Submission of Accounts and Abstracts) Rules'. Under these rules, municipalities follow cash based single entry accounting system, where receipts and payments are entered in the accounts, only when cash is actually received or actually disbursed. The rules also provide that the municipality has to prepare at the end of every month, an abstract of receipts and payments; and at the end of the year, a detailed account containing receipts and payments for the whole year.

1.1.5 Accordingly, in terms of sub section (3) of section 6 of VMC Act, rules issued in GO Ms. No.42 MA dated 20th January, 1970 under APM Act were being followed in Vijayawada Municipal Corporation (VMC) and annual accounts containing statement of receipts and payments were being prepared.

1.2 Accrual system of accounting

1.2.1 With the 74th Constitutional Amendment the Urban Local Bodies (ULBs) have been accorded a constitutional status and are expected to function as local self governments to provide better governance. One of the important reforms expected of the ULBs is switch over to Accrual Based Accounting System from the present single entry cash based accounting system. A Task Force set up by the Comptroller and Auditor General of India (CAG) has prescribed accounting and budgeting formats, significant accounting policies, etc. The Ministry of Urban Development has with the support of CAG of India, USAID-FIRE-D and National Institute of Urban Affairs has had a National Municipal Accounting Manual prepared for adoption by all the states. Accordingly, GoI has sent the National Municipal Accounting Manuals to state governments for developing state-specific accounts and budget manuals on the lines of NMAM for adoption by all ULBs across the state.

1.2.2 In GO Ms. No.233 MA dated 22nd May, 2002, Government of Andhra Pradesh (GoAP) has taken a policy decision that urban local bodies (ULBs) in the State would adopt accrual based double entry accounting system within their jurisdiction with immediate effect.

1.3 Centre for Good Governance

1.3.1 GoAP got the state-specific municipal accounts and budget manuals developed by Centre for Good Governance (CGG) and published them in the year 2008. Andhra Pradesh Municipal Accounts Manual (APMAM) is one among them. Concurrently, as a part of ongoing municipal reforms, GoAP has decided to take number of measures including introduction of accrual based accounting in ULBs. Besides developing the requisite manuals, CGG has undertaken the responsibility of assisting the ULBs in introducing accrual based accounting.

1.4 eGovernments Foundation, Bangalore

1.4.1 eGovernments Foundation, Bangalore (eGov) is a non-profit trust created out of an endowment made by Sri Nandan Nilakeni, CEO, Infosys. The primary objective of the trust is to develop and deploy e-governance solutions at municipalities. As part of their objective, they developed software for accrual based accounting called e-Gov

Financials. The software is NMAM compliant and eGov has implemented the software in 57 ULBs in Karnataka state, Delhi Municipal Corporation and New Delhi Municipal Council. VMC has entered into Product Licence Agreement with eGov separately and there are no costs for the product licence. After entering into implementation agreement with VMC, CGG has entered into an Implementation Agreement with eGov separately. As per the above agreements, CGG would provide domain support, while eGov the technical support to VMC.

1.5 Hands-on training

1.5.1 Apart from the theoretical training provided on the concepts of accrual system at CGG, it was proposed to provide hands-on training to the municipal officials on computers at VMC. A team of officials from CGG and eGov made a visit to Vijayawada on 22-23 March, 2007. The focus of the visit was

- existing process study
- hands-on-training for accrual based accounting on e-gov software
- guiding in identification and valuation of assets, an initial requirement in the new system, and
- to suggest business process re-engineering.

1.5.2 The team also organized hands-on training on the computers at VMC on 22-23 March, 2007; and 35 employees have participated in the programme.

1.6 System Launch

1.6.1 As contemplated, the system software was launched at VMC and it came into live environment on 1st April, 2007 with entry of transactions in the software. The Standing Committee, VMC in its resolution No.334 of the meeting held on 17th December, 2007 has adopted the manuals published by GoAP and agreed to switch over to the accrual system of accounting from the FY 2007-08. Besides regular guidance from CGG and eGov to VMC, officers from CGG and eGov were visiting Vijayawada frequently to appreciate, understand and resolve the on-site problems. The visits took place in July, 2007, October, 2007, January, 2008, April, 2008 and June, 2008.

1.7 Opening Balance Sheet

1.7.1 An important requirement for introduction of accrual based accounting is the opening of balances of assets and liabilities. In this case, the assets and liabilities of VMC have to be identified and valued as on 1st April, 2007. In any ULB, where accounts are maintained under cash based system, consolidated list of assets and liabilities are not available. Similar is the case with VMC. Therefore, CGG issued guidelines to VMC in its letter dated 28th April, 2007 on identification and valuation of assets and liabilities.

1.8 Assumption in Preparation of Financial Statement

The assumption in the preparation of financial statements is in conformity with NMAM/APMAM guidelines. Various estimates and judgments are NMAM and APMAM compliant.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying value of assets and liabilities which are not readily apparent from the record. Actual results may differ from these estimates.

The estimates and underlying assumptions shall be reviewed on a regular basis. Revisions to accounting estimates en-course, due to the misclassification of accounting heads, or otherwise may affect the estimates of past, present and future estimates as the case may be without contributing to any major financial implications.

1.9. Method of encumbrance accounting and reporting

1.9.1 **Reporting Aspect:** With effect from 1st April, 2007 onwards, VMC switched over to Double Entry Accrual Based Accounting System from Single Entry Cash Based Accounting System. The Double Entry Accrual Accounting System helps in generating the Financial Statements i.e., Income and Expenditure Account and Balance Sheet for the financial Years 2007-08 and 2008-09. This is a major shift in account keeping.

1.9.2 **Accounting Aspect: Change of Method of Accounting from Cash System of Accounting to Accrual Accounting** – Previously, the revenues and expenses are recorded only if they are actually received or paid in cash. But under accrual accounting, occurrence of claims and obligations, in respect of incomes or expenditure, assets or liabilities based on happening of an event, passage of time, rendering of services, fulfillment (partially or fully) of contracts, diminution in values etc., are recorded

even though actual receipts or payments of money may not have taken place.

1.10 Annual Financial Statements for the FY 2008-09

In continuation of preparation of financial Statement for the year 2007-08, the Vijayawada Municipal Corporation staff has prepared the Financial Statement for the year 2008-09 also.

All these efforts were fructified and resulted in production of (1) income and expenditure statement and (2) balance sheet of VMC under accrual system of accounting for the FY 2008-09.

This has become possible mainly of the following reasons:

- Strong desire of VMC to go in for accounting reforms, ie., switching over of current cash basis to accrual basis, may be as a compliance of mandatory reforms under JNNURM
- Extensive training to municipal employees both theoretical and technical; and constant guidance by CGG and VMC Officials.
- Unstinted political will and support from the political executives of VMC
- Total commitment of the Commissioner of VMC.
- Cooperation from all levels of officers and employees of VMC who are associated with the project.

VIJAYAWADA MUNICIPAL CORPORATION
INCOME AND EXPENDITURE STATEMENT for the year ended 31st March, 2009

(Amount in lakhs)

Account Code	Head Of Account	Schedule No	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Primary Education Fund	TOTAL 2008-09	Previous Year 2007-08
	INCOME							
110	Tax Revenue	I-01	6,019.85				6,019.85	4,952.95
120	Assigned Revenues and Compensations	I-02	1,714.88				1,714.88	3,229.75
130	Rental Income from Muni Properties	I-03	1,120.71				1,120.71	761.93
140	Fees and User Charges	I-04	4,268.91	132.82	0.26		4,402.00	5,709.84
150	Sale and Hire Charges	I-05	38.95				38.95	55.71
160	Revenue Grants, Contribution and Subsidies	I-06	8.73			1,541.00	3,421.84	104.67
170	Income from Investments	I-07	103.28	291.84	8.66		403.78	174.99
171	Interest Earned	I-08	44.33	151.82	8.19	0.04	209.99	40.77
180	Other Income	I-09	528.75	88.83	3.01		620.59	446.01
A	Total-INCOME		13,848.39	665.31	20.12	1,541.04	17,952.59	15,476.62
	EXPENDITURE							
210	Establishment Expenses	I-10	5,627.61	0.32	15.13	1,372.69	8,087.73	6,871.67
220	Administrative Expenses	I-11	1,343.40	361.21	0.16	5.04	1,712.69	1,891.47
230	Operations and Maintenance	I-12	1,610.30	55.10	0.10		1,665.50	1,601.46

240	Interest and Finance Charges	I-13	369.02	0.02	0.01	0.02	369.09	445.65
250	Programme Expenses	I-14	39.18		59.73		98.91	25.67
260	Revenue Grants, Contribution and Subsidies	I-15	0.66				0.66	510.69
270	Provisions and Write off	I-16						-
271	Miscellaneous Expenses	I-17						-
272	Depreciation	I-17a						-
B	Total-EXPENDITURE		8,990.17	416.65	75.13	1,377.75	11,934.58	11,346.60
A-B	Gross surplus/(deficit) of income over expenditure after Prior Period Items		4,858.22	248.66	(55.01)	163.29	6,018.00	4,130.02
280	Add:Prior period Items(Net)	I-18		87.88			87.88	-
	Gross surplus/(deficit) of income over expenditure after Prior Period Items		4,858.22	160.78	(55.01)	163.29	5,930.12	4,130.02
290	Less: Transfer to Reserve Funds	I-19						-
	Net balance being surplus/ deficit carried over to Municipal Fund		4,858.22	160.78	(55.01)	163.29	5,930.12	4,130.02

VIJAYAWADA MUNICIPAL CORPORATION
BALANCE SHEET STATEMENT for the year 2008-09

Rs. In Lakhs

Account Code	Head Of Account	Schedule No	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Primary Education Fund	Pension Reserve Fund	TOTAL 2008-09	Previous Year 2007-08
	LIABILITIES								
	Reserves and Surplus								
310	Municipal (General) Fund	B-1	185878.51	325.25	-572.61	-1242.08	-35.48	184353.49	156,398.65
311	Earmarked Funds	B-2	0.12	0.46	1183.00	0.00	0.00	1183.58	516.06
312	Reserves	B-3	0.00	0.00	0.00	0.00	0.00	0.00	-
	Total Reserves and Surplus		185878.63	325.71	610.39	-1242.08	-35.48	185537.07	156,914.71
	Grants Contributions for Specific Purposes								-
320	Grants & Contributions for Specific Purposes	B-4	0.00	20648.40	427.72	845.91	0.00	21922.03	14,769.71
	Total Grants Contributions for Specific Purposes		0.00	20648.40	427.72	845.91	0.00	21922.03	14,769.71
	Loans								-
330	Secured Loans	B-5	4714.58	0.00	0.00	0.00	0.00	4714.58	5,340.68
331	Unsecured Loans	B-6	0.00	0.00	0.00	0.00	0.00	0.00	-
	Total Loans		4714.58	0.00	0.00	0.00	0.00	4714.58	5,340.68
	Current Liabilities and Provisions								-
340	Deposits Received	B-7	792.91	1498.18	1.12	0.00	0.00	2292.21	672.96
341	Deposits Works	B-8	0.00	0.00	0.00	19.25	0.00	19.25	19.25
350	Other Liabilities (Sundry Creditors)	B-9	2234.54	1457.13	-668.47	522.22	36.47	3581.99	3,934.36
360	Provisions	B-10	0.03	0.00	0.00	0.00	0.00	0.03	0.03
	Total Current Liabilities and Provisions		3027.48	2955.31	-667.35	541.47	36.47	5893.48	4,626.60
	TOTAL LIABILITIES		193620.69	23929.42	370.76	145.30	0.99	218067.16	181651.70

ASSETS									
Fixed Assets									
410	Fixed Assets	B-11	177926.01	12528.46	22.70	0.00	0.00	190477.15	156,312.69
411	Accumulated Depreciation	B-11a	0.00	0.00	0.00	0.00	0.00	0.00	-
Net Block :			177926.01	12528.46	22.70	0.00	0.00	190477.15	156,312.69
412	Capital Work-In-Progress	B-11b	588.93	14821.21	0.00	0.00	0.00	15410.15	4,332.51
Total Fixed Assets			178514.94	27349.67	22.70	0.00	0.00	205887.30	160,645.20
Investments									
420	Investments - General Fund	B-12	261.26	0.00	0.00	0.00	0.00	261.26	924.58
421	Investments - Other Funds	B-13	0.00	116.20	90.00	0.00	0.00	206.20	3,421.27
Total Investments			261.26	116.20	90.00	0.00	0.00	467.46	4,345.85
Current Assets, Loans and Advances									
430	Stock in Hand (Inventories)	B-14	45.69	14.75	0.00	0.00	0.00	60.44	45.70
Sundry Debtors(Receivables) :									-
431	Sundry Debtors (Receivables)	B-15	5368.07	0.00	0.00	0.00	0.00	5368.07	4,538.61
432	Accumulated Provisions against Debtors (Receivables)	B-15a	0.00	0.00	0.00	0.00	0.00	0.00	-
Net Amount outstanding :			5368.07	0.00	0.00	0.00	0.00	5368.07	4,584.30
440	Prepaid Expenses	B-16	0.00	0.00	0.00	0.00	0.00	0.00	-
450	Cash and Bank Balances	B-17	1924.00	219.10	221.74	1.91	2.18	2368.93	9,548.12
Loans advances and Deposits :									-
460	Loans, advances and deposits	B-18	1020.48	989.61	36.32	0.33	-1.19	2045.55	1,600.63
461	Accumulated Provisions against Loans, Advances, and Deposits	B-18a	17.54	0.00	0.00	0.00	0.00	17.54	-
Net Amount outstanding :			1038.02	989.61	36.32	0.33	-1.19	2063.09	1,600.63
Total Current Assets, Loans and Advances			8375.78	1223.46	258.06	2.24	0.99	9860.53	15,733.05

	Others								-
470	Other Assets	B-19	6468.71	-4759.91	0.00	143.06	0.00	1851.87	927.60
480	Miscellaneous Expenditure (to the extent not written off)	B-20	0.00	0.00	0.00	0.00	0.00	0.00	-
	Total Others		6468.71	-4759.91	0.00	143.06	0.00	1851.87	927.60
	TOTAL ASSETS		193620.69	23929.42	370.76	145.30	0.99	218067.16	181,651.70

Income & Expenditure Account Schedules for the year 2008-09

Rs. In Lakhs

Minor Code	Head of Account	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Pension Reserve Fund	TOTAL 2008-09
Tax Revenue (SCHEDULE - 1-01)						
11001	Property Tax	5,223.22				5,223.22
11002	Water Tax	623.30				623.30
11003	Sewerage Tax	173.33				173.33
	Total	6,019.85				6,019.85
Assigned Revenues and Compensations (SCHEDULE - 1-02)						
12010	Taxes and Duties collected by others	1,713.97				1,713.97
12020	Compensation in lieu of Taxes or duties					-
12030	Compensations in lieu of Concessions	0.91				0.91
	Total	1,714.88				1,714.88
Rental Income from Muni Properties (SCHEDULE - 1-03)						
13010	Rent from Civic Amenities	1,088.25				1,088.25
13040	Rent from lease of lands	24.96				24.96
13080	Other rents	7.50				7.50
	Total	1,120.71				1,120.71
Fees and User Charges (SCHEDULE - 1-04)						
14010	Empanelment and Registration Charges	0.30				0.30

14011	Licensing Fees	272.10				272.10
14012	Fees for Grant of Permit	175.93				175.93
14013	Fees for Certificate or Extract	28.47				28.47
14014	Development Charges	426.80				426.80
14015	Regularization Fees	1,378.34				1,378.34
14020	Penalties and Fines	5.00				5.00
14040	Other Fees	658.97	132.82	0.26		792.05
14050	User Charges	277.39				277.39
14060	Entry Fees	39.71				39.71
14070	Service or Administrative Charges	1,004.75				1,004.75
14080	Other Charges	1.15				1.15
	Total	4,268.91	132.82	0.26		4,401.99
Sale and Hire Charges (SCHEDULE - 1-05)						
15010	Sale of Products	14.97				14.97
15011	Sale of Forms and Publications	23.86				23.86
15030	Sale of others	0.13				0.13
	Total	38.96				38.96
Revenue Grants, Contribution and Subsidies (SCHEDULE - 1-06)						
16010	Revenue Grant				1,872.10	3,413.11
16030	Contribution towards schemes	8.73				8.73
	Total					

		8.73			1,872.10	3,421.84
Income from Investments (SCHEDULE - 1-07)						
17010	Interest	103.28	291.84	8.66		403.78
	Total	103.28	291.84	8.66		403.78
Interest Earned (SCHEDULE - 1-08)						
17110	Interest from Bank Accounts	44.33	151.82	8.19	5.62	209.99
17180	Other Interest					-
	Total	44.33	151.82	8.19	5.62	209.99
Other Income (SCHEDULE - 1-09)						
18010	Deposits Forfeited	2.39				2.39
18080	Miscellaneous Income	526.36	88.83	3.01		618.20
	Total	528.75	88.83	3.01		620.59
Establishment Expenses (SCHEDULE - 1-10)						
21010	Salaries, Wages and Bonus	5,568.54	0.32	15.17	22.15	6,918.34
21020	Benefits and Allowances	41.20				101.83
21030	Pension			(0.04)	772.32	772.28
21040	Other Terminal and Retirement Benefits	17.86			277.42	295.28
	Total	5,627.60	0.32	15.13	1,071.89	8,087.73
Administrative Expenses (SCHEDULE - 1-11)						
22010	Rent, Rates and Taxes	0.71				0.71
22011	Office maintenance	858.19	37.02			895.20
22012	Communication Expenses	76.74				76.74
22020	Books and Periodicals					

		47.16	10.30			57.46
22021	Printing and Stationery	62.19				62.19
22030	Traveling and Conveyance	48.65			2.88	51.54
22040	Insurance	16.14				16.14
22050	Audit Fees	0.59				0.59
22051	Legal Expenses	8.39				8.39
22052	Professional and other Fees	22.29	68.51			90.80
22060	Advertisement and Publicity	56.15	6.22			62.37
22061	Membership and subscriptions	0.10				0.10
22080	Others	146.10	239.17	0.16		390.46
	Total	1,343.40	361.22	0.16	2.88	1,712.69
Operations and Maintenance (SCHEDULE - 1-12)						
23010	Power and Fuel	637.83				637.83
23020	Bulk Purchases	4.10	11.08			15.18
23030	Consumption of Stores	165.92				165.92
23040	Hire Charges	232.04				232.04
23050	Repairs and maintenance Infrastructure Assets	409.60	9.03			418.64
23051	Repairs and maintenance-Civic Amenities	84.55	1.25			85.80
23052	Repairs and maintenance Buildings	54.43				54.43
23053	Repairs and maintenance Vehicles	8.32				8.32
23059	Repairs and maintenance Others			0.10		

		12.25				12.35
23080	Other operating and maintenance expenses	1.26	33.73			34.99
	Total	1,610.30	55.09	0.10		1,665.50
Interest and Finance Charges (SCHEDULE - 1-13)						
24050	Interest on Loans from Banks and Other Financial Institutions	364.03				364.03
24060	Other Interest					-
24070	Bank Charges	0.88	0.02	0.01	0.02	0.95
24080	Other Finance Expenses	4.11				4.11
	Total	369.02	0.02	0.01	0.02	369.09
Programme Expenses (SCHEDULE - 1-14)						
25010	Election Expenses	0.21				0.21
25020	Own Programme	34.69		12.27		46.96
25030	Share in Programme of others	4.28		47.46		51.75
	Total	39.18		59.73		98.92
Revenue Grants, Contribution and Subsidies (SCHEDULE - 1-15)						
26020	Contributions	0.66				0.66
	Total	0.66				0.66
Prior Period Item (SCHEDULE - 1-18)						
28080	Other Expenses		87.88			87.88
	Total		87.88			87.88

BALANCE SHEET ACCOUNT SCHEDULES FOR THE YEAR 2008-09

Rs in Lakhs

Minor Code	Head of Account	Municipal General Fund	Capital Projects Fund	Urban Poverty Alleviation Fund	Primary Education Fund	Pension Reserve Fund	TOTAL 2008-09
Municipal (General) Fund (SCHEDULE : B-1)							
31010	General Fund	174454.18					174454.18
31090	Excess of Income over Expenditure	11424.33	325.25	-572.61	-1242.08	-35.48	9899.31
	Total	185878.51	325.25	-572.61	-1242.08	-35.48	184353.49
Earmarked Funds (SCHEDULE : B-2)							
31110	Special Funds		0.46				0.46
31170	Trust or Agency Funds	0.12		1183.00			1183.12
	Total	0.12	0.46	1183.00			1183.58
Grants & Contributions for Specific Purposes (SCHEDULE : B-4)							
32020	State Government		20648.30	427.72	845.91		21921.93
32080	Others		0.10				0.10
	Total		20648.40	427.72	845.91		21922.03
Secured Loans (SCHEDULE : B-5)							
33050	Loans from Banks and Other Financial Institutions	4714.51					4714.51
33060	Other Term Loans	0.07					0.07
	Total	4714.58					4714.58
Deposits Received (SCHEDULE : B-7)							
34010	From Contractors or Suppliers	792.91	1498.18	1.12			2292.21
	Total	792.91	1498.18	1.12			2292.21
Deposits Works (SCHEDULE : B-8)							
34180	Others				19.25		19.25
	Total				19.25		19.25

Other Liabilities (Sundry Creditors) (SCHEDULE : B-9)							
35010	Creditors	89.61	704.87	-668.54	5.44	-0.59	130.80
35011	Employee liabilities	423.42			243.99	1.69	669.13
35020	Recoveries payable	1536.65	752.26	0.07	240.57	35.37	2564.98
35040	Refunds payable	184.86					184.86
35050	Liabilities-Other Liabilities				32.22		32.22
	Total	2234.54	1457.13	-668.47	522.22	36.47	3581.99
Provisions (SCHEDULE : B-10)							
36010	Provisions for Expenses	0.03					0.03
	Total	0.03					0.03
Fixed Assets (SCHEDULE : B-11)							
41010	Land	144766.26	1136.88				145903.14
41020	Buildings	23115.99	276.66				23392.65
41030	Roads and Bridges	2114.10	2496.11	12.71			4622.92
41031	Sewerage and Drainage	4804.52	4250.15	9.99			9064.66
41032	Water works	2895.25	4357.44				7252.69
41033	Public Lighting	116.86	4.18				121.04
41050	Vehicles	46.30	7.04				53.34
41060	Office and Other Equipments	26.52					26.52
41070	Furniture, Fixtures, Fittings and Electrical Appliances	30.56					30.56
41080	Other Fixed Assets	8.06					8.06
41090	Assets under Disposal	1.59					1.59
	Total	177926.01	12528.46	22.70	0.00	0.00	190477.17
Capital Work-In-Progress (SCHEDULE : B-11b)							
41200	General	584.01	4467.68				5051.70
41220	Special funds		297.91				297.91
41230	Specific Schemes	4.92	10055.62				10060.54
	Total	588.93	14821.21				15410.15

Investments - General Fund (SCHEDULE : B-12)							
42080	Other Investments	261.26					261.26
	Total	261.26					261.26
Investments - Other Funds (SCHEDULE : B-13)							
42180	Other Investments		116.20	90.00			206.20
	Total		116.20	90.00			206.20
Stock in Hand (Inventories) (SCHEDULE : B-14)							
43010	Stores	22.78					22.78
43080	Others	22.91	14.75				37.66
	Total	45.69	14.75				60.44
Sundry Debtors (Receivables) (SCHEDULE : B-15)							
43110	Receivables for Property Taxes	4210.96					4210.96
43130	Receivable for Fees and User Charges	133.86					133.86
43140	Receivable from other sources	948.15					948.15
43180	Receivables control accounts	75.10					75.10
	Total	5368.07					5368.07
Cash and Bank Balances (SCHEDULE : B-17)							
45010	Cash	-75.24	79.29			-0.05	4.00
45021	Nationalised Banks-Municipal Funds	1534.12	1023.07	219.31	1.65	2.23	2780.38
45041	Nationalised Banks-Special Funds		-314.11	0.10			-314.01
45061	Nationalised Banks-Grant Funds	465.12	-569.15	2.33	0.26		-101.44
	Total	1924.00	219.10	221.74	1.91	2.18	2368.93
Loans, advances and deposits (SCHEDULE : B-18)							
46010	Loans and advances to employees	47.43	989.61		0.33	-1.19	1036.16
46030	Loans to Others			36.32			36.33
46040	Advance to Suppliers and contractors	968.54					968.55

46050	Advance to others	4.49					4.49
46060	Deposits with external Agencies	0.02					0.02
	Total	1020.48	989.61	36.32	0.33	-1.19	2045.55
Accumulated Provisions against Loans, Advances, and Deposits (SCHEDULE : B-18a)							
46120	Advances	17.54					17.54
	Total	17.54					17.54
Other Assets (SCHEDULE : B-19)							
47010	Deposit Works Expenditure	0.09					0.09
47020	Inter Unit Accounts	6468.71	-4759.91		143.06		1851.78
	Total	6468.71	-4759.91		143.06		1851.87

NOTES TO ACCOUNTS

1. Basis of Accounting

The financial statements are prepared on a going concern and historical cost basis. The method of accounting is the accrual based double entry accounting system.

2 Recognition of Revenue

2.1 Tax Revenue

Property Tax, Water Tax and Sewerage Tax are recognised in the period in which they become due and demands are ascertainable

Advertisement taxes and Water Meter Charges are accounted during the year only upon actual receipt.

2.2 Non Tax Revenue

Revenue in respect of Shop Rents and D & O Trade License Fees are accrued in the year to which it pertains and when Demands are raised.

2.3 Other Incomes

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 recognised on actual receipt (For example. Interest on Savings Bank, Fines, penalties etc.,)

2.4 Assigned Revenue

Assigned revenues like Entertainment Tax, Profession Tax, Duty / Surcharge on transfer of Immovable properties are accounted during the year only upon actual receipt.

2.5 Provision against receivables

During the financial year 2008-09, no provisions are made against receivables.

3. Recognition of Expenditure

Expenses on Salaries and other allowances are recognised as and when they are due for payment

All revenue expenditures are treated as expenditures in the period in which they are incurred.

In case of works, expenditures are accrued as soon as the work has been measured and becomes due for payment.

Provisions for expenses are made at the year-end for all bills received upto a cut off date.

4. Statutory deductions

Statutory deduction from claimants (Salary, Works, Supplier etc.,) which includes income tax, Sales tax(VAT), professional tax, provident fund contribution etc., are to be recognized as liability in the same period in which the corresponding claim is recognized as expense.

5. Fixed Assets

5.1 Identification of Fixed Assets Only lands and land values are depicted in the opening balance sheet and building values are not depicted. Building values can be estimated under two models. If book values are available, they can be considered. Otherwise, they have to be valued on the estimated current standard costs. In both cases, estimated life of the asset is required to arrive at the depreciation value. The current standard costs and the estimated life of the asset have to be notified by Govt. It was not done so far and CGG is developing a manual on the preparation of opening balances of assets and liabilities, which would contain these details. Since book values could not be found immediately, and in the absence of guidelines, VMC could not value the buildings. After guidelines are issued by CGG, building values can be taken up in the current Financial year 2008-09.

5.2 Depreciation

During the financial year 2008-09, No Depreciation provisions are made against Fixed Assets.

5.3 Revaluation of Fixed assets

There is no revaluation of fixed assets during the financial year 2008-09

6. Investments

Investments are recognized at cost. The income earned on Fixed Deposits with Banks is not being considered till the date of Maturity, since most of the investments are of short term, in nature. Hence, interest realized on investments is only recognized in the books of accounts.

7. Borrowing Cost:

Borrowing cost is recognized as revenue expenditure during the year of actual payment.

8. Loans

Loans are repaid out of General revenues of Municipal Corporation of Vijayawada when the installments are due.

9. Inventory: Inventory, consisting of Stationery, miscellaneous stores items were valued at cost.

10. Grants

General Grants such as Elementary Education Grant, Secondary Education Grant Fixed Assets other general grants which are revenue in nature, are recognized as income on actual receipt. Grants received towards capital expenditure are 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.

11. Bank Reconciliation Statement

The entries in the cash book for bank transactions under General Ledger in Double Entry Accrual Accounting are compared with the entries on the bank statements and differences are noted. Necessary entries are recorded and bank reconciliation is completed up to 31st March, 2009.

12. Other Notes:

Salary for the Month of March, 2008 paid in April, 2008 was considered during the financial year 2008-09, because of Change of Method of Accounting from Cash System of Accounting to Accrual Accounting.

Other Disclosures

- 1. Fund Basis of Accounting:** A Fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equalities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. VMC is maintaining Fund Wise Accounts and also Scheme and Sub-Scheme under Fund as required for detailed Reports.

The Fund, Scheme and Sub-Scheme particulars are as follows

S.N	Name of the Fund	Scheme	Sub-Scheme
1	Municipal General Fund	-	-
2	Capital Project Scheme	ACDP MLA Grant	ACDP MLA Grant
		APURMSP	VMC - APURMSP
		Biomentations	Biomentations
		Finance Commission	Xii Finance Commission
		LCS	Low Cost Sanitation
		MP LADS	MP – Local Area Development
		Water Supply JnNURM	35.48
			72.31
		UGD JnNURM	19.85
			56.56
			7.43
			9.49
			58.05
			36.25
		BSUP JnNUMR	3.70
			59.83
			7.73
	26.48		
	Housing 258.74		
	Housing 190.88		
SWD JnNURM	49.12		
JnNURM BRTS	BRTS 152.64		
3	Primary Education Fund	-	-
4	Pension Fund	Pension	Contributory Pension
			Regular Pension
5	Urban Poverty Alleviation	NFB	National Family Benefit
		OAP	Old age Pension
		SYSRY	SJSRY

- 2. Pension Liability:** 9.5% of Maximum Scale of Pay of employees was created towards pension liability.

Year	Total No of Employees as (No's)	Sum of Maximum Scale of Pay for whole year (Rs. In Lakhs)	Percentage	Provision towards Pension (Rs. In Lakhs)
2007-08	3394	4329.01	9.5 %	411.25
2008-09	3394	4978.36	9.5 %	472.94

3. Loans:

Details of Loan and repayment schedule.

Particulars	Amount (Rs. In Lakhs)	
	2008-09	2007-08
Opening Balance	5307.49	6170.70
Add: Interest accrued	644.56	374.54
Total	5952.15	6545.24
Less: Installment Paid	990.00	1237.75
Closing Balance	4962.05	5307.49

- 4. Opening Balances:** Opening Balances adopted in Double Entry Accrual accounting are subject to audit.

The following assets were identified during the financial year 2007-08

Gl. Code	Particulars	Amount (Rs. in Lakhs)	
		2007-08	2008-09
4101001	Open Space	98,675.01	220,50.62
4101003	Parks	24,012.80	
4102001	Office Buildings (to the extent of Land Value)	13,634.23	
4102002	Commercial Complex (to the extent of Land Value)	328.84	
4102003	Hospitals, Dispensaries and Health Posts	295.04	
4102005	Gust Houses	2,438.33	
4103101	Underground Drains	4,221.26	
4103201	Water works	223.07	
4103203	Reservoirs	2,349.61	

- 4.1 During the financial year 2008-09 new assets acquired (Land- GL CODE 4101001) for construction of houses under JnNURM scheme and construction of STP at Jakkampudi and Gollapudi villages

Sl.no	Area	Survey No	Extent
1	Jakkampudi	R.S.No. 211/1 etc.,	Ac.28.60 Cents
2	Jakkampudi	R.S.No. 215/3A etc.,	Ac.21.71 Cents
3	Gollapudi	R.S.No. 358/1C etc.,	Ac.43.82 Cents

Total value of acquired land taken into books of accounts (valued at the registered value on 15.03.2008 @ 4550/- per Sq.yard) amounting to (Ac.100.13 Cents @ 4550) Rs.220,50,62,860/-

- 4.2 An amount of Rs.16,51,612/- are used for purchase of car

- 4.3 JnNURM works in progress to the extent of Rs. 224,47.03 Lakhs

The balance assets to be identified & valued will be exhibited in the subsequent Financial Statements.

5. Accrual Entries under Double Entry System – details are as follows

Particulars	Amount (Rs. in Lakhs)	
	2008-09	2007-08
Property tax	4506.51	3705.73
Water Tax	621.72	577.60
Sewerage Tax	191.42	151.58
Shop Rent	612.73	559.52
D&O Trade License	264.89	189.13

6. Figures are rounded off to the nearest Lakhs.