



# ***Annual Financial Statements***

***30 June 2007***

***EC 126***

# NGQUSHWA MUNICIPALITY

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# NGQUSHWA MUNICIPALITY

## GENERAL INFORMATION

### **MEMBERS OF THE EXECUTIVE COMMITTEE**

N Nxawe	Mayor
V Moyeni	Speaker
N Dyani	Executive Member
B Ntontela	Executive Member
N Magingxa	Executive Member
M Mzwali	Executive Member
N Ndabazonke	Chief Whip
V Kaulela	Councillor
S Mabhija	Councillor
M Faltein	Councillor
N Maphekula	Councillor
N Coto	Councillor
F Matiwane	Councillor
M Sethuntsa	Councillor
L Camagu	Councillor
B Ncapai	Councillor
L Sithole	Councillor
N Mlothana	Councillor
T Dyani	Councillor
V Myozolo	Councillor
P Skade	Councillor
M Mphunga	Councillor
N Mhlakane	Councillor
T Camagu	Councillor
M Xhotyeni	Councillor
S Jali	Councillor
M Joyi	Councillor

### **GRADING OF LOCAL AUTHORITY**

Grade 2

### **AUDITORS**

Auditor General

### **BANKERS**

First National Bank, Peddie

**REGISTERED OFFICE**

Corner of N2 and R345 Road  
PO Box 539, Peddie  
5640

Telephone : 040 673 3940  
Facsimile : 040 673 3771

**MUNICIPAL MANAGER**

Mr Z W Kanzi

Telephone : 040 673 3095

**CHIEF FINANCIAL OFFICER**

Mrs. N Y Zongo

Telephone : 040 673 3095

**APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements as set out on pages 4 to 22 were approved by the Municipal Manager and the

Chief Financial Officer on this the .....2007 and then presented to and approved by Council on

this the .....2007

.....  
**MUNICIPAL MANAGER**

.....  
**CHIEF FINANCIAL OFFICER**

# NGQUSHWA MUNICIPALITY

## MAYOR'S FOREWORD

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I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2007

Local Government reform in South Africa poses a challenge to all municipalities and indeed the Ngquashwa Municipality and as such we have set our targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

The council as an institution is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge the municipality has become increasingly reliant on the equitable share received from national government to improve the quality of service delivery to population of the Ngquashwa region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

Despite the numerous challenges facing the council I and my fellow councillors are confident for the future of the Ngquashwa Municipality and we remain committed to building a financially sound and prosperous municipality.

In conclusion I wish to express my appreciation to the councillors, the Municipal Manager, the Chief Financial Officer, the Budget and Treasury Manager and various members of the Budget and Treasury office for their support and hard work during the past financial year.

.....

**MAYOR**

# NGQUSHWA MUNICIPALITY

## ACCOUNTING OFFICER'S REPORT

### 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual to Budget %
<b>Income:</b>					
Opening surplus/(deficit)	16,367,251	6,056,775			
Operating income for the year	21,990,620	24,256,923	10.3	38,514,805	37.0
	<b>38,357,871</b>	<b>30,313,699</b>		<b>38,514,805</b>	
<b>Expenditure</b>					
Operating expenditure for the year	31,324,922	32,297,673	3.1	38,514,805	16.1
Contributions to approved funds					
Appropriation	976,174	1,486,645			
Closing surplus/(deficit)	6,056,775	(3,470,620)		0	
	<b>38,357,871</b>	<b>30,313,699</b>		<b>38,514,805</b>	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest Received down on prior year as most of the investments have been used consumed. The main contributor to the increase in expenditure is the fixed assets purchased.					

#### 1.1 Rates and General Services

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual to Budget %
Income	21,174,950	24,256,923	14.6	38,514,805	37.0
Expenditure	29,887,942	32,172,076	7.6	37,772,916	14.8
<b>Surplus / (Deficit)</b>	<b>(8,712,992)</b>	<b>(7,915,152)</b>	<b>(9.2)</b>	<b>741,889</b>	<b>1,166.9</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>(41.1)</b>	<b>(32.6)</b>		<b>1.9</b>	
<b>Significant variances:</b>					
Government grants received increased during the past year. The municipality also commissioned a traffic department during the past year.					

1.2 The following is a summary of the operating results of the local authority's Trading Services:

**Water Service**

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	815,670	0	(100.0)	-	0.0
Expenditure	1,436,980	125,598	(91.3)	-	0.0
<b>Surplus / (Deficit)</b>	<b>(621,310)</b>	<b>(125,598)</b>	<b>(79.8)</b>	<b>0</b>	<b>0.0</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>(76.2)</b>	<b>0</b>		<b>0.0</b>	
<b>Significant variances:</b>					
As of 1 July 2006 all water services were taken over by the Amathole District Municipality.					

**2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year are detailed below: -

	Actual 2006 R	Budget 2007 R	Actual 2007 R
Community Services	2,685,728	15,671,000	14,250,503
Economic Services	-	200,000	-
Trading Services	-	-	-
	<b>2,685,728</b>	<b>15,871,000</b>	<b>14,250,503</b>

Resources used to finance the fixed assets were as follows: -

- Internal Sources	2,685,728	2,450,000	5,325,174
- External Sources	-	13,421,000	8,925,329
Other Sources			1,756,866
Provincial Government		13,421,000	7,168,463
	<b>2,685,728</b>	<b>15,871,000</b>	<b>14,250,503</b>

**Significant variances:**

The shortfall is due to cash flow constraints.

A complete analysis of capital expenditure (budgeted and actual) per department, classification per service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

### **3. EXTERNAL LOANS, INVESTMENTS AND CASH**

The municipality has no external loans

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a positive of R 1,003,521 (2006 - R 91,211 positive). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2007 amounted to R 1,753,823 (2006: R 13,189,703).

More information regarding loans and investments are disclosed in the notes and appendix B to the financial statements.

### **4. POST BALANCE SHEET EVENTS**

No post balance sheet events have been identified that would materially affect the municipalities balance sheet.

### **5. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and to the municipal staff for their assistance and support during the year.

.....  
**MUNICIPAL MANAGER**  
(Accounting Officer)



# NGQUSHWA MUNICIPALITY

## ACCOUNTING POLICIES

### 1. Basis of preparation

- 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 and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - \* Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - \* Expenditure is accrued in the year it is incurred.

### 2. Consolidation

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

### 3. Fixed assets

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements 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:

  - \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
  - \* Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3.5 A detailed GAMAP compliant assets register has been prepared.

#### **4. Funds and reserves**

##### **4.1 Revolving fund**

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### **4.2 Other funds and reserves**

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### **5. Provisions**

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

#### **6. Stock**

Stock is reflected in the Balance Sheet at the weighted average cost.

#### **7. Retirement benefits**

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

#### **8. Surpluses and deficits**

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

## **9. Treatment of administration and other overhead expenses**

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June 1990).

## **10. Leased assets**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## **10. Investments**

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

## **11. Income recognition**

### **11.1 Electricity and water billings**

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. 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. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

### **11.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

### **11.3 Other income**

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

**NGQUSHWA MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		1,572,802	1,441,235
Statutory funds	1	1,572,802	1,441,235
ACCUMULATED DEFICIT		(3,470,620)	6,056,775
		(1,897,818)	7,498,010
TRUST FUNDS	2	1,570,131	5,046,516
		<b>(327,687)</b>	<b>12,544,526</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	5	153,461	199,938
FIXED ASSETS	3	1,155,600	-
INVESTMENTS	4	1,703,537	8,100,447
		3,012,597	8,300,385
NET CURRENT ASSETS		(3,340,285)	4,244,141
CURRENT ASSETS		4,539,328	9,406,184
Stock	6	-	14,939
Accounts receivable	7	3,445,898	4,072,538
Cash and Cash Equivalents	8	1,003,521	91,212
Short-term Portion of Long Term Debtors	5	39,622	138,240
Short-term Investments	4	50,287	5,089,256
CURRENT LIABILITIES		7,879,613	5,162,043
Creditors	10	7,589,613	4,927,744
Provisions	9	290,000	234,299
		<b>(327,687)</b>	<b>12,544,526</b>

# NGQUSHWA MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
21,174,950	29,887,942	(8,712,992)	<b>RATES AND GENERAL SERVICES</b>	24,256,923	32,172,076	(7,915,152)	-
20,754,728	25,940,503	(5,185,775)	Community services	23,884,665	27,604,291	(3,719,626)	5,957,443
142,640	2,309,889	(2,167,249)	Subsidised services	78,317	3,227,270	(3,148,953)	(5,024,892)
277,582	1,637,550	(1,359,968)	Economic services	293,942	1,340,515	(1,046,573)	(932,551)
815,670	1,436,980	(621,310)	<b>TRADING SERVICES</b>	-	125,598	(125,598)	-
<b>21,990,620</b>	<b>31,324,922</b>	<b>(9,334,302)</b>	<b>TOTAL</b>	<b>24,256,923</b>	<b>32,297,673</b>	<b>(8,040,750)</b>	<b>-</b>
		(976,174)	Appropriations for the year (refer note 20)			(1,486,645)	
		(10,310,476)	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			(9,527,395)	
		16,367,251	Accumulated surplus beginning of the year			6,056,775	
		<b>6,056,775</b>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<b>(3,470,620)</b>	

# NGQUSHWA MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>3,726,933</b>	(7,606,183)
Cash utilised in operations	17	(29,976,601)	(25,782,164)
Investment income		405,404	386,803
(Increase) / Decrease in working capital	18	4,486,393	18,565
		(25,084,804)	(25,376,796)
Less: External interest paid		-	-
<b>Cash available from operations</b>		(25,084,804)	(25,376,796)
Cash contributions from the public and the State		28,811,736	17,770,613
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		(14,250,503)	2,782,817
Other Movements		-	5,468,545
Investment in fixed assets		(14,250,503)	(2,685,728)
<b>NETT CASH FLOW</b>		(10,523,570)	(4,823,366)
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase / (Decrease) in long-term liabilities	23	-	-
Decrease / (Increase) in cash on hand	26	(912,310)	3,565,440
Decrease / (Increase) in external cash investments	24	11,435,880	1,257,926
<b>NETT CASH UTILISED</b>		10,523,570	4,823,366

# NGQUSHWA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
<b>1. ACCUMULATED FUNDS</b>		
Revolving Fund	1,572,802	1,441,235
	<u>1,572,802</u>	<u>1,441,235</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2. TRUST FUNDS</b>		
As detailed in Appendix A	<u>1,570,131</u>	<u>5,046,516</u>
All trust funds are back by investments held with various bank. <i>(Refer to Appendix A for more details)</i>		
<b>3. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	19,745,149	17,059,421
Capital expenditure during the year	14,250,503	2,685,728
Less: Assets written off, transferred or disposed of during year	6,579,128	-
<b>Total fixed assets</b>	<u>27,416,524</u>	<u>19,745,149</u>
Less: Loans redeemed and other capital receipts	<u>26,260,924</u>	<u>19,745,149</u>
	<u>1,155,600</u>	<u>-</u>
<i>(Refer to Appendix C for more details)</i>		
<b>4. INVESTMENTS</b>		
Project Investments	<u>1,703,537</u>	<u>8,100,447</u>
Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institution.		
Operating Investments	<u>50,287</u>	<u>5,089,256</u>
<b>5. LONG TERM DEBTORS</b>		
Vehicle Loans	193,083	338,178
Short-term Portion of Long Term Debtors	39,622	138,240
	<u>153,461</u>	<u>199,938</u>
<b>6. STOCK</b>		
Rate & General	-	14,939
	<u>-</u>	<u>14,939</u>
<b>7. DEBTORS</b>		
Current Debtors	2,302,193	3,580,461
Sundry Debtors	1,315,030	428,212
VAT	1,265,371	2,538,411
Less Provision for Bad debts	1,436,696	2,474,547
	<u>3,445,898</u>	<u>4,072,538</u>

Consumer Debtors amounting to R 518,020 were taken over by the Amathole District Municipality on 1 July 2006. The Amathole District Municipality has subsequently handed the Consumer Debtors back over to the municipality.

	2007 R	2006 R
<b>8. CASH AND CASH EQUIVALENT</b>		
Floats	-	-
Bank Balances	1,003,521	91,212
	<u>1,003,521</u>	<u>91,212</u>
<b>9. PROVISIONS</b>		
Leave reserve	-	-
Audit Fees	290,000	234,299
	<u>290,000</u>	<u>234,299</u>
<b>10. CREDITORS</b>		
Trade Creditors	402,569	1,941,355
VAT Provision	104,189	-
Sundry Creditors	7,082,855	2,986,389
	<u>7,589,613</u>	<u>4,927,744</u>
<b>11. ASSESSMENT RATES</b>		
- All properties 1.9 cents in the rand		
Actual Rateable Income	<u>1,747,877</u>	<u>741,912</u>
<b>12. COUNCILLOR'S REMUNERATION</b>		
Mayor's allowance:	397,578	
Speakers Allowance	177,273	
Councillor's allowances:	<u>3,257,904</u>	<u>2,606,379</u>
	<u>3,832,755</u>	<u>2,606,379</u>
<b>13. DIRECTORS AND OFFICIALS REMUNERATION</b>		
<b>Municipal Manager</b>	555,842	-
Salary	<u>555,842</u>	<u>-</u>
<b>Other Senior Manager</b>	1,889,868	2,400,437
Salary	<u>1,889,868</u>	<u>2,400,437</u>
<b>Total Remuneration</b>	<u>2,445,710</u>	<u>2,400,437</u>
<b>14. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>774,374</u>	<u>278,193</u>
<b>15. FINANCE TRANSACTIONS</b>		
Total external interest earned		
- Interest earned	<u>84,437</u>	<u>386,803</u>



	2007 R	2006 R
<b>16. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	6,056,775	16,367,251
Operating surplus for the year	(8,040,750)	(9,334,302)
	<u>(1,983,975)</u>	<u>7,032,949</u>
Less: Appropriations for the year:	1,486,645	976,174
- Prior year adjustments	<u>1,486,645</u>	<u>976,174</u>
Accumulated surplus at the end of year	<u>(3,470,620)</u>	<u>6,056,775</u>
<b>Operating account</b>		
Capital expenditure	4,169,574	2,685,728
Contributions to:		
- Revolving Fund	55,643	39,988
- Audit Fee	-	-
- Doubtful debts	(1,037,851)	2,474,547
- Leave Reserve	-	-
	<u>4,225,218</u>	<u>5,200,263</u>
<b>17. CASH GENERATED BY OPERATIONS</b>		
<b>(Deficit) surplus for the year</b>	<b>(8,040,750)</b>	<b>(9,334,302)</b>
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	<b>(1,486,645)</b>	<b>(976,174)</b>
<u>Appropriations charged against income:</u>	<b>3,187,367</b>	<b>2,685,728</b>
- Revolving Fund	55,643	-
- Provisions	(1,037,851)	-
- Fixed Assets	4,169,574	2,685,728
Investment income (operating account)	<b>(405,404)</b>	<b>(386,803)</b>
<u>Capital charges</u>	-	-
Interest Paid on External Loans	-	-
Interest Paid on Internal Loans	-	-
Redemption on External Loans	-	-
Redemption on Internal Loans	-	-
Grants and Subsidies Received from the State	<b>(19,886,408)</b>	<b>(17,770,613)</b>
<u>Non Operating Expenditure</u>	<b>55,647</b>	-
- Expenditure charged against funds	(53)	-
- Expenditure charged against provisions	55,701	-
<u>Non Operating Income</u>	<b>(3,400,409)</b>	-
- Transfers to funds and reserves	(3,721,377)	-
- Income Credited to funds and reserves	320,968	-
- Income Credited to assets	-	-
	<u>(29,976,601)</u>	<u>(25,782,164)</u>
<b>18. DECREASE / (INCREASE) IN WORKING CAPITAL</b>		
(Increase) / Decrease in Stores	14,939	(14,939)
(Increase) / Decrease in Debtors, Long Term Debtors	1,809,585	(1,012,148)
(Decrease) / Increase in Creditors, Consumer Deposits	2,661,869	1,045,652
	<u>4,486,393</u>	<u>18,565</u>

	2007 R	2006 R
<b>19. INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	-	-
Loans repaid	-	-
	<u>-</u>	<u>-</u>
<b>20. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>	<u>-</u>	
<b>21. DECREASE IN CASH INVESTMENT COMPRISES</b>		
Investments Realised	11,435,880	1,257,926
Investments Made	-	-
	<u>11,435,880</u>	<u>1,257,926</u>
<b>22. INCREASE / (DECREASE) IN CASH ON HAND</b>		
Cash balance at the beginning of the year	91,212	3,656,652
Less: Cash balance at end of year	1,003,521	91,212
	<u>912,310</u>	<u>(3,565,440)</u>
<b>23. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
The municipality currently has unresolved labour disputes. No financial value can be assigned to the dispute.		
<b>24. POST BALANCE SHEET EVENTS</b>		
No post balance sheet events have been identified that will materially affect the annual financial statements		
<b>25. RETIREMENT BENEFITS</b>		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being contributed to are listed below: -		
	<u>Employee</u>	<u>Employer</u>
SAMWU Provident Fund	5.00%	12.00%
<b>26. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure	<u>1,777,798</u>	<u>-</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	1,777,798	-
Other Sources	-	-
Provincial Government	<u>1,777,798</u>	<u>-</u>
	<u>1,777,798</u>	<u>-</u>
The above commitments are mainly funded by the MIG Grants received.		

# NGQUSHWA MUNICIPALITY

## STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 30 June 2006 R	Contributions during year R	Interest on Investments Net of Refunds R	VAT Refunds R	Transfers during year R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2007 R
<b>STATUTORY FUNDS</b>								
Revolving Fund	1,441,235	55,643	75,941			18		1,572,802
	<u>1,441,235</u>	<u>55,643</u>	<u>75,941</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>1,572,802</u>
<b>TRUST FUNDS</b>								
<b><u>Cash Backed Funds</u></b>								
Planning Fund	3,659,738		142,493		3,721,377	7		80,848
PHP Housing Fund	1,386,778		102,533			28		1,489,282
	<u>5,046,516</u>	<u>-</u>	<u>245,026</u>	<u>-</u>	<u>3,721,377</u>	<u>35</u>	<u>-</u>	<u>1,570,131</u>

APPENDIX A

# NGQUSHWA MUNICIPALITY

## EXTERNAL LOANS AND INTERNAL ADVANCES

	Rate	Termination	Balance at 30 June 2006 R	New Loans R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2007 R
<b>EXTERNAL LOANS - Funding Fixed Assets</b>							
None	None	None	-	-	-	-	-
			-	-	-	-	-
<b>INTERNAL LOANS</b>							
<u>Internal advances from borrowing services:</u>							
Plant - Grader	7%	None	-	1,155,600	-	-	1,155,600

**APPENDIX B**

**NGQUSHWA MUNICIPALITY**

**ANALYSIS OF FIXED ASSETS**

2006 Expenditure		Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Assets Sold	Balance at 30 June 2007
R		R	R	R	R	R
<b>2,685,728</b>	<b>RATES AND GENERAL SERVICES</b>	<b>17,957,607</b>	<b>14,250,503</b>	-	<b>4,791,586</b>	<b>27,416,524</b>
<u><b>2,685,728</b></u>	<b>Community Services</b>	<u><b>12,950,328</b></u>	<u><b>14,250,503</b></u>	-	-	<u><b>27,200,831</b></u>
27,737	Land & Building	4,253,842	2,102,201			6,356,043
1,014,515	Office equipment	1,085,569	43,515			1,129,084
1,297,494	Motor Vehicles	1,675,554	409,237			2,084,790
	Plant and Equipment	8,887	2,915,193			2,924,080
	Computer equipment	528,752	42,446			571,199
	Street lights	280,816	85,644			366,460
	Fencing and Toilets	159,282	-			159,282
	Taxi ranks	718,075	555,802			1,273,877
	Campining furniture	11,524	-			11,524
14,132	Boating Equipment	33,703	-			33,703
	Hotel Improvements	66,331	-			66,331
145,660	Cemetery	242,629	-			242,629
186,190	Roads	3,414,762	7,179,332			10,594,094
	Pilot Housing Project	470,602	-			470,602
	Traffic Assets	-	880,292			880,292
	Community Facilities	-	36,841			36,841
-	<b>Economic Services</b>	<u><b>5,007,278</b></u>	-	-	<b>4,791,586</b>	<u><b>215,693</b></u>
	Sanitation	1,722			1,722	-
	Dipping Tanks	200			-	200
	Reticulation for sewerage	2,281,787			2,281,787	-
	Sewerage plant	2,508,077			2,508,077	-
	Vehicles	155,348			-	155,348
	Tractor Shed & Workshop	1,300			-	1,300
	Ablution blocks	58,844			-	58,844
-	<b>Trading Services</b>	<u><b>1,787,542</b></u>	-	-	<b>1,787,542</b>	-
	Water Works	145,644			145,644	-
	Reservoirs	121,081			121,081	-
	Boreholes Equipment	44,535			44,535	-
	Water supply/networks/infrastructure	1,225,890			1,225,890	-
	Domestic water	89,005			89,005	-
	Ntilini Water	161,387			161,387	-
<u><b>2,685,728</b></u>	<b>TOTAL FIXED ASSETS</b>	<u><b>19,745,149</b></u>	<u><b>14,250,503</b></u>	-	<b>6,579,128</b>	<u><b>27,416,524</b></u>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<u><b>(19,745,149)</b></u>	<u><b>(13,094,903)</b></u>	-	<b>(6,579,128)</b>	<u><b>(26,260,924)</b></u>
	Contributions from Other Sources	4,814,752			4,814,752	-
	Contributions from operating income	9,085,959	4,169,574		1,764,376	11,491,157
	Grants and subsidies	5,844,438	8,925,329			14,769,767
	<b>NET FIXED ASSETS</b>	<u><b>-</b></u>	<u><b>1,155,600</b></u>	-	-	<u><b>1,155,600</b></u>

# NGQUSHWA MUNICIPALITY

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2006 Actual R		2007 Actual R	2007 Budget R
<b>INCOME</b>			
17,770,613	Grants and subsidies	19,886,408	24,991,000
4,220,006	Operating income	4,370,516	13,523,805
741,912	Assessment Rates	1,747,877	2,202,499
815,670	Water Sales	-	-
84,209	Sewerage Sales	106	-
193,373	Refuse Removal	293,835	707,331
386,803	Interest Received	84,437	350,000
1,998,039	Income from Tariffs, Service Charges etc	2,244,261	10,263,975
<b>21,990,619</b>	<b>Total income</b>	<b>24,256,923</b>	<b>38,514,805</b>
<b>EXPENDITURE</b>			
13,001,158	Salaries, wages and allowances	15,577,316	15,129,488
10,821,228	General expenditure	10,413,045	6,281,868
2,342,260	Repairs and maintenance	688,320	822,449
-	Capital charges	-	-
2,685,730	Contributions to fixed assets	4,169,574	16,281,000
2,474,547	Contributions to Funds	1,449,419	-
<b>31,324,923</b>	<b>Total Expenditure</b>	<b>32,297,673</b>	<b>38,514,805</b>

**APPENDIX D**

**NGQUSHWA MUNICIPALITY**

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2006 Actual income	2006 Actual expenditure	2006 Surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
21,174,950	29,887,942	(8,712,992)	<b>RATES AND GENERAL SERVICES</b>	24,256,923	32,172,076	(7,915,152)	-
<b>20,754,728</b>	<b>25,940,503</b>	<b>(5,185,775)</b>	<b>Community services</b>	<b>23,884,665</b>	<b>27,604,291</b>	<b>(3,719,626)</b>	<b>5,957,443</b>
741,912	-	741,912	Assesment Rates	1,747,877		1,747,877	
-	3,076,846	(3,076,846)	Council General Expenses		8,215,378	(8,215,378)	(4,757,236)
3,010	6,292,751	(6,289,741)	Corporate Services	189,636	6,684,983	(6,495,347)	(6,712,698)
-	901,360	(901,360)	Municipal Manager		1,232,428	(1,232,428)	(1,416,668)
28,307	7,436,234	(7,407,927)	Community Services	4,242	5,983,100	(5,978,858)	(1,887,879)
19,954,858	4,809,882	15,144,976	Finance	21,915,320	3,107,166	18,808,154	24,615,780
11,287	248,678	(237,391)	Pound	27,590	188,095	(160,505)	(105,303)
15,354	3,174,752	(3,159,398)	Roads and Stormwater		2,193,142	(2,193,142)	(3,778,553)
<b>142,640</b>	<b>2,309,889</b>	<b>(2,167,249)</b>	<b>Subsidised services</b>	<b>78,317</b>	<b>3,227,270</b>	<b>(3,148,953)</b>	<b>(5,024,892)</b>
-	148,508	(148,508)	Cemetry		51,104	(51,104)	(106,315)
142,640	1,713,936	(1,571,296)	Municipal Buildings	78,317	2,809,876	(2,731,559)	(4,547,899)
-	447,445	(447,445)	Parks and Recreation		366,290	(366,290)	(370,678)
<b>277,582</b>	<b>1,637,550</b>	<b>(1,359,968)</b>	<b>Economic services</b>	<b>293,942</b>	<b>1,340,515</b>	<b>(1,046,573)</b>	<b>(932,551)</b>
193,373	1,286,462	(1,093,089)	Refuse	293,835	1,321,631	(1,027,796)	(932,551)
84,209	351,088	(266,879)	Sewerage and Sanitation	106	18,884	(18,778)	-
<b>815,670</b>	<b>1,436,980</b>	<b>(621,310)</b>	<b>TRADING SERVICES</b>	<b>-</b>	<b>125,598</b>	<b>(125,598)</b>	<b>-</b>
815,670	1,436,980	(621,310)	Water	-	125,598	(125,598)	-
<b>21,990,620</b>	<b>31,324,922</b>	<b>(9,334,302)</b>	<b>TOTAL</b>	<b>24,256,923</b>	<b>32,297,673</b>	<b>(8,040,750)</b>	<b>-</b>
		(976,174)	Appropriations for the year (refer to note 20)			(1,486,645)	
		<b>(10,310,476)</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>(9,527,395)</b>	
		16,367,251	Accumulated surplus beginning of the year			6,056,775	
		<b>6,056,775</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(3,470,620)</b>	

**APPENDIX E**

**NGQUSHWA MUNICIPALITY**  
**APPENDIX F**  
**STATISTICAL INFORMATION**

**GENERAL STATISTICS**

Population	<u>84,232</u>
Valuation of taxable and non taxable property (valuation as at 1993)	76,318,089
Number of residential and Commercial properties	1,296
Number of employees of local authority	92

**WATER STATISTICS**

Units bought/purified	None
Cost per unit bought	None
Units sold (metered users)	None
Units lost in distribution	None
Units lost in distribution as a percentage	None
Cost per unit sold	None
Income per unit sold	None

**Other Statistics**

Area of Roads in Km	2,245
Number of registered voters	42,989
Fire / Ambulance / Security Departments	1
Number of employees Fire / Ambulance / Security (Excluding administrative staff)	5
Number of parks	2