



# ***Annual Financial Statements***

***30 June 2008***

***EC 126***

# NGQUSHWA MUNICIPALITY

## INDEX

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	<b>Page</b>
1. GENERAL INFORMATION	1 - 2
2. FOREWORD	3
3. ACCOUNTING OFFICER'S REPORT	4 - 5
4. ACCOUNTING POLICIES	6 - 8
5. BALANCE SHEET	9
6. INCOME STATEMENT	10
7. CASH FLOW STATEMENT	11
8. NOTES TO THE FINANCIAL STATEMENTS	12 - 16
9. APPENDICES	
A. STATUTORY FUNDS, RESERVES AND TRUST FUNDS	17
B. EXTERNAL LOANS AND INTERNAL ADVANCES	18
C. ANALYSIS OF FIXED ASSETS	19
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE	20
E. DETAILED INCOME STATEMENT	21
F. STATISTICAL INFORMATION	22

# 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
S Ndwayana	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 - East London, Eastern Cape

### **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

**ACTING MUNICIPAL MANAGER**

Mrs. N Y Zongo

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 Acting Municipal Manager and the Chief Financial Officer on this the .....2008 and then presented to and approved by Council on this the .....2008

.....  
**ACTING 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 2008

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 2008 are as follows:

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual to Budget %
<b>Income:</b>					
Opening surplus/(deficit)	6,056,775	(3,470,620)			
Operating income for the year	24,256,923	26,324,649	8.5	39,347,762	33.1
	<u>30,313,698</u>	<u>22,854,031</u>		<u>39,347,762</u>	
<b>Expenditure</b>					
Operating expenditure for the year	32,297,673	31,894,564	(1.2)	39,347,762	18.9
Contributions to approved funds					
Appropriation	1,486,645	-			
Closing surplus/(deficit)	(3,470,620)	(9,040,535)		0	
	<u>30,313,698</u>	<u>22,854,031</u>		<u>39,347,762</u>	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. The municipality did not meet their targets with regards to other income.					

#### 1.1 Rates and General Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual to Budget %
Income	24,256,923	26,324,649	8.5	39,347,761	33.1
Expenditure	32,172,076	31,894,564	(0.9)	39,347,761	18.9
<b>Surplus / (Deficit)</b>	<u>(7,915,152)</u>	<u>(5,569,915)</u>	<u>(29.6)</u>	<u>0</u>	
<b>Surplus / (Deficit) as % of total income</b>	<b>(32.6)</b>	<b>(21.2)</b>		<b>0.0</b>	
<b>Significant variances:</b>					
The municipality did not reach its expected budgeted income amount for the year. This had an impact on spending.					

## **2. CAPITAL EXPENDITURE AND FINANCING**

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

	<b>Actual 2007 R</b>	<b>Budget 2008 R</b>	<b>Actual 2008 R</b>
Community Services	14,250,503	8,835,573	9,760,423
Economic Services	-	-	-
Trading Services	-	-	-
	<b>14,250,503</b>	<b>8,835,573</b>	<b>9,760,423</b>

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

- Internal Sources	5,325,174	3,098,573	2,121,677
- External Sources	8,925,329	5,737,000	7,638,746
Other Sources	1,756,866		-
Provincial Government	7,168,463	5,737,000	7,638,746
	<b>14,250,503</b>	<b>8,835,573</b>	<b>9,760,423</b>

### **Significant variances:**

The municipality received additional grants during the year. This was used to develop the municipalities infrastructure

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 2008 amounted to a negative of R 1,099,643 (2007 - R 1,003,521 positive). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2008 amounted to R 1,907,524 (2007: R 1,753,823).

Trust Fund as at 30 June 2008 amounted to R 1,720,477 (2007: R 1,570,130). The investments are held for specific projects.

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.

.....  
**ACTING 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 the 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 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.

## **11. 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.

## **12. Income recognition**

### **12.1 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.

### **12.2 Other income**

Income from services such as refuse removal, 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 2008**

	Note	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		1,784,785	1,572,802
Statutory funds	1	1,784,785	1,572,802
ACCUMULATED DEFICIT		(9,040,535)	(3,470,620)
		(7,255,750)	(1,897,818)
TRUST FUNDS	2	1,720,477	1,570,131
		<b>(5,535,273)</b>	<b>(327,687)</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	5	110,550	153,461
FIXED ASSETS	3	954,652	1,155,600
INVESTMENTS	4	1,853,882	1,703,537
		2,919,084	3,012,597
NET CURRENT ASSETS		(8,454,357)	(3,340,285)
CURRENT ASSETS		3,003,645	4,539,328
Accounts receivable	6	2,907,092	3,445,898
Cash and Cash Equivalents	7	-	1,003,521
Short-term Portion of Long Term Debtors	5	42,911	39,622
Short-term Investments	4	53,642	50,287
CURRENT LIABILITIES		11,458,003	7,879,613
Creditors	9	9,886,394	7,589,613
Provisions	8	471,966	290,000
Bank Overdraft	7	1,099,643	
		<b>(5,535,273)</b>	<b>(327,687)</b>

## NGQUSHWA MUNICIPALITY

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
24,256,923	32,172,076	(7,915,152)	<b>RATES AND GENERAL SERVICES</b>	26,324,649	31,894,564	(5,569,915)	-
23,884,665	27,604,291	(3,719,626)	Community services	25,947,942	26,993,701	(1,045,759)	6,410,764
78,317	3,227,270	(3,148,953)	Subsidised services	675	3,097,312	(3,096,637)	(4,810,376)
293,942	1,340,515	(1,046,573)	Economic services	376,032	1,803,551	(1,427,519)	(1,600,388)
-	125,598	(125,598)	<b>TRADING SERVICES</b>	-	-	-	-
<b>24,256,923</b>	<b>32,297,673</b>	<b>(8,040,750)</b>	<b>TOTAL</b>	<b>26,324,649</b>	<b>31,894,564</b>	<b>(5,569,915)</b>	<b>-</b>
		(1,486,645)	Appropriations for the year (refer note 15)			-	
		(9,527,395)	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			(5,569,915)	
		6,056,775	Accumulated surplus beginning of the year			(3,470,620)	
		<b>(3,470,620)</b>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<b>(9,040,535)</b>	

## NGQUSHWA MUNICIPALITY

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 R	2007 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>7,810,960</b>	3,726,933
Cash utilised in operations	16	(24,082,633)	(29,976,601)
Investment income		510,419	405,404
Decrease in working capital	17	960,785	4,486,393
		(22,611,429)	(25,084,804)
Less: External interest paid		(80,892)	-
<b>Cash available from operations</b>		<b>(22,692,321)</b>	<b>(25,084,804)</b>
Cash contributions from the public and the State		30,503,281	28,811,736
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(9,760,423)</b>	<b>(14,250,503)</b>
Other Movements		-	-
Investment in fixed assets		(9,760,423)	(14,250,503)
<b>NETT CASH FLOW</b>		<b>(1,949,463)</b>	<b>(10,523,570)</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase / (Decrease) in long-term liabilities	18	-	-
Decrease / (Increase) in cash and cash equivalents	20	2,103,164	(912,310)
(Increase) / Decrease in external cash investments	19	(153,701)	11,435,880
<b>NETT CASH UTILISED</b>		<b>1,949,463</b>	<b>10,523,570</b>

# NGQUSHWA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	1,784,785	1,572,802
	<u>1,784,785</u>	<u>1,572,802</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2. TRUST FUNDS</b>		
As detailed in Appendix A	<u>1,720,477</u>	<u>1,570,131</u>
All trust funds are backed by investments held with First National Bank. <i>(Refer to Appendix A for more details)</i>		
<b>3. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	27,416,524	13,166,021
Capital expenditure during the year	9,760,423	14,250,503
<b>Total fixed assets</b>	<u>37,176,947</u>	<u>27,416,524</u>
Less: Loans redeemed and other capital receipts	<u>36,222,295</u>	<u>26,260,924</u>
	<u>954,652</u>	<u>1,155,600</u>
<i>(Refer to Appendix C for more details)</i>		
<b>4. INVESTMENTS</b>		
Project Investments	<u>1,853,882</u>	<u>1,703,537</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>53,642</u>	<u>50,287</u>
<b>5. LONG TERM DEBTORS</b>		
Vehicle Loans	153,461	193,083
Short-term Portion of Long Term Debtors	42,911	39,622
	<u>110,550</u>	<u>153,461</u>
<b>6. DEBTORS</b>		
Current Debtors	3,621,020	2,302,193
Sundry Debtors	1,428,076	1,315,030
VAT	1,209,117	1,265,371
Less Provision for Bad debts	3,351,120	1,436,696
	<u>2,907,092</u>	<u>3,445,898</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.

	2008 R	2007 R
<b>7. CASH AND CASH EQUIVALENTS</b>		
First National Bank - Operating Account 62022000898	(1,099,643)	1,003,521
	<u>(1,099,643)</u>	<u>1,003,521</u>
The above overdraft represents the reconciled cashbook balance at year end. The actual operating bank balance as at 30 June 2008 was R 359,193.		
<b>8. PROVISIONS</b>		
Leave reserve	471,966	-
Audit Fees	-	290,000
	<u>471,966</u>	<u>290,000</u>
<b>9. CREDITORS</b>		
Trade Creditors	712,719	402,569
VAT Provision	220,179	104,189
Sundry Creditors	8,953,496	7,082,855
	<u>9,886,394</u>	<u>7,589,613</u>
<b>10. ASSESSMENT RATES</b>		
- All properties 1.9 cents in the rand		
Actual Rateable Income	<u>1,945,652</u>	<u>1,747,877</u>
<b>11. COUNCILLOR'S REMUNERATION</b>		
<b>Mayor</b>	352,193	397,578
Basic Salary	205,240	397,578
Travelling allowance	78,458	-
Other allowances	39,918	-
Company Contributions	28,577	-
<b>Speaker</b>	182,651	177,273
Basic Salary	96,591	177,273
Travelling allowance	44,752	-
Other allowances	24,590	-
Company Contributions	16,718	-
<b>Other Councillor's</b>	3,455,214	3,257,904
Basic Salary	1,806,094	3,257,904
Travelling allowance	813,490	-
Other allowances	544,286	-
Company Contributions	291,344	-
<b>Total Remuneration</b>	<u>3,990,058</u>	<u>3,832,755</u>

	2008 R	2007 R
<b>12. DIRECTORS AND OFFICIALS REMUNERATION</b>		
<b>Municipal Manager</b>	476,576	555,842
Basic Salary	354,356	555,842
Travelling allowance	116,842	-
Other Allowance	4,163	-
Company Contributions	1,215	-
<b>Other Senior Managers</b>	1,485,479	1,889,868
Basic Salary	1,047,089	1,889,868
Travelling allowance	323,835	-
Other Allowance	101,185	-
Company Contributions	13,369	-
<b>Total Remuneration</b>	<u>1,962,054</u>	<u>2,445,710</u>
Municipality's employees cost spending as a percentage of total spending is: -	<b>51.1%</b>	<b>48.2%</b>
<u>Amounts Paid to: -</u>		
Pension Fund	801,462	
Medical Aid	399,095	
<b>13. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>787,178</u>	<u>774,374</u>
<b>14. FINANCE TRANSACTIONS</b>		
Total external interest earned		
- Interest earned	<u>279,181</u>	<u>84,437</u>
- Interest paid	<u>85,267</u>	<u>-</u>
<u>Capital charges debited to operating account:</u>		
- Interest paid on internal loans	80,892	
- Redemption of internal loans	<u>200,948</u>	
	<u>281,840</u>	<u>-</u>
<b>15. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	(3,470,620)	6,056,775
Operating surplus for the year	<u>(5,569,915)</u>	<u>(8,040,750)</u>
	(9,040,535)	(1,983,975)
Less: Appropriations for the year:	-	1,486,645
- Prior year adjustments	<u>-</u>	<u>1,486,645</u>
Accumulated surplus at the end of year	<u>(9,040,535)</u>	<u>(3,470,620)</u>
<b>Operating account</b>		
Capital expenditure	2,121,677	14,250,503
Contributions to:		
- Revolving Fund	131,091	39,988
- Doubtful debts	1,914,424	2,474,547
	<u>2,252,768</u>	<u>16,765,037</u>



	2008 R	2007 R
<b>16. CASH UTILISED BY OPERATIONS</b>		
<b>(Deficit) for the year</b>	<b>(5,569,915)</b>	<b>(8,040,750)</b>
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	-	<b>(1,486,645)</b>
<u>Appropriations charged against income:</u>	<b>4,167,192</b>	<b>3,187,367</b>
- Revolving Fund	131,091	55,643
- Provisions	1,914,424	(1,037,851)
- Fixed Assets	2,121,677	4,169,574
Investment income (operating account)	<b>(510,419)</b>	<b>(405,404)</b>
<u>Capital charges</u>	281,840	-
Interest Paid on Internal Loans	80,892	-
Redemption on Internal Loans	200,948	-
Grants and Subsidies Received from the State	<b>(22,864,535)</b>	<b>(19,886,408)</b>
<u>Non Operating Expenditure</u>	<b>181,966</b>	<b>55,647</b>
- Expenditure charged against funds	-	(53)
- Expenditure charged against provisions	181,966	55,701
<u>Non Operating Income</u>	<b>231,238</b>	<b>(3,400,409)</b>
- Transfers to funds and reserves	-	(3,721,377)
- Income Credited to funds and reserves	231,238	320,968
- Income Credited to assets	-	-
	<u><u>(24,082,633)</u></u>	<u><u>(29,976,601)</u></u>
<b>17. DECREASE IN WORKING CAPITAL</b>		
Decrease in Stores	-	14,939
(Increase) / Decrease in Debtors, Long Term Debtors	(1,335,996)	1,809,585
Increase in Creditors, Consumer Deposits	2,296,781	2,661,869
	<u><u>960,785</u></u>	<u><u>4,486,393</u></u>
<b>18. INCREASE / (DECREASE) IN LONG-TERM LIABILITIES</b>		
Loans raised	-	-
Loans repaid	-	-
	<u><u>-</u></u>	<u><u>-</u></u>
<b>19. DECREASE / (INCREASE) IN EXTERNAL CASH INVESTMENT</b>		
Investments Realised	(153,701)	11,435,880
Investments Made	-	-
	<u><u>(153,701)</u></u>	<u><u>11,435,880</u></u>
<b>20. (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash balance at the beginning of the year	1,003,521	91,212
Less: Cash balance at end of year	(1,099,643)	1,003,521
	<u><u>(2,103,164)</u></u>	<u><u>912,310</u></u>
<b>21. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
The municipality currently has no contingent liabilities and contractual obligations		

	2008 R	2007 R
<b>22. POST BALANCE SHEET EVENTS</b>		
No post balance sheet events have been identified that will materially affect the annual financial statements		
<b>23. 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>24. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure	<u>1,012,457</u>	<u>1,777,798</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	1,012,457	1,777,798
Other Sources	-	-
Provincial Government	<u>1,012,457</u>	<u>1,777,798</u>
	<u>1,012,457</u>	<u>1,777,798</u>
The above commitments are mainly funded by the Municipal Infrastructure Grants received.		
<b>25. INTERGOVERNMENTAL ALLOCATIONS</b>		
Equitable Share	22,214,535	
Systems Improvement Grant	150,000	
Municipal Infrastructure Grant	4,962,038	
Roads Grant	2,000,000	
Municipal Support Grant	200,000	
Finance Management Grant	500,000	
Planning Grant	1,614,000	
	<u>31,640,573</u>	
<b>26. UNAUTHORISED EXPENDITURE</b>		
During the current year the following department's actual expenditure exceeded the budgeted expenditure: -		
Council General Expenses	2,794,791	-
Community Services	312,744	-
Pound	116,571	-
	<u>3,224,105</u>	<u>-</u>

**NGQUSHWA MUNICIPALITY**

**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	<b>Balance at 30 June 2007 R</b>	<b>Contributions during year R</b>	<b>Interest on Investments Net of Refunds R</b>	<b>VAT Refunds R</b>	<b>Transfers during year R</b>	<b>Operating expenditure during year R</b>	<b>Capital expenditure during year R</b>	<b>Balance at 30 June 2008 R</b>
<b>STATUTORY FUNDS</b>								
Revolving Fund	1,572,802	131,091	80,892	-	-	-	-	1,784,785
	<u>1,572,802</u>	<u>131,091</u>	<u>80,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,784,785</u>
<b>TRUST FUNDS</b>								
<b><u>Cash Backed Funds</u></b>								
Planning Fund	80,848		5,417					86,265
PHP Housing Fund	1,489,282		144,929					1,634,211
	<u>1,570,131</u>	<u>-</u>	<u>150,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,477</u>

APPENDIX A

**NGQUSHWA MUNICIPALITY**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	Rate	Termination	Balance at 30 June 2007 R	New Loans R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2008 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	-	-	200,948	954,652

**APPENDIX B**

**NGQUSHWA MUNICIPALITY**

**ANALYSIS OF FIXED ASSETS**

2007 Expenditure		Balance at 30 June 2007	Expenditure during year	Redeemed, trans- ferred or written off during year	Assets Sold	Balance at 30 June 2008
R		R	R	R	R	R
<b>14,250,503</b>	<b>RATES AND GENERAL SERVICES</b>	<b>27,416,524</b>	<b>9,760,423</b>	-	-	<b>37,176,947</b>
<u>14,250,503</u>	<b>Community Services</b>	<u>27,200,831</u>	<u>9,760,423</u>	-	-	<u>36,961,254</u>
2,102,201	Land & Building	6,356,043	8,884,636			15,240,679
43,515	Office equipment	1,129,084	2,000			1,131,084
409,237	Motor Vehicles	2,084,790				2,084,790
2,915,193	Plant and Equipment	2,924,080				2,924,080
42,446	Computer equipment	571,199				571,199
85,644	Street lights	366,460				366,460
-	Fencing and Toilets	159,282				159,282
555,802	Taxi ranks	1,273,877	652,848			1,926,725
-	Campining furniture	11,524				11,524
-	Boating Equipment	33,703				33,703
-	Hotel Improvements	66,331				66,331
-	Cemetery	242,629				242,629
7,179,332	Roads	10,594,094	198,289			10,792,383
-	Pilot Housing Project	470,602				470,602
880,292	Traffic Assets	880,292				880,292
36,841	Community Facilities	36,841	22,650			59,491
-	<b>Economic Services</b>	<u>215,693</u>	-	-	-	<u>215,693</u>
	Sanitation	-				-
	Dipping Tanks	200				200
	Reticulation for sewerage	-				-
	Sewerage plant	-				-
	Vehicles	155,348				155,348
	Tractor Shed & Workshop	1,300				1,300
	Ablution blocks	58,844				58,844
-	<b>Trading Services</b>	-	-	-	-	-
	Water Works	-				-
	Reservoirs	-				-
	Boreholes Equipment	-				-
	Water supply/networks/infrastructure	-				-
	Domestic water	-				-
	Ntlini Water	-				-
<u>14,250,503</u>	<b>TOTAL FIXED ASSETS</b>	<u>27,416,524</u>	<u>9,760,423</u>	-	-	<u>37,176,947</u>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>(26,260,924)</b>	<b>(9,760,423)</b>	<b>200,948</b>	-	<b>(36,222,295)</b>
	Contributions from Other Sources	-		200,948	-	200,948
	Contributions from operating income	11,491,157	2,121,677			13,612,834
	Grants and subsidies	14,769,767	7,638,746			22,408,513
	<b>NET FIXED ASSETS</b>	<u>1,155,600</u>	-	<u>200,948</u>	-	<u>954,652</u>

**APPENDIX C**

# NGQUSHWA MUNICIPALITY

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual R		2008 Actual R	2008 Budget R
<b>INCOME</b>			
19,886,408	Grants and subsidies	22,864,535	28,942,000
4,370,516	Operating income	3,460,114	10,405,762
1,747,877	Assessment Rates	1,945,652	2,202,499
106	Sewerage Sales	-	-
293,835	Refuse Removal	376,032	499,426
84,437	Interest Received	279,181	450,000
2,244,261	Income from Tariffs, Service Charges etc	859,249	7,253,837
<b>24,256,923</b>	<b>Total income</b>	<b>26,324,649</b>	<b>39,347,762</b>
<b>EXPENDITURE</b>			
15,577,316	Salaries, wages and allowances	16,210,966	16,638,745
10,413,045	General expenditure	12,539,514	12,813,738
688,320	Repairs and maintenance	428,039	1,059,706
-	Capital charges	281,840	-
4,169,574	Contributions to fixed assets	2,121,677	8,835,573
1,449,419	Contributions to Funds	131,091	-
<b>32,297,673</b>	<b>Total Expenditure</b>	<b>31,713,126</b>	<b>39,347,762</b>

**APPENDIX D**

**NGQUSHWA MUNICIPALITY**

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 Surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
24,256,923	32,172,076	(7,915,152)	<b>RATES AND GENERAL SERVICES</b>	26,324,649	31,894,564	(5,569,915)	-
<b>23,884,665</b>	<b>27,604,291</b>	<b>(3,719,626)</b>	<b>Community services</b>	<b>25,947,942</b>	<b>26,993,701</b>	<b>(1,045,759)</b>	<b>6,410,764</b>
1,747,877	-	1,747,877	Assesment Rates	1,945,652	-	1,945,652	-
-	8,215,378	(8,215,378)	Council General Expenses	-	7,225,960	(7,225,960)	(3,466,169)
189,636	6,684,983	(6,495,347)	Corporate Services	275,822	7,507,499	(7,231,677)	(9,356,937)
-	1,232,428	(1,232,428)	Municipal Manager	18,994	1,236,245	(1,217,251)	(1,543,057)
4,242	5,983,100	(5,978,858)	Community Services	-	3,985,920	(3,985,920)	(3,533,176)
21,915,320	3,107,166	18,808,154	Finance	22,882,725	3,138,636	19,744,089	22,957,582
27,590	188,095	(160,505)	Pound	59,291	345,002	(285,711)	(228,431)
-	2,193,142	(2,193,142)	Roads and Stormwater	-	2,269,001	(2,269,001)	(1,691,921)
			Traffic Services	765,458	1,285,439	(519,981)	3,272,873
<b>78,317</b>	<b>3,227,270</b>	<b>(3,148,953)</b>	<b>Subsidised services</b>	<b>675</b>	<b>3,097,312</b>	<b>(3,096,637)</b>	<b>(4,810,376)</b>
-	51,104	(51,104)	Cemetery	675	80,274	(79,599)	(382,258)
78,317	2,809,876	(2,731,559)	Municipal Buildings		2,566,866	(2,566,866)	(3,895,062)
-	366,290	(366,290)	Parks and Recreation		450,172	(450,172)	(533,056)
<b>293,942</b>	<b>1,340,515</b>	<b>(1,046,573)</b>	<b>Economic services</b>	<b>376,032</b>	<b>1,803,551</b>	<b>(1,427,519)</b>	<b>(1,600,388)</b>
293,835	1,321,631	(1,027,796)	Refuse	376,032	1,803,551	(1,427,519)	(1,600,388)
106	18,884	(18,778)	Sewerage and Sanitation	-	-	-	-
-	<b>125,598</b>	<b>(125,598)</b>	<b>TRADING SERVICES</b>	-	-	-	-
-	125,598	(125,598)	Water	-	-	-	-
<b>24,256,923</b>	<b>32,297,673</b>	<b>(8,040,750)</b>	<b>TOTAL</b>	<b>26,324,649</b>	<b>31,894,564</b>	<b>(5,569,915)</b>	<b>-</b>
		(1,486,645)	Appropriations for the year (refer to note 15)			-	
		<b>(9,527,395)</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>(5,569,915)</b>	
		6,056,775	Accumulated surplus beginning of the year			(3,470,620)	
		<b>(3,470,620)</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(9,040,535)</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	90

#### 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





