



**ANNUAL FINANCIAL STATEMENTS
FOR
THE YEAR ENDED 30 JUNE 2009**

(MEDIUM CAPACITY MUNICIPALITY)

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OFFICE OF THE
AUDITOR - GENERAL

2009 -08- 31

MNQUMA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2009

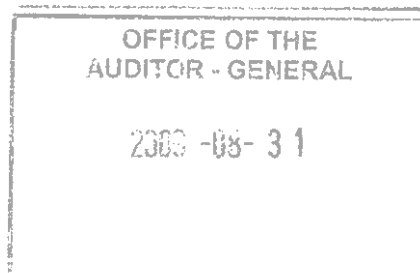
I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



N. PAKADE
Municipal Manager

31/08/2009
Date



**MNQUMA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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MNQUMA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net assets		114,459,212	72,431,370
Government grant reserve		48,894,711	22,396,249
Revaluation reserves		33,458,125	-
Accumulated Surplus/(Deficit)		32,106,376	50,035,121
Non-current liabilities		1,723,488	515,925
Long-term liabilities	1	1,723,488	515,925
Non-current provisions		-	-
Current liabilities		29,014,453	35,325,354
Consumer deposits	2	-	-
Provisions	3	5,732,359	5,352,353
Creditors	4	13,272,229	8,653,166
Unspent conditional grants and receipts	5	9,395,080	14,549,876
Bank overdraft	12	-	6,525,846
Current portion of long-term liabilities	1	614,784	244,113
Total Net Assets and Liabilities		<u>145,197,152</u>	<u>108 272 649</u>
ASSETS			
Non-current assets		121,800,708	56,842,099
Property, plant and equipment	6	121,469,472	56,569,176
Investments	7	331,236	272,923
Long-term receivables		-	-
Current assets		23,396,444	51,430,549
Inventory	8	1,816,337	2,119,159
Consumer debtors	9	13,404,481	31,115,663
Other debtors	10	776,453	1,889,114
Call investment deposits	11	7,019,245	15,409,440
Bank balances and cash	12	379,928	897,173
Total Assets		<u>145,197,152</u>	<u>108 272 649</u>

**MNQUMA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2009**

	Note	2009 R	2008 R
REVENUE			
Property rates	13	26,489,571	18,252,438
Service charges	14	6,745,494	4,543,196
Rental of facilities and equipment	15	2,977,348	3,064,669
Interest earned - external investments	16	1,323,644	1,118,328
Interest earned - outstanding debtors	16	1,122,437	2,898,570
Fines		976,135	356,318
Licences and permits	17	1,962,782	1,711,098
Government grants and subsidies	18	106,329,564	70,886,446
Other income	19	451,125	561,073
Gains on disposal of property, plant and equipment		-	28,251
Total Revenue		148,378,100	103,420,381
EXPENDITURE			
Employee related costs	20	52,103,372	41,531,205
Remuneration of Councilors	21	13,949,832	14,072,840
Bad debts		22,733,484	-
Depreciation		7,166,193	5,050,774
Repairs and maintenance	22	3,407,405	1,741,064
Interest paid	23	390,401	350,612
Bulk purchases	24	2,456,986	87,961
General expenses	25	13,116,729	18,204,178
Operating projects	26	5,778,305	-
Loss on disposal of property, plant and equipment		-	283,984
Total Expenditure		121,102,707	81,322,617
SURPLUS/(DEFICIT) FOR THE YEAR		27,275,393	22,097,764

Refer to Appendix E(1) for the comparison with the approved budget

MNQUMA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre-GAMAP Old Reserves & Funds R	Government Grants Reserves R	Revaluati on Reserves R	Donations and Public Reserves R	Accumulated Surplus /(Deficit) R	Total R
2007						
Surplus/(deficit) for the year	-	-	-	-	31,455,533	31,455,533
Capital grants used to purchase PPE	-	10,814,540	-	-	(10,814,540)	-
Donated/contributed PPE	-	-	-	-	-	-
Offsetting of depreciation	-	(4,285,860)	-	-	4,285,860	-
Balance at 30 June 2007	-	6,565,669	-	-	14,020,208	20,585,877
2008						
Correction of error (Note 27)					91,936,854	91,936,854
Restated balance	-	6,565,669	-	-	105,957,062	112,522,731
Surplus/(deficit) for the year						
Capital grants used to purchase PPE	-	22 867 861	-	-	22,097,764	22,097,764
Donated / Contributed PPE	-	-	-	-	(22 867 861)	-
Asset disposals	-	-	-	-	-	-
Offsetting of depreciation	-	(7 000 292)	-	-	7 000 292	-
Balance at 30 June 2008	-	22,433,238	-	-	112,187,257	134,620,495
Correction of error (Note 27)		(36 989)			(80,857,811)	(80,857,811)

MNQUMA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009 (Cont...)

	Pre-GAMAP Old Reserves & Funds	Government Grants Reserves	Revaluation Reserves	Donations and Public Reserves	Accumulated Surplus /(Deficit)	Total
	R	R	R	R	R	R
Restated balance	-	22,396,249	-	-	31,329,446	53,762,684
Surplus/(deficit) for the year	-	-	-	-	27,275,393	27,275,393
Capital grants used to purchased PPE	-	29 327 644	33 458 125	-	(29 327 644)	33 458 125
Donated/contributed PPE	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-
Offsetting of depreciation	-	(2,829,182)	-	-	2,829,182	-
Balance at 30 June 2009	-	48,894,711	33,458,125	-	32,106,377	114,459,212

**MNQUMA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009	2008
		<u>R</u>	<u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		232,754,496	85,804,331
Cash paid to suppliers and employees		202,612,091	73,785,430
Cash generated from/(utilised in) operations	2	30,142,405	12,018,901
Interest received		1,323,644	1,118,328
Interest paid		390,401	350,612
NET CASH FROM OPERATING ACTIVITIES		31,075,647	12,786,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		35,105,259	13,527,867
Proceeds on disposal of property, plant and equipment		-	178,382
Increase in non-current investments		58,313	272,923
NET CASH FROM INVESTING ACTIVITIES		35,163,572	13,622,408
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loan raised		1,706,331	631,941
NET CASH FROM FINANCING ACTIVITIES		1,706,331	631,941
NET DECREASE IN CASH AND CASH EQUIVALENTS		2,381,594	203,850
Cash and cash equivalents at the beginning of the year		<u>9,780,767</u>	<u>9,984,617</u>
Cash and cash equivalents at the end of the year		7,399,173	9,780,767

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and General Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:-

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 9	Revenue from exchange transactions
GAMAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant & equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
IAS 19	Employee Benefits
IPSAS 20	Related Party Disclosures

The Municipality have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by the National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit)

When an item of property, plant and equipment financed from government is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

4.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/ (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury (MFMA circular No.18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

4.3 Revaluation Reserves

The surplus arising from the evaluation of land and Buildings is credited to the evaluation reserve. As revalued buildings are depreciated, the revaluation surplus is realised through a transfer of equivalent amount from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains and losses on disposal based on revalued amounts are credited or charged to the statements of financial performance.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment are acquired in exchange for non monetary or monetary assets of a combination of both, property, plant and equipment are measured at their fair value.

Subsequently expenditure relating to property, plant and equipment is capitalised if it is probably that future economic benefits or potential service delivery of the asset are enhanced in excess of the original assessed standard of performance. If expenditure only restores the original assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised. Mmquma Local Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred.

5.1 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. Furthermore the Municipality has not assessed whether assets of PPE are impaired. It is expected that an assessments of impairments will be done by 30 June 2010 as we are currently exempted.

The depreciation rates are based on the following estimated useful lives.

	<u>Years</u>	<i>Other</i>	<u>Years</u>
<i>Infrastructure</i>			
Roads	15-30	Buildings	30
Pedestrian Malls	20		
Electricity	20-30	Other vehicles	5-7
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20		
Security	5		

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

5.2 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

5.3 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historic costs. Depreciation only commences when the asset is commissioned into use.

6. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified

8. TRADE CREDITORS

Trade creditors are stated at their nominal value.

9. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Economic entity and these benefits can be measured reliable..

10.1 Revenue from Rates

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. A composite rating system charging one tariff is employed. Rebates are granted to certain categories of rate payers.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

10.2 Service Charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

10.3 Fines

Income in respect of spot fines and summonses is recognised when received.

10.4 Rentals

Rentals are recognised on a time proportion basis.

10.5 Approved Tariff of Charges

Revenue arising from the approved tariff of charges is recognised when the relative service is rendered by applying the relevant approved tariff. This includes the issuing of licenses and permits.

10.6 Interest on Investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.

10.7 Sale of Goods

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

10.8 Interest on Outstanding Debtors

Interest on outstanding debtors is recognised on a time proportionate basis and is charged only on refuse outstanding debtors older than 30 days.

10.9 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation or contribution is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.10 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

14. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

18.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. LEASES

Leases are classified as finance leases where substantially all risks and rewards associated with ownership of an asset are transferred to the economic entity.

Property Plant and Equipment subject to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised. The cost of the item of Property Plant and Equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease interest payments are allocated between the lease finance costs and capital repayment using the effective interest rate method. Lease interests are expensed when incurred. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

20. VALUE ADDED TAX

The municipality accounts for value added tax on the payment basis

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009(Cont:)**

21. UNSPENT CONDITONAL GRANTS

Unutilized conditional grants are reflected on the statement of financial position as a creditor –utilized conditional grants. They represent unspent government grants, subsidies and contributions from the public.

The following conditions are set for the creation and utilization of these creditors:

- The cash which backs the creditor is invested until it is utilized
- Interest earned on the investment is treated in accordance with grant conditions.
- If it is payable to the funder is recorded as part of the creditor
- If it is the Municipality's interest it is recognized as interest earned in the statement of financial performance
- Whenever an item of Property Plant and Equipment is purchased from a creditor –utilized conditional grants, an amount equal to the purchase price is transferred from the creditor to operating account on the statement of financial performance as revenue
- Whenever an non-asset is purchased from creditor an amount equal to the purchase price is transferred from the creditor to the operating account on the statement of financial performance to offset the expenditure which was expensed through the operating account.

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. LONG TERM LIABILITY-FINANCE LEASES

	2009	2008
	R	R
Meeg Bank- Tractors & Trailers	631 941	760 038
Add: Understatement in 2008	129 871	-
Less: Prior journal overstated long term loan	(1 773)	-
Subtotal	760 039	
Add: Additions Meeg	835 609	-
Add: Additions Toyota	1370 126	-
Total loans	2 965 773	
Less: Loan repayments	(627 501)	
	2 338 272	
Less: Current portion transferred to current liabilities	(614 784)	(244 113)
Total External Loans	<u>1 723 488</u>	<u>515 926</u>

The short term portion of the finance lease was incorrectly disclosed in the face of financials as R 114 242 instead of R 244 113.00. A prior year journal of R 129 871.00 has been effected to disclose the correct figure. See Note 27

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

	Minimum Lease payment	Future Finance Charge	Present Value of minimum lease payment
Finance Lease Liability			
Input Financial year in cover sheet			
Amounts payable under finance lease			
within One year	845,663.	230879	614,784.22
Within Two to five years	<u>2,359,999</u>	<u>452044</u>	<u>1,907,955.</u>
	<u>3,205,663.24</u>	<u>682,924.02</u>	1,907,955.
Less amount due for settlement within 12 months (current portion)			<u>614,784.22</u>
			2,522,739.22

	Minimum Lease payment	Future Finance Charge	Present Value of minimum lease payment
Operating Leases			
Amounts payable under Operating lease			
Within One year	620,614.86	0	620,614.86
Within Two to five years	<u>1,813,872.00</u>	-	<u>1,813,872.00</u>
	<u>2,434,486.86</u>	-	1,813,872.00
Less amount due for settlement within 12 months (current portion)			620,614.86
			2,434,486.86

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

2. CONSUMER DEPOSITS

Water		
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Consumer debtors have been written off against retained income as they do not appear at ADM books.

3. PROVISIONS

	2009	2008
	R	R
3 rd party Staff loan deduction	2 301 449	2 301 449
Workman's Compensation	3 430 910	3 050 904
Senior Managers performance bonus	-	-
Total Provisions	5 732 359	5 352 353

Performance bonuses are paid once a year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists. For the last financial year no assessment has been done so as to release the provision. Liability for workman's compensation in the prior year was incorrectly calculated as R 3 118 111.00 instead of R 3 050 904.86. **Prior year adjustment of performance bonuses see Note 27.**

4. CREDITORS

Trade creditors	3 14 954	237 524
Accruals (include all accruals e.g. PAYE & SDL	4 131 666	3 376 544
Staff leave provision	5 497 682	5 039 097
Unidentified deposits	107 712	-
Motor registration	11 065	-
Salary control account	185 569	
Outstanding payment @ 30 June 2009	2 727 705	
Prodiba	56 168	
Cash Suspense	-(92 844)	
Cash Suspense deposit	332 553	
	13 272 230	8 653 166

Obsolete stock in the prior year was recorded under trade creditors erroneously and it has been rectified and disclosed under current assets. Provision for staff leave was incorrectly disclosed as R 6 993 264 instead of R 5 039 097.57. **See Note 27**

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Movement in current provisions is reconciled as follows:

	Staff Leave Provisions
01 July 2008	
Balance at beginning of year	10 029 119
Transfer from prior year adjustment	(3 035 855)
Contributions to provision	-
Expenditure incurred	-
Balance at the end of the year	6 993 264
30 June 2008	
Balance at beginning of year	6 993 264
Less: Prior year Adjustment	(1 954 166)
Contributions to provision	458 584
Expenditure incurred	-
Balance as at 30 June 2009	5 497 682

5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of government		
Conditional grants from spheres of govt.	5 768 551	10 343 923
Other conditional grants	3 626 529	4 205 053
	<u>9 395 080</u>	<u>14 549 876</u>

MINQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

6. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Heritage R	Community R	Other R	Total R
Carrying Values at 30 June 2009						
Cost	11,332,906	60,820,152	-	655,493	11,314,389	84,122,940
Additions	370,000	32,402,539	-	2,160,000	3,513,933	38,446,472
Revaluation	33,458,125	-	-	-	-	33,458,125
Accumulated Depreciation	(3,477,777)	(23,291,813)	-	(329,398)	(7,459,078)	(34,558,066)
Carrying Value	41,683,254	69,930,878	-	2,486,095	7,369,244	121,469,471
Cost	11,496,098	60,778,394	-	500,317	12,173,380	84,948,189
Correction of error(Note 27)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Depreciation	(3,466,587)	(17,444,005)	-	(331,793)	(7,136,926)	(28,379,311)
Acquisitions	-	12,202,958	-	37,677	1,287,233	13,527,868

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)
6. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Heritage	Community	Other	Total
	R	R	R	R	R	R
Cost	11,496,098	48,575,435	-	462,662	12,646,995	73,181,190
Correction of error(Note 27)	6,443,969	422,570	-	-	-	6,866,539
Accumulated Depreciation	(9,742,874)	(14,992,022)	-	(306,777)	(6,479,856)	(31,521,529)
Acquisitions	-	12,202,958	-	37,677	1,287,233	13,527,868
Capital Under Construction	-	-	-	-	-	-
Depreciation	(167,681)	(2,874,552)	-	(25,017)	(1,983,525)	(5,050,775)
Carrying value of disposals	-	-	-	-	(434,093)	(434,093)
Cost	-	-	-	-	(1,760,548)	(1,760,548)
Accumulated Depreciation	-	-	-	-	1,326,455	1,326,455
Impairment Losses	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
Carrying values at 30 June 2008	8,029,511	43,334,389	-	0	5,036,454	56,400,354
Cost	11,496,098	60,778,394	-	0	12,173,380	84,447,872
Accumulated Depreciation	(3,466,587.00)	(17,444,005.00)	-	-	(7,136,926.00)	(28,047,518)

Refer to Appendix B for more detail on property, plant and equipment

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

7. INVESTMENTS

Fixed deposit	<u>331 236</u>	<u>272 923</u>
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8. INVENTORY

Consumable stores- at cost	1 898 755	2 201 577
Less: Obsolete Stock	(82 418)	(82 418)
Total Inventory	1 816 337	2 119 159

Included in the consumable stores is a stock adjustment of R135 149.93, the reason for this adjustment is to rectify the value of stock from the system (ledger) to be equal to the value of physical stock take at year end

9. CONSUMER DEBTORS

	Gross Balances	Provision for bad debts	Net balance
As at 30 June 2009	R	R	R
Service Debtors	-	-	-
Rates	39 442 893	(29 292 292)	10 150 601
Refuse	13 623 412	(12 128 756)	1 494 656
Fire Levy	3 670 626	(3 083 283)	587 343
Rental	6 312 602	(5 140 722)	1 171 881
Capitalised debtors	<u>114 120 518</u>	-	<u>114 120 518</u>
Total debt			
Write- off of capitalized debt	(114 120 518)	-	(114 120 518)
Sub-Total	63 049 534	(49 645 053)	13 404 481
Less: Provision for bad debts	-	-	-
Grand total	<u>63 049 534</u>	<u>(49 645 053)</u>	<u>13 404 481</u>
As at 30 June 2008	R	R	R
Service debtors			
Rates			29 019 116
Refuse			1 354 146
Rental			3 735 404
Capitalised Debtors			129 412 052
Less: Provision for bad debts			<u>(132 405 026)</u>
Total			<u>31 115 693</u>

Old balances of pre 99 were ring fenced out of age analysis but not written off and are now transferred back from provision for bad debts. These balances are termed capitalized debtors.

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Rates : Ageing	2009 R	2008 R
Current (0-30 days)	8 092 094	1 457 364
31- 60 days	1 032 291	1 383 703
61-90 days	1 026 216	1 846 448
91- 120 days	1 001 978	1 113 151
121-365 days	1 003 24	915 058
+ 365 days	<u>27 287 074</u>	<u>14 060 488</u>
 Total	 <u>38 539 977</u>	 <u>20 776 212</u>
 House Rental : Ageing		
Current (0-30 days)	806 106	1 110 620
31- 60 days	183 200	1 071 053
61-90 days	182 574	1 062 114
91- 120 days	372 619	696 227
121-150 days	180 934	974 230
+ 180 days	<u>4 587 170</u>	<u>8 271 174</u>
Total	<u>6 312 602</u>	<u>13 185 418</u>
		=
 Refuse : Ageing		
Current (0-30 days)	512 499	
31- 60 days	435 539	
61-90 days	546 617	
91- 120 days	536 903	
121-150 days	534 909	
+ 180 days	11 056 945	
Adjustment for correction	<u>-</u>	
Total	<u>13 623 412</u>	

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Fire Levy : Ageing

Current (0-30 days)	196 339
31- 60 days	195 779
61-90 days	195 226
91- 120 days	195 118
121-150 days	195 476
+ 180 days	2 692 689
Adjustment for correction	<u>-</u>
Total	<u>3 670 626</u>

Age analysis does not agree with the trial balance because of the write off that approved by council in 008/2009 and were journalized in 2008/2009 financial year. Also the system error wherein age analysis do not have movements whereas billing report shows all movements.

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION

AGING	Consumers	Commercial	National & Provincial govt	Other	Total
Current (0-30 days)	2 373 541	3 527 199	10 324 732	111 897	16 337 369
31-60 days	1 598 576	147 033	14 712	10 899	1 771 219
61-90 days	1 656 029	196 400	14 202	11 522	1 878 094
91-120 days	1 820 197	196 214	14 197	11 518	2 042 126
121-150 days	1 624 975	194 072	14 193	16 829	1 850 069
+180 days	39 460 452	3 429 248	244 617	1 010 054	44 144 372
Sub total					68 023 249
Less provision for bad debts					(49 645 053)
Less: journal effected in 2009/2010 consbill					(6 808 692)
Total Debtors by customer classification	48 533 770	7 690 106	10 626 653	1 172 720	11 572 504

10. OTHER DEBTORS

	2009	2008
Sundry debtors	110	
Vat	719 565	1 889 114
Transaction fees	42 988	-
R/D Cheque	13 900	-
TOTAL	776 453	1 889 114

11. CALL INVESTMENT DEPOSIT

	2009	2008
	R	R
Call accounts deposit	7 019 245	15 409 440

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

12. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current Account (Primary Bank account)
Meeg Bank- Butterworth Branch Account
Number 405 273 2025

Cash book balance at beginning of year-overdrawn	(6 525 846)	(3 600 021)
Cash book balance at end of year	(5 182 526)	(6 525 846)
Bank statement balance at beginning of year	(2 714 031)	(3 608 788)
Bank statement balance at end	523 659	(2 714 031)

Outstanding cheques for 30 June 2009 has been disclosed under creditors

Current Account/Traffic Account
(61 185 023 789)

Cash book balance at beginning of year	897 173	694 378
Cash book balance at end of year	379 928	897 173
Bank statement balance at beginning of year	838 082	694 378
Bank statement balance at end of year	356 500	838 082

13. PROPERTY RATES

Actual	R	R
Residential, Commercial and State	26 489 571	18 252 435
Total Assessment Rates	26 489 571	18 252 435

Valuation		
Residential	1 592 359 612	-
Commercial	114 699 012	114 699 012
Total Property valuations	1 707 058 624	114 699 012

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

General valuation on land and buildings should be conducted every five years. The last valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Rebates of 20% are granted to residential and state owners. Rates are levied on an annual basis on property owners. There is no interest charged on rates. The last interim valuation was conducted in 2008.

14. SERVICE CHARGES

	2009	2008
	R	R
Refuse removal	4 348 944	3 318 717
Fire Levy	2 396 550	1 224 479
Total Service Charges	<u>6 745 494</u>	<u>4 543 196</u>

15. RENTAL OF FACILITIES AND EQUIPMENT

	2009	2008
	R	R
Flats rentals	2 891 830	2 984 419
Hall rental	85 518	77 100
	<u>2 977 348</u>	<u>3 064 669</u>

16. INTEREST EARNED

	2009	2008
	R	R
External Investments	1 323 644	1 118 328
Outstanding debtors	1 122 437	2 898 570
	<u>2 446 081</u>	<u>4 016 898</u>

Casting error in the face of Statement of Financial performance on interest on external investment which was supposed to be R 1 118 328.00 but disclosed in the face as R 1 088 335.00. R29 993 will be corrected as such.

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

17. LICENSES AND PERMITS

	2009	2008
	R	R
Licences	839 537	1 385 819
Licenses-Prodiba	7 829	8 863
Registration	1 032 066	141 728
Transaction	-	66 000
Parking Meters	2 378	5 809
	<u>1 962 782</u>	<u>1 711 096</u>

18. GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	68 823 854	53 918 761
MIG	31 294 722	11 861 428
MSIG	1 054 477	1 153 391
FMG	764 904	842 392
Other Grants and Subsidies	4 391 607	3 110 474
Total Government Grant and subsidies	<u>106 329 564</u>	<u>70 886 446</u>

In terms of the constitution, this grant is used to subsidize the provision of basic services and administrative services to indigent community members and to subsidies income.

a. MIG GRANT

Balance unspent at beginning of year	10 343 923	7 549 874
Current year receipts	26 719 349	14 655 477
Conditions met-transferred to revenue	(31 294 722)	(11 861 428)
	<u>5 768 550</u>	<u>10 343 923</u>
Conditions still to be met- transferred liabilities (See note 5)		

This was used to construct roads infrastructure as part of the upgrading of rural and urban areas.

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

b. Other Grants

Balance unspent at beginning of year		3 955 922
Current year receipts		3 164 000
Conditions met-transferred to revenue	(6 030 832)	(2 950 958)
Conditions still to be met- transferred liabilities (See note)	3 626 529	561 076

Included in the Other Grants is Primary Health Care subsidy, the municipality renders health services on behalf of Provincial Government and is refunded 100% of total expenditure incurred. This subsidy has been used to exclusively to fund clinic services. (Included in Appendix D).

c. Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 1 of 2007 & gazette No. 29763), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. OTHER INCOME

Building Plans	23 326	51 840
Cemetery Fees	19 896	21890
Commission	156 712	105 970
Eskom Levy	-	296 418
Library Fees	5 830	15 662
Plant Hire, Hall Hire & Photocopies	2 768	1 896
Tender Fees	124 724	67 400
Sundry	90 421	-
Caravan Storage	921	
Business license	19526	
Donation	7000	
Total Other Income	451 125	561 076

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

20. EMPLOYEE RELATED COSTS

	2009	2008
Employee related- Salaries & Wages	36,779,396	32,858,643
Employee related- Contributions to UIF, Pension and Medical Aid	7,451,903	6,142,356
Travel, Motor car, accommodation subsistence and other allowances	3,472,453	2,102,110
Housing Benefits and allowances	1,502,971	143,978
Overtime payments	630,341	284,118
	52,103,372	41,531,205

Remuneration of the Municipal Manager

Annual Remuneration	644 160	585 070
Performance Bonuses	-	117 014
Car Allowances	100 904	91 648
Cell phone allowance	24 462	22 218
Contributions to UIF, Medical and Pensions	-	1 399
Total Employee Related Costs	769 526	817 349

Remuneration of Chief Finance Officer

Annual Remuneration	317 345	344 790
Performance Bonuses	-	117 014
Acting Allowance	-	11 831
Car Allowances	102 737	77 413
Cell phone allowance	14 550	9 383
Contributions to UIF, Medical and Pensions	124 946	69 435
Total Employee Related Costs	559 578	581 810

Remuneration of the Corporate Services

Annual Remuneration	512 104	417 999
Performance Bonuses	-	83 600
Back pay		18 972
Car Allowance	101 682	89 066
Cell phone allowance	7 815	6 846
Contributions to UIF, Medical and Pensions	-	1 399
Total Employee Related Costs	621 601	617 882

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Remuneration of Individual Executive Directors

	Legal Advisor	Infrastructure services	Strategic management	Community Services
30 June 2009				
Annual Remuneration	318 299	559 578	335 747	506 323
Performance Bonuses	-	-	-	-
Car Allowance	126 000	-	96 000	107 463
Cell phone Allowances	24 000	-	31 180	
Computer Allowances	4200			7 815
Contributions to UIF, Medical and Pensions	145 504		96 652	
Total Remuneration of Directors	618 003	559 578	559 578	621 601

Remuneration of Individual Executive Directors

	Legal Advisor	Infrastructure services	Strategic management	Community Services
30 June 2008				
Annual Remuneration	-	313 843	476 950	372 144
Performance Bonuses	-	62 769	95 390	74 429
Car Allowance	-	-	-	-
Back pay	-	18 983	-	17 826
Cell phone Allowances	-	58 614	-	86 492
Computer Allowances	-	8 452	-	12 956
Contributions to UIF, Medical and Pensions	-	1 050	-	1 283
Total Remuneration of Directors	-	463 711	572 340	565 9

21. REMUNERATION OF CONCILLORS

	2009	2008
Executive Mayor and Mayoral Committee	2,461,525	356,160
Speaker and Councilors	5,507,945	7,911,109
Administration in the Executive Mayor and Speakers Office	2,266,308	558,752
Councilors Pension and Medical Aid	1,750,792	1,456,595
Other allowances	4,229,570	3,790,224
	13,949,832	14,072,840

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

In kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full time. Each is provided with an office and Secretarial support at the cost of the council.

The Executive Mayor is entitled to stay at the mayoral residence owned by the council at no cost. The Executive Mayor has to use of the council owned vehicle for official duties. The Executive Mayor has full time bodyguards.

22. REPAIRS AND MAINTENANCE

	2009	2008
Building & Installation;	221,958	383,998
Bulk Infrastructure 282;	1,252,744	575,900
Computers;	6,740	
Equipment & Vehicles;	880,835	601,145
Furniture, Equipment & Machine	16,995	12,740
Mains & Cables;	72,640	148,821
Side Walks;	3,319	
Streets & Roads;	535,578	
Streets: Road Marking;	33,795	
Tools & Equipment;	116,037	18,461
Town Street Repairs- Centane	121,287	
Upgrading Of Traffic Lights;	140,705	
Books;	4,771	
	3,407,404	1,741,065

23. INTEREST PAID

Long overdue accounts	255 274	285 849
Bank overdrafts	135 128	64 726
Total Interest on External Borrowings	390 401	350 575

Interest paid on long overdue account is as a result of invoices not submitted to the municipality and long outstanding debt of workman's compensation

24. BULK PURCHASES

Electricity & Paraffin- for indigents	2 456 985	87 961
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MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

26. OPERATING PROJECTS

	2009	2008
Review Of Spatial Dev Framework	56,975	-
Prep Of Zoning Schemes;	158,032	-
Interim Valuation;	499,877	-
Interim Valuation C/O;	62,451	-
Interim Valuation (Equit);	1,174,254	-
Awareness Campaign;	18,422	-
Renovation Of Town Hall;	1,995	-
Notices For Council;	5,500	-
Training Of Ward Comm -Msig;	68,910	-
Reprographic Equip- Leases;	94,280	-
Training Of Ward Committees C/O	18,710	-
Records Mgt & Automation;	6,454	-
Records Man. Automation;	14,000	-
Procure Of System For C/Resolution	2,500	-
Comm. Outreach Programmes;	4,200	-
Ward Committee Participation	111,563	-
Operation Of Customer Care;	65,124	-
Customer Care C/O;	17,821	-
Website Redesign & Facelifti	40,618	-
Est. Of Business Centre- Equi	98,980	-
Website Redesign C/O;	43,860	-
Establish Of Business Centre	2,105	-
Council/Staff Dev & Motivati	694,867	-
Rentals Ngumbela & Mlonzi;	292,379	-
Train Staff & Dev Of AFS	51,514	-
Annual Financial Statements;	238,481	-
Interns: Fmg	158,530	-
Fmg: Training;	164,255	-
Fmg Training C/O;	76,683	-
Internal Controls;	32,376	-
Legal Costs - Special Invest	352,971	-
Legal Cost- Special Investigation	148,506	-
Performance Management System;	167,211	-

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Performance Manag. System C/O	31,024	-
Production Of Newsletter;	208,062	-
Municipal Branding;	16,035	-
Risk Based Plan/ Internal Co	6,286	-
Extension Of New Offices;	145,000	-
Idp/Budget Road shows;	8,399	-
Distribute To Mnguma Lto;	120,906	-
Small Irrigation Schemes;	15,489	-
Performance Management. System C/O	25,233	-
Agri- Farmers Support;	83,178	-
Mayors Fund;	67,540	-
Mayoral Imbizo;	36,850	-
Employee Wellness Spu;	32,880	-
Butterworth: 282 H6-20-770-0	37,017	-
	5,778,305	-

In the last financial year operating projects were disclosed together with the general expenses

25. GENERAL EXPENSES

	2009	2008
Advertising Fees;	131,813	-
Ammunition;	1,139	-
Audit Fees;	648,545	-
Bank Charges;	253,397	-
Capitalized Amount (Vatable)	655,006	-
Civic Functions;	44,310	-
Cleaning Materials;	106,405	-
Comm Outreach Programmes;	75,462	-
Community Awareness;	65,069	-
Computer Costs;	15,541	-
Conf Fees & Workshops;	167,510	-
Consult & Prof Fees;	461,759	-
Consumables & Beverages;	2,000	-
Decorations;	49,569	-
Electric Consumption;	605,125	-

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

Entertainment;	23,497	-
Equipment & Vehicles;	14,795	-
Fuel;	1,086,260	-
Furniture & Office Equipment	-1,026	-
Gas & Oxygen;	1,330	-
Hall Deposits;	5,804	-
Hire Of Equipment;	72,502	-
Hire Of Trans: Ext;	633,850	-
Insurance : External;	326,107	-
Legal Fees;	913,437	-
Material & Stores;	3,929	-
Membership Fees;	5,663	-
Newspapers & Periodicals;	3,508	-
Office Cleaning;	35,874	-
Office Equipment Leases;	244,880	-
Office Equipment;	-605	-
Office Rentals;	73,454	-
Oil & Brake Fluid;	8,976	-
Pauper's Burial;	2,004	-
Petty Cash;	4,422	-
Post & Telecommunications;	2,225,329	-
Printing And Stationery;	894,048	-
Rebate Rates;	68,461	-
Refuse Bags;	1,043,677	-
Sebata License & Reg Fees;	422,258	-
Security Services;	112,042	-
Skills Dev. Levy;	339,762	-
Stores Adjustments;	225,160	-
Subsistence & Travelling;	676,723	-
Sundry Expenses;	24,589	-
Uni, Overal & Prot;	221,155	-
Vehicle Licensing;	83,255	-
Vehicles & Implements;	352	-
Water Consumption;	38,608	-

Total	13,116,730	18 204 178
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MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

27. PRIOR YEAR ADJUSTMENT

During the year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous periods

Workman's Compensation Act provisions overstated - 2008	67,206
Leave credit provisions. Leaves exceeded legislated 48 days leave (overstated) - 2008	1,954,166
Transfer of performance bonus to Retained income	1,189,916
Adjustment of Provision for bad debts 2007/2008 written back to provisions	-
	105,493,456
Adjustment for opening balance for capitalization	39,940,903
Write off of consumer deposits	317,227
Short term loan understated – 2008	-
	129,871
Short term loan understated – 2008	1,773
Consbill (Accounting system) reconciliation between ledger & consbill	2,486,395
Write off of capitalized debt	-
	20,611,985
Government grant - Asset bought by Grants	-
	29,327,644
Government grant - depreciation on Grants PPE	2,829,182
Capitalised debt	-
	580,084

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

28. CASH GENERATED BY OPERATIONS

	2009	2008
	R	R
CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	27,275,393	22,097,764
Adjustment for:-		
Depreciation	7,166,193	5,050,774
Other write-offs that were taken to accumulated surplus	84,397,903	-
Loss on disposal of PPE	-	283,984
Gains/(Loss) on disposal of PPE	-	28,251
Interest paid	390,401	350,612
Investment income	1,323,644	1,118,328
Operating surplus before working capital changes:	50,889,560	26,636,555
(Increase)/decrease in debtors	84,376,396	17,616,050
(Increase)/decrease in inventory	302,822	1,488,213
(Decrease)/increase in conditional grants and receipts	5,117,807	2,372,159
Increase in creditors	1,470,555	2,114,450
Increase in VAT		
Cash generated by/(utilised in) operations	30,142,405	12,018,901

29. CASH AND CASH EQUIVALENT

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash		897 173
Bank overdrafts		(6 525 846)
Call investment deposits		15 409 440
Total cash and cash equivalents		9 780 767

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

30. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Contributions to organized local government

Opening balance		-
Council subscriptions		-
Amount paid - current year		28 128
Amount paid - previous years		-
Balance unpaid (included in creditors)		-

31.2 Audit fees

Opening balance		928 017	
Current year audit fee	1 024 000	773 591	
Amount paid - current year	(648 544)	(928 017)	
Amount paid - previous years		-	
Balance unpaid (included in creditors)	375 455	773 591	

31.3 VAT

Vat inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE, SDL and UIF

Opening balance		-
Current year payroll deductions	7 609 603	6 787 523
Amount paid - current year	(7 609 603)	(6 593 256)
Amount paid - previous years		-
Balance unpaid (included in creditors)	-	194 266

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

31.5 Pension and Medical Aid Deductions

Opening balance		-
Current year payroll deductions and Council Contributions	8,827,046	11 374 491
Amount paid - current year	(8,827,046)	(11 374 491)
Amount paid - previous years		-
Balance unpaid (included in creditors)		-

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

The balance represents pension and medical aid contribution deducted from employees in the June 2008 payroll as well as Council's contribution to pension and medical aid funds. These amounts were paid during July 2008.

31.6 COUNCILLORS' Arrears consumer Accounts

Debt By Councillors At 30 June 2009			
Account Name	Account Number	<90 days	>90 da
N. Makhabane	003700/002707	40.90	443.
N. Tyala	008953/007105	153.70	1,843.
A.T. Sweleni	010488/008242	175.95	375.
N. Bomvana	007198/005689	298.75	27.
P. Jabe	008409/006574	90.66	
Dube N.	007898/006195	1,232.85	21,169.
Mbusi P.N.	006436/004953	60.41	445.
Mdyeshana N.V.	007076/005576	61.26	
Qwabe V.M.	010168/007953	1,030.25	1,539.
Maphazi M.	002463/014345	553.06	
Nyokana	008638/015748	45.45	509.
Dyantyi N.O.	003203/002390	271.65	157.
Total		4,014.89	26,511.

31. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for		12 924 974
<i>Infrastructure</i>	28 445 368	12 444 239
<i>Community</i>	500 000	200 000
<i>Other</i>	0	280 735
- Approved but not yet contracted for		1 310 477
<i>Infrastructure</i>	0	1 310 477
Total		14 235 451

MNQUMA LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009(Cont :)

This expenditure will be financed from:

		11 653 595
- Own resources		2 352 907
- District Council Grants		228 949
		14 235 451

32. RETIREMENT BENEFIT INFORMATION

All employees of the Council as well as the Council as employer contribute to Municipal Pension Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Joint Retire Fund
- SAMWU National Provident Fund
- National Fund for Municipal workers

33. EVENTS AFTER REPORTING DATE

The Municipality is not aware of any matter or circumstance arising since the end of the financial year.

34. RELATED PARTY DISCLOSURES

The municipality did not have any related party relationships and transactions during the year under review.

35. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E.

36. UNAUTHORISED , FRUITLESS AND WASTEFUL EXPENDITURE

Recovery of unauthorized expenditure 30/06/2009

COUNCILLOR	TOTAL DEBT	PAID TO DATE	BALANCE
Cllr Mashiya	21 320	10 000	11 320
Cllr Maphazi	21 320	10 000	11 320
Cllr Faniso	17 358	10 000	7 358
Cllr Makhabane	21 320	12 000	9 320
Cllr Zimba	5 008	5 008	-
Total	86 326	47 008	39 318

Reconciliation of Expenditure

Recovery of unauthorized expenditure incurred in 2007/2008 financial year wherein mayoral committee members were paid allowance of council speaker. Arrangement was then made with councilors to pay back the municipality.

MNQUMA LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2009

Item Leased	Loan No.	Lessor	Date of Inception	Balance at 30/06/2008	Received during the year	Redeemed / withdrawals during the year	Balance at 30/06/2009	Carrying Value of Property, Plant & Equipment
				R	R	R	R	R
EXTERNAL LOANS								
Tractors 2008@9.5%(variable prime minus 2.5%)	302-505-1475	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
Tractors 2008@9.5%(variable prime minus 2.5%)	302-505-2976	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
Tractors 2008@9.5%(variable prime minus 2.5%)	302-505-3281	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
Trailers 2008@9.5%(variable prime minus 2.5%)	302-519-0130	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
Trailers 2008@9.5%(variable prime minus 2.5%)	302-519-0300	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
Trailers 2008@9.5%(variable prime minus 2.5%)	302-519-0261	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
Meeg Bank-Quantum @2008 10.25%(variable prime minus 1.75)	302-760-8581	Meeg Bank	31-Mar-08	-	258,882	34,524	224,358	232,684
Meeg Bank-Toyota Twin Cabs @10.25%(variable prime minus 1.75)	302-761-3966	Meeg Bank	03-Dec-08	-	288,363	38,461	249,902	259,299
Meeg Bank-Toyota Twin Cabs @10.25%(variable prime minus 1.75)	302-761-3974	Meeg Bank	03-Dec-08	-	288,363	38,461	249,902	259,299
Toyota Finance-Corolla 1.4 2008@14.5%	861-1295-2521	Toyota Financial Services	03-Dec-08	-	165,002	22,648	140,354	145,496
Toyota Finance-Corolla 1.4 2008@14.5%	861-1295-2494	Toyota Financial Services	03-Dec-08	-	165,002	22,648	140,354	145,496
Toyota Finance-Corolla 1.4 2008@14.5%	861-1295-2672	Toyota Financial Services	03-Dec-08	-	165,002	22,648	140,354	145,496
Toyota Finance-Corolla 1.6 2008@14.5%	861-1295-2797	Toyota Financial Services	03-Dec-08	-	165,002	22,648	140,354	145,496
Toyota Finance-Corolla 1.6 2008@14.5%	861-1295-2103	Toyota Financial Services	03-Dec-08	-	179,529	24,945	154,584	160,248
Toyota Finance-Corolla 1.6 2008@14.5%	861-1295-1961	Toyota Financial Services	03-Dec-08	-	179,529	24,945	154,584	160,097
Toyota Finance-Corolla 1.6 2008@14.5%	861-1295-2040	Toyota Financial Services	03-Dec-08	-	179,529	24,945	154,584	160,097
Toyota Finance-Corolla 1.6 2008@14.5%	861-1293-3723	Toyota Financial Services	03-Dec-08	0	179,529	24,945	154,584	160,097
Total Long Term Loans				760,039	2,205,732	627,945	2,337,825	2,576,962
Current Portion						614,784		
Total External loans							1,723,041	

MINQUIMA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation		Construct	Construct	/	Closing Balance	Accumulated Depreciation			Carrying Value
	Balance	Revaluations					Balance	Current Depreciation	Closing Balance	
LAND AND BUILDINGS										
Land	6,446,793	32,228,125	-	-	-	40,274,918	-	-	-	40,274,918
Buildings	4,086,113	-	-	-	-	4,086,113	187,870	3,477,777	3,477,777	1,408,336
Total Land and Buildings	11,532,906	32,228,125	-	-	-	45,161,031	187,870	3,477,777	3,477,777	41,683,254
INFRASTRUCTURE ASSETS										
Electricity	420,175	-	-	-	-	420,175	-	-	-	420,175
Festive Lighting	1,738,243	-	-	-	-	1,738,243	-	-	-	1,738,243
High Mast Lighting	-	-	-	-	-	-	-	-	-	-
Load Control Equipment	-	-	-	-	-	-	-	-	-	-
Masts	-	-	-	-	-	-	-	-	-	-
Meters	1,046,604	-	-	-	-	1,046,604	-	-	-	1,046,604
Substations	522,277	-	-	-	-	522,277	-	-	-	522,277
Switchgear Equipment	-	-	-	-	-	-	-	-	-	-
Transformer Banks	3,727,606	-	-	-	-	3,727,606	-	-	-	3,727,606
Roads	55,348,935	30,467,863	-	-	-	85,816,798	6,049,576	21,150,591	21,150,591	64,666,207
Access Roads and Bridges	97,170	-	-	-	-	97,170	-	-	-	97,170
Car Parks/Car Ports	374,554	1,684,751	-	-	-	2,059,305	22,533	51,067	51,067	2,008,238
Street Lighting	1,901	-	-	-	-	1,901	-	-	-	1,901
Traffic Equipment	702,338	-	-	-	-	702,338	-	-	-	702,338
Traffic Lights	55,682,298	821,522,614	-	-	-	877,204,912	42,742	14,047	14,047	863,162,865
Infrastructure Assets carried forward	59,620,304	32,152,614	-	-	-	91,772,918	16,967,584	6,093,861	6,093,861	85,716,473

MINQUIMA LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost		Construct	Construct	/	Closing Balance	Accumulated Depreciation			Carrying Value
	Balance	Revaluations					Balance	Current Depreciation	Closing Balance	
Infrastructure Assets brought forward	59,620,304	32,152,614	-	-	-	91,772,918	16,967,584	6,093,861	6,093,861	85,716,473
Security	75,746	-	-	-	-	75,746	-	-	-	75,746
Security Equipment	326,646	249,925	-	-	-	576,571	7,575	7,575	15,150	561,421
Fencing	402,381	249,925	-	-	-	652,306	67,760	67,760	135,520	516,786
Farm Infrastructure	797,456	-	-	-	-	797,456	15,191	75,335	90,526	706,930
Dipping Tanks	797,456	-	-	-	-	797,456	106,116	18,273	124,389	673,067
Total Infrastructure Assets	60,820,152	32,402,539	-	-	-	93,222,691	17,288,393	6,207,319	6,207,319	86,995,372
COMMUNITY ASSETS										
Buildings	334,209	2,160,000	-	-	-	2,494,209	312,019	11,144	323,162	2,171,047
Community Centres	250,000	-	-	-	-	250,000	-	-	-	250,000
Motels	37,184	-	-	-	-	37,184	5,197	1,039	6,236	30,948
Parks	655,499	2,160,000	-	-	-	2,815,499	317,216	12,183	329,399	2,486,095
Total Community Assets	655,499	2,160,000	-	-	-	2,815,499	317,216	12,183	329,398	2,486,095
OTHER ASSETS										
Other Properties	-	-	-	-	-	-	-	-	-	-
Other Assets carried forward	-	-	-	-	-	-	-	-	-	-

MIQUONA LOCAL MUNICIPALITY
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost		Write-Off		Construct	Construct	Closing Balance	Accumulated Depreciation		Closing Balance	Carrying Value
	Balance		One					Balance	Current Depreciation		
Other Assets brought forward											
Plant and Equipment											
Compressors	1						1				1
Generators	1						1				1
Graders	2,079,838						2,079,838			933,930	1,145,908
Scavenger	875,000						875,000				875,000
Other Emergency Equipment-Pneumatic Engines	2,626,000						2,626,000			787,799	1,838,201
Tractors	1,152,530						1,152,530			486,900	665,630
Trailers	223,865						223,865			89,354	134,511
	6,081,754		875,000				6,956,754	371,858		2,297,983	4,658,771
Office Equipment	1,091,003		340,426				1,371,429			552,846	818,583
Computer Equipment	52,010						52,010	10,402		20,804	31,206
	1,083,013		340,426				1,423,439	186,529		647,133	776,306
Furniture and Fixings	1,101,213		111,802				1,213,015			647,133	565,882
Furniture and Fixings	1,101,213		111,802				1,213,015			647,133	565,882
Motor Vehicles	3,048,408		2,186,705				5,235,113			3,940,173	1,294,940
Motor Vehicles	3,048,408		2,186,705				5,235,113			3,940,173	1,294,940
	11,814,389		3,513,293				15,327,682	3,176,650		7,459,078	7,868,604
Total Other Assets	84,122,840		71,904,537				156,027,377	27,004,444		34,538,267	121,489,111
TOTAL	72,808,351		64,390,664				137,199,015	20,716,016		6,382,972	27,091,889
											110,107,126

MINQUMA LOCAL MUNICIPALITY
APPENDIX C
DEPARTMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

Fixed Assets Description	Historical Cost					Accumulated Depreciation				Carrying Value
	Opening Balance Cost	Additions / Revaluations	Under Construction	Budget 2008	Closing Balance	Opening Balance	Current Depreciation	Disposals / Write-Offs	Closing Balance	
Executive and Council	778,782	64,574	-	180,700	662,656	650,860	41,502	-	692,362	(29,706)
Budget and Treasury Office	1,370,287	387,247	-	380,000	2,137,534	1,047,592	228,931	-	1,276,523	861,011
Corporate Services	1,524,961	-	-	825,000	2,349,961	1,273,138	102,051	-	1,375,189	1,024,772
Community Services	3,910,013	27,790	-	793,942	4,731,745	1,818,964	291,830	-	2,110,794	2,620,951
Infrastructure Services	65,597,148	11,690,648	-	398,500	77,686,297	26,407,038	5,230,554	-	31,637,592	46,048,705
Other	-	6,579	-	-	6,579	204,317	2,148,908	-	2,353,225	(2,346,646)
TOTALS	73,181,191	12,176,839	-	2,578,142	87,576,772	31,351,909	8,043,776	-	39,395,685	48,179,087

MNQUMA LOCAL MUNICIPALITY
APPENDIX D

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
-	14,534,778	(14,534,778)	Executive Mayor & Speaker	-	15,541,144	(15,541,144)
230,000	4,178,111	(3,948,111)	Municipal Manager	-	4,483,558	(4,483,558)
80,008,876	11,761,734	68,247,142	Budget & Treasury	107,312,099	47,129,698	60,182,401
207,529	11,932,487	(11,724,958)	Corporate Services	126,807	11,725,726	(11,598,919)
596,802	9,276,577	(8,679,775)	Infrastructure Development and Planning	33,360,839	16,102,907	17,257,932
202,293	2,215,967	(2,013,674)	Strategic Management	-	3,834,556	(3,834,556)
4,279,917	21,388,833	(17,108,916)	Community Services	7,578,356	23,058,411	(15,480,055)
85,525,416	75,288,487	10,236,930	Sub-Total	148,378,101	121,876,000	26,502,101

APPENDIX E(1)

MINQUIMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009		Explanation of Significant Variances
	Actual (R)	Budget (R)	
REVENUE			
Property rates	(26,489,571)	(27,546,559)	1,055,988 The actual billing is as a result of erraneously billing of interim valuation (R 6 858 433.15)twice and it has been reversed in 2010 financial year
Property rates - penalties imposed and collection charges	-	-	-
Service charges	(2,396,550)	(1,283,708)	(1,112,842)
Rental of facilities and equipment	(2,977,348)	(3,879,923)	902,575
Refuse removals -	(4,348,944)	(3,742,671)	(606,273)
Interest earned - external investments	(1,323,644)	(212,175)	(1,111,469) previously there was no clear guideline on the treatment of interest and according to circular 48 it requires that municipalities must recognize interest received from investment as municipal income
Interest earned - outstanding debtors	(1,122,437)	(4,145,980)	3,023,543
Fines -	(976,136)	(1,048,000)	71,866 Law enforcement strategy of employing traffic wardens to collect all outstanding fines during the current financial year which yielded good results
Licenses and permits	(1,952,576)	(1,896,463)	(116,113) There has been an increase in the commission received and in the registration of new vehicles during the financial year
Government grants and subsidies	(106,329,564)	(120,036,945)	13,707,381 variance is as a result of income from Library which was not transferred by the Dept and also Health subsidy
Other income	(461,331)	(4,889,666)	4,228,335 The budgeted revenue for other income for outstanding debt was not realized.
Public contributions, donated/contributed PPE	-	-	-
Gains on disposal of property, plant and equipment	-	-	-
Total Revenue	(148,378,100)	(168,421,090)	20,042,990
EXPENDITURE			
Infrastructure Development	16,102,907.00	25,269,068	(9,166,161) Variances occurred due to under collection of the municipality so the spending is managed
Community Services	23,058,411.00	30,063,135	(7,004,724) Variances occurred due to under collection of the municipality so the spending is managed
Corporate Services	11,725,726.00	12,276,724	(550,998) Variances occurred due to under collection of the municipality so the spending is managed
Budget and Treasury	47,129,698.00	16,851,373	30,278,325 Variances occurred due to write off of bad debts
Municipal Manager	4,483,558.00	4,720,339	(236,781) Variances occurred due to under collection of the municipality so the spending is managed
Strategic Management	3,834,556.00	3,968,757	(134,201) Variances occurred due to under collection of the municipality so the spending is managed
Executive Mayor & Speaker	15,541,144.00	17,574,485	(2,033,351) Variances occurred due to under collection of the municipality so the spending is managed
Total Expenditure	121,876,000	110,723,891	11,152,109
NET SURPLUS/(DEFICIT) FOR THE YEAR	(26,502,100)	(57,697,199)	31,195,099

MINQUMA LOCAL MUNICIPALITY

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2009 Additions / Write-Ons R	2009 Under Construction Capitalised R	2009 Under Construction R	2009 Total Additions R	2009 Budget R	2009 Variance R
Executive and Council Budget and Treasury	-	-	-	29,851	2,416,014	(2,386,163)
Infrastructure	-	-	-	187,551	15,720	171,831
Community Services	-	-	-	33,633,893	28,445,368	5,188,525
Corporate Services	-	-	-	1,034,694	12,630,983	(11,596,289)
Other	-	-	-	160,142	675,600	(515,458)
TOTALS	-	-	-	35,105,259	44,183,685	(9,137,554)

MINQUA LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND RECEIPTS IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

	EXECUTIVE MAYOR	OFFICE OF THE MUNICIPAL MANAGER	BUDGET & TREASURY	CORPORATE SERVICES	INFRASTRUCTURE	STRATEGIC MANAGEMENT	COMMUNITY SERVICES	TOTAL
NATIONAL GOVERNMENT			500,000					
Financial Management Grant					22,586,331	1,000,000		500,000
MIG				235,000	500,000		1,452,669	25,049,000
MSIG	1,142,654	3,860,956	48,993,006	4,299,411	6,349,037	565,360	3,613,430	735,000
Equitable Share Grant	1,142,654	3,860,956	49,493,006	4,534,411	29,445,968	1,565,360	5,066,099	68,823,854
								95,107,854
PROVINCIAL GOVERNMENT								
DEAT					1,784,500		1,400,000	1,400,000
Department of Local Government					1,784,500		1,400,000	1,784,500
								3,184,500
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	1,142,654	3,860,956	49,493,006	4,534,411	31,229,868	1,565,360	6,466,099	98,292,354