

# Annual Financial Statements

for

## **Ngqushwa Municipality**

for the year ended 30 June: **2009**

Province:

Eastern Cape

AFS rounding:

**R (i.e. only cents)**

### **Contact Information:**

<b>Name of Municipal Manager:</b>	Mrs N. Y. Zongo
<b>Name of Chief Financial Officer:</b>	Mr P.Mahlasela
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Contact telephone number:	
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<b>Name of relevant Auditor:</b>	Mr S.Ngqwala
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**Ngqushwa Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

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**Nggushwa Municipality**  
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**General information**

**Members of the Council**

Mr. B. Ntontela  
Mr. M. Xhotyeni  
F. Matiwane  
S. Ndwayana  
T. Camagu  
N. Magingxa  
V. Kaulela  
N. Ndabazonke  
T. Dyani  
M. Sethuntsa  
S. Jali  
P. Skade  
M. Mphunga  
MF. Joyi  
N. Coto  
N. Mapekula  
V. Myozolo  
M. Falteni  
B. Ncapayi  
N. Mhlakane  
Q. Gqamane  
N. Sahula

**Mayor**  
**Speaker**  
Member of the Executive Committee  
Member of the Executive Committee  
Member  
Member

**Municipal Manager**

Mrs N.Y.Zongo

**Chief Financial Officer**

Mr P.Mahlasela

**Grading of Local Authority**

Grade 2

**Auditors**

Auditor-General- East London

**Bankers**

First National Bank, Peddie

**Ngqushwa Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
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**General information (continued)**

**Registered Office:**

Peddie

**Physical address:**

Corner of N2 and R345  
Peddie

**Postal address:**

P.O.Box 539  
Peddie

**Telephone number:**

040 673 3940

**Fax number:**

040 673 3771

**E-mail address:**

[nomhles@ngqushwamun.co.za](mailto:nomhles@ngqushwamun.co.za)

**Nggushwa Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
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**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 19 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.

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Municipal Manager:

*DATE*

**Ngqushwa Municipality**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2009

	Note	2009 R	2008 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	143 770	-
Trade and other receivables from exchange transactions	2	2 640 907	1 709 516
Investments	3	53 642	53 642
Current portion of receivables	4	43 197	42 911
VAT receivable	7	988 938	1 209 117
<b>Non-current assets</b>			
Non-current receivables	4	110 550	153 461
Investments	5	2 182 265	1 720 476
Property, plant and equipment		6 468 249	954 652
<b>Total assets</b>		<b>12 631 518</b>	<b>5 843 774</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	6	5 040 360	1 999 407
Taxes and transfers payable (non-exchange)	8	55 551	55 551
Bank overdraft	1	-	1 099 643
<b>Non-current liabilities</b>			
Non-current unspent conditional grants and receipts	9	4 958 641	1 466 864
<b>Total liabilities</b>		<b>5 095 911</b>	<b>3 154 601</b>
<b>Net assets</b>		<b>7 535 607</b>	<b>2 689 173</b>
<b>NET ASSETS</b>			
Reserves		7 120 556	1 572 802
Statutory funds		1 634 211	1 570 131
Accumulated surplus / (deficit)		(338 858)	(453 760)
<b>Total net assets</b>		<b>8 415 909</b>	<b>2 689 173</b>

**Ngqushwa Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2009

	Note	2009 R	2008 R
<b>Revenue</b>			
Property rates	10	771 990	1 945 652
Property rates - penalties imposed and collection charges	10	120 352	279 181
Service charges	11	307 323	403 210
Rental of facilities and equipment	12	127 185	412 988
Interest earned - external investm €€	13	490 241	279 181
Interest earned - outstanding receivables	14	15 912	-
Fines		183 390	113 323
Licences and permits		636 265	652 135
Government grants and subsidies	15	34 228 890	22 571 989
Other income	16	422 016	277 335
<b>Total revenue</b>		<b>37 303 565</b>	<b>26 934 994</b>
<b>Expenses</b>			
Employee related costs	17	15 487 914	14 194 736
Remuneration of councillors	18	4 956 567	4 905 276
Depreciation and amortisation expense	19	141 568	-
Repairs and maintenance		409 082	528 577
Finance costs	20	13 447	4 375
Grants and subsidies paid	21	2 090 029	-
General expenses	22	11 152 422	9 879 194
<b>Total expenses</b>		<b>34 251 029</b>	<b>29 512 158</b>
<b>Surplus / (deficit) for the period</b>		<b>3 052 537</b>	<b>(2 577 164)</b>

**Ngqushwa Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2009

	Capital Replacement Reserve	Housing Development Fund	Total Funds and Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
<b>Balance at 30 June 2007</b>	-	<b>1 489 282</b>	<b>1 489 282</b>	<b>(3 470 620)</b>	<b>(1 981 338)</b>
Changes in accounting policy	23 7 120 556	-	<b>7 120 556</b>	-	7 120 556
Correction of prior period error	-	-	-	-	-
Adjustment from GRAP conversion	-	-	-	-	-
<b>Restated balance</b>	<b>7 120 556</b>	<b>1 570 131</b>	<b>8 609 838</b>	<b>(3 470 620)</b>	<b>5 139 218</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-	-	-	-
Net gains and losses not recognised in the statement of financial performance	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)	-	-	-	-	-
Surplus / (deficit) for the period	-	-	-	(2 577 164)	(2 577 164)
<b>Balance at 30 June 2008</b>	<b>7 120 556</b>	<b>1 570 131</b>	<b>8 609 838</b>	<b>(453 760)</b>	<b>8 156 078</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-	-	-	-
<i>Other items</i>	-	64 080	<b>64 080</b>	(2 937 635)	(2 873 555)
Net gains and losses not recognised in the statement of financial performance	-	-	-	-	-
Transfers to / from accumulated surplus/(deficit)	-	-	-	-	-
Surplus / (deficit) for the period	-	-	-	3 052 537	3 052 537
<b>Balance at 30 June 2009</b>	<b>7 120 556</b>	<b>1 634 211</b>	<b>8 673 918</b>	<b>(338 858)</b>	<b>8 335 060</b>



**Ngqushwa Municipality**

**CASH FLOW STATEMENT**

as at 30 June 2009

Note	2009 R	2008 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts	38 598 066	35 403 456
Sales of goods and services	3 863 023	4 389 756
Grants	34 228 890	30 503 281
Interest received	506 153	510 419
Payments	37 020 053	31 944 245
Employee costs	20 444 481	19 100 002
Suppliers	16 562 124	12 763 351
Interest paid	13 447	80 892
<b>Net cash flows from operating activities</b>	<b>1 578 014</b>	<b>3 459 211</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	565 164	9 760 423
Proceeds from sale of fixed assets	-	-
<b>Net cash flows from investing activities</b>	<b>565 164</b>	<b>9 760 423</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Proceeds from finance lease liability	-	-
Repayment of finance lease liability	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	<b>2 143 177</b>	<b>(3 002 928)</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>(1 999 407)</b>	<b>1 003 521</b>
<b>Net cash and cash equivalents at end of period</b>	<b>143 770</b>	<b>(1 999 407)</b>

**Ngqushwa Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2009

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003), including any interpretations and directives issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**2 PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.4 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving		Buildings	30
Pedestrian Malls		Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	7
Sewerage	15-20	Furniture and fittings	10
<b>Community</b>		Bins and containers	5
Buildings			
Recreational Facilities	20-30	Plant & Equipment	10
Security		Landfill sites	15
Libraries			
Parks and gardens		Computer equipment	3
Other assets			
<b>Heritage assets</b>			
Buildings			
Paintings and artifacts			

#### 2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. 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.

### **8.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### **8.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **8.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, 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, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **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.

## **1 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), 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.

## **2 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.

## **3 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 date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

## **4 LEASES**

### **14.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### **14.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **5 REVENUE**

#### **15.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

## **15.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		143 770	(1 099 643)
		<u>143 770</u>	<u>(1 099 643)</u>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
FNB Public Sector Cheque Account: 62022000898			
Cash book balance at beginning of year		(1 099 643)	(1 099 643)
Cash book balance at end of year		<u>143 770</u>	<u>(1 099 643)</u>
Bank statement balance at beginning of year		359 193	
Bank statement balance at end of year		<u>2 037 259</u>	<u>359 193</u>
Bank statement balance at beginning of year		359 193	
Bank statement balance at end of year		<u>2 037 259</u>	<u>359 193</u>
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<b><u>Trade receivables</u></b>			
<b>as at 30 June 2009</b>			
Service debtors			
Rates		1 953 699	488 425
Electricity		19 247	4 812
Sundry service charges		978 338	244 585
Refuse		569 925	142 481
<b>Total</b>		<u><b>3 521 209</b></u>	<u><b>880 302</b></u>
<b>as at 30 June 2008</b>			
Service debtors			
Rates		2 163 012	2 243 893
Electricity		19 507	19 507
Sundry service charges		617 024	225 733
Refuse		952 903	861 988
<b>Total</b>		<u><b>3 752 446</b></u>	<u><b>3 351 120</b></u>
<b><u>Other receivables</u></b>			
Traffic Summonses			633 600
Amathole DM - Control			518 020
Debit Orders			208 225
Transfer Monies Between Bank Accounts			39 744
Unallocated Expenditure			28 487
Payments made in advance			(725 626)
<b>Other receivables</b>			<u><b>702 450</b></u>
			<u><b>1 308 189</b></u>
<b>3 INVESTMENTS</b>			
Business call account - 62035920596		53 642	53 642
		<u><b>53 642</b></u>	<u><b>53 642</b></u>
<b>4 NON-CURRENT RECEIVABLES</b>			
Car loans		110 550	153 461
Less : Current portion transferred to current receivables		43 197	42 911
<b>Total</b>		<u><b>67 353</b></u>	<u><b>110 550</b></u>



**Nggushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>5 INVESTMENTS</b>			
Planning account - 61684000098		86 265	86 265
PHP - 62048047494		1 767 617	1 634 211
		<u>2 182 265</u>	<u>1 720 476</u>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	2 390 098	712 719
Staff leave accrual	568 259	471 966
Other creditors	2 082 003	814 722
<b>Total creditors</b>	<b>5 040 360</b>	<b>1 999 407</b>
<b>7 VAT RECEIVABLE</b>		
VAT receivable	988 938	1 209 117
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>8 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)</b>		
Taxes and transfers payable	55 551	55 551
<b>9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Unspent Conditional Grants from other spheres of Government</b>		
MIG Grants	2 479 321	1 777 798
MIG Project Account	1 012 457	-765 341
MSP Grant	52 185	52 185
Town Planning Grant	-550 464	-550 464
Drivers Licence Testing Station	1 765 143	1 765 143
Land Mapping and Survey Grant	200 000	200 000
<b>Total Unspent Conditional Grants and Receipts</b>	<b>4 958 641</b>	<b>2 479 321</b>
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.		
<b>10 PROPERTY RATES</b>		
<b>Actual</b>		
Actual Rateable Income	771 990	1 945 652
Property rates - penalties imposed and collection charges	120 352	279 181
<b>Total</b>	<b>892 343</b>	<b>2 224 833</b>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

	Note	2009 R	2008 R
<b>11 SERVICE CHARGES</b>			
Sale of electricity		1 870	1 480
Refuse removal		305 453	403 210
<b>Total Service Charges</b>		<b>307 323</b>	<b>404 690</b>
<b>12 RENTAL OF FACILITIES AND EQUIPMENT</b>			
Rental of facilities		127 185	412 988
<b>Total rentals</b>		<b>127 185</b>	<b>412 988</b>
<b>13 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Interest on bank account		305 578	275 822
Interest on investments		184 663	3 358
<b>Total interest</b>		<b>490 241</b>	<b>279 181</b>
<b>14 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>			
Assessment Rates		9 264	-
Service Charges		2 151	-
Basic Refuse		4 497	-
<b>Total interest</b>		<b>15 912</b>	<b>-</b>
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		28 549 101	22 214 535
MIG Grant		5 679 789	-
<b>Total Government Grant and Subsidies</b>		<b>34 228 890</b>	<b>22 214 535</b>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>16 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
<b>Other income</b>		
Building plan fees	41 714	41 973
Photocopies and faxes	113	516
Sundry revenue	343 908	174 881
Tresspass	23 453	47 291
Grazing	1 542	-
Cemetery fees	1 416	675
Pound fees	9 870	12 000
<b>Total Other Income</b>	<b>422 016</b>	<b>277 335</b>

**17 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	8 840 067	9 361 857
Employee related costs - Contributions for UIF, pensions and medical aids	1 322 852	1 201 446
Travel, motor car, accommodation, subsistence and other allowances	1 337 957	892 953
Housing benefits and allowances	39 304	38 307
Overtime payments	318 840	128 078
Performance and other bonuses	503 249	476 106
Skills development levy	84 396	78 120
Other employee related costs	332 956	7 159
<b>Total Employee Related Costs</b>	<b>12 779 619</b>	<b>12 184 025</b>

There were no advances to employees / Loans to employees are set out in note 3.

**Remuneration of the Municipal Manager**

Annual Remuneration	455 903	414 804
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	150 000	145 200
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>605 903</b>	<b>560 004</b>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	393 598	352 926
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	132 000	132 000
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>525 598</b>	<b>484 926</b>

**Remuneration of Individual Executive Directors**

	Community Services		
	Technical Services R	Corporate Services R	R
<b>2009</b>			
Annual Remuneration	393 598	393 598	393 598
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	132 000	132 000	132 000
Contributions to UIF, Medical and Pension Funds	-	-	-
<b>Total</b>	<b>525 598</b>	<b>525 598</b>	<b>525 598</b>

	Community Services		
	Technical Services R	Corporate Services R	R
<b>2008</b>			
Annual Remuneration	352 956	352 956	352 956
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	132 000	132 000	132 000
Contributions to UIF, Medical and Pension Funds	-	-	-
<b>Total</b>	<b>484 956</b>	<b>484 956</b>	<b>484 956</b>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>18 REMUNERATION OF COUNCILLORS</b>		
Mayor	501 867	437 556
Speaker	344 244	201 516
Executive Committee Members	841 260	721 968
Councillors	3 269 196	3 544 236
<b>Total Councillors' Remuneration</b>	<b>4 956 567</b>	<b>4 905 276</b>
<b>19 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	141 568	-
<b>Total Depreciation and Amortisation</b>	<b>141 568</b>	<b>-</b>
<b>20 FINANCE COSTS</b>		
Bank overdrafts	13 447	4 375
<b>Total Finance Costs</b>	<b>13 447</b>	<b>4 375</b>
<b>21 GRANTS AND SUBSIDIES PAID</b>		
MIG	2 090 029	-
	<b>2 090 029</b>	<b>-</b>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>22 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	95 596	70 214
Admin fees	1 806 167	-
Animal Feed	5 690	9 619
Auction Fees	1 060	-
Audit committee expenses	387 009	373 736
Audit fees	430 861	787 178
Bank charges	153 685	134 644
Accommodation expenses	645 642	1 023 463
Communication and public relations	446 708	-
Computer costs	77 503	78 865
Conferences and delegations	9 533	15 278
Consulting fees	271 003	13 086
Consumables	128 014	160 126
Disaster management	189 396	67 783
Electricity	426 492	206 385
Entertainment	810 859	247 496
Free basic electricity	657 039	805 362
Fuel and oil	554 335	529 596
Insurance	272 973	135 532
Interest paid	-	85 267
Legal expenses	117 326	440 669
Membership fees	109 314	57 213
Pest control	1 754	5 910
Postage	6 504	37 929
Printing and stationery	161 177	209 362
Refreshments	-	442
Refuse bags	30 605	58 870
Rental of office equipment	286 908	484 602
Other rentals	-	5 005
Security costs	548 991	667 080
Stocks and material	645 642	26 487
Telephone cost	174 839	832 799
Training	250 000	294 396
Uniforms & overalls	140 678	72 417
Travel and subsistence	85 400	74 192
Update website	95 505	-
Valuation costs	100 000	756 592
Other	1 028 213	1 111 598
	<b>11 152 422</b>	<b>9 879 194</b>

**Ngqushwa Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2009

Note	2009 R	2008 R
<b>23 CHANGE IN ACCOUNTING POLICY</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
<b>24.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
Advance Planning Fund	-	5 100 000
Advance PHP	-	149 506
Revolving Fund	-	1 784 785
Planning Fund	-	86 265
<b>Total</b>	-	<b>7 120 556</b>

**24 RELATED PARTIES**

The municipality did not have any related parties during the year.

**25 EVENTS AFTER THE REPORTING DATE**

No post balance sheet events have been identified that would materially affect the municipality's balance sheet.

**26 RESTATEMENT OF COMPARATIVE INFORMATION**

Provision for leave and bonuses have been reclassified as accruals.

**27 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

**Ngqushwa Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2009

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	
Total of assets	37 176 947	5 655 163	-	42 832 110	36 222 294	141 567	-	36 363 861	6 468 249

**Ngqushwa Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2008

	Cost / Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	
Total of assets	27 416 524	9 760 423		37 176 947	-	-	-	36 222 294	954 653





**Ngqushwa Municipality**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2009

2008			2009		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R'000	R'000	R'000	R'000	R'000	R'000
-	7 225 960	(7 225 960)	1 079 313.73	6 366 450	(5 287 136)
22 882 725	3 138 636	19 744 089	17 193.06	1 067 915	(1 050 722)
-	3 985 920	(3 985 920)	-	3 249 840	(3 249 840)
376 032	1 803 551	(1 427 519)	-	6 380 023	(6 380 023)
1 945 652	-	1 945 652	35 398 744.52	4 408 223	30 990 522
275 822	7 507 499	(7 231 677)	-	4 007 989	(4 007 989)
18 994	1 236 245	(1 217 251)	-	2 042 844	(2 042 844)
59 291	345 002	(285 711)	1 542.12	296 989	(295 447)
-	2 269 001	(2 269 001)	1 416.18	240 094	(238 678)
765 458	1 285 439	(519 981)	-	235 264	(235 264)
675	80 274	(79 599)	-	302 132	(302 132)
-	2 566 866	(2 566 866)	-	102 241	(102 241)
-	450 172	(450 172)	-	109 826	(109 826)
				932 777	(932 777)
			829 524.49	976 241	(146 716)
<b>26 324 649</b>	<b>31 894 565</b>	<b>(5 569 916)</b>	<b>37 327 734</b>	<b>30 718 848</b>	<b>6 608 886</b>
<b>26 324 649</b>	<b>31 894 565</b>	<b>(5 569 916)</b>	<b>37 327 734</b>	<b>30 718 848</b>	<b>6 608 886</b>

Less: Inter-Department Charges

Total

**Ngqushwa Municipality**  
**APPENDIX E**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**  
for the year ended 30 June 2009

	2 009	2 009	2009	2009	Reasons for variances
REVENUE	Actual	Budget	Variance	Variance (%)	
	R	R	R	%	
<b>REVENUE</b>					
Property rates	771 990	3 000 000.0	(2 228 010)	-74%	
Property rates - penalties imposed and collect	120 352	0.0	120 352	100%	
Service charges	307 323	450 000.0	( 142 677)	-32%	
Rental of facilities and equipment	127 185	10 500.0	116 685	1111%	
Interest earned - external investments	490 241	90 000.0	400 241	445%	
Interest earned - outstanding receivables	15 912	0.0	15 912	100%	
Fines	183 390	109 000.0	74 390	68%	
Licences and permits	636 265	1 340 000.0	( 703 735)	-53%	
Government grants and subsidies	34 228 890	37 052 902.0	(2 824 012)	-8%	
Other income	422 016	4 614 311.0	(4 192 295)	-91%	
<b>Total Revenue</b>	<b>37 183 213</b>	<b>46 666 713.0</b>			
<b>EXPENDITURE</b>					
Council General	6 366 450	5 719 799.0	( 646 651)	-11%	
Municipal Manager	1 067 915	2 535 477.4	1 467 562	58%	
Community Services	3 249 840	6 269 689.5	3 019 850	48%	
Administration	6 380 023	7 162 305.5	782 282	11%	
Financial Management	4 408 223	5 596 560.5	1 188 338	21%	
Streets & Stormwater	4 007 989	11 216 086.3	7 208 097	64%	
Refuse removal	2 042 844	2 530 709.4	487 865	19%	
Pound	296 989	209 121.9	( 87 867)	-42%	
Cemetery	240 094	570 689.3	330 595	58%	
Municipal Buildings	235 264	1 946 807.4	1 711 543	88%	
Parks & Public Places	302 132	523 178.7	221 047	42%	
Building control	102 241	305 733.5	203 492	67%	
Land and Buildings	109 826	110 000.0	174	0%	
Electricity	932 777	795 269.5	( 137 508)	-17%	
Traffic Control	976 241	1 388 974.1	412 733	30%	
<b>Total Expenditure</b>	<b>30 718 848</b>	<b>46 880 402.0</b>			
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>6 464 365</b>	<b>213 689.0</b>			