



**Nkonkobe Municipality**



**Annual Financial Statements  
2008/2009**

**FC 127**

# NKONKOBÉ MUNICIPALITY

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30 June 2009

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**NKONKOBE MUNICIPALITY**  
**GENERAL INFORMATION - 30 June 2009**

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Cllr AW Ntsangani	Mayor
Cllr HJ Ndlebe	Speaker of Council
Cllr Papu Zondi	Political Head - Budget and Treasury
Cllr MJ Makeleni	Political Head - Corporate Services
Cllr NW Nxawe	Political Head - Engineering Services
Cllr MV Rara	Political Head - Community Services
Cllr N Gqokro	Political Head - Sports, Arts & Culture
Cllr ME Mgengo	Political Head - Local Economic Development and Tourism

**GRADING OF LOCAL AUTHORITY**

Councillors - Grade 3 (in terms of the Public Office Bearers Act)  
Officials - Grade 6 (old Grading system)

**AUDITORS**

Auditor General - East London. Eastern Cape

**BANKERS**

First National Bank, Fort Beaufort

**REGISTERED OFFICE**

8 Somerset Street  
PO Box 36, Fort Beaufort  
5720

Telephone : 046 645 7400  
Facsimile : 046 645 2562

**MUNICIPAL MANAGER as at 30 June 2009**

Mr. KC Maneli Telephone : 046 645 7449

**ACTING CHIEF FINANCIAL OFFICER as at 30 June 2009**

Mrs. UT Malinzi Telephone : 046 645 7476

**APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements as set out on pages 4 to 24 were approved by the Municipal Manager and the Acting Chief Financial Officer on this the .....2009 and then presented to Council on this the .....2009

.....  
**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**

.....  
**ACTING CHIEF FINANCIAL OFFICER: NKONKOBÉ MUNICIPALITY**

# NKONKOBÉ MUNICIPALITY

## MAYOR'S FOREWORD

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I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2009

Nkonkobe municipality is endowed with a rich history and world renowned institutions of higher learning i.e. Fort Hare, Lovedale, Healdtown, Fort Cox which in their own right have produced leaders in the mode of Dr Tengo Jabavu, Robert Sobukwe, O.R Tambo, Nelson Mandela, Dr Bokwe and many others.

Recently Nkonkobe municipality has been nicknamed the "Home" of Premiers in the likes of the late Raymond Mhlaba, Rev. Makhenkesi Stofle and Nosimo Balindlela.

Nkonkobe municipality as a tourist destination boasts of the best scenic mountain range, punctuated by motels and hotels located at strategic spots of Hogsback and Katberg and trails of the ancient forts of Fort Fordyce, Fort Beaufort, Somgxanda (Dr.Stuart Memorial) and Fort Hare.

As Nkonkobe municipality we have an unflinching and unshaken mandate from the people of the valleys and hills of this municipal area to champion the cause of service delivery in order to address the backlogs of colonialism. We are called upon to explore the interactional networks of our diverse and rich cultures, spread this richness among us all. We are charged with a responsibility to enrich our communities and rid ourselves from the chains so as to be able to walk tall towards deepened democracy and sustained development.

The sadness and reality of the Nkonkobe municipality region is that we are faced with poor socio economic drivers, escalating unemployment and deaths related to HIV/AIDS! This significant increase in the bulk Eskom account is also going to seriously threaten the future existence of this impoverished rural municipality and urgent intervention by National Government is required to prevent financial collapse.

.....  
Cllr AW Ntsangani

**MAYOR**

**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT - 30 June 2009**

**1. OPERATING RESULTS**

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2009 are as follows:

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual to Budget %
<b>Income:</b>					
Opening surplus/(deficit)	(26,733,480)	(31,665,431)			
Operating income for the year	71,504,356	79,220,107	10.8	100,404,799	21.1
	<u>44,770,876</u>	<u>47,554,678</u>		<u>100,404,799</u>	
<b>Expenditure</b>					
Operating expenditure for the year	76,436,307	78,618,390	2.9	100,403,375	21.7
Contributions to approved funds					
Appropriation	0	(1,386,156)			
Closing surplus/(deficit)	(31,665,431)	(29,677,558)		1,424	
	<u>44,770,876</u>	<u>47,554,678</u>		<u>100,404,799</u>	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest accrued increase due to the system now charging interest on customer overdue accounts.					

**1.1 Rates and General Services**

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual to Budget %
Income	61,291,522	69,384,035	13.2	80,604,118	13.9
Expenditure	65,001,478	59,393,158	(8.6)	86,831,555	31.6
Surplus / (Deficit)	<u>(3,709,956)</u>	<u>9,990,877</u>	(369.3)	<u>(6,227,437)</u>	260.4
Surplus / (Deficit) as % of total income	(6.1)	14.4		(7.7)	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest accrued increase due to the system now charging interest on customer overdue accounts.					

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

*Electricity Service*

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual - Budget %
Income	10,212,829	9,836,073	(3.7)	19,800,681	50.3
Expenditure	11,215,170	19,039,031	69.8	13,272,994	(43.4)
Surplus / (Deficit)	<u>(1,002,341)</u>	<u>(9,202,959)</u>	818.1	<u>6,527,687</u>	241.0
Surplus / (Deficit) as % of total income	(9.8)	(93.6)		33.0	
<b>Significant variances:</b>					
The main reason for the variance in expenses in the provision for doubtful debts. The department did not achieve their income budget. This has had a major effect on spending.					

**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT - 30 June 2009**

**Abattoir Service**

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual - Budget %
Income	4	0	(100.0)	-	0.0
Expenditure	219,658	186,201	(15.2)	298,826	37.7
<b>Surplus / (Deficit)</b>	<u><u>(219,654)</u></u>	<u><u>(186,201)</u></u>	(15.2)	<u><u>(298,826)</u></u>	37.7
<b>Surplus / (Deficit) as % of total income</b>	<b>(5,003,505.9)</b>	<b>#DIV/0!</b>		<b>#DIV/0!</b>	
<b>Significant variances:</b>					
The provincial departments inspectors closed the abattoir in November 2006 due to inadequate equipment and operational policies and procedures.					

**2. CAPITAL EXPENDITURE AND FINANCING**

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

	Actual 2008 R	Budget 2009 R	Actual 2009 R
Community Services	1,703,963	-	90,796
Subsidised Services	28,900	-	10,873
Economic Services	199,500	-	-
Housing Services	-	-	-
Trading Services	98,682	-	8,348
	<u><u>2,031,045</u></u>	-	<u><u>110,017</u></u>

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

- Internal Sources	(1,496,396)	-	110,017
- External Sources	3,527,441	-	-
Other Sources	3,527,441		-
Provincial Government			
	<u><u>2,031,045</u></u>	-	<u><u>110,017</u></u>

**Significant variances:**

The overspend was due to no budget being allocated

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

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

External loans outstanding on 30 June 2009 amounted to R4,155,377 (including current portion). (2008 - R4,327,921)

Cash resources and short-term deposits less bank overdraft at 30 June 2009 amounted to a positive of R 654,104 (2008 - R2,846,225 negative). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2009 amounted to R17,676,047 (2008: R13,860,543).

Trust Fund Investments as at 30 June 2009 amounted to R 17,676,046 (2008: R13,860,544). The investments are held for specific projects.

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

**4. MUNICIPAL ENTITY**

The Nkonkobe Economic Development Agency was established during the 2005 financial year. The main objective of the agency is to act as a agent on behalf of the municipality for all economic development issues in the demarcated development zone. The agency is funded by both the Nkonkobe municipality and external donors.

**5. POST BALANCE SHEET EVENTS**

No further post balance sheet events have been identified

**6. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors, the municipal staff and finance department for their assistance and support during the past challenging financial year.

.....  
**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**  
(Accounting Officer)



# NKONKOBÉ MUNICIPALITY

## ACCOUNTING POLICIES - 30 June 2009

### 1. Basis of preparation

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

### 2. Consolidation

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

### 3. Fixed assets

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

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

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

**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING POLICIES - 30 June 2009**

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

3.5 A detailed GAMAP compliant assets register has been prepared.

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

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

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

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

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

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

#### **5. Provisions**

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

#### **6. Stock**

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

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

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

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

**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING POLICIES - 30 June 2009**

**8. Surpluses and deficits**

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

**9. Leased assets**

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

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

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

**10. Investments**

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

**11. Income recognition**

**12.1 Electricity billings**

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account.

Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

**12.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state owned properties and 40% rebates are granted to pensioners pending a successful application. Income is recognised when such levies are raised and debited to the respective ratepayer account.

**12.3 Other income**

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

**NKONKOBÉ MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2009**

	Note	2009 R	2008 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		17,273,134	16,582,295
Statutory funds	1	14,721,375	14,030,537
Reserves	2	2,551,758	2,551,758
ACCUMULATED DEFICIT		(29,677,558)	(31,665,431)
		(12,404,424)	(15,083,135)
TRUST FUNDS	3	17,676,046	13,860,544
LONG TERM LIABILITIES	4	1,314	476,150
CONSUMER DEPOSITS: SERVICES	5	908,051	788,797
		<b>6,180,987</b>	<b>42,356</b>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	6	678,860	1,407,110
INVESTMENTS	7	17,676,047	13,860,543
		18,354,907	15,267,653
NET CURRENT ASSETS		(12,173,919)	(15,225,297)
CURRENT ASSETS		23,364,997	13,543,702
Stock	8	175,318	376,337
Accounts Receivable	9	21,455,785	11,393,037
Cash and Cash Equivalents	10	11,083	11,083
Short-term Investments	7	1,722,812	1,763,245
CURRENT LIABILITIES		35,538,917	28,768,999
Creditors	12	28,487,571	17,519,675
Bank overdraft	13	1,079,791	4,620,553
Provisions	11	1,817,492	2,777,000
Short-term portion of long-term liabilities	4	4,154,063	3,851,771
		<b>6,180,987</b>	<b>42,356</b>

## NKONKOBÉ MUNICIPALITY

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income	2008 Actual expenditure	2008 surplus/ (deficit)		2009 Actual income	2009 Actual expenditure	2009 surplus/ (deficit)	2009 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
61,291,522	65,001,478	(3,709,956)	<b>RATES AND GENERAL SERVICES</b>	69,384,035	59,393,158	9,990,877	(6,227,437)
58,697,251	51,621,072	7,076,179	Community services	66,823,282	47,083,934	19,739,349	5,392,240
26,385	1,584,679	(1,558,294)	Subsidised services	17,399	1,782,811	(1,765,412)	(2,084,267)
2,567,886	11,795,727	(9,227,841)	Economic services	2,543,354	10,526,413	(7,983,060)	(9,535,410)
10,212,834	11,434,828	(1,221,995)	<b>TRADING SERVICES</b>	9,836,073	19,225,232	(9,389,159)	6,228,861
<b>71,504,356</b>	<b>76,436,307</b>	<b>(4,931,951)</b>	<b>TOTAL</b>	<b>79,220,107</b>	<b>78,618,390</b>	<b>601,717</b>	<b>1,424</b>
		-	Appropriations for the year (refer note 18)			1,386,156	
		(4,931,951)	NET SURPLUS (DEFICIT) FOR THE YEAR			1,987,873	
		(26,733,480)	Accumulated surplus beginning of the year			(31,665,431)	
		<b>(31,665,431)</b>	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			<b>(29,677,558)</b>	

## NKONKOBÉ MUNICIPALITY

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	2009 R	2008 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>7,598,392</b>	<b>1,259,965</b>
Cash utilised in operations	19	(72,472,674)	(40,174,525)
Investment income		9,328,498	5,994,594
(Increase) / Decrease in working capital	20	(12,063,221)	(13,825,232)
		(75,207,397)	(48,005,164)
Less: External interest paid		(632,971)	(639,922)
<b>Cash available from operations</b>		<b>(75,840,368)</b>	<b>(48,645,086)</b>
Net Proceeds on disposal of fixed assets		-	-
Cash contributions from the public and the State		83,438,760	49,905,051
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(110,017)</b>	<b>(2,031,045)</b>
Investment in fixed assets		(110,017)	(2,031,045)
<b>NETT CASH FLOW</b>		<b>7,488,376</b>	<b>(771,081)</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase / (Decrease) in long-term liabilities	21	(172,544)	(158,833)
Decrease / (Increase) in cash on hand	23	(3,540,762)	5,509,808
Decrease / (Increase) in external cash investments	22	(3,775,070)	(4,579,894)
<b>NETT CASH UTILISED</b>		<b>(7,488,376)</b>	<b>771,081</b>

# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	13,959,294	13,268,456
Dog Tax Fund	84,735	84,735
Loans Redemption Fund	643,453	643,453
Community Facilities	27,896	27,896
Other	5,997	5,997
	<u>14,721,375</u>	<u>14,030,537</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2. RESERVES</b>	<u>2,551,758</u>	<u>2,551,758</u>
<i>(Refer to Appendix A for more details)</i>		
<b>3. TRUST FUNDS</b>		
As detailed in Appendix A	<u>17,676,046</u>	<u>13,860,544</u>
All trust funds are back by investments held with various bank. <i>(Refer to Appendix A for more details)</i>		
<b>4. LONG-TERM LIABILITIES</b>		
DBSA - Capital Arrears Interest	3,614,204	3,098,598
Wesbank	541,173	1,229,323
Less: Short Term portion transferred to Current Liabilities	(4,154,063)	(3,851,771)
	<u>1,314</u>	<u>476,150</u>
<i>(Refer to Appendix B for more detail)</i>		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service and Other Deposits	<u>908,051</u>	<u>788,797</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	89,048,825	87,017,780
Capital expenditure during the year	110,017	2,031,045
<b>Total fixed assets</b>	<u>89,158,841</u>	<u>89,048,825</u>
Less: Loans redeemed and other capital receipts	<u>88,479,981</u>	<u>87,641,715</u>
	<u>678,860</u>	<u>1,407,110</u>
<i>(Refer to Appendix C for more details)</i>		
<b>7. INVESTMENTS</b>		
Project Investments	<u>17,676,047</u>	<u>13,860,543</u>
Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institution.		
Short-term Investments	<u>1,722,812</u>	<u>1,763,245</u>
Numerous First National Bank Accounts are being held as security to cover the municipalities bank overdraft.		

# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
<b>8. STOCK</b>		
Rate & General	41,824	124,060
Electricity Services	91,352	248,346
Fuel	42,141	3,930
	<u>175,318</u>	<u>376,337</u>
<b>9. ACCOUNTS RECEIVABLE</b>		
Current Debtors	73,719,674	54,867,568
Sundry Debtors	12,825,403	8,609,397
VAT Control	283,277	-
Less Provision for Bad debts	65,372,569	52,083,928
	<u>21,455,785</u>	<u>11,393,037</u>
<p>Consumer Debtors amounting to R 21,745,394 were taken over by the Amathole District Municipality on 1 July 2006. The Amathole District Municipality has subsequently handed the Consumer Debtors back over to the municipality pending a section 78 of the MSA Act 32 of 2000 analysis.</p>		
<b>10. CASH AND CASH EQUIVALENT</b>		
Floats	11,083	11,083
Bank Balances	-	-
	<u>11,083</u>	<u>11,083</u>
<b>11. PROVISIONS</b>		
Leave reserve	1,817,492	2,549,265
Performance Bonuses	-	227,735
	<u>1,817,492</u>	<u>2,777,000</u>
<b>12. CREDITORS</b>		
Trade Creditors	2,564,664	2,608,876
VAT Provision	11,292,232	10,592,709
VAT Control	-	1,112,288
Sundry Creditors	14,630,674	3,205,802
	<u>28,487,571</u>	<u>17,519,675</u>
<b>13. BANK OVERDRAFT</b>		
Nkonkobe Municipality	1,079,791	4,620,553
	<u>1,079,791</u>	<u>4,620,553</u>
<p>All Securities have been detailed in Note 7</p>		



# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
<b>14. ASSESSMENT RATES</b>		
Valuations on land and improvements are performed every four years. The last general valuation came into effect on 1 July 1994. The basic rate on land and improvements varied from area to area.		
	<b><u>Rates - LAND</u></b>	<b><u>Rates- buildings</u></b>
<b><u>Residential</u></b>		
Seymour	0.0250425	0.0220374
Fort Beaufort	0.0250425	0.0220374
Alice	0.0250425	0.0220374
Hogsback	0.0250425	0.0220374
Middledrift	0.0250425	0.0220374
<b><u>Government Properties, Schools, colleges, universities</u></b>		
Seymour	0.0236250	0.0246750
Fort Beaufort	0.0236250	0.0246750
Alice	0.0236250	0.0246750
Hogsback	0.0236250	0.0246750
Middledrift	0.0236250	0.0246750
<i>The following rebates were granted:</i>		
- State	20.00%	
- Pensioners	40.00%	
Actual Rateable Income	<u>9,669,414</u>	<u>9,069,039</u>
<b>15. MANAGERS AND OFFICIALS REMUNERATION</b>		
Mayor's allowance:	492,384	475,860
Speakers Allowance	458,091	387,476
Councillor's allowances:	<u>7,526,264</u>	<u>6,922,858</u>
	<u>8,476,739</u>	<u>7,786,194</u>
<b>Municipal Manager</b>	-	502,166
Total Earnings	-	441,381
Company Contributions	-	60,785
<b>Chief Financial Officer</b>	388,054	553,204
Total Earnings	327,210	500,245
Acting Allowance as Municipal Manager	21,996	
Company Contributions	38,848	52,959
<b>Other Senior Manager</b>	954,067	1,119,938
Total Earnings	820,051	1,014,072
Acting Allowance as Municipal Manager	36,479	
Company Contributions	97,537	105,866
<b>Total Remuneration</b>	<u>1,342,121</u>	<u>2,175,308</u>
As of 11 December 2007 Chief Financial Officer assumed the role of acting Municipal Manager. Numerous other senior staff members held acting managerial position during the current financial year. Mr KC Maneli was appointed during June 2009		
The municipalities employees cost spend as a percentage of total spend is: -	<b>37.7%</b>	<b>38.7%</b>
<b>16. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>311,189</u>	<u>1,047,754</u>

**NKONKOB MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009**

	<b>2009 R</b>	<b>2008 R</b>
<b>17. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	6,068,110	4,900,441
- Interest paid	632,971	639,922
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	632,971	639,922
- Interest paid on internal loans	10,660	13,457
- Redemption of external loans	688,150	601,961
- Redemption of internal loans	40,100	44,447
	<u>1,371,881</u>	<u>1,299,787</u>
<b>18. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	(31,665,431)	(26,733,480)
Operating surplus for the year	601,717	(4,931,951)
	<u>(31,063,713)</u>	<u>(31,665,431)</u>
Less: Appropriations for the year:	(1,386,156)	-
Opening Operating Bank Account Balance per VENUS	<u>(1,386,156)</u>	-
Accumulated surplus at the end of year	<u>(29,677,558)</u>	<u>(31,665,431)</u>
<b>Operating account</b>		
Capital expenditure	110,017	897,362
Contributions to:		
- Revolving Fund	680,178	731,973
- Audit Fee	-	-
- Doubtful debts	-	-
- Leave Reserve	(731,773)	(194,567)
	<u>58,422</u>	<u>1,434,768</u>
<b>19. CASH UTILISED IN OPERATIONS</b>		
<b>(Deficit) / Surplus for the year</b>	<b>601,717</b>	<b>(4,931,951)</b>
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	<b>1,386,156</b>	-
<u>Appropriations charged against income:</u>	<b>13,119,328</b>	<b>15,423,028</b>
- Revolving Fund	680,178	731,973
- Provisions	12,329,134	13,147,284
- Fixed Assets	110,017	1,543,770
Investment income (operating account)	<b>(7,703,634)</b>	<b>(5,994,594)</b>
<u>Capital charges</u>	<b>1,371,881</b>	1,742,914
Interest Paid on External Loans	632,971	1,083,050
Interest Paid on Internal Loans	10,660	13,457
Redemption on External Loans	688,150	601,961
Redemption on Internal Loans	40,100	44,447
Grants and Subsidies Received from the State	<b>(47,495,728)</b>	<b>(40,220,074)</b>
<u>Non Operating Expenditure</u>	<b>(33,752,394)</b>	<b>(4,893,706)</b>
- Expenditure charged against funds	(33,752,394)	(4,818,035)
- Expenditure charged against provisions	-	(75,671)
<u>Non Operating Income</u>	-	<b>(1,300,143)</b>
- Transfers to funds and reserves	-	(1,300,143)
	<u><b>(72,472,674)</b></u>	<u><b>(40,174,525)</b></u>

# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
<b>20. DECREASE/(INCREASE) IN WORKING CAPITAL</b>		
(Increase) / Decrease in Stock	201,019	(78,618)
(Increase) / Decrease in Debtors, Long Term Debtors	(23,351,389)	(14,856,760)
(Decrease) / Increase in Creditors, Consumer Deposits	11,087,149	1,110,146
	<u>(12,063,221)</u>	<u>(13,825,232)</u>
<b>21. (DECREASE) / INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	515,606	443,128
Loans repaid	(688,150)	(601,961)
	<u>(172,544)</u>	<u>(158,833)</u>
<b>22. DECREASE / (INCREASE) IN EXTERNAL CASH INVESTMENT</b>		
Investments Realised	(3,775,070)	(4,579,894)
Investments Made	-	-
	<u>(3,775,070)</u>	<u>-4,579,894</u>
<b>23. DECREASE / (INCREASE) IN CASH ON HAND</b>		
Cash balance at the beginning of the year	(4,609,470)	900,337
Less: Cash balance at end of year	(1,068,708)	(4,609,470)
	<u>(3,540,762)</u>	<u>5,509,808</u>
<b>24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
2008: - The municipality faces possible lawsuit of R10 million for defamation of character relating to housing projects.		
<b>25. POST BALANCE SHEET EVENTS</b>		
No further post balance sheet events have been identified		
<b>26. RETIREMENT BENEFITS</b>		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -		
	<u>Employee</u>	<u>Employer</u>
SAMWU Provident Fund	7.50%	18.00%
SALA	8.60%	20.70%
Cape Joint Pension Fund	9.00%	18.00%
VERSO	15.00%	0.00%
JEPF	7.50%	13.00%
<b>27. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure	<u>10,760,401</u>	<u>8,007,345</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	10,760,401	8,007,345
Other Sources	-	-
Provincial Government	<u>10,760,401</u>	<u>8,007,345</u>
	<u>10,760,401</u>	<u>8,007,345</u>
The above commitments are mainly funded by the Municipal Infrastructure Grants received.		

# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
<b>28. UNAUTHORISED EXPENDITURE</b>		
During the current year the following departments actual expenditure exceeded the budgeted expenditure: -		
Electricity	5,766,037	-
Financial Management - Administration	-	6,986,952
<b>29. IRREGULAR EXPENDITURE</b>		
The delegation framework policy is currently being developed, with the assistance of the Amathole District Municipalities Municipal Support Unit.		
<b>30. MUNICIPAL ENTITIES</b>		
The municipality currently has two municipal entities that fall under it: -		
- Nkonkobe Economic Development Agency		
- Masambe Trust		
<b>31. INTERGOVERNMENTAL ALLOCATIONS</b>		
Equitable Share	43,923,234	
Municipal Infrastructure Grant	8,056,000	
Finance Management Grant	1,235,000	
Primary Health Care	934,135	
<b>32. OTHER DISCLOSURES</b>		
SARS payments - PAYE Paid	4,779,163	
Pension and Provident Fund Paid	4,392,573	
Medical Aid Paid	1,725,182	
No further amount are due and payable.		

**NKONKOB MUNICIPALITY**

**STATUTORY FUNDS, RESERVES AND TRUST FUNDS - 30 June 2009**

	<b>Balance at 30 June 2008 R</b>	<b>Contributions during year R</b>	<b>Interest on Investments Net of Refunds R</b>	<b>Other Income / VAT Refunds R</b>	<b>Transfers during year R</b>	<b>Operating expenditure during year R</b>	<b>Capital expenditure during year R</b>	<b>Balance at 30 June 2009 R</b>
<b>STATUTORY FUNDS</b>								
Revolving Fund	13,268,456	680,178	10,660	-	-	-	-	13,959,294
Dog Tax Fund	84,735	-	-	-	-	-	-	84,735
Loans Redemption Fund	643,453	-	-	-	-	-	-	643,453
Community Facilities	27,896	-	-	-	-	-	-	27,896
Other	5,997	-	-	-	-	-	-	5,997
	<b>14,030,537</b>	<b>680,178</b>	<b>10,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,721,375</b>
<b>TRUST FUNDS</b>								
<b>Cash Backed Funds</b>								
13 Starter Homes	171,428	-	5,926	-	-	-	-	177,354
Alice CMIP	24,760	-	-	-	-	815	-	23,945
Alice Golf Area 1111	703,631	19,481,630	181,959	-	-	2,607	19,895,814	468,799
Alice Housing Project (Std Bank)	301,463	-	-	-	-	750	-	300,713
Alice Kuntselamanzi	39,307	-	3,011	-	-	41,611	-	706
Bhofolo Phase 2	1,104	-	-	-	-	361	-	743
Development	6,225	400,000	32,912	-	(402,800)	118,339	-	723,598
Erhoxeno Peoples Housing Project	208,041	-	20,221	-	-	360	-	227,902
Erhoxeno Peoples Housing Project (2)	24,261	-	1,668	-	-	684	-	25,245
Fishing Project	87,780	-	8,353	-	-	-	-	96,133
Fort Beaufort Golf Area 1177	191,216	-	17,269	-	-	25,657	-	182,828
Fort Beaufort Gomma Gomma	17,296	-	1,054	-	-	1,503	-	16,848
Fresh Produce Market	69,294	-	-	-	-	585	-	68,710
Human Settlement - Re-development Plan	2,505	-	17,115	-	(315,000)	2,566	-	332,054
Land Survey	618,438	-	59,573	-	-	-	-	678,011
Kwankobokobo Peoples Housing Project	149,081	-	14,486	-	-	360	-	163,208
McFarland Peoples Housing Project	157,308	-	15,287	-	-	360	-	172,235
McFarland Peoples Housing Project (2)	1,563	-	89	-	-	684	-	967
Middledrift Housing	18,324	-	1,507	-	-	-	-	19,830
Middledrift Infrastructure	44,715	-	-	-	-	863	-	43,852
Mpolweni Housing Development 2	73,547	-	6,325	-	-	8,999	-	70,873
MSP Funding	-	-	-	-	-	-	-	-
MSP Funding / Valuation Grant	589,313	-	45,482	-	(200,000)	833,041	-	1,754
NER Operating Account	1,016,970	-	69,057	-	-	149,576	-	936,450
Seymour Extension 6	147,388	6,770,403	69,855	-	-	1,400	6,582,375	403,870
Seymour Housing Project Number 2	-	-	-	-	-	-	-	-
MIG Funding	878,293	-	85,075	-	-	-	-	963,368
MIG Funding 2	7,129,052	8,056,000	792,273	-	402,800	5,777,492	-	9,797,033
Umsobomvu & FMG Trust Fund	1,188,242	1,235,000	176,366	-	515,000	305,590	-	1,779,018
	<b>13,860,544</b>	<b>35,943,032</b>	<b>1,624,864</b>	<b>-</b>	<b>-</b>	<b>7,274,205</b>	<b>26,478,189</b>	<b>17,676,046</b>
<b>RESERVES</b>								
Repairs and Renewals	591,831	-	-	-	-	-	-	591,831
Repairs and Maintenance	24,267	-	-	-	-	-	-	24,267
Plant and Stock	14,250	-	-	-	-	-	-	14,250
Maintenance and Renewal	147,839	-	-	-	-	-	-	147,839
Home Improvements	26,495	-	-	-	-	-	-	26,495
Loss of Rental	23,729	-	-	-	-	-	-	23,729
Rent Reserve	1,868	-	-	-	-	-	-	1,868
Abbattoir Reserve Fund	1,721,479	-	-	-	-	-	-	1,721,479
	<b>2,551,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,551,758</b>

APPENDIX A

# NKONKOB MUNICIPALITY

## EXTERNAL LOANS AND INTERNAL ADVANCES - 30 June 2009

	Rate	Termination	Balance at 30 June 2008 R	Received during the year R	Interest Capitalised R	Redeemed/ written off during year R	Balance at 30 June 2009 R
<b>EXTERNAL LOANS - Funding Fixed Assets</b>							
DBSA - Capital	11.0%	30-Sep-2014	-				-
DBSA - Capital Arrears Interest	11.0%	30-Sep-2014	-				-
DBSA - Capital Arrears Interest	16.0%	30-Sep-1998	3,098,598		515,606		3,614,204
Wesbank	9.5%	1-Feb-2010	715,298			410,319	304,978
Wesbank	9.5%	1-Mar-2010	503,426			273,502	229,924
Wesbank	9.5%	1-Sep-2010	10,599			4,328	6,270
			<u>4,327,921</u>	-	<u>515,606</u>	<u>688,150</u>	<u>4,155,377</u>
<b>INTERNAL LOANS</b>							
Loans outstanding	Various	Various	<u>177,787</u>	-	-	<u>40,100</u>	<u>137,687</u>

**APPENDIX B**

# NKONKOBÉ MUNICIPALITY

## ANALYSIS OF FIXED ASSETS - 30 June 2009

2008 Expenditure		Balance at 30 June 2008	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2009
R		R	R	R	R
1,932,363	<b>RATES AND GENERAL SERVICES</b>	54,997,500	101,669	-	55,099,169
<u>1,703,963</u>	<b>Community Services</b>	<u>50,854,029</u>	<u>90,796</u>	-	<u>50,944,825</u>
-	Administration - Housing	381,305			381,305
1,133,683	Buildings & Land	7,560,190			7,560,190
-	Town Treasure	1,887,347			1,887,347
-	Community Facilities	8,009,437			8,009,437
105,230	Furniture & Equipment	1,157,328	47,759		1,205,087
-	Council and CEO	1,751,616			1,751,616
-	Civil defence	111,966			111,966
-	Town Engineer	13,786,730	10,873		13,797,603
-	Traffic Services	882,567	4,304		886,871
465,050	Roads & Streetworks	14,620,902	27,500		14,648,402
-	Health Services	704,641	360		705,001
<u>28,900</u>	<b>Subsidised Services</b>	<u>1,593,743</u>	<u>10,873</u>	-	<u>1,604,616</u>
28,900	Parks and Recreation	1,363,346	10,873		1,374,219
-	Cemetery	127,286			127,286
-	Fire	48,792			48,792
-	Library Services	54,319			54,319
<u>199,500</u>	<b>Economic Services</b>	<u>2,549,728</u>	-	-	<u>2,549,728</u>
199,500	Refuse	679,358			679,358
-	Town Estate	1,806,742			1,806,742
-	Mining	63,628			63,628
-	<b>Housing Services</b>	<u>20,228,196</u>			<u>20,228,196</u>
<u>98,682</u>	<b>Trading Services</b>	<u>13,823,129</u>	<u>8,348</u>	-	<u>13,831,477</u>
-	Abattoir	430,193	-		430,193
98,682	Electricity	13,392,937	8,348		13,401,284
<u>2,031,045</u>	<b>TOTAL FIXED ASSETS</b>	<u>89,048,825</u>	<u>110,017</u>	-	<u>89,158,841</u>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<u>87,641,715</u>	<u>110,017</u>	<u>728,250</u>	<u>88,479,981</u>
	Contributions from Other Sources	11,057,797		728,250	11,786,046.99
	Contributions from operating income	16,055,600	110,017		16,165,616.32
	Grants and subsidies	60,528,318			60,528,317.98
	<b>NET FIXED ASSETS</b>	<u>1,407,110</u>	-	<u>(728,250)</u>	<u>678,860</u>

# NKONKOB MUNICIPALITY

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2009

2009 Actual R		2009 Actual R	2009 Budget R
<b>INCOME</b>			
40,220,074	Grants and subsidies	47,495,728	46,190,954
31,284,282	Operating income	31,724,379	54,213,845
9,069,039	Assessment Rates	9,669,414	12,604,022
10,211,919	Electricity Sales	9,835,535	15,770,687
4,900,441	Interest Received	6,068,110	3,451,376
7,102,883	Income from Tariffs, Service Charges etc	6,151,320	22,387,760
<b>71,504,356</b>	<b>Total income</b>	<b>79,220,107</b>	<b>100,404,799</b>
<b>EXPENDITURE</b>			
29,561,527	Salaries, wages and allowances	29,656,073	34,429,884
7,786,194	Councillor's Remuneration	8,352,102	7,480,262
6,208,608	Electricity Bulk Purchases	9,560,418	6,628,622
13,472,365	General expenditure	12,646,858	36,736,106
3,525,773	Repairs and maintenance	3,683,995	8,027,487
1,299,787	Capital charges	1,371,881	866,014
897,362	Contributions to fixed assets	110,017	-
13,684,691	Contributions to Funds	13,237,047	6,235,000
<b>76,436,307</b>	<b>Total Expenditure</b>	<b>78,618,390</b>	<b>100,403,375</b>

**APPENDIX D**



# NKONKOB MUNICIPALITY

## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income	2008 Actual expenditure	2008 Surplus/ (deficit)		2009 Actual income	2009 Actual expenditure	2009 Surplus/ (deficit)	2009 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
61,291,522	65,001,478	(3,709,956)	<b>RATES AND GENERAL SERVICES</b>	69,384,035	59,393,158	9,990,877	(6,227,437)
<b>58,697,251</b>	<b>51,621,072</b>	<b>7,076,179</b>	<b>Community services</b>	<b>66,823,282</b>	<b>47,083,934</b>	<b>19,739,349</b>	<b>5,392,240</b>
-	9,497,437	(9,497,437)	Council's General Expenses	-	9,754,130	(9,754,130)	(11,144,644)
2,416,695	2,493,655	(76,961)	Health	934,135	2,385,336	(1,451,201)	(717,959)
220,081	971,671	(751,590)	Municipal Manager	2,679	251,444	(248,764)	(1,186,312)
-	2,199,869	(2,199,869)	Fleet Administration	-	2,404,796	(2,404,796)	(2,579,389)
53,936,823	15,635,388	38,301,435	Financial Management - Administration	65,031,215	12,379,259	52,651,956	43,046,664
4,657	5,302,146	(5,297,488)	Public Works	1,440	4,945,710	(4,944,270)	(8,202,901)
-	2,580,753	(2,580,753)	Civil Protection	-	2,705,910	(2,705,910)	(2,944,125)
112,231	717,395	(605,164)	Traffic Control	84,491	592,603	(508,112)	(348,202)
-	765,346	(765,346)	Library	-	760,394	(760,394)	(855,987)
-	1,189,539	(1,189,539)	Strategic Planning & LED	-	1,021,861	(1,021,861)	(2,055,185)
1,878,216	534,678	1,343,538	Natis	687,641	567,664	119,978	2,834,425
-	-	-	A-Grade Testing	-	-	-	-
128,548	9,733,196	(9,604,648)	Administration & Human Resources	81,681	9,314,829	(9,233,148)	(10,454,145)
<b>26,385</b>	<b>1,584,679</b>	<b>(1,558,294)</b>	<b>Subsidised services</b>	<b>17,399</b>	<b>1,782,811</b>	<b>(1,765,412)</b>	<b>(2,084,267)</b>
26,385	1,584,679	(1,558,294)	Parks and Recreation	17,399	1,782,811	(1,765,412)	(2,084,267)
<b>2,567,886</b>	<b>11,795,727</b>	<b>(9,227,841)</b>	<b>Economic services</b>	<b>2,543,354</b>	<b>10,526,413</b>	<b>(7,983,060)</b>	<b>(9,535,410)</b>
2,567,886	11,795,727	(9,227,841)	Refuse	2,543,354	10,526,413	(7,983,060)	(9,535,410)
-	-	-	Sewerage	-	-	-	-
<b>10,212,834</b>	<b>11,434,828</b>	<b>(1,221,995)</b>	<b>TRADING SERVICES</b>	<b>9,836,073</b>	<b>19,225,232</b>	<b>(9,389,159)</b>	<b>6,228,861</b>
10,212,829	11,215,170	(1,002,341)	Electricity	9,836,073	19,039,031	(9,202,959)	6,527,687
4	219,658	(219,654)	Abattoir	-	186,201	(186,201)	(298,826)
<b>71,504,356</b>	<b>76,436,307</b>	<b>(4,931,951)</b>	<b>TOTAL</b>	<b>79,220,107</b>	<b>78,618,390</b>	<b>601,717</b>	<b>1,424</b>
		-	Appropriations for the year (refer to note 18)			1,386,156	
		<b>(4,931,951)</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>1,987,873</b>	
		(26,733,480)	Accumulated surplus beginning of the year			(31,665,431)	
		<b>(31,665,431)</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(29,677,558)</b>	

APPENDIX E

# NKONKOBÉ MUNICIPALITY

## APPENDIX F

### STATISTICAL INFORMATION

#### GENERAL STATISTICS

Population	<u><u>128,660</u></u>
Site valuations at	
- Residential	844
- Exempt	-
	<u><u>844</u></u>
Assessment rates:	
- All properties 2.086 cents in the rand	
- Pensioners can apply for a 40% rebate and Residents 20 % respectively	
- Churches exempt	
Number of residential properties	
Number of employees of local authority	
- Casual	67
- Permanent	244
- Council	41

#### ELECTRICITY STATISTICS

See below note

#### REFUSE

See below note

#### Note: -

The municipality does not have up to date statistical information. The municipality through the District Municipality is in the process of performing a update of its data base.