



PUBLISHED ANNUAL
FINANCIAL STATEMENTS

PAWK Roads

30 JUNE 2010



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GENERAL INFORMATION

EXECUTIVE MAYOR: L Dorfling
DEPUTY EXECUTIVE MAYOR: MF Stemmet
AUDITORS Auditor-General
BANKERS Absa Bank, George

REGISTERED OFFICE

York Street 12 P 0 Box 54
George George
6530 6530
Tel: (044) 803 1300

ACTING MUNICIPAL MANAGER

Mr MM Hoogbaard

CHIEF FINANCIAL OFFICER

Mr NB Delo

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 16 were approved by the Acting Municipal Manager, Mr MM Hoogbaard, and will be presented to and approved by Council on their next meeting.

Acting Municipal Manager
(Accounting Officer)

Chief Financial Officer

Date: _____

Date: _____

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Fourth edition –as amended).
- 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.
 - ◇ Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include the Rate and General services and the different funds and reserves. All inter departmental charges are set-off against each other.

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 life as determined by the Treasurer.
- 3.2 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.

4. Funds and Reserves

More information regarding funds and reserves are disclosed in the notes (1 and 2) and appendix A to the financial statements.

5. Retirement Benefits

Eden District Municipality and its employees contribute to the Cape Joint Pension Fund and Cape Joint Retirement Fund which provides retirement benefits to such employees.

6. Treatment of administration and other overhead expenses

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

7. Investments

Investments are invested per Circular No C15/1995 (AA26) dated 28 June 1995 issued by the Provincial Administration : Western Cape.

8. Income recognition

Income is represented by a subsidy received from Provincial Administration Western Cape, and by interest received.

9. 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.

10. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System 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.

11. 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.

12. Surpluses and Deficits

Surpluses and deficits pertaining to PGWC: Roads are carried over to the next financial year. On instruction of PGWC: Roads the surplus of one financial year is utilized to fund part of the budget for the next financial year. Deficits of one financial year are deducted from the budget of the next financial year. It is normally recovered from the first transfer payment of the next financial year.

PAWK: ROADS
BALANCE SHEET AS AT 30 JUNE 2010

CAPITAL EMPLOYED	Note	2009/2010 R	2008/2009 R
FUNDS AND RESERVES		-	-
Statutory funds		-	-
Reserves	1	-	-
ACCUMULATED SURPLUS/(DEFICIT)	2	(33 368 608)	(29 973 799)
		(33 368 608)	(29 973 799)
TRUST FUNDS	3	-	-
NON-CURRENT PROVISIONS			
		(33 368 608)	(29 973 800)
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	-	-
		-	-
NET CURRENT LIABILITIES		(33 368 608)	(29 973 800)
CURRENT ASSETS		14 147 837 ⁰	13 229 086
Trade & Other Receivables	6	323 492	141 435
Unspent Grants & Subsidies		39	-
Long-term Debtors	5	-	537
Loan account - Eden District Municipality		-	1 676 870
Cash & Cash Equivalents		13 824 307	11 410 245
NON-CURRENT LIABILITIES			
Eden District Municipality - Employee Benefits	7	(32 259 418)	(29 030 656)
CURRENT LIABILITIES		(15 257 027)	(14 172 230)
Provisions	8	2 134 748	1 802 628
Bank Overdraft		-	-
Trade Payables	9	11 025 787	10 323 718
Loan account - Eden District Municipality		7 000	-
Unspent Grants & Subsidies		-	-
Current Portion of Non-Current Liabilities		2 089 492	2 045 884
Vat	10	-	-
		(33 368 608)	(29 973 800)

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

2008/2009 Actual Income	2008/2009 Actual Expenditure	2008/2009 Actual Surplus/ (Deficit)		2009/2010 Actual Income	2009/2010 Actual Expenditure	2009/2010 Actual Surplus/ (Deficit)	2009/2010 Budget Surplus/ (Deficit)
89 731 235	89 571 691	159 545	RATES AND GENERAL SERVICES	101 571 891	104 871 199	(3 299 308)	(1 473 379)
89 731 235	89 571 691	159 545		101 571 891	104 871 199	(3 299 308)	(1 473 379)
89 731 235	89 571 691	159 545	TOTAL	101 571 891	104 871 199	(3 299 308)	(1 473 379)
		1 300	Appropriations for the year (refer to note 2)			(95 501)	
		160 845	Nett Surplus/(defecit) for the year			(3 394 809)	
		(30 134 644)	Accumulated surplus/(deficit) : beginning of the year			(29 973 799)	
		(29 973 799)	ACCUMULATED SURPLUS/(DEFECIT) END OF THE YEAR			(33 368 608)	

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
CASH GENERATED FROM OPERATING ACTIVITIES	(858 308)	10 748 597
Cash generated by operations	12 (3 962 873)	(714 840)
Investment income	11 568 065	875 684
Decrease/(Increase) in working capital	13 2 536 501	10 587 752
	(858 308)	10 748 597
Less: External interest paid	-	-
Cash available from operations	(858 308)	10 748 597
Cash contributions from the public and the state	-	-
CASH UTILISED IN INVESTING ACTIVITIES		
Investment in fixed assets	-	-
CASH UTILISED FROM FINANCING TRANSACTIONS		
Increase in Non-Current Liability	3 272 370	911 669
NET CASH FLOW	<u>2 414 063</u>	<u>11 660 266</u>
CASH EFFECTS OF FINANCING ACTIVITIES		
(Increase)/decrease in cash investments	15 -	-
(Increase)/decrease in cash at bank	14 (2 414 063)	(11 660 266)
NET CASH (GENERATED)/UTILISED	<u>(2 414 063)</u>	<u>(11 660 266)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1 RESERVES		
Operating Reserve 2004 <i>(Refer to Appendix A for more details)</i>	-	-
2 ACCUMULATED SURPLUS / (DEFICIT)		
<i>Appropriation account :</i>		
Accumulated surplus/(deficit) at the beginning of the year	(29 973 799)	(30 134 644)
Operating surplus/(deficit) for the year	(3 299 308)	159 545
Appropriations for the year :	(95 501)	1 300
- Prior year adjustments	(95 501)	1 300
Accumulated deficit at the end of the year	(33 368 608)	(29 973 799)
<i>Operating account :</i>		
Capital expenditure	-	-
3 TRUST FUNDS		
Goukou - Structure Plan	-	-
Resurfacing	-	-
Reseal 04/05	-	-
Kerwelsvlei - Minor Road	-	-
Vicbay Beach Fund	-	159 545
Ballotsbay Resort	-	-
Disaster Fund	-	-
Vicbay Jetty	-	-
Resealing of Trunk Road 2/12	-	-
Repair ARMCO Gravelroad 83/1	-	-
GP83 Armco	-	-
AP1297 Slangriver	-	-
MR 363 Repair ARMCO	-	-
MR 369 Repair ARMCO	-	-
MR 342 Repair ARMCO	-	-
Div Roads 1316/1576/1577	-	-
	-	159 545
<i>(Refer to Appendix A for more details)</i>		
4 FIXED ASSETS		
Fixed assets at the beginning of the year	3 051 400	3 051 400
Capital expenditure during the year	-	-
Less: Assets written off, transferred or disposed of during the year	-	-
Total fixed assets	3 051 400	3 051 400
Less: Loans redeemed and other capital receipts	3 051 400	3 051 400
Net fixed assets	-	-
5 LONG-TERM DEBTORS		
Vehicle Loans	-	537
Loans for personal computers	-	537
Less: Short-term portion of long-term debtors transferred to current assets	-	537
	-	-
6 TRADE & OTHER RECEIVABLES		
Suspense accounts	202 583	104 674
Plant Account	-	-
Other debtors	120 908	36 761
	323 492	141 435
7 EDEN DISTRICT MUNICIPALITY - EMPLOYEE BENEFITS		
	2010 R	2009 R
Eden District Municipality - Employment Benefit Provisions on Behalf of Department of Transport		
Roads - Provision for Post Employment Health Care Benefits	30 477 813	28 078 743
Roads - Provision for Ex-Gratia Pension Benefits	1 193 785	1 302 980
Roads - Provision for Long Service Leave Awards	2 677 312	1 694 817
	34 348 910	31 076 540
Less Short Term Portion Transferred to Current Provisions	(2 089 492)	(2 045 884)
Roads - Provision for Post Employment Health Care Benefits	1 638 768	1 730 770
Roads - Provision for Ex-Gratia Pension Benefits	170 948	177 201
Roads - Provision for Long Service Leave Awards	279 776	137 913
Total Employee Benefit Provisions	32 259 418	29 030 656

7 NON-CURRENT LIABILITIES (Continued)

	2010 R	2009 R
Reconciliation of present value of fund obligation:		
<i>Provision for Post Employment Health Care Benefits:</i>		
Present value of fund obligation at beginning of year	28 078 743	27 148 062
Current service cost	981 061	834 186
Interest Cost	2 512 042	2 899 320
Benefits Paid	<u>(1 730 770)</u>	<u>(1 437 055)</u>
Total expenses	29 841 076	29 444 513
Actuarial (gains) / losses	636 737	(1 365 770)
Present value of fund obligation at the end of the year	<u>30 477 813</u>	<u>28 078 743</u>
<i>Provision for Ex-Gratia Pension Benefits:</i>		
Present value of fund obligation at beginning of year	1 302 980	1 103 805
Current service cost	-	-
Interest Cost	105 894	116 351
Benefits Paid	<u>(177 201)</u>	<u>(155 568)</u>
Total expenses	1 231 673	1 064 588
Actuarial (gains) / losses	<u>(37 888)</u>	<u>238 392</u>
Present value of fund obligation at the end of the year	<u>1 193 785</u>	<u>1 302 980</u>
<i>Provision for Long Service Leave Awards</i>		
Present value of fund obligation at beginning of year	1 694 816	1 913 003
Current service cost	236 721	384 957
Interest Cost	148 738	201 751
Benefits Paid	<u>(137 913)</u>	<u>(153 121)</u>
Total expenses	1 942 362	2 346 590
Actuarial (gains) / losses	<u>734 950</u>	<u>(651 774)</u>
Present value of fund obligation at the end of the year	<u>2 677 312</u>	<u>1 694 816</u>

8 PROVISIONS

Performance Bonuses	11 161	121 111
Auditor General	-	-
Staff Leave	2 123 587	1 681 517
Long Service	-	-
	<u>2 134 748</u>	<u>1 802 628</u>

9 TRADE PAYABLES

	2010 R	2009 R
Sundry creditors	1 326 981	956 050
Debtors with credit balances	18 989	1 510 259
Payments in Advance	9 089 789	7 667 169
Suspense accounts	90 070	190 240
Shortfall on Pensionfund	499 958	-
Plant Account	-	-
	<u>11 025 787</u>	<u>10 323 718</u>

10 VAT

Vat payable	-	-
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11 FINANCE TRANSACTIONS

Total external interest earned or paid		
- Interest earned	<u>568 065</u>	<u>875 684</u>
- Interest paid	-	-

12 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year	(3 299 308)	159 545
Adjustments in respect of :		
Previous years operating transactions	(95 501)	1 300
Appropriations charged against income	-	-
* Provisions and reserves	-	-
* Fixed assets	-	-
Capital charges	-	-
* Interest paid:		
- on external loans	-	-
* Redemption:		
- of external loans	-	-
* Deferred charges written off	-	-
Investment income (operating account)	(568 065)	(875 684)
Non-operating expenditure:		
Charged against Provisions and Reserves	-	-
	<u>(3 962 873)</u>	<u>(714 840)</u>

13 (INCREASE)/DECREASE IN WORKING CAPITAL

Decrease/(Increase) in debtors, long term debtors	1 495 312	1 993 414
Increase/(Decrease) in creditors, consumer deposits	1 041 189	8 594 338
	<u>2 536 501</u>	<u>10 587 752</u>

14 (INCREASE)/DECREASE CASH AND CASH EQUIVALENTS

Cash balance at the beginning of the year	11 410 245	(250 020)
Less: Cash balance at the end of the year	13 824 307	11 410 245
	<u>(2 414 063)</u>	<u>(11 660 266)</u>

15 (INCREASE)/DECREASE IN CASH INVESTMENTS

Investments made	-	-
Investments realised	-	-
	<u>-</u>	<u>-</u>

16 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

16.1 Contributions to organized local government

	2010 R	2009 R
Opening balance	(1 192)	-
Amount paid - current year	34 243	23 814
Amount paid - previous years	(33 051)	(25 006)
Balance unpaid (included in creditors)	<u>-</u>	<u>(1 192)</u>

The contribution to SALGA was paid by Eden District Municipality and includes the contribution for the Roads Agency Function. It was financed out of the administration levy received by Eden District Municipality.

16.2 Audit fees

Opening balance	-	-
Current year audit fee	-	-
Amount paid - current year	-	(866)
Amount paid - previous years	-	-
	<u>-</u>	<u>(866)</u>

16.3 VAT

Vat inputs receivable and Vat outputs payable are shown in note 9. All Vat returns have been submitted by the due date throughout the year.

16.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	3 622 436	4 507 387
Amount paid - current year	(3 622 436)	(4 507 387)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

16.5 Pension and Medical Aid Deductions

Opening balance	66 834	64 290
Current year payroll deductions and Council Contributions	12 936 175	10 533 859
Amount paid - current year	(13 039 482)	(10 531 315)
Amount paid - previous years	-	-
Balance outstanding (included in debtors)	<u>(36 473)</u>	<u>66 834</u>

The balance represents amounts due to us by pensioners regarding their medical contributions. Invoices for the outstanding amounts were issued by the Municipality.

16.6 Non-compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy.

**APPENDIX A:
STATUTORY FUNDS, RESERVES AND PROVISIONS
FOR THE YEAR ENDED 30 JUNE 2010**

	Balance at 30 June 2009	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30 June 2010
RESERVES						
Operating Reserve 2004	-	-	-	-	-	-
TRUST FUNDS						
Goukou - Structure Plan	-	-	-	-	-	-
Resurfacing	-	-	-	-	-	-
Reseal 04/05	-	-	-	-	-	-
Kerwelsvlei - Minor Road	-	-	-	-	-	-
Vicbay Beach Fund	-	-	-	-	-	-
Ballotsbay Resort	-	-	-	-	-	-
Disaster Fund	-	-	-	-	-	-
Vicbay Jetty	-	-	-	-	-	-
Resealing of Trunk Road 2/12	-	-	-	-	-	-
Repair ARMCO Gravelroad 83/1	-	-	-	-	-	-
GP83 Armco	-	-	-	-	-	-
AP1297 Slangriver	-	-	-	-	-	-
MR 363 Repair ARMCO	-	-	-	-	-	-
MR 369 Repair ARMCO	-	-	-	-	-	-
MR 342 Repair ARMCO	-	-	-	-	-	-
Div Roads 1316/1576/1577	-	-	-	-	-	-
	-	-	-	-	-	-

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**APPENDIX C:
ANALYSIS OF FIXED ASSETS
FOR THE YEAR ENDED 30 JUNE 2010**

Expenditure 2008/09	Asset	Budget 2009/10	Balance at 30 June 2009	Expenditure 2009/2010	Written off, Transferred or Disposed	Balance at 30 June 2010
0	Rates and General	-	3 051 400	-	-	3 051 400
0	Roads Expenditure	-	3 051 400	-	-	3 051 400
0	Total Fixed Assets	-	3 051 400	-	-	3 051 400
	LESS : Loans Redeemed and Other Capital Receipts		3 051 400	-	-	3 051 400
	Loans Redeemed		-	-	-	-
	Contribution from Current Income		3 051 400	-	-	3 051 400
	Donations and subsidies		-	-	-	-
	NETT FIXED ASSETS		-	-	-	-

**APPENDIX D:
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2010**

Actual 2008/2009		Actual 2009/2010
	INCOME	
85 305 373	Government and Provincial Grants and Subsidies	98 211 317
-	Advances Plant Account	-
1 779 152	Actuarial Gain	37 888
2 646 710	Other Income	3 322 686
89 731 235		101 571 891
	Expenditure	
36 547 096	Employee related costs	44 830 267
2 690 821	Increase in Provision for Non-Current Liabilities	1 938 571
-	Actuarial Loss	1 371 687
8 128	Plant Hire	7 057
27 538 592	Material	36 366 794
-	Allocation Indirect Account	-
145 196	Contracts	173 478
19 886 072	General Expenses	17 256 275
2 197 334	Repair and Maintenance costs	2 629 405
558 452	Contributions to Capital	297 666
89 571 691	Net Expenditure	104 871 199

**APPENDIX E:
DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2010**

2008/2009 Actual Income	2008/2009 Actual Expenditure	2008/2009 Actual Surplus/ (Deficit)		2009/2010 Actual Income	2009/2010 Actual Expenditure	2009/2010 Actual Surplus/ (Deficit)	2009/2010 Budget Surplus/ (Deficit)
89 731 235	89 571 691	159 545	RATES AND GENERAL SERVICES	101 571 891	104 871 199	(3 299 308)	(1 473 379)
89 731 235	89 571 691	159 545		101 571 891	104 871 199	(3 299 308)	(1 473 379)
88 384 934	60 948 992	27 435 942	Normal Repair & Maintenance	100 906 927	51 530 245	49 376 681	61 119 921
-	15 270 200	(15 270 200)	Emergency Expenses	-	48 916 013	(48 916 013)	(59 498 600)
-	8 344 193	(8 344 193)	Re-Surfacing	-	69 345	(69 345)	-
-	-	-	Fencing	-	-	-	(590 000)
-	-	-	Construction, Re-construction & Improvements	-	-	-	-
292 327	1 171 301	(878 974)	Road Signs	-	819 663	(819 663)	(850 000)
-	3 369 980	(3 369 980)	Minor Roads	-	3 170 632	(3 170 632)	(1 500 000)
-	-	-	Main Roads	-	-	-	-
178 290	-	178 290	Traffic Fines	96 900	-	96 900	180 300
-	-	-	Routine maintenance	-	-	-	-
875 684	-	875 684	Interest received	568 065	-	568 065	15 000
-	-	-	Interest on Overdraft	-	-	-	-
-	-	-	Contributions	-	-	-	-
-	-	-	Advances Plant Account	-	-	-	-
-	467 025	(467 025)	Approved Capital Projects	-	365 301	(365 301)	(350 000)
89 731 235	89 571 691	159 545	TOTAL	101 571 891	104 871 199	(3 299 308)	(1 473 379)
		1 300	Appropriations for the year			(95 501)	
		160 845	Net surplus for the year			(3 394 809)	
		(30 134 644)	Accumulated surplus/(deficit) : beginning of the year			(29 973 799)	
		(29 973 799)	ACCUMULATED DEFICIT: END OF THE YEAR			(33 368 608)	