

# INTSIKA YETHU MUNICIPALITY

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### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on page 1 - 24 were approved by the

Municipal Manager

\_\_\_\_\_  
Mr Z. Shasha  
**Municipal Manager**

DATE : \_\_\_\_\_

\_\_\_\_\_  
Mr Landingwe  
**Acting Chief Financial Officer**

DATE : \_\_\_\_\_

**INTSIKA YETHU LOCAL MUNICIPALITY  
GENERAL INFORMATION**

**MEMBERS OF THE EXECUTIVE COMMITTEE**

MAYOR : **SD Plata**

Councillor : **WN Mdwayingana**      *Local Economic Development and Tourism - Chairperson*

Councillor : **Z Mbotoloshi**      *Infrastructure Development - Chairperson*

Councillor : **Y Gasa**      *Corporate services - Chairperson*

Councillor : **K Makapela**      *Finance - Chairperson*

Councillor : **N Nkota**      *Special Programmes - Chairperson*

Councillor : **N Boyana**      *Social Needs - Chairperson*

Councillor : **K Vimbayo**

**GRADING OF THE LOCAL AUTHORITY**

*Grade 3*

**AUDITORS**

*Auditor General - Eastern Cape*

**BANKERS**

*First National Bank*

**REGISTERED OFFICE**

*P/ BAG X 1251  
COFIMVABA  
5380*

*Telephone : 047 874 5211  
Fascimile : 047 874 0385*

**MUNICIPAL MANAGER**

*Mr Z Shasha*

**ACTING CHIEF FINANCIAL OFFICER**

*Mr Landingwe*

**INTSIKA YETHU LOCAL MUNICIPALITY  
GENERAL INFORMATION (Continued)**

**OTHER COUNCILLORS**

Speaker :	<b>M Sokujika</b>	<i>Speaker of the Council</i>	
Councillor :	<b>L N Ntshanka</b>		Councillor : <b>M Mkhumbuzi</b>
Councillor :	<b>S N Bizana</b>		Councillor : <b>B Mbonoswa</b>
Councillor :	<b>F N Dangazela</b>		Councillor : <b>M S Mfanyana</b>
Councillor :	<b>V G Matomela</b>		Councillor : <b>L Mbabisa</b>
Councillor :	<b>J Mdekazi</b>		Councillor : <b>N Tayitile</b>
Councillor :	<b>D Wakeni</b>		Councillor : <b>M Yamile</b>
Councillor :	<b>N Mteli</b>		Councillor : <b>N E Stata</b>
Councillor :	<b>M Yotsi</b>		Councillor : <b>N Tukwayo</b>
Councillor :	<b>J Peter</b>		Councillor : <b>N Berana</b>
Councillor :	<b>M G Ntshinka</b>		Councillor : <b>M Mahali</b>
Councillor :	<b>N M Rigala</b>		Councillor : <b>G Kuse</b>
Councillor :	<b>C S Voloki</b>		Councillor : <b>S Tame</b>
Councillor :	<b>N Tsomo</b>		Councillor : <b>M Shungu</b>
Councillor :	<b>N Mbebe</b>		Councillor : <b>P Nqandela</b>
Councillor :	<b>M H Hewu</b>		Councillor : <b>M Kolofane</b>
Councillor :	<b>N Magaga</b>		Councillor : <b>S Myataza</b>
Councillor :	<b>M Papiyana</b>		Councillor : <b>D Kaspile</b>
Councillor :	<b>Z Qayiya</b>		Councillor : <b>Z Jabanga</b>
Councillor :	<b>F N Dyushu</b>		

## INTSIKA YETHU LOCAL MUNICIPALITY FORWARD

*Intsika Yethu Local Municipality continued to manage the municipal resources in line with Municipal Financial Management Act prescripts. The financial year was characterised by new developments within the municipality in as far as developmental agenda is concerned.*

*The Council continued with its function to promote the interest of its consumers, residents and ratepayers by providing safe and excellent working environment. The municipality has made some initiatives noticeable to the communities through departments like Local Economic Development (LED), Community Services and Infrastructure, Planning Development Department. LED has coordinated the development of Intsika Yethu Hawker Stalls with the amount of R 2,5million. The department continued with other projects such as live stock improvement.*

*A Landfill site was constructed in Cofimvaba town with the substation constructed in Tsomo town with an amount of R 4,8 million set aside for the project. The project had good spin-off for the local economy as community of both towns benefited. Funds from MIG and Equitable Share funds were utilised to address the issue of access roads. Access roads in wards at a total cost amounting to R 10 million.*

*On the governance issues our municipality functioned well and the council and its committees sat throughout the year under the review and the compliance with the governance imperatives were being ensured as much as possible. The municipality continued to attend the previous financial year challenges and they were attended to as a way to put the municipality in good position and to deliver to our community better than before.*

*As the Council we are also required to interact with the community, Imbizo'z were held at all wards to take concerns of the communities during the Budget and IDP processes which were all a success as the municipality has information as to what our communities need and took note of that service delivery is going at the acceptable pace and we meet our target timeframes. It shows in our SDBIP and notes all our shortfalls so we can take decisive action.*

*Lastly let me extend word of appreciation to the community at large for having used their right to go and vote and elect the leaders of the country. I would also like to thank our employees who work tirelessly to ensure service delivery takes place within the required timeframes and the lives of the people are improved for the better and ensuring sound administration is maintained and improved over time. I also need to thank the Councilors and Exco members in making sure that they were accessible to the people and address their needs, to promote healthy relationship with traditional leaders to update them with latest developments and other government programmes are ushered to them.*

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SD Plata

**MAYOR AND CHAIRMAN OF THE  
EXECUTIVE COMMITTEE**

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Date

## INTSIKA YETHU LOCAL MUNICIPALITY TREASURER'S REPORT

### 1) INTRODUCTION

Appropriate legislation was complied with in order to provide statements for the year ending 30 June 2009. To the best of my knowledge, these financial statements are a fair presentation of the Council at the above mentioned date and the results of its operation for the year then ended.

### 2) OPERATING RESULTS

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

<b>INCOME</b>	<b>Actual 2008/09 R</b>	<b>Actual 2007/08 R</b>	<b>Variance Actual 07/08 VS Actual 08/09 %</b>	<b>Budget 2007/08 R</b>	<b>Variance Actual/ Budget %</b>
Accumulated deficit brought forward	37,471,253	53,934,933	-30.53%	-	100.00%
Operating Income for the Year	72,405,992	58,990,297	22.74%	84,508,593	-43.26%
	<b>109,877,245</b>	<b>112,925,230</b>	<b>-2.70%</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE</b>					
Appropriation for the year	6,718,802	2,169,615	209.68%	-	100.00%
Operating Expenditure	79,949,865	77,623,592	3.00%	84,508,593	-8.87%
	<b>86,668,666</b>	<b>79,793,207</b>	<b>8.62%</b>	<b>-</b>	<b>-</b>
Adjustment					
(Deficit)/ Surplus at year end	<b>36,646,181</b>	<b>37,471,253</b>	<b>-2.20%</b>	<b>-</b>	<b>-100.00%</b>

**INTSIKA YETHU LOCAL MUNICIPALITY  
TREASURER'S REPORT**

**2.1) RATE AND GENERAL SERVICES**

	Actual 2008/09	Actual 2007/08	Variance Actual Increase/ Decrease	Budget 2008/09	Variance Actual/ Budget
	R	R	%	R	%
Income	72,405,992	58,990,297	22.74%	84,508,593	<b>-15%</b>
Expenditure	79,949,865	77,623,592	3.00%	84,508,593	<b>-8.87</b>
(Deficit) / Surplus	(7,543,873)	(18,633,295)	-59.51%	-	<b>-100.00</b>
Surplus (Deficit) as % of Total Income	<b>-10.42%</b>	<b>-31.59%</b>	<b>-67.02%</b>	<b>0.00%</b>	

**INTSIKA YETHU LOCAL MUNICIPALITY  
TREASURER'S REPORT**

**3) CAPITAL EXPENDITURE AND FINANCING**

	Actual 2008/09 R	Budget 2008/09 R	Actual 2007/2008
<b><u>Capital Expenditure</u></b>			
Land and buildings	2,431,833	100,000	1,703,953
Infrastructure Assets	10,368,758	10,130,520	6,798,062
Community Assets	6,851,019	6,833,031	4,727,341
Other Assets	-	1,100,000	5,923,400
	<b>19,651,610</b>	<b>18,163,551</b>	<b>19,152,756</b>
<b><u>Financing of Fixed Assets</u></b>			
Contribution from Current Income		1,100,000	5,923,400
Loans redeemed	1,120,475	-	-
Grants and Subsidies	18,531,135	17,063,551	13,229,356
Net assets	<b>19,651,610</b>	<b>18,163,551</b>	<b>19,152,756</b>

The significant increase in expenditure on capital projects during the year results from our objectives to accelerate the delivery of basic services and construction of infrastructure.

## INTSIKA YETHU LOCAL MUNICIPALITY TREASURER'S REPORT

#### 4) **EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding as at 30 June 2009 amount to R3 872 962.42 (nil in 2007/2008) as set out in appendix B. During the year the loan of R3 872 962.42 was received from DBSA for the tarring and paving of roads. This was applied for when the municipality were short of funds. Interest was incurred at a rate 5% per annum during the period and amount to R80,035. This was capitalised to the loan.

Investments and cash amounted to R26,982,552 at 30 June 2009 (30 June 2008: R 28 495 225).

	2009	2008
	<b>R</b>	<b>R</b>
Δ Bank and Cash	24,458,518	9,645,101
Δ Short term investments	2,315,039	19,040,518
Δ Long term investments	208,995	150,000
	<u>26,982,552</u>	<u>28,835,619</u>

More information regarding investments is disclosed in notes 5 to the Annual Financial Statements.

#### 5) **FUNDS AND RESERVES**

The Revolving Fund has increased from R580,105 to R880,643

More information regarding funds and reserves is disclosed in notes 1, 5 and appendix A to the annual financial statements.

#### **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year.

\_\_\_\_\_  
**Mr Landingwe**  
**Acting Chief Financial Officer**

DATE : \_\_\_\_\_



## **REPORT OF THE AUDIT COMMITTEE**

For the year ended 30 June 2009.

### **Report of the Audit Committee (AC) issued in terms of the Municipal Finance Management Act NO. 56 of 2003 (MFMA).**

The AC is pleased to present our report for the financial year ended 30 June 2009.

#### **Audit Committee Members and Attendance of Meetings**

The AC consists of the members listed hereunder and meets at least four (4) times per annum as per its terms of reference. During the reporting period six (6) meetings were held. During the year Mr. J. Emslie resigned and was replaced by Ms. Zoleka Madikazi.

Details of meetings attended during the year then ended are:

<b>NAME</b>	<b>NO OF MEETINGS ATTENDED</b>
Mr. A. Yeboah (Chairperson)	6
Mrs. T. Putzier	6
Mr. J. Emslie (resigned)	2
Ms. Z. Madikazi (replaced Mr. Emslie)	0

#### **AC Responsibilities**

The AC's role is to assist the Municipality in attending to matters affecting both Internal and External Auditing. It strives to achieve this by operating within the AC Charter which was adopted by the Committee.

The AC continued its highly valued professional relationship with the Office of the Auditor General and the committee wishes to acknowledge the value it attaches to the Auditor General's recommendations.

#### **Internal Control Issues**

Good corporate governance principles dictate that risks and deficiencies identified and reported should be timeously addressed.

In view thereof Management addressed risk management identification by engaging an external expert in risk management.

However, the AC was not invited by management to attend the risk assessment workshop. We have however, agreed that the AC will be invited in subsequent risk assessment workshops.

### **The Effectiveness of Internal Control**

The AC could not satisfy itself with the systems description of the Municipality and its enterprises in order to enhance adherence to internal controls and a systematic workflow. The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

In line with the MFMA and the King II Report on Corporate Governance, the internal Audit function provides Management and the AC with assurance that the internal controls are appropriate and effective. This is achieved by means of risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

However, where necessity dictates, the AC relied on the District Municipality's internal audit to perform certain functions.

### **Capacity Issues Noted**

The AC has noted persistent capacity problems facing the Municipality especially in Internal Audit and Finance Directorate. This has affected the preparation of the annual financial statements and service delivery in general. In an attempt to address capacity in the internal audit, the AC recommended an establishment of Internal Audit Unit within the municipality.

### **Evaluation of Annual Financial Statements**

The AC has:

- Reviewed and discussed the audited annual financial statements included in the annual report with the Office of the Auditor General and the Accounting Officer;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the action plans drawn by management to address various deficiencies in the annual financial statements.

The AC agrees and accepts the Office of the Auditor General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report.

A. Yeboah

.....  
Chairperson of Audit Committee



# INTSIKA YETHU LOCAL MUNICIPALITY

## ACCOUNTING POLICIES

### **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 Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure.  
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.  
Fundamental errors identified have been adjusted for and prior year restated where applicable
- 1.3 The Financial Statements are prepared on the accrual basis as stated :  
- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and business Licenses.  
- Expenditure is accrued in the year that it is incurred.
- 1.4 The Financial Statements are prepared on the going concern basis as stated.  
This means the municipality anticipates carrying on its business for the foreseeable future  
It is noted that the municipality relies heavily on grants for its income ( On average over 90%.)  
If grant income was not received, the going concern assumption is not likely to be appropriate.  
The existence and adequacy of the allocation of Grants and Subsidies for the following financial year has been confirmed per the Division of Revenue Act.

#### **2) CONSOLIDATION**

The Financial Statements includes Rate and General Services, different funds, Reserves and Provisions. All inter departmental charges if any, are set-off against each other, with the exception of Assessment Rates and Refuse Removal 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 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.

## INTSIKA YETHU MUNICIPALITY ACCOUNTING POLICIES

### 3.2 *Depreciation*

The balance shown against the heading "loans redeemed and other capital receipts" in the notes to the balance sheet 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 various Council funds, assets may also be acquired through:

3.2.1 Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and it is therefore unnecessary to make any further provision for depreciation.

3.2.2 External contributions, grants and subsidies, where the amount representing the value received is immediately credited to the "loans redeemed and other capital receipts" account.

3.3 All proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited either to the relevant department in which the asset was purchased or to the Capital Development Fund.

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

## 4) **FUNDS AND RESERVES**

### 4.1 *STATUTORY FUNDS*

The Revolving Fund Ordinance No. 20 of 1974 requires a minimum contribution of seven and a half percent of the product of assessment rates in respect of the Financial Year immediately preceding the Financial Year for which such contribution is required to be made.

### 4.2 *RESERVES*

Reserve Funds are utilised for purposes for which the reserve is formulated by council. Contributions are made from the operating account and in certain instances according to the policy of the Department of Local Government and Housing.

### 4.3 *TRUST FUNDS*

Funds are paid to the Council for specific purposes and consists of Grants and Subsidies from the public or higher Authorities.

### 4.4 *PROJECT FUNDS*

Project funds are representative of external funding received in the past and set aside for pre- identified individual projects or a pre-defined general nature of intervention.

## INTSIKA YETHU LOCAL MUNICIPALITY ACCOUNTING POLICIES

### 5) **RETIREMENT BENEFITS**

It is the policy of the municipality to provide retirement benefits for its personnel. Current contributions are charged against the operating account at the rate of a fixed rate of the basic salary paid to employees.

### 6) **SURPLUSES AND DEFICITS**

Accumulated surpluses reflect the residual of revenue against the sum of operating and capital expenditure reduced by any appropriations.

### 7) **INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

### 8) **INVENTORIES**

No stock is kept. Purchases are debited directly to the expense account.

### 9) **INCOME RECOGNITION**

#### 9.1 *Assessment Rates*

Assessment Rates are levied at the same tariff for the land and improvements. Rebates are granted to state bodies. Income is recognised when the annual and monthly levies are done at the beginning of the month.

#### 9.2 *Refuse and other income*

Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

#### 9.3 *Government and other related grants*

Government and other related grants are recognised as revenue on an accrual basis and in accordance with the funding institution's annual disbursement plan as they relate to municipal statutory annual reporting period.

### 10) **PROVISIONS**

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 11) **LEASES**

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 subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	2008/2009 Actual income	2008/2009 Actual expenditure	2008/2009 Restated Actual Surplus/(Deficit)	2007/2008 Actual income	2007/2008 Actual expenditure	2007/2008 Restated Actual Surplus/(Deficit)	2007/2008 Budgeted Surplus/(Deficit)
	R	R	R	R	R	R	R
<b>RATE AND GENERAL SERVICES</b>	72,405,991	79,949,865	(7,543,874)	(58,990,297)	77,623,592	18,633,295	-
Community Services	3,879,490	13,940,447	(10,060,957)	(9,478,765)	18,501,777	9,023,012	1,858,604
Accounting Officer	-	2,809,057	(2,809,057)	-	-	-	-
Budget and Treasury	67,408,356	13,706,743	53,701,613	(42,099,246)	24,930,166	(17,169,080)	-
Corporate Services	-	7,172,523	(7,172,523)	(200,000)	4,170,075	3,970,075	-
Council	-	16,092,202	(16,092,202)	(100,000)	9,942,266	9,842,266	-
Technical Services	770,167	26,079,771	(25,309,604)	(6,026,994)	20,079,308	14,052,314	-
Procurement	-	149,122	(149,122)	-	-	-	-
Economic Services	347,979	-	347,979	(1,085,292)	-	(1,085,292)	(1,858,604)
<b>TOTAL</b>	<b>72,405,991</b>	<b>79,949,865</b>	<b>(7,543,874)</b>	<b>(58,990,297)</b>	<b>77,623,592</b>	<b>(18,633,295)</b>	<b>-</b>
Appropriation for this year (Refer working papers)			6,718,802			2,169,615	
Net (deficit)/ Surplus for the year			(7,543,874)			(18,633,295)	
Accumulated Surplus beginning of the year			37,471,253			53,934,933	
<b>ACCUMULATED SURPLUS AT END OF THE YEAR</b>			<b>36,646,181</b>			<b>37,471,253</b>	

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

	Note	2009	2008
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>(54,069,255)</b>	<b>(18,770,078)</b>
Cash generated by operations	15	(54,225,575)	(20,957,295)
Investment income		2,514,716	4,129,641
(Increase)/ decrease in working capital	16	(2,358,395)	(1,942,424)
<b>CASH AVAILABLE FROM OPERATIONS</b>		<b>(54,069,255)</b>	<b>(18,770,078)</b>
Cash Contributions from the Public and State		67,658,106	43,449,317
Net Proceeds on Disposal of Fixed Assets		82,751	-
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>13,671,603</b>	<b>24,679,239</b>
Investment in Fixed Assets		-19,651,610	-
<b>NET CASH FLOW</b>		<b>(5,980,007)</b>	<b>(18,770,078)</b>
<b>CASH EFFECTS FROM FINANCING ACTIVITIES</b>			
Increase in long-term loans		3,872,962	-
(Increase)/ decrease in cash investments	17	16,666,484	690,997
(Increase)/ decrease in cash	18	(14,813,417)	18,048,350
Increase/(decrease) in funds		253,977	30,731
Net Cash (Utilised)/ Generated		<b>5,980,007</b>	<b>18,770,078</b>



**INTSIKA YETHU LOCAL MUNICIPALITY  
BALANCE SHEET AS AT 30 JUNE 2009**

	Notes	2009 R	2008 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>			
Satutory Funds	1	880,643	580,105
Reserves		-	-
<b>ACCUMULATED SURPLUS/ (DEFICIT)</b>	2	36,646,182	37,471,253
<b>LONG-TERM LIABILITIES</b>			
Loan DBSA	3	3,872,964	-
		3,872,962	-
		<b>41,399,789</b>	<b>38,051,358</b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>			
INVESTMENTS	4	2,524,034	19,190,518
	5	-	-
		2,524,034	19,190,518
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<b>38,875,756</b>	<b>18,860,840</b>
<b>CURRENT ASSETS</b>			
Inventory	6	42,452,377	20,775,701
Debtors	7	-	46,262
Bank and Cash	8	17,993,860	11,084,338
		24,458,518	9,645,101
<b>CURRENT LIABILITIES</b>			
Provision	9	3,576,621	1,914,861
Creditors	10	795,020	1,032,641
		2,781,601	882,220
		<b>41,399,789</b>	<b>38,051,358</b>

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

		2009	2008
<b>1) Funds</b>			
1.1) <u>Statutory funds</u>		880,643	580,105
Meeg Bank: Revolving Fund - 9061149096		668,718	580,105
Public Improvement Fund		211,925	-
(Refer to appendix A for more details)			
<b>2) Accumulated Surplus/ (Deficit)</b>			
Appropriation account:			
	Accumulated surplus at the beginning of the year	37,471,253	53,934,934
	Operating (deficit)/ surplus for the year	(7,543,873)	(18,633,296)
	<b>Sub-Total</b>	<b>29,927,380</b>	<b>35,301,638</b>
	Contributions to revolving funds, trust funds and reserves	795,020	24,771,783
	Prior year adjustments	5,923,782	(22,602,168)
	Other adjustments		
Accumulated surplus at the end of the year:		<b>36,646,182</b>	<b>37,471,253</b>
Contributions to:			
	Asset financing	19,651,610	19,152,756
		<b>19,651,610</b>	<b>19,152,756</b>
<b>3) Long Term Liability</b>			
Loan DBSA		3,872,962	-
Less: Current portion of long term loan		-	-
		<b>3,872,962</b>	<b>-</b>
<b>4) Fixed Assets</b>			
Fixed Assets at the beginning of the year		99,116,020	80,220,691
Capital expenditure during the year		19,651,610	19,152,756
Less: Written-off Assets		-	(257,427)
<b>Total Fixed Assets</b>		<b>118,767,630</b>	<b>99,116,018</b>
Less: Loans Redeemed and other capital receipts		(118,767,630)	(99,116,020)
		<b>-</b>	<b>-</b>
(Refer to appendix C for more details)			

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

		2009	2008 Restated
<b>5) Investments</b>			
5.1)	<u>Short-term Investment:</u>		
-	CMIP- Investment- 62022329438	88	1,179,485
-	Equitable Share- 74045339170	-	-
-	IDP Call account- 62026742404	-	693,754
-	Municipal Rank- Investment- 6202740549	1,271,965	1,159,840
-	Peoples Housing Account- 62023535795	196,047	196,047
-	Registry Investment- 620270934	39,245	39,245
-	Registry Investment- 62027101245	109,876	100,281
-	Standard bank- Notice Deposit- 088795101	30,816	28,364
-	Testing station investment account- 74026742946	49,803	42,596
-	Meeg Bank: Revolving fund- 9061149096	559,322	512,761
-	Survey- 62027179127	20,782	20,782
-	Trust Account- 62090678320	-	-
-	Intsika Yethu Secondary- 62132786338	-	-
-	DBSA Loan- Money markets- 62160167500	37,095	32,268
-	Nedbank Investments- 03/7881052066/002	-	15,035,096
		<b>2,315,039</b>	<b>19,040,518</b>
	No investments were written off during the year		
5.2)	<u>Long-term investment:</u>		
	FNB Insurance brokers	208,995	150,000
		<b>208,995</b>	<b>150,000</b>
		<b>2,524,034</b>	<b>19,190,518</b>
	No investments have been pledged as security for any funding facilities of the council.		
<b>6) Inventory</b>			
	Consumables	-	-
	Stationery	-	-
		<b>-</b>	<b>-</b>
<b>7) Debtors</b>			
		19,142,129	14,838,091
	Consumer debtors	3,565,326	8,129,285
	VAT	10,308,984	6,708,805
	Staff debtors	785,562	-
	Other debtors	4,482,257	-
	Less: Provision for bad debts	(1,148,269)	(3,753,753)
		<b>17,993,860</b>	<b>11,084,338</b>

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008 Restated
<b>8) Bank and Cash</b>		
Main Bank Account- FNB	24,458,518	9,645,101
Other Bank Accounts- Favourable	14,162,708	1,837,166
Petty cash	10,294,923	7,807,935
	886	
	<b>24,458,518</b>	<b>9,645,101</b>
<b>9) Provisions</b>		
Restoration of landfill site	-	-
Audit fees	-	-
Leave pay	(795,020)	(1,032,641)
	<b>(795,020)</b>	<b>(1,032,641)</b>
<b>10) Creditors</b>		
Trade creditors and accruals	(1,607,763)	(882,220)
Deposit	-	-
Short term portion of long term liability	-	-
Unspent conditional grant	18,274	-
Other creditors	(1,192,113)	-
	<b>(2,781,601)</b>	<b>(882,220)</b>

**11) Assessment Rates**

	Valuations as at 30 June 2009	Actual income of 2009	Actual income of 2008
Total	63,379,311	1,074,372	2,693,764

Valuations on land and improvements are performed every 4 years and the last general valuation came into effect during 2004/2005, per interim valuation. The basic rate was 0.0175c per rand on land and improvements. A 20% rebate was granted to government departments.

**12) Finance transactions**

Total interest earned or paid	2,432,221	4,129,641.00
- Interest earned	2,512,256	4,129,641.00
- Interest paid	-80,036	-

**13) Prior year adjustments**

Correction of the following errors:	-5,923,782	(22,602,167.98)
- Property, plant and equipment	-	(23,147,764.00)
- Bank and Cash balances	-	178,772.00
- Creditors and stores	204,032	2,851.00
- Re-statement of investments opening balance	-15,134	363,973
- Provisions	-3,989,841	-
- Inventory	46,262	
- Statutory Funds	42,052	
- Revenue recorded in the incorrect accounting period	-486,233	
- Reversal of journals that were incorrectly recorded against the accumulated surplus account	-543,478	
The prior year adjustment relates to adjustments for accounting errors for previous years.	-1,181,442	-

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008 Restated
<b>14) Capital commitments</b>		
- Commitments in respect of capital expenditure Approved and contracted for;	43,375,062	8,865,025
- This expenditure will be financed from; Internal sources and Government Grants	43,375,062	8,865,025
<b>15) Cash generated from operations</b>		
Surplus/ (Deficit) for the year	-7,543,873	-18,633,296
Adjustments for:	-	-
Previous year's operating transactions	(1,220,703)	1,805,642
Appropriations charged against income		
Fixed Assets	19,651,610	-
Contributions to approved funds	351,716	-
Consumer debtors written off	4,375,634	-
Capital charges	-	-
<i>Interest charged:</i>		
External	80,036	-
Internal	-	-
<i>Redemption:</i>		
External	-	-
Internal	-	-
Grants and subsidies received from the State	-67,658,106	-43,449,317
Deferred charges written off	-	-
Investment income (Operating Account)	(2,514,716)	-4,129,641
<i>Non-operating income:</i>		
Funds and Reserves	253,977	-
<i>Non-operating expenditure:</i>		
Expenditure charged against Reserves	-1,150	-
	<b>-54,225,575</b>	<b>-64,406,612</b>
<b>16) Decrease in working capital</b>		
- (Increase)/ decrease in inventory	46,262	-30,089
- (Increase)/ decrease in accounts receivable	(4,304,038)	-302,121
- Increase/ (decrease) in accounts payable	1,899,381	-1,610,215
	<b>-2,358,395</b>	<b>-1,942,425</b>
<b>17) Decrease in cash investments comprise:</b>		
- Investment realised	16,666,484	690,997
	<b>16,666,484</b>	<b>690,997</b>
<b>18) Increase in cash and cash equivalents</b>		
- Increase in cash balances	14,813,416	18,048,350
	<b>14,813,416</b>	<b>18,048,350</b>

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

		2009	2008 Restated
<b>19) CONTINGENT LIABILITY</b>			
<b>Case No.</b>	<b>Details</b>	<b>Background</b>	
228/2008	IYM vs Municipal Councillor Pension Fund	Fund / Claim	
		2,499,378	2,121,174
<b>20) ADDITIONAL DISCLOSURES IN TERMS OF MFMA</b>			
20.1)	Audit fees	1,808,922	824,185
		<b>2009</b>	<b>2008</b>
20.2)	Remuneration of councillors and managers		
	Major	423,123	350,471
	Councillor's remuneration	9,056,528	8,168,648
	<b>Total of Council remuneration</b>	<b>9,479,651</b>	<b>8,519,119</b>
The council does not contribute towards councillor's pension and medical aid funds			
The salaries and allowances paid to councillors are in line with Sec 219 of the Constitution			
	Municipal Manager	720,259	550,485
	Senior Managers	2,887,824	3,011,818
	<b>Total of Managers remuneration</b>	<b>3,608,083</b>	<b>3,562,303</b>
20.3)	Contributions to organised local government		
	Opening balance	-	-
	Council subscriptions	-	116,242
	Amount paid- current year	-	(116,242)
	Amount paid- previous years	-	-
	Balance unpaid (included in the creditors)	-	-

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**21) Irregular expenditure**

The municipality has incurred expenditure amounting to R187,7710 for municipal credit cards during the financial year.

In terms of section 11(1) of the MFMA only the municipal manager, chief financial officer or another delegated official may authorise the withdrawal of municipal funds from the primary bank account. The credit card expenditure referred to above is debited automatically against the primary bank account at end of each month. This arrangement does not comply with the requirements of the section 11(1) of the MFMA and the expenditure incurred on the c is thus irregular

**22) VARIANCES BETWEEN THE ANNUAL FINANCIAL STATEMENTS AND THE GENERAL LEDGER**

Description	TB	AFS	Variance
Revolving fund	573,802	580,105	-6,303
Main Acc No-62022331003	1,375,041	1,642,895	267,854
MIG Acc No-62101651398	1,689,042	1,545,591	143,451
STD Bank Notice 32-088795101	28,364	26,131	2,233
Debtors	8,190,326	8,129,285	-61,041
General expenses	28,227,340	28,227,080	-260
<b>TOTAL</b>	<b>40,083,915</b>	<b>40,151,087</b>	<b>-67,344</b>

The variances above were identified between the opening balances in the trial balance and the closing balances in the prior year financial statements. For the purposes of the 2008/09 financial year, management used the prior year closing balances as a basis.

The variances arose because the municipality uses a manual system for the capturing of all transactions with the exception of revenue and receivables.

Reconciliations between the monthly total per the manual system and the trial balance were not performed due to a breakdown in internal controls.

Management has attempted to reconcile the differences in the opening balances during the 2008/09 financial year.

The actual reconciling items could not be ascertained at the reporting date

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**APPENDIX A**  
**ACCUMULATED SURPLUS, FUNDS AND RESERVES AND PROVISIONS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Balance at 30 Jun 2008	Contributions during the year	Interest on investments	Other income	Expenditure during the year		Redeemed	Balance 30- Jun-09
					Operational	Capital		
<b>STATUTORY FUNDS</b>								
Meeg bank: Revolving fund - 9061149096	580,105	42,052	46,561	-	-	-	-	668,718
Public Improvement Fund	-	211,925	-	-	-	-	-	211,925
	<b>580,105</b>	<b>253,977</b>	<b>46,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>880,643</b>
<b>PROJECT FUNDS</b>								
CMIP - Investment - 62022329438	1,179,485	-	28,453	-	1,207,850	-	-	88
IDP call account - 62026742404	693,754	-	14,358	-	708,111	-	-	-
Municipal Rank (Investment - 62026740549)	1,159,840	-	112,489	-	364	-	-	1,271,965
Peoples Housing Account - 62023535795	196,047	-	-	-	-	-	-	196,047
Registry Investment - 62027099234	39,245	-	-	-	-	-	-	39,245
Registry Investment - 62027101245	100,281	-	9,959	-	364	-	-	109,876
Testing Station Investment account - 74026742946	42,596	-	7,207.76	-	-	-	-	49,803
Survey - 62027179127	20,782	-	-	-	-	-	-	20,782
DBSA - Money Market - 62160167500	32,268	-	5,273	-	446	-	-	37,095
	<b>3,464,298</b>	<b>-</b>	<b>177,739</b>	<b>-</b>	<b>1,917,136</b>	<b>-</b>	<b>-</b>	<b>1,724,901</b>
<b>RESERVES</b>								
Equitable Share - 74045339170	-	-	-	-	-	-	-	-
Standard Bank - Notice Deposit - 0887951001	28,364	-	2,451	-	-	-	-	30,815
Nedbank Investments -03/7881052066/002	15,035,096	-	421,151	-	15,456,247	-	-	-
	<b>15,063,460</b>	<b>-</b>	<b>423,602</b>	<b>-</b>	<b>15,456,247</b>	<b>-</b>	<b>-</b>	<b>30,815</b>



**INTSIKA YETHU LOCAL MUNICIPALITY  
APPENDIX B  
EXTERNAL LOANS AND INTERNAL SOURCES  
FOR THE YEAR ENDED 30 JUNE 2009**

Actual 2008	Actual 2009	Received during the year	Redeemed or written off during the year			Budget 2009
R	R	R	R			R
-	3,872,962.42	3,872,962.42	-			-

**Loan amount** R 10,000,000.00  
**Loan period** 20 years  
**Interest rate** 5 percent. Interest incurred in the period amounted to R80,035. This was capitalised to the loan.  
**Capital repayment** 40 equal six-monthly instalments, commencing on the last day of the first half-year after the half-year during which the first disbursement was advanced to the Borrower.  
**Penalty interest** Penalty interest shall be calculated with regard to actual period during which the amount payable remained unpaid, at fixed interest rate of the loan, 5 percent, PLUS 2 percent ( per annum). Penalty interest shall be compounded six-monthly (01 April to 30 September, and/or, 01 October to 31 March during next calender year), and payable on demand.

**INTSIKA YETHU LOCAL MUNICIPALITY**  
**APPENDIX C**  
**ANALYSIS OF FIXED ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

Expended 2008	SERVICE	Budget 2008	Balance at 2008-07-01	Expended 2009	Written off, transferred, redeemed or disposed during the year	Balance at 2009-06-30
<i>R</i>		<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
19,152,756	<b>RATES AND GENERAL SERVICES</b>	18,163,550	99,116,018	19,651,610	-	118,767,628
19,152,756	<b>Community Services</b>	18,163,550	99,116,018	19,651,610	-	118,767,628
1,703,953	Land and buildings	100,000	29,502,955	2,431,833	-	31,934,788
6,798,062	Infrastructural Assets	10,130,520	32,420,020	10,368,758	-	42,788,778
4,727,341	Community Assets	6,833,031	14,550,273	6,851,019	-	21,401,292
5,923,400	Other Assets	1,100,000	22,642,770	-	-	22,642,770
-	<b>Economic Services</b>	-	-	-	-	-
-	Sanitation	-	-	-	-	-
<b>19,152,756</b>	<b>TOTAL ASSETS</b>	<b>18,163,550</b>	<b>99,116,018</b>	<b>19,651,610</b>	<b>-</b>	<b>118,767,628</b>
19,152,756	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		99,116,020	19,651,610	-	118,767,630
-	Loans redeemed		30,000	1,120,475	-	1,150,475
5,923,400	Contributions from own revenue		6,622,650	-	-	6,622,650
13,229,356	Grants and Subsidies		92,463,370	18,531,135	-	110,994,505
-			-	-	-	-
-	<b>NET FIXED ASSETS</b>		-	-	-	-

**INTSIKA YETHU LOCAL MUNICIPALITY  
APPENDIX D  
ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2009**

Actual 2008	INCOME	Actual 2009	Budget 2009
R		R	R
2,693,764	Assessment rates	1,074,372	1,850,000
48,768,566	Provincial and National Grants and Subsidies:	67,658,106	43,449,317
1,213,098	Service charges	292,861	675,800
4,129,641	Interest received	2,512,256	3,059,418
2,185,228	Other income	868,396	35,474,058
<u>58,990,297</u>	<b>Total Income</b>	<u>72,405,992</u>	<u>84,508,593.00</u>
<b>EXPENDITURE</b>			
29,937,982	Salaries, wages and allowances	30,966,393	34,097,656.00
28,227,080	General expenses	27,425,406	49,398,390.00
305,772	Repairs and maintenance	1,474,703	249,000.00
-	Capital charges	80,036	763,547
19,152,758	Contributions to fixed assets	19,651,610	-
	Contributions	351,716	-
<u>77,623,592.00</u>	<b>Gross Expenditure</b>	<u>79,949,864</u>	<u>84,508,593.00</u>
<u>-18,633,294.74</u>	<b>Net Surplus/ (deficit)</b>	<u>(7,543,873)</u>	<u>-</u>

**INTSIKA YETHU MUNICIPALITY  
APPENDIX E  
DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

2007/2008	2007/2008	2007/2008		2008/2009	2008/2009	2008/2009
Actual Income	Actual Expenditure	Restated Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)
R	R	R		R	R	R
(58,990,297)	77,623,592	18,633,295	<b>RATE AND GENERAL SERVICES</b>	72,405,992	(79,949,864)	(7,543,873)
<b>(9,478,765.00)</b>	<b>18,501,777.00</b>	<b>9,023,012</b>	<b>Total</b>	<b>(72,405,992)</b>	<b>79,949,865</b>	<b>7,543,873</b>
			<b>Community Services</b>	<b>(3,879,489.54)</b>	<b>13,940,446.54</b>	<b>10,060,957</b>
			Administration	(2,512,256)	-	(2,512,256)
			Assessment Rates	(1,074,372)	-	(1,074,372)
			Council General	-	-	-
			Engineering Services	-	-	-
			Human Resources	-	7,924,364	7,924,364
			Local Economic Development	-	3,961,036	3,961,036
			Roads and Streets	-	-	-
			Traffic Services	-	1,810,371	1,810,371
			Treasury	(292,862)	-	(292,862)
			Community services	-	244,675	244,675
			<b>Accounting Officer</b>	<b>-</b>	<b>2,809,057</b>	<b>2,809,057</b>
			Accounting Officer	-	-	-
			Local Economic Development	-	2,809,057	2,809,057
			<b>Budget and Treasury</b>	<b>(67,408,356)</b>	<b>13,706,743</b>	<b>(53,701,613)</b>
<b>(42,099,246)</b>	<b>24,930,166</b>	<b>(67,029,412)</b>	Budget and Treasury	<b>(67,408,356)</b>	<b>13,706,743</b>	<b>(53,701,613)</b>
(42,099,246)	24,930,166	(67,029,412)	<b>Corporate Services</b>	<b>-</b>	<b>7,172,523</b>	<b>7,172,523</b>
<b>(200,000)</b>	<b>4,170,075</b>	<b>(4,370,075)</b>	Corporate Services	-	1,250,326	1,250,326
-	-	-	Human Resources	-	3,167,335	3,167,335
-	-	-	Information Technology	-	-	-
-	-	-	Administration and Assets	-	2,754,862	2,754,862
<b>(100,000)</b>	<b>9,942,266</b>	<b>(10,042,266)</b>	<b>Council</b>	<b>-</b>	<b>16,092,202</b>	<b>16,092,202</b>
(100,000)	9,942,266	(10,042,266)	Council	-	16,092,202	16,092,202
<b>(6,026,994)</b>	<b>20,079,308</b>	<b>(26,106,302)</b>	<b>Technical Services</b>	<b>(770,167)</b>	<b>26,079,771</b>	<b>25,309,604</b>
			Technical Services	(770,167)	24,180,903	23,410,736
			Electricity	-	-	-
			Refuse	-	-	-
			Streets and Roads	-	515,667	515,667
			Municipal services	-	-	-
			Water	-	663,539	663,539
			Health	-	-	-
			Land and Housing	-	406,521	406,521
			Project Management Unit	-	313,140	313,140
			Town Planning	-	-	-
			<b>Procurement</b>	<b>-</b>	<b>149,122</b>	<b>149,122</b>
			Procurement	-	149,122	149,122
<b>(1,085,292)</b>	<b>-</b>	<b>-</b>	<b>Economic services</b>	<b>(347,979)</b>	<b>-</b>	<b>(347,979)</b>
			Basic Sanitation	(93,547)	-	(93,547)
			Basic Refuse Charge	(254,432)	-	(254,432)
			<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>
			Net (Deficit)/Surplus for the Year			(7,543,873)
			Accumulated Surplus beginning of the year			37,471,253
			Appropriation for this Year (Refer working papers)			795,020
			Prior year adjustments:			5,923,782
			- Prior year adjustments:			5,923,782
			-			-
			-			-
			<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<b>36,646,182</b>
						36,646,182

**INTSIKA YETHU LOCAL MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2009**

**GENERAL STATISTICS**

1) POPULATION

<i>Period</i>	<i>Total population</i>	<i>Registered Voters</i>	<i>Area square km</i>
2009	194 246	78092	2 901
2008	194 246	76 203	2 901

2) ASSESSMENT RATES

<i>PROPERTY CATEGORY</i>	<i>VALUATION</i>	<i>ACTUAL INCOME 2009</i>	<i>ACTUAL INCOME 2008</i>
State owned property	967,915	-	-
Commercial and residential	973,615	-	2,693,764
<b>TOTAL VALUATION</b>	<b>1,941,530</b>	<b>518,750</b>	<b>2,693,764</b>

PyAFS

General valuation of land and buildings is performed every four years.  
The last valuation was done during 2004/2005, per interim valuation.

The assessment rates were as follows;

- Commercial and residential properties      0.00175c per R1
- State owned properties                              N/A

2) WATER STATISTICS

<i>Period</i>	<i>KI Purchase</i>		
	<i>Purchase</i>	<i>Cost per KI sold</i>	<i>Income per KI sold</i>
2009	0	0	R 2.46
2008	83 112	R1 .53	R2 .30
<i>Total</i>			





