



**Annual Financial Statements
2008/2009**

EC 133

INKWANCA MUNICIPALITY

INDEX

Year ended 30 June 2009

	Page
1. GENERAL INFORMATION	1-2
2. ACCOUNTING OFFICER'S REPORT	3-5
3. ACCOUNTING POLICIES	6-8
4. BALANCE SHEET	9
5. INCOME STATEMENT	10
6. CASH FLOW STATEMENT	11
7. NOTES TO THE FINANCIAL STATEMENTS	12-17
8. APPENDICES	
A. STATUTORY FUNDS, RESERVES AND TRUST FUNDS	18
B. EXTERNAL LOANS AND INTERNAL ADVANCES	19
C. ANALYSIS OF FIXED ASSETS	20
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE	21
E. DETAILED INCOME STATEMENT	22
F. STATISTICAL INFORMATION	23

INKWANCA MUNICIPALITY

GENERAL INFORMATION

Year ended 30 June 2009

MEMBERS OF THE COUNCIL

Councillors

M.E YEKANI	Mayor
K. P. KIDO	Councillor
N.S. NOYI	Councillor
P. PARKER	Councillor
J.G. STRETTON	Councillor
N.T. FOLOSE	Councillor

GRADING OF LOCAL AUTHORITY

Inkwanca Municipality is a Grade 2 Local Authority

EXTERNAL AUDITORS

Office of the Auditor General

BANKERS

Standard Bank
P. O. Box 14
Molteno
5500

REGISTERED OFFICE

39 Smith Street	P.O. Box 1	Telephone :	045 - 967 0021
Molteno	Molteno	Facsimile :	045 - 967 0467
5500	5500		

MUNICIPAL MANAGER as at 30 June 2009

N.A. NCUBE	Telephone :	045 - 967 0021
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CHIEF FINANCIAL OFFICER as at 30 June 2009

Z. FOLOSE	Telephone :	045 - 967 0021
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INKWANCA MUNICIPALITY

GENERAL INFORMATION

Year ended 30 June 2009

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements as set out on pages 4 to 22 were presented by the Municipal Manager and the Chief Financial Officer to the Council of Inkwanca Local Municipality on 27/08/2009, and were approved by the Council of the Inkwanca Local Municipality as per Council Resolution 4.1 dated 27/08/09

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MUNICIPAL MANAGER: INKWANCA MUNICIPALITY

(Accounting Officer - N.A Ncube)

.....
CHIEF FINANCIAL OFFICER: INKWANCA MUNICIPALITY

Z. Folose

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 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 %
Income:					
Opening surplus/(deficit)	436 023	663 558			
Operating income for the year	24 036 197	30 591 891	27.3	26 271 244	(16.4)
	<u>24 472 220</u>	<u>31 255 450</u>		<u>26 271 244</u>	
Expenditure					
	25 504 942	37 634 200	47.6	26 271 244	(43.3)
Appropriation	(1 696 280)	1 482 382			
Closing surplus/(deficit)	663 558	(7 861 133)		0	
	<u>24 472 220</u>	<u>31 255 450</u>		<u>26 271 244</u>	
Significant variances:					
The significant variance is due to increased rates and charges especially electricity. The expenditure variance relates to a larger than expected provision for doubtful debts being accounted for.					

1.1 Rates and General Services

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual to Budget %
Income	16 081 599	21 166 812	31.6	19 697 673	(7.5)
Expenditure	21 009 021	32 381 981	54.1	21 633 893	(49.7)
Surplus / (Deficit)	<u>(4 927 423)</u>	<u>(11 215 169)</u>	127.6	<u>(1 936 220)</u>	(479.2)
Surplus / (Deficit) as % of total income	(30.6)	(53.0)		(9.8)	
Significant variances:					
Actual Income exceeded the budget income for the year. Actual Expenditure was below the budgeted amount due to cashflow constraints. And the provision for doubtful debts,					

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2009

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	2 621 721	2 933 729	11.9	2 595 077	(13.0)
Expenditure	2 876 731	3 457 287	20.2	3 586 640	3.6
Surplus / (Deficit)	(255 010)	(523 558)	105.3	(991 563)	47.2
Surplus / (Deficit) as % of total income	(9.7)	(17.8)		(38.2)	
Significant variances:					
During the current year the municipality billing exceeded the budgeted income from electricity. This is mainly due to tariff increases by electricity supplier being passed onto the consumers. Spending was inline with the original budgeted amounts.					

Water Service

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual - Budget %
Income	5 322 971	6 483 426	21.8	3 978 494	(63.0)
Expenditure	1 025 961	1 070 754	4.4	1 050 711	(1.9)
Surplus / (Deficit)	4 297 010	5 412 672	26.0	2 927 783	(84.9)
Surplus / (Deficit) as % of total income	80.7	5 412 672.3		0.0	
Significant variances:					
During the current year the municipality billing exceeded the budgeted income from water. Spending was inline with the original budgeted amounts.					

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	-	-	-
Subsidised Services	-	-	-
Trading Services	-	-	-
	748 560	-	52 431

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2009

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

- Internal Sources	18 376	-	21 006
- External Sources	730 184	-	31 425
Other Sources	730 184	-	31 425
Provincial Government		-	
	748 560	-	52 431

Significant variances:

The over spend in relation to the budgeted amount is attributable to replacement of outdated assets. The bulk of the funds assets came from subsidies and grants.

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 owing to the Standard Bank as at 30 June 2009 amounted to R 421,840. (2008 - R583,866)

Cash resources and short-term deposits less bank overdraft at 30 June 2009 amounted to a negative of R 143,483 (2008: -R 159,828). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2009 amounted to R 38,169 (2008: R 35, 936).

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

4. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified.

5. EXPRESSION OF APPRECIATION

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

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MUNICIPAL MANAGER: INKWANCA MUNICIPALITY
 (Accounting Officer - N.A. Ncube)

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 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

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

- 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 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 provisions 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.
 - 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.

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 30 June 2009

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the assessment rates that were levied for the previous financial year. It is not required from Council to contribute the amount that is 20% more than the amount required to be contributed in the previous 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 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. Retirement benefits (Defined Contribution Plan)

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU Provident Fund, SALA Pension Fund, Cape Joint Retirement Fund, Local Government Pension Fund. The councillors contribute to the Municipal Councillors 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.

7. Surpluses and deficits

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

8. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in the value has occurred, and are invested per Circulars issued by the Provincial Legislature.

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 30 June 2009

9. Income recognition

11.1 Electricity and Water 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.

11.2 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 are granted on state owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

11.3 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 accounts. Income from other sources are recognised when paid.

11.4 Interest income

Income from investments and operations are recognised when received.

10. Leased Assets

Fixed assets held under finance lease 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.

11. Deferred Charges

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved.

12. Consolidated Loans Fund

The capital resources of the Consolidated Loans Fund consists of both external and internal loans. Advances made to borrowing departments at an interest rate equal to the cost of servicing the funds capital and are repaid over the useful life of the asset acquired.

INKWANCA MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2009

	Note	2009 R	2008 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3 203 545	2 938 578
Statutory funds	1	3 201 472	2 936 505
Reserves	2	2 073	2 073
ACCUMULATED DEFICIT		(7 861 133)	663 558
		(4 657 588)	3 602 136
TRUST FUNDS	3	2 541 116	531 486
LONG TERM LIABILITIES	4	2 274 818	2 052 305
CONSUMER DEPOSITS: SERVICES	5	161 312	162 437
		319 659	6 348 364
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	3 607 530	4 292 611
INVESTMENTS	7	38 169	35 937
		3 645 700	4 328 548
NET CURRENT ASSETS		(3 326 041)	2 019 817
CURRENT ASSETS		4 525 512	7 088 260
Debtors	8	4 504 131	6 812 670
Cash and Cash Equivalents	9	21 381	275 590
CURRENT LIABILITIES		7 851 553	5 068 443
Creditors	11	6 990 577	3 727 000
Bank overdraft	12	164 864	435 418
Provisions	9	539 858	608 041
Short-term portion of long-term liabilities	3	156 254	297 984
		319 659	6 348 365

INKWANCA 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
16 081 599	21 009 021	(4 927 423)	RATES AND GENERAL SERVICES	21 166 812	32 381 981	(11 215 169)	(1 214 183)
9 874 341	15 318 320	(5 443 979)	Rates and Corporate Services	12 910 880	25 765 080	(12 854 200)	4 725 621
2 418 894	3 944 210	(1 525 316)	Community/ Subsidised services	3 716 751	4 426 503	(709 752)	(4 046 866)
3 788 364	1 746 491	2 041 872	Development/ Economic services	4 539 182	2 190 399	2 348 783	(1 892 938)
9 906	593 229	(583 323)	HOUSING SERVICES	7 924	724 178	(716 254)	(722 037)
7 944 692	3 902 692	4 042 000	TRADING SERVICES	9 417 155	4 528 041	4 889 114	1 936 220
24 036 197	25 504 942	(1 468 745)	TOTAL	30 591 891	37 634 200	(7 042 309)	0
		1 696 280	Appropriations for the year (refer note 17)			(1 482 382)	
		227 535	NET SURPLUS/(DEFICIT) FOR THE YEAR			(8 524 691)	
		436 023	Accumulated deficit beginning of the year			663 558	
		663 558	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			(7 861 133)	

INKWANCA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	2009 R	2008 R
CASH RETAINED FROM OPERATING ACTIVITIES		(9 776)	(29 061)
Cash utilised in operations	18	(20 405 617)	(5 684 339)
Investment income		2 231	
(Increase) / Decrease in working capital	19	5 853 664	314 864
		(14 549 722)	(5 369 475)
Less: External interest paid		(189 446)	164 863
Cash available from operations		(14 739 167)	(5 204 612)
Net Proceeds on disposal of fixed assets		685 081	
Cash contributions from the public and the State		14 044 310	5 175 551
CASH UTILISED IN INVESTING ACTIVITIES		(52 431)	(748 559)
Investment in fixed assets		(52 431)	(748 559)
NET CASH FLOW		(62 207)	(777 620)
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in long-term liabilities	20	80 783	1 622 978
(Increase) / Decrease in cash	22	(16 345)	(159 828)
(Increase) / Decrease in cash investments	21	(2 232)	4 709
NET CASH GENERATED		62 207	1 467 859

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
1. STATUTORY FUNDS		
Revolving Fund	3 201 472	2 936 505
	<u>3 201 472</u>	<u>2 936 505</u>
<i>(Refer to Appendix A for more details)</i>		
2. RESERVES		
Leave Reserve Fund	<u>2 073</u>	<u>2 073</u>
The leave reserve fund is represented by an investment at Standard Bank		
3. TRUST FUNDS		
Spatial Development	7 580	7 224
Resort Development	4 649	4 431
Land Ownership	1 864	1 729
Structure Plan	3 175	2 944
Survey of Masakhe	2 086	1 934
Sterkstroom Zoning Map	3 833	3 554
CDF : Leave Reserve Fund		2 073
CDF : Revolving Fund		3 927
Valuations	3 858	3 578
MSP	1 680	1 601
Disaster Fund	1 636	1 559
Cemetery Investigation	1 450	1 382
Land Development Fund	457 284	
MIG - Regravelling Street Molteno	1 273 799	
Total Trust Funds	<u>1 762 894</u>	<u>35 937</u>
- Advances to Operating Account	778 222	495 549
	<u>2 541 116</u>	<u>531 486</u>
Invested as follows:		
- Standard Bank Short Term investments	31 812	35 937
- Advances to Operating Account	2 509 304	495 549
	<u>2 541 117</u>	<u>531 486</u>
<i>(Refer to Appendix A for more details)</i>		
4. LONG-TERM LIABILITIES		
Wesbank DDL3689A	-	32 898
Wesbank DDL3675K	-	32 899
Toyota T54306H	36 588	70 067
Toyota T54306B	19 981	55 694
Wesbank D45519X	52 291	100 135
Wesbank DDL55350J	130 313	112 465
Wesbank DDL55644G	137 259	109 116
Wesbank DDL5216B	45 407	70 593
	<u>421 840</u>	<u>583 866</u>
Less: Deferred Finance Charges	(59 778)	(206 030)
Less: Short Term portion transferred to Current Liabilities	(156 254)	(297 984)
	<u>205 807</u>	<u>79 852</u>
Internal Loans	-	(96 558)
Loan from Chris Hani District Municipality	2 069 011	2 069 011
Total Long Term Liabilities	<u>2 274 818</u>	<u>2 052 305</u>
<i>(Refer to Appendix B for more detail)</i>		

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
5. CONSUMER DEPOSITS: SERVICES		
Electricity and Water	<u>161 312</u>	<u>162 437</u>
6. FIXED ASSETS		
Fixed assets at the beginning of the year	65 124 778	64 376 218
Opening Balance Correction	-223 516	
Capital expenditure during the year	52 431	748 560
Less: Assets written off, transferred or disposed of during year	<u>361 460</u>	<u>-</u>
Total fixed assets	64 592 233	65 124 778
Less: Loans redeemed and other capital receipts	<u>60 984 703</u>	<u>60 832 167</u>
	<u>3 607 530</u>	<u>4 292 611</u>
<i>(Refer to Appendix C for more details)</i>		
7. INVESTMENTS		
Project Investments	<u>38 169</u>	<u>35 937</u>
<p>Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.</p>		
8. DEBTORS		
Current Debtors (Consumers)	43 537 362	31 542 649
Less: Provision for bad debts	<u>39 033 231</u>	<u>24 763 700</u>
	4 504 131	6 778 949
Other Debtors:	-	33 721
Sundry Debtors	<input type="text"/>	<input type="text" value="33 721"/>
SARS VAT	<input type="text"/>	<input type="text"/>
	<u>4 504 131</u>	<u>6 812 670</u>
9. CASH AND CASH EQUIVALENT		
Standard Bank - Primary Bank Account	8 331	3 124
Standard Bank - CMIP Bank Account	7 459	10 944
Standard Bank - Molteno Community Garden	86	226 485
Standard Bank - NATIS Account	<u>5 505</u>	<u>35 037</u>
	<u>21 381</u>	<u>275 590</u>

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
10. PROVISIONS		
Leave Reserve	539 858	608 041
	<u>539 858</u>	<u>608 041</u>
11. ACCOUNTS PAYABLE		
Trade Creditors	3 284 043	3 727 000
VAT Provision	3 205 854	
VAT Control	500 680	
Sundry Creditors		
Advances from Trust Funds		
	<u>6 990 577</u>	<u>3 727 000</u>
12. BANK OVERDRAFT		
Standard Bank - Business Current Account	164 864	435 418
	<u>164 864</u>	<u>435 418</u>
13. ASSESSMENT RATES		
Site valuations at 1 July 2005		
- Residential	154 960 550	154 960 550
- Commercial	19 580 000	19 580 000
- Government	11 629 000	11 629 000
- Farms	505 798 550	505 798 550
- Churches Exempt	3 997 000	3 997 000
	<u>695 965 100</u>	<u>695 965 100</u>
	<u>Rates - All</u>	
- Residential properties	0.0252	0.0252
- Commercial properties	0.0412	0.0412
- Government	0.0629	0.0629
<i>The following rebates were granted:</i>		
- State	20.00%	20.00%
Actual Rateable Income	<u>4 323 855</u>	<u>3 169 076</u>

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
14. DIRECTORS AND OFFICIALS REMUNERATION		
Mayor's allowance:	377 220	341 847
Councillor's allowances:	707 319	681 787
	<u>1 084 538</u>	<u>1 023 634</u>
Municipal Manager	503 519	423 599
Salary	316 150	277 875
Travelling allowance	145 431	127 544
Backpay	15 592	
Bonus	26 346	
Subsistence Allowance		6 060
Telephone Allowance		12 120
Chief Financial Officer	326 822	130 679
Salary	202 437	77 060
Travelling allowance	90 000	50 619
Bonus	28 385	
Telephone Allowance	6 000	3 000
Manager Technical Services	336 912	237 730
Salary	202 437	102 746
Travelling allowance	90 000	67 492
Bonus	38 475	
Telephone Allowance	6 000	67 492
Manager Community Services	251 750	220 984
Salary	156 750	94 720
Travelling allowance	90 000	94 720
Subsistence Allowance		25 212
Telephone Allowance	5 000	6 332
Manager Corporate Services	255 419	-
Salary	156 750	
Travelling allowance	90 000	
Bonus	3 669	
Telephone Allowance	5 000	
Total Remuneration	<u>1 674 421</u>	<u>1 012 992</u>
The municipalities employees cost spend as a percentage of total spend is: -	31.3%	40.1%
15. AUDITOR'S REMUNERATION		
Audit fees	-	108 327
16. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
- Interest earned	356	6 241
- Interest paid	189 446	15 388
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	189 446	15 388
- Interest paid on internal loans	27 286	-
- Redemption of external loans	84 714	9 794
- Redemption of internal loans	89 493	-
	<u>390 939</u>	<u>25 182</u>

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
17. APPROPRIATIONS		
Appropriation account		
Accumulated surplus at the beginning of the year	663 558	436 023
Operating surplus for the year	(7 042 309)	(1 468 745)
	<u>(6 378 751)</u>	<u>(1 032 722)</u>
Less: Appropriations for the year:	(1 482 382)	1 696 280
- Prior year adjustments	(1 482 382)	7 457 507
- Provision for bad debts		(5 761 227)
Accumulated surplus at the end of year	<u>(7 861 133)</u>	<u>663 558</u>
The prior year adjustment represents VAT previously not claimed and Income relating to previous years.		
Operating account		
Capital expenditure	21 006	
Contributions to:		
- Revolving Fund	264 967	
- Doubtful debts Provision	14 269 531	
- Leave Provision	(4 712)	-
	<u>14 550 792</u>	<u>-</u>
18. CASH UTILISED IN OPERATIONS		
Deficit for the year	(7 042 309)	(1 468 745)
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	(1 482 382)	
<u>Appropriations charged against income:</u>	14 523 505	33 653
- Revolving Fund	237 681	33 653
- Provisions	14 264 819	
- Fixed Assets	21 006	
Investment income (operating account)	(356)	
<u>Capital charges</u>	390 939	365 866
Interest Paid on External Loans	189 446	120 316
Interest Paid on Internal Loans	27 286	44 547
Redemption on External Loans	84 714	148 992
Redemption on Internal Loans	89 493	52 011
Grants and Subsidies Received from the State	(8 237 674)	(4 249 247)
<u>Non Operating Expenditure</u>	(18 557 340)	-
- Expenditure charged against funds	(4 050 129)	
- Expenditure charged against provisions	(14 507 211)	
<u>Non Operating Income</u>	-	-
- Transfers to funds and reserves	-	
	<u>(20 405 617)</u>	<u>(5 684 339)</u>

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
19. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Debtors, Long Term Debtors	2 308 539	2 447 872
(Decrease) / Increase in Creditors, Consumer Deposits	3 262 453	(2 133 008)
(Decrease) / Increase in Advances from Trust Funds	282 673	
	<u>5 853 664</u>	<u>314 864</u>
20. INCREASE / (DECREASE) IN LONG-TERM LIABILITIES		
Loans raised	-	2 069 011
Loans repaid	80 783	446 033
	<u>80 783</u>	<u>1 622 978</u>
21. (INCREASE) / DECREASE IN CASH INVESTMENT		
Investments Realised	(2 232)	4 709
Investments Made	-	
	<u>(2 232)</u>	<u>4 709</u>
22. (INCREASE) / DECREASE IN CASH		
Cash balance at the beginning of the year	(159 828)	275 590
Less: Cash balance at end of year	(143 483)	(435 418)
	<u>(16 345)</u>	<u>(159 828)</u>
23. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
No material contingent liabilities have been identified.		
24. POST BALANCE SHEET EVENTS		
No material post balance sheet events have been identified.		
25. UNAUTHORISED, FRUITLESS AND WASTEFULL EXPENDITURE		
Fruitless and Wastefull expenditure		
- Penalties and Interest on late payments to SARS	184 867	
The above amount is included with General expenses in the Income and Expenditure Statement. At current no action has been taken to recover this amount and the amount is not considered to be recoverable.		
26. RETIREMENT BENEFITS		
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	9.00%	18.00%
SALA Pension Fund	9.00%	20.78%
Cape Joint Pension Fund	9.00%	18.00%
Local Government Pension	9.00%	18.00%
Municipal Councillors Pension	7.50%	7.50%
27. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure	<u>-</u>	<u>-</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	-	-
Other Sources	<u>-</u>	<u>-</u>
Provincial Government	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
No major contracts were awarded during the year.		

INKWANCA MUNICIPALITY
STATUTORY FUNDS, RESERVES AND TRUST FUNDS
Year ended 30 June 2009

	Balance at 30 June 2008 R	Contributions during year R	Interest on Investments Net of Refunds R	Opening Balance Correction R	Transfers during year R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2009 R
STATUTORY FUNDS								
Revolving Fund	2 936 505	264 967						3 201 472
	2 936 505	264 967	-	-	-	-	-	3 201 472
RESERVES								
Leave Reserve Fund	2 073							2 073
	2 073							2 073
TRUST FUNDS								
Spatial Development	7 224		356					7 580
Resort Development	4 431		218					4 649
Land Ownership	1 729		136					1 864
Structure Plan	2 944		231					3 175
Survey of Masakhe	1 934		152					2 086
Sterkstroom Zoning Map	3 554		279					3 833
Valuations	3 578		280					3 858
Community Gardens	1 228			(1 228)				-
CMIP	3 792			(3 792)				-
MSP	1 601		79					1 680
Disaster Fund	1 559		77					1 636
Cemetery Investigation	1 382		68					1 450
FMG Grant		500 000			246 384	253 616		-
MSIG		735 000			260 924	474 076		-
Land Development Fund		480 711				23 428		457 284
MIG - Regravelling Street Molteno	-	4 059 500				2 785 701		1 273 799
	-							-
	34 957	5 775 211	1 875	(5 020)	507 307	3 536 821	-	1 762 894

APPENDIX A

INKWANCA MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES
Year ended 30 June 2009

	Rate	Termination	Balance at 30 June 2008 R	Opening Balance Correction R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2009 R
EXTERNAL LOANS - Funding Fixed Assets							
Wesbank DDL36789A	12% Linked	17-Nov-2008	32 898			32 898	-
Wesbank DDL36725K	12% Linked	17-Nov-2008	32 899			32 899	-
Toyota TYL54312H	10.85%	1-Jul-2010	70 067			33 479	36 588
Toyota TYL54306B	10.85%	1-Jul-2010	55 694			35 713	19 981
Wesbank D45519X	11.38%	1-Jul-2010	100 135			47 843	52 291
Wesbank DDL55350J			112 465	68 488		50 640	130 313
Wesbank DDL55644W			109 116	80 795		52 652	137 259
Wesbank DDL52169B	14.14%	7-Jul-2011	70 593			25 185	45 407
			<u>583 866</u>	<u>149 283</u>	<u>-</u>	<u>311 309</u>	<u>421 840</u>
INTERNAL LOANS							
Advances - Revolving Fund			(895 610)	96 558		(89 493)	(709 559)
INTERNAL LOANS							
Farm - Schoeman			575 442			34 522	540 920
Sewerage Scheme 1			223 609			54 971	168 638
			<u>799 052</u>	<u>-</u>	<u>-</u>	<u>89 493</u>	<u>709 559</u>

APPENDIX B

INKWANCA MUNICIPALITY
ANALYSIS OF FIXED ASSETS
Year ended 30 June 2009

2008 Expenditure		Balance at 30 June 2008	Adjustments	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2009
R		R	R	R	R	R
748 560	RATES AND GENERAL SERVICES	54 100 393	(223 516)	52 431	361 460	54 152 824
-	Community Assets	<u>2 355 102</u>		-	<u>6 502</u>	<u>2 348 600</u>
-	Land and Buildings	2 090 001			6 502	2 090 001
-	Resort Development	213 288				206 786
-	Koos Ras Game Reserve	51 813				51 813
	Infrastructure Assets	<u>47 841 644</u>		-	-	<u>47 841 644</u>
-	Sewerage	11 629 636				11 629 636
-	Water	17 456 787				17 456 787
-	Electricity	8 693 229				8 693 229
-	Streets and Stormwater	10 061 993				10 061 993
<u>748 560</u>	Other Assets	<u>3 903 647</u>	<u>(223 516)</u>	<u>52 431</u>	<u>354 958</u>	<u>3 377 604</u>
-	Furniture and Fittings	235 687	90 890	7 317		333 894
500 000	Land and Buildings	1 386 944	(314 406)			1 072 538
-	Tractors	208 286			35 717	172 569
248 560	Motor Vehicles	1 364 202				1 364 202
-	Graders	319 241			319 241	-
-	Computers	389 287		45 114		434 401
-	Housing Services	<u>11 024 385</u>				<u>11 024 385</u>
<u>748 560</u>	TOTAL FIXED ASSETS	<u>65 124 778</u>	<u>(223 516)</u>	<u>52 431</u>	<u>361 460</u>	<u>64 592 233</u>
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	<u>60 832 167</u>	<u>373 042</u>	<u>52 431</u>	<u>272 937</u>	<u>60 984 703</u>
	Contributions from Other Sources	5 869 985	96 558		(88 523)	6 055 066.00
	Contributions from operating income	3 709 216	590 890	21 006	361 460	3 959 652
	Grants and subsidies	51 252 966	(314 406)	31 425	-	50 969 985
	NET FIXED ASSETS	<u>4 292 611</u>	<u>(596 558)</u>	-	<u>88 523</u>	<u>3 607 530</u>

APPENDIX C

INKWANCA MUNICIPALITY

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

2008 Actual R		2009 Actual R	2009 Budget R
INCOME			
8 710 123	Grants and subsidies	8 237 674	11 091 196
15 326 074	Operating income	22 354 217	15 180 048
3 169 076	Assessment Rates	4 323 855	3 799 152
2 269 472	Refuse removal	2 852 242	6 321 300
3 788 364	Sewerage and Sanitation	3 487 735	1 839 755
2 621 721	Electricity Sales	3 449 746	-
3 092 533	Water Sales	5 569 672	-
	Interest Received	2 083 710	118 627
384 908	Income from Tariffs, Service Charges etc	587 257	3 101 214
24 036 197	Total income	30 591 891	26 271 244
EXPENDITURE			
10 219 875	Salaries, wages and allowances	11 782 086	12 239 979
	Electricity Bulk Purchases	2 695 987	5 855 716
-	Water Bulk Purchases	49 131	-
14 077 828	General expenditure	7 299 646	6 757 856
1 207 239	Repairs and maintenance	1 082 896	509 956
	Capital charges	200 949	53 000
	Contributions to fixed assets	21 006	-
	Contributions to Funds	14 502 499	854 737
25 504 942	Total Expenditure	37 634 200	26 271 244

APPENDIX D

INKWANCA 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
16 081 599	21 009 021	(4 927 423)	RATES AND GENERAL SERVICES	21 166 812	32 381 981	(11 215 169)	(1 214 183)
9 874 341	15 318 320	(5 443 979)	Rates and Corporate services	12 910 880	25 765 080	(12 854 200)	4 725 621
9 872 141	8 351 280	1 520 861	Assessment Rates & Estates	12 909 832	21 004 616	(8 094 784)	9 404 053
2 200	4 037 894	(4 035 694)	Executive & Council	-	1 928 518	(1 928 518)	(2 224 671)
-	2 929 146	(2 929 146)	Administration	1 048	2 831 946	(2 830 898)	(2 453 761)
2 418 894	3 944 210	(1 525 316)	Community/Subsidised services	3 716 751	4 426 503	(709 752)	(4 046 866)
58 663	84 396	(25 733)	Cemetery	67 744	79 507	(11 764)	80 068
-	-	-	Clinic, Creche, Aged Centre	-	21 752	(21 752)	(15 600)
-	304 575	(304 575)	Library Service	-	316 322	(316 322)	(294 204)
31 584	834 342	(802 759)	Parks, Recreation and Halls	45 153	1 109 794	(1 064 641)	(1 036 548)
2 269 472	2 508 886	(239 414)	Cleansing and Refuse	3 489 844	2 504 062	985 782	(2 403 167)
59 176	212 011	(152 835)	Traffic Services	114 010	395 064	(281 054)	(377 414)
3 788 364	1 746 491	2 041 872	Development/ Economic services	4 539 182	2 190 399	2 348 783	(1 892 938)
3 788 364	1 013 762	2 774 602	Sewerage	4 535 838	1 127 023	3 408 815	(440 111)
-	732 729	(732 729)	Public Works, Roads	3 344	1 063 376	(1 060 032)	(1 452 827)
9 906	593 229	(583 323)	HOUSING SERVICES	7 924	724 178	(716 254)	(722 037)
9 906	593 229	(583 323)	Selling and letting schemes	7 924	724 178	(716 254)	(722 037)
7 944 692	3 902 692	4 042 000	TRADING SERVICES	9 417 155	4 528 041	4 889 114	1 936 220
2 621 721	2 876 731	(255 010)	Electricity Services	2 933 729	3 457 287	(523 558)	(991 563)
5 322 971	1 025 961	4 297 010	Water Services	6 483 426	1 070 754	5 412 672	2 927 783
24 036 197	25 504 942	(1 468 745)	TOTAL	30 591 891	37 634 200	(7 042 309)	0
		1 696 280	Appropriations for the year (refer to note 16)			(1 482 382)	
		227 535	NET (DEFICIT) SURPLUS FOR THE YEAR			(8 524 691)	
		436 023	Accumulated deficit beginning of the year			663 558	
		663 558	ACCUMULATED DEFICIT END OF THE YEAR			(7 861 133)	

APPENDIX E

INKWANCA MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION
Year ended 30 June 2009

GENERAL STATISTICS

Population 20 247

Site valuations at

- Residential	34 799 700
- Commercial	6 258 250
- Government	10 848 000
- Municipal	888 800
- Churches Exempt	1 292 200
	<u><u>54 086 950</u></u>

Assessment rates:

- Residential properties 0.0252 cents in the rand
 - Commercial properties 0.0412 cents in the rand
 - Government properties 0.0629 cents in the rand
- Rebates of 20% are granted on state-owned properties.

Number of residential properties

Number of employees of local authority 134

ELECTRICITY STATISTICS

Number of Users	2 431
Units bought/generated	8 999 773.130
Units sold	7 239 246.400
Units lost in distribution	1 760 526.73
Units lost in distribution (%)	19.6%
Cost per Unit Sold	R 0.3700
Income per Unit Sold	R 0.3600

WATER STATISTICS

Number of Users (metered)	3 986
Number of Users (unmetered)	2 864
Units bought/purified	unknown
Units sold (metered users)	106 769
Units lost in distribution	unknown
Units lost in distribution as a percentage	unknown
Cost per unit sold	
Income per unit sold	