

**NGWATHE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**NGWATHE LOCAL MUNICIPALITY  
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**GENERAL INFORMATION**

Mayor  
Speaker

MP Moshodi  
ME Magashule

**MEMBERS OF EXECUTIVE COMMITTEE**

G Nketu  
PJ Molibeli  
DD Hansa  
AM Olifant

GP Mandelstam  
M Serathi  
NMN Khumalo

**GRADING OF LOCAL AUTHORITY**

Grade 3

**AUDITORS**

Auditor-General  
PO Box 315  
BLOEMFONTEIN, 9300

**BANKERS**

ABSA Bank Limited  
PO Box 323  
BLOEMFONTEIN, 9300

**REGISTERED OFFICE**

Liebenbergstrek  
Parys

P O Box 359  
Parys  
9585

Telephone: (056) 811 2131  
Fax: (056) 817 6343

**ACTING MUNICIPAL MANAGER**

M.N.G Mahlatsi  
(BCom. Business Management and Economics, MBL and Advanced Diploma in Project Management)

**ACTING CHIEF FINANCIAL OFFICER**

S.E. Mofokeng  
(BCom. Accounting, SAICA Articles and Executive Municipal Management and Leadership Programme)

**NGWATHE LOCAL MUNICIPALITY**  
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**MEMBERS OF NGWATHE MUNICIPALITY**

Councillors:	KS	Hlatshwayo	MN	Phathi
	DS	Lehman	DB	Nel
	ML	Sephula	AJ	Rantsieng
	TN	Makhobotloane	PL	Moeketsi
	SM	Vermaak	LD	Jaers
	SM	Magashule	EC	Sothoane
	M	Serathi	J DE	Jager
	PP	Van Der Merwe	L	Mvulane
	RA	Majoe	NP	Mopeli
	M	Schoonwinkel	ME	Direko
	MM	Thekiso		
	SLS	Sekete	M	Mbele
	AC	Nteo	S	Choni
	DB	Manoto	AL	Kgotlagomang
	P	Ndayi	TL	Vandisi

**APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements set out on pages **4 to 38** were approved by the Municipal Manager on 29 August 2008 and will be tabled for noting at the council meeting scheduled for 30 September 2008. This is in line with MFMA Circular No 36 issued by National Treasury.

It is hereby certified that the salaries, allowances and benefits of Councillors as disclosed in note 14.1 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**ACTING MUNICIPAL MANAGER**  
**M.N.G MAHLATSI**

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**ACTING CHIEF FINANCIAL OFFICER**  
**S.E. MOFOKENG**

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**NGWATHE LOCAL MUNICIPALITY  
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**FOREWORD OF THE CHAIRPERSON**

As a symbol of achievement and as a model of leaving an indelible mark in the history of the reconstruction of our Municipality, I am pleased to report that Ngwathe Local Municipality Management maintained good progress towards achieving the target of completing the financial statements as set out in the Municipal Finance Management Act of 2003.

In this regard, I would like to report my sincere appreciation to the Municipal Manager and his team for his leadership and contribution towards improving the financial position of Ngwathe Local Municipality. As an Accounting Officer, he is responsible for the preparation and presentation of the financial statements which is relevant and reliable, the integrity of the information contained therein, the maintenance of effective control measures and compliance regulations contained elsewhere in this financial statements.

The Municipal Manager is responsible for the preparation and presentation of financial statements that are relevant and reliable, the integrity of the information contained therein, the maintenance of effective control measures, compliance with relevant laws and regulations, and the related financial information contained elsewhere in this financial statements.

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**CHAIRMAN OF THE EXECUTIVE COMMITTEE**

**NGWATHE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**ACCOUNTING OFFICER'S REPORT**

We are pleased to present the financial report for the year 2007/08

In rendering financial management support services to all departments, the Finance Department's primary objective is to modernize budget and financial management practices by placing Ngwathe Municipality's finances on a sustainable footing in order to maximize its capacity to deliver services to all its residents, customers, users and investors.

The annual financial statements for 2007/08 have been prepared in accordance with section 122 to 125 of the MFMA.

The more salient features of the Council's operating activities are dealt with below.

**1. OPERATING RESULTS**

Details of the operating 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 Rates & General and Trading services for the year ended **30 June 2008** is as follows:

<b>Income</b>	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual / Budget %</b>
Operating income	181 141 174	227 531 356	(25.61)%	224 950 238	(1.15)%
Closing (surplus)/deficit	41 197 254	46 899 869	(13.84)%		(16.00)%
	<b>222 338 428</b>	<b>274 431 225</b>		<b>224 950 238</b>	
<b>Expenditure</b>					
Opening deficit	17 772 903	41 197 254	(131.80)%		
Operating expenditure	196 446 487	215 683 021	(9.79)%	224 184 181	3.79%
Sundry Transfers	8 119 038	17 550 950	(116.92)%		
	<b>222 338 428</b>	<b>274 431 225</b>		<b>224 184 181</b>	

**1.1 RATES AND GENERAL SERVICES**

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Income	115 774 122	122 770 141	(6.04)%	132 044 050	7.02%
Expenditure	127 531 126	143 732 220	(12.70)%	157 411 079	8.69%
<b>Surplus/(Deficit)</b>	<b>(11 757 004)</b>	<b>(20 962 079)</b>		<b>(25 367 029)</b>	
<b>Surplus/(Deficit) as % of Total Income</b>	<b>(6.49)%</b>	<b>(9.21)%</b>		<b>(11.28)%</b>	

Rates and General Services actual income is less than the budget for 2007/2008 due to incomplete interim valuations and this resulted in a decrease in income from rates and taxes.

**NGWATHE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**1.2 TRADING SERVICES**

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Income	65 367 051	104 761 215	(60.27)%	92 906 188	(12.76)%
Expenditure	68 915 361	71 950 801	(4.40)%	66 773 102	(7.75)%
<b>Surplus/(Deficit)</b>	<b>(3 548 310)</b>	<b>32 810 414</b>		<b>26 133 086</b>	
<b>Surplus/(Deficit) as % of Total Income</b>	<b>(1.96)%</b>	<b>14.42%</b>		<b>11.62%</b>	

The main challenges that faced Ngwathe municipality during the year under review are water and electricity losses, broken meters and non-payment of municipal services by consumers. The number of indigent households also increased. Thus, all the above-mentioned factors contributed to high expenditure as compared to what was budgeted for.

**1.2.1 Electricity**

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Income	38 011 037	66 507 566	(74.97)%	58 796 940	(13.11)%
Expenditure	44 618 186	49 379 847	(10.67)%	47 751 959	(3.41)%
<b>Surplus/(Deficit)</b>	<b>(6 607 149)</b>	<b>17 127 719</b>		<b>11 044 981</b>	
<b>Surplus/(Deficit) as % of Total Income</b>	<b>(3.65)%</b>	<b>7.53%</b>		<b>4.91%</b>	

**1.2.2 Water Works**

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Income	27 356 014	38 253 649	(39.84)%	34 109 248	(12.15)%
Expenditure	24 297 175	22 570 954	7.10%	19 021 143	(18.66)%
<b>Surplus/(Deficit)</b>	<b>3 058 839</b>	<b>15 682 695</b>		<b>15 088 105</b>	
<b>Surplus/(Deficit) as % of Total Income</b>	<b>1.69%</b>	<b>6.89%</b>		<b>6.71%</b>	

Actual income on water services for 2007/2008 was more than what was budgeted for due to number of developments within Ngwathe Municipality, however, over-expenditure could be mainly associated to non-payment of services by consumers resulting in high provision for bad debts and increasing number of indigent households.

**NGWATHE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**2. CAPITAL EXPENDITURE AND FINANCING**

<b>CAPITAL EXPENDITURE</b>	<b><u>Actual</u> 2008 R</b>	<b><u>Actual</u> 2007 R</b>	<b><u>Budget</u> 2008 R</b>
Council	245 599	778 606	800 000
Cemetery	2 345 473	885 965	3 064 911
Computer Centre	1 330 312	5 691 332	2 200 000
Electricity	713 637	11 927 349	3 207 531
Parks and Recreation	-	15 390	-
Refuse	-	2 076 000	-
Roads and Storm water	2 061 762	11 258 943	2 750 000
Sewerage	61 612 166	12 746 611	75 826 514
Director Finance	-	-	900 000
Traffic	-	224 000	-
Water	3 812 361	8 041 571	14 065 575
Municipal Manager	-	193 201	80 000
Director Community Services	-	52 234	100 000
Director Technical	-	-	170 000
Director Corporate Service	-	-	350 000
Housing	-	-	350 000
Irrigation	-	44 900	-
Sport Facilities	-	-	6 500 000
	<b>72 121 310</b>	<b>53 936 102</b>	<b>110 364 531</b>

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

Resources used to finance the fixed assets were as follows:

<b>CAPITAL FINANCING</b>	<b><u>Actual</u> 2008 R</b>	<b><u>Actual</u> 2007 R</b>	<b><u>Budget</u> 2008 R</b>
Contributions from operating income	3 323 880	19 976 509	13 765 531
Grants and Subsidies	68 797 430	33 959 593	96 599 000
	<b>72 121 310</b>	<b>53 936 102</b>	<b>110 364 531</b>

# **NGWATHE LOCAL MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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

#### **3.1 External Loans**

External loans outstanding on 30 June 2008 amounted to R25.3 million (R26.8 million in 2007) as set out in Appendix "B". During the year loans amounting R1.5 million were repaid.

#### **3.2 Investments and Cash**

Investments and Cash on 30 June 2008 were overdrawn by to R1 million (R4.8 million favourable balance in 2007).

The cash on hand and bank balance was unfavourable as at 30 June 2008 to the tune of R9.5 million (R3.2 million in 2007).

More information regarding long term liabilities and investments are disclosed in the notes (4 and 7) as well as Appendix "B" to the financial statements.

### **4. FUNDS AND RESERVES**

Trust funds will be transferred to various accounts including appropriation during the year as a preliminary step in a phased approach to comply with National Treasury deadlines to convert to GRAP by 30 June 2009.

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

### **5. OUTSTANDING DEBTORS**

Outstanding debts are collected in terms of Council's credit control policy. The collection of debts dating back to previous years is a time consuming process and often the debtors only have limited means to pay off arrears.

Total debtors decreased from R92 million to R72 million due to write-off of the prescribed debts amounting to approximately R40 million. Stringent measures with regards to tariff management coupled with effective credit control policies and procedures are fully implemented to ensure we turn around the trend of ever increasing municipal debt.

### **6. INTER GOVERNMENTAL TRANSFERS AND SOCIAL REBATES IN AID OF INDIGENT RESIDENTS**

An amount of R 61.1 million was received from the State for 2007/08 in respect of DORA to off-set the cost to council of making services available to the indigent sections of the community. For those earning below R871 pm services were made available free to a maximum of 50 kw/h of electricity and 6 kl of water. 6 kl of water was also allowed for all domestic consumers and 15 kw/h of electricity per month.



**NGWATHE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**7. FINANCIAL POSITION**

**BALANCE SHEET MOVEMENTS AND EFFECTS ON CASH FLOW**

**Note**

Statutory Funds showed an increase in their accumulated funds from R41 million to R46.8 million	1
Reserves have increased from R5.1 million to R5.2 million	2
Long Term Liabilities decreased from R25 million to R24 million	4
Provisions increased from R8.4 million to R8.5 million	11
The Retained deficit has increased from R41 million to R46.8 million after the years' operating surplus of R 11.8 million.	17

**8. GENERAL**

**GRANTS AND SUBSIDIES USED FOR OPERATIONAL EXPENDITURE**

	<u>Actual</u> <u>2008</u> <u>R</u>	<u>Actual</u> <u>2007</u> <u>R</u>	<u>Budget</u> <u>2008</u> <u>R</u>
Grants and subsidies received	61 188 391	52 415 103	64 260 429
<u>Less:</u> Grants and subsidies used	61 188 391	52 415 103	64 260 429
Grants and subsidies unspent	-	-	-

**EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, the Speaker, the Councillors, the Acting Chief Financial Officer, all the members of the Management Team, as well as the entire staff of Ngwathe Municipality for the support they have given to me during the year under review.

I would also like to express my appreciation to the Auditor-General's staff for their co-operation and assistance during the audit of the Council's financial statements.

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**ACTING ACCOUNTING OFFICER  
M.N.G MAHLATSI**

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**NGWATHE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

- 1.1 The 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 Accounting Practice (1997) and Institute of Municipal Finance Officers Report on Published Annual Financial Statements (Second Edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy - Note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received such as traffic fines and certain licences.
  - Expenditure is accrued in the year it is incurred.

**2. CONSOLIDATION**

The financial statements include the Rate and General services, Trading services and the different funds and reserves. Income and expenditure of assessment rates, refuse removal, sewerage, electricity and water departments are treated separately.

**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.

**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:

# **NGWATHE LOCAL MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

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

**3.4** Net proceeds from the sale of assets are credited to the Capital Development Fund.

## **4. FUNDS AND RESERVES**

### **4.1 Capital Development Fund**

Ordinance No 82(1) of 1962 requires a minimum contribution of 1% of income. The other type of money allocated to this fund consists of interest earned on investments.

### **4.2 Insurance Fund**

A General Insurance Fund is maintained to cover claims that may occur. The type of money allocated to this fund consists of interest earned on investments.

### **4.3 Loan Redemption Fund**

The fund is provided for by annual repayments of advances made to the borrowing accounts. The type of money allocated to this fund consists of interest earned on investments and budgeted contribution for the year.

### **4.4 Capital Reserve Fund**

The reserve is built up by annual charge to the appropriation account with objective of providing capital for new projects. The type of money allocated to this reserve consists of interest earned on investments.

**4.5 Renewal Fund**

This fund is operated in terms of section 83 of the Ordinance on Local Government nr 8 of 1962. Contributions from operating income are made on an annual basis. The replacement and maintenance of existing assets, are financed from this fund. The type of money allocated to this reserve consists of interest earned on investments.

**4.6 Community Facility Reserve**

This reserve is maintained to provide community facilities, with regard to Council's housing schemes. The type of money allocated to this reserve consists of interest earned on investments.

**4.7 Removal Reserve**

This reserve is maintained to finance the removal cost of newly appointed staff under certain conditions. The type of money allocated to this reserve consists of interest earned on investments.

**4.8 Granite Reserve**

This reserve has been established with the purpose of providing housing for the elderly. Contributions to this fund were made from income earned through the exploitation of granite.

**4.9 Rent Loss Reserve**

This reserve is maintained to cover rent losses that may occur on Council's Sub-Economic Housing Scheme. The type of money allocated to this reserve consists of interest earned on investments.

**4.10 Maintenance Reserve – Housing**

This reserve is maintained to provide for the maintenance of Council's Sub-Economic Housing Scheme. The type of money allocated to this reserve consists of interest earned on investments.

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## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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### **4.11 Maintenance Reserves – Electricity and Water**

These reserves are maintained to provide for the maintenance of Council's electricity and water distribution systems. The type of money allocated to this reserve consists of interest earned on investments.

### **4.12 RDP Fund**

This reserve is maintained to finance Council's own reconstruction and development program. The type of money allocated to this reserve consists of interest earned on investments.

### **4.13 Housing Reserve**

This reserve is maintained with regard to the housing schemes in Tumahole. The type of money allocated to this reserve consists of interest earned on investments.

### **4.14 Erven Trust Fund**

Section 85(2)(a) of the Ordinance on Local Government nr 8 of 1962, required the net proceed from the sale of fixed property, to be credited to the Erven Trust Fund. The other type of money allocated to this reserve consists of interest earned on investments.

## **5. SURPLUSES AND DEFICITS**

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

## **6. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

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

## **7. RETIREMENT BENEFITS**

Ngwathe Municipality and its employees contributed to the Free State Municipal Pension Fund. The retirement benefit plan is subject to the Pension Fund Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

The date of the last actuarial valuation was 30 June 2004. The fund was in a sound financial position at this date. The date of the next actuarial valuation is 30 June 2009.

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**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**8. INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred. Interest on investment is allocated to different funds and reserves in proportion to the consolidated opening balances after amalgamation in 2000.

**9. INVENTORY**

Inventory is shown at the lower of cost or net realisable value on the first in first out method.

**10. INCOME RECOGNITION**

**10.1 Electricity and Water Billings**

Meters on all properties are read and billed monthly. Prepaid electricity sales are also sold.

**10.2 Assessment Rates**

Service charges are raised according to the valuation of buildings and stands. A **20%** discount applies for governmental properties.

**11. DEFFERED CHARGES**

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

**12. LEASED ASSETS**

Fixed Assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement. All other leases are treated as operating leases and the relevant rentals are charged the operating account in a systematic manner related to the period of use of assets concerned.

**13. CONTIGENT LIABILITIES**

Section 125(2)(c ) of the Municipal Finance Management Act requires disclosure of all contingent liabilities.

**14. POST BALANCE SHEET EVENTS**

There were no events that occurred between the balance sheet date and date on which the annual financial statements were authorised and issued.

**NGWATHE LOCAL MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**BALANCE SHEET AT 30 June 2008**

	<u>NOTE</u>	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		47 509 871	46 530 979
Statutory Funds	1	42 220 420	41 400 449
Reserves	2	5 289 451	5 130 530
Retained Income	17	(46 899 869)	(41 197 254)
		610 002	5 333 725
Housing Operating Account	23	332 738	332 410
Trust Funds	3	9 297 050	9 133 284
Long Term Liabilities	4	24 156 849	25 312 424
Consumer Deposits – Services	5	3 129 923	2 944 477
		<b>37 526 562</b>	<b>43 056 320</b>
 <b>EMPLOYMENT OF CAPITAL</b>			
Fixed Assets	6	7 484 179	8 636 160
Investments	7	8 497 557	8 096 458
Long Term Debtors	8	31 368	27 163
		16 013 104	16 759 781
NET CURRENT ASSETS		21 513 458	26 296 539
<b>CURRENT ASSETS</b>			
Inventory	9	154 137	206 867
Debtors	10	60 127 899	49 949 388
Cash		-	-
Short-term Portion of long-term debtors	8	9 848	14 054
 <b>CURRENT LIABILITIES</b>			
Provisions	11	8 505 455	8 457 714
Creditors	12	19 555 476	10 643 886
Short-term portion of long-term liabilities	4	1 197 234	1 485 350
Bank Overdraft		9 520 261	3 286 820
		<b>37 526 562</b>	<b>43 056 320</b>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007				2008			
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/(Deficit)
115 774 123	127 531 126	(11 757 003)	RATES AND GENERAL SERVICES	122 770 141	143 732 220	(20 962 079)	<b>(25 367 029)</b>
65 397 709	86 083 812	(20 686 105)	Community Services	86 877 355	108 218 853	(21 341 498)	(19 628 816)
17 753 889	13 525 780	4 228 109	Subsidised Services	937 952	17 121 454	(16 183 502)	(18 355 825)
32 622 525	27 921 534	4 700 991	Economic Services	34 954 834	18 391 913	16 562 921	12 617 612
<b>65 367 052</b>	<b>68 915 361</b>	<b>(3 548 310)</b>	<b>TRADING SERVICES</b>	<b>104 761 215</b>	<b>71 950 801</b>	<b>32 810 414</b>	<b>26 133 086</b>
<b>181 141 174</b>	<b>196 446 487</b>	<b>(15 305 313)</b>	<b>TOTAL</b>	<b>227 531 356</b>	<b>215 683 021</b>	<b>11 848 335</b>	<b>766 057</b>
		( 8 119 038)	Appropriation for the year (Note 17)			(17 550 950)	
		(23 424 351)	Net surplus/ (deficit) for the year			(5 702 615)	
		(17 772 903)	Accumulated surplus/ (deficit) beginning of the year			(41 197 254)	
		<b>(41 197 254)</b>	<b>Accumulated surplus/ (deficit) at end of the year</b>			<b>(46 899 869)</b>	



**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	<u>NOTE</u>	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>CASH RETAINED FROM OPERATING ACTIVITIES:</b>			
		67 732 658	56 983 817
Cash generated by operations	18	40 640 064	22 410 475
Investment income	16	995 951	1 407 654
(Increase) decrease in working capital	19	29 849 072	37 807 476
<b>Less:</b> External interest paid		(3 752 429)	(4 641 788)
Cash available from operations		67 732 658	56 983 817
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in Fixed Assets		(72 121 310)	(53 936 102)
<b>NET CASH FLOW</b>		<u><u>(4 388 652)</u></u>	<u><u>3 047 715</u></u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES:</b>			
Increase/(decrease) in long-term loans	20	(1 443 690)	(1 487 370)
(Increase)/decrease in cash investment	21	(401 099)	(1 146 505)
(Increase)/decrease in cash on hand	22	6 233 441	(413 840)
<b>Net Cash Utilised/(Generated)</b>		<u><u>4 388 652</u></u>	<u><u>(3 047 715)</u></u>

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008**

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>1. STATUTORY FUNDS</b>		
Redemption Fund	3 862 019	3 794 133
Capital Development and Revolving Fund	38 358 401	37 606 316
	<u>42 220 420</u>	<u>41 400 449</u>
(Refer to Appendix A for more details)		
<b>2. RESERVES</b>		
Insurance Fund	578 924	502 803
Capital Reserve Fund	179 347	176 195
Renewal Fund	1 237 395	1 215 645
Loss of Rental Reserve	70 032	68 800
Housing (Tumahole)	1 170 676	1 150 098
Removal Reserve	13 131	12 900
Maintenance Reserve (Electricity)	1 632 802	1 606 283
Maintenance Reserve (Water)	137 204	132 611
RDP Reserve	38 007	37 339
Asset Reserve	213 696	209 940
Civil Defence Reserve	18 237	17 916
	<u>5 289 451</u>	<u>5 130 530</u>
(Refer to Appendix A for more details)		
<b>3. TRUST FUNDS</b>		
Mayors Trust Fund	17 466	17 159
Erven Fund	9 271 071	9 107 762
EA Blake Heritage	6 715	6 597
Trust Fund	1 798	1 766
	<u>9 297 050</u>	<u>9 133 284</u>
(Refer to Appendix A for more details)		
<b>4. LONG TERM LIABILITIES</b>		
Annuity Loans	38 850	62 048
Local Authorities Loans Fund	16 740 575	17 723 295
External Loans	8 574 658	9 012 430
<b>Less</b> : Short term portion transferred to Current Liabilities	(1 197 234)	(1 485 350)
	<u>24 156 849</u>	<u>25 312 424</u>
(Refer to Appendix B for more details on long term liabilities)		

**Annuity Loans**

Carry interest rates at between 16% and 17,30% per annum and will be fully redeemed in the next financial year.

**Local Authority Loans**

DBSA Loans carrying interest rate of 15,28% and is repayable over periods of between 1 and 30 years.

# NGWATHE MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)

#### External Loans

The INCA loan bearing interest of 17, 25% and is repayable over a period of 10 years.

#### Instalment Sale Agreement

Carry interest rates varying between 15,5% and 16,92% and is repayable over periods of between 1 and 30 years.

INCA Loan is secured by the investment and the former Heilbron Municipality ABSA loan is ceased by Momentum Policy No. 091390975.

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>5. CONSUMER DEPOSITS – SERVICES</b>		
Electricity and Water	<u>3 129 923</u>	<u>2 944 477</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	403 922 196	349 986 095
Capital expenditure during the year	72 121 310	53 936 102
<b>Total Fixed Assets</b>	<u>476 043 506</u>	<u>403 922 196</u>
<b>Less:</b> Loans redeemed and other capital receipts	<u>(468 559 328)</u>	<u>(395 286 036)</u>
<b>Net Fixed Assets</b>	<u><u>7 484 179</u></u>	<u><u>8 636 160</u></u>

(Refer to Appendix C and Section 2 of the Financial Officer's Report for more details on fixed assets.)

#### 7. INVESTMENTS

##### Listed

Sanlam Shares	78 020	105 702
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##### Unlisted

Senwes Members Fund	14 295	12 779
Fixed Deposits	40 048	38 592
Other Deposits	5 261 029	4 977 574
Sanlam Effekte	3 104 165	2 961 811

	<u>8 497 557</u>	<u>8 096 458</u>
--	------------------	------------------

Average rate of return on investments	15,5%	15,5%
---------------------------------------	-------	-------

Investments are made in terms of the municipality's banking and investment policy.

INCA Loan is secured by the investment and the former Heilbron Municipality ABSA loan is ceased by Momentum Policy No. 091390975

#### 8. LONG-TERM DEBTORS

Housing Loans	-	917 593
Erven Sales	20 915	21 084
Vehicle loan	-	577
Other Loans	20 301	25 501
	41 216	964 755
<b>Less:</b> Provision for bad debt	-	(923 538)
<b>Less:</b> Short-term portion transferred to Current Assets	(9 848)	(14 054)
	<u>31 368</u>	<u>27 163</u>

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008 (Continued)**

	<u>2008</u>	<u>2007</u>
	<u>R</u>	<u>R</u>
<b>9. INVENTORY</b>		
Stock represents petrol & diesel and consumable stores	<u>154 137</u>	<u>206 868</u>
<b>10. DEBTORS</b>		
Suspence Account	-	605
Consumer Debtors	71 897 282	91 972 635
Sundry Debtors	1 226 992	1 802 597
	<u>73 124 274</u>	<u>93 775 837</u>
<b>Less:</b> Provision for bad debt	<u>(12 996 375)</u>	<u>(43 826 449)</u>
	<u><b>60 127 899</b></u>	<u><b>49 949 388</b></u>
Days outstanding in debtors amounted to 242 days (2007 - 251 days)		
<b>11. PROVISIONS</b>		
Audit Fees	1 500 000	1 525 460
Leave Provision	6 583 756	6 571 755
Community Facilities	14 996	14 996
Valuation Fees	295 503	295 503
Court Case Settlement	111 200	50 000
	<u><b>8 505 455</b></u>	<u><b>8 457 714</b></u>
<b>12. CREDITORS</b>		
Trade Creditors	23 345 947	14 449 039
Sundry Creditors	1 422 660	2 736 388
Suspence Accounts	(6 207 418)	(7 535 828)
VAT Payable	994 287	994 287
	<u><b>19 555 476</b></u>	<u><b>10 643 886</b></u>
<b>13. ASSESSMENT RATE</b>		
<b>Valuations</b>		
Residential and Commercial	1 287 336 885	1 045 529 908
State	135 799 850	88 456 057
	<u><b>1 423 136 735</b></u>	<u><b>1 133 985 965</b></u>
<b>Actual Income</b>		
Residential and Commercial	26 573 108	17 218 980
State	1 793 777	1 456 795
	<u><b>28 366 885</b></u>	<u><b>18 675 775</b></u>

Valuations on land are performed every five-year. The last valuation came into effect on 1 July 2003. A rebate of 20% was granted on government properties.

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008(Continued)**

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>14.1 COUNCILLORS REMUNERATION</b>		
Executive Committee Allowance	928 354	1 043 117
Mayor's Allowance	335 155	231 683
Speaker's allowance	233 538	278 942
Councillors' Pension Contribution	408 785	450 779
Councillors Allowances	4 429 142	5 507 793
	<u><b>6 334 974</b></u>	<u><b>7 512 314</b></u>

The Mayor, the Speaker, Members of Executive Committee and Other Councillors are remunerated within the framework of the Public Office- Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members and in accordance to section 167 of Municipal Finance Management Act 56 of 2003.

**14.2 COUNCILLORS OUTSTANDING BALANCES ON MUNICIPAL SERVICES**

Magashule ME	246	(105)
Magashule MR	203	-
Majoe RA	798	326
Nel BJ	593	2 010
Rantsieng AJ	-	-
Makhobotloane TN	2 204	1 176
Letsoenyo TR	-	156
Sekete SLS	968	186
Serathi M	780	442
Hansa DD	948	4 274
Mvulane L	653	126
Sothoane EC	-	(105)
Nteo AC	4 096	3 873
Nteo AN	-	(244)
Khumalo NMN	1 288	2 207
Oliphant AM	192	191
Kgotlagomang AL	-	2 892
Kgotlagomang E	1 304	1 752
Molibeli PJ	-	287
Direko ME	-	531
Lehman DS	284	359
Vermaak SM	462	1 215
Phati NM	1 694	1 105
Schoonwinkel A	261	1 468
Mopedi	371	86
Ndlovu NA	127	2 012
Van der Merwe PP	-	-
Van der Merwe JM	410	834
Nhlapo MA	-	-
Nhlapo KJ	-	7 156
Hlungu NJ	-	-
Hlungu L	-	(1 237)
Maine EM	-	-
Sothoane T	-	(737)
Sothoane A	-	(1 651)
Jaers LD	2 038	1 847
Ndayi PR	69	115
Moeketsi PA	215	587
Choni PS	124	1 957
Rantsieng ML	-	(442)

**20 328**

**34 649**

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

<b>14.3 SALARIES, ALLOWANCES AND BENEFITS OF EXECUTIVE MANAGEMENT</b>	<b>2008</b> <b>R</b>	<b>2007</b> <b>R</b>
<b>Municipal Manager</b>		
Salary	363 551	398 063
Provident Fund	65 655	33 708
Unemployment Insurance Fund	1 438	1 344
Travelling Allowance	215 052	148 225
<b>Chief Financial Officer</b>		
Salary	391 267	327 023
Unemployment Insurance Fund	1 438	1 227
Travelling Allowance	130 898	115 932
<b>Director – Corporate Services</b>		
Salary	333 720	305 978
Provident Fund	61 741	55 290
Unemployment Insurance Fund	1 438	1 344
Travelling Allowance	128 142	121 567
<b>Director – Technical Services</b>		
Salary	391 267	356 537
Unemployment Insurance Fund	1 438	1 344
Travelling Allowance	130 898	126 044
<b>Director – Community Services</b>		
Salary	392 761	357 744
Unemployment Insurance Fund	1 438	1 344
Travelling Allowance	129 404	126 044
<p>The Municipal Manager and Directors are remunerated in terms of section 57 of Municipal Systems Act of 2000 and Section 8 of Municipal Systems Amendment Act of 2003.</p>		
<b>15. AUDITORS' REMUNERATION</b>		
Audit and Accounting Fees:		
• Current year provision	1 500 000	1 408 390
• Prior year (over)/under provision	(260 548)	457 261
	<b>1 239 452</b>	<b>1 865 651</b>
<b>16. FINANCE TRANSACTIONS</b>		
Total external interest earned and paid:		
• Interest earned	996 305	1 407 654
• Interest paid	3 673 199	4 550 996
Capital charges debited to operating account:		
Interest:	3 752 429	4 641 788
• Internal	79 230	90 792
• External	3 673 199	4 550 996
Redemption:	1 151 981	1 616 004
• Internal	133 349	128 686
• External	1 018 632	1 487 318
	<b>4 904 410</b>	<b>6 257 792</b>

**NGWATHE MUNICIPALITY**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2008(Continued)**

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>17. APPROPRIATIONS</b>		
Accumulated surplus / (deficit) at the beginning of the year	(41 197 254)	(17 772 903)
Operating surplus / (deficit) for the year	11 848 335	(15 305 313)
Appropriations for the year:	(17 550 950)	(8 119 038)
• Prior year adjustment	-	3 767 194
• Correction of prior year	26 921	
• Correction of bad debts provision for prior year	(21 695 428)	
• Correction of provision for court case	(30 000)	
• Correction of transformation income	413 861	
• Correction of audit fee	260 548	
• Correction of history	3 473 148	(10 538 980)
• Audit Adjustment	-	(1 347 252)
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b><u>(46 899 869)</u></b>	<b><u>(41 197 254)</u></b>
Operating Account:		
Capital Expenditure	3 323 880	19 841 509
Contributions to:		
- Bad Debts Provision	13 022 114	6 952 762
- Indigents	26 675 465	22 390 393
- Audit fees	2 362 070	1 157 952
- Leave	1 269 143	-
	<b><u>46 652 672</u></b>	<b><u>50 342 616</u></b>
<b>18. CASH GENERATED BY OPERATIONS</b>		
Surplus/(Deficit) for the year	11 848 335	(15 305 313)
Adjustments in respect of : Previous year	(17 550 950)	(8 119 038)
	<b><u>(5 702 615)</u></b>	<b><u>(23 424 351)</u></b>
Appropriations charged against income:	<b>41 438 269</b>	<b>39 577 034</b>
• Capital Development Fund	79 230	3 262 356
• Erven Trust Fund	-	62 197
• Insurance Fund	67 124	36 024
• Bad Debts Provisions	(30 830 071)	(17 722 584)
• Other	680	745
• Fixed Assets	72 121 310	53 936 102
Capital charges:		
Interest Paid:	3 752 429	4 641 788
• Internal Funds	79 230	90 792
• External Funds	3 673 199	4 550 996
Redemption:	1 151 981	1 616 004
• External Loans	1 018 632	1 487 318
• Internal Loans	133 349	128 686
	<b><u>40 640 064</u></b>	<b><u>22 410 475</u></b>

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2008 (Continued)**

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>19. (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/Decrease in Stock	52 730	52 416
(Increase)/Decrease in debtors, long term debtors	20 651 565	32 506 832
Increase/(Decrease) in creditors, consumer deposits, provisions	9 144 777	5 248 228
	<u>29 849 072</u>	<u>37 807 476</u>
<b>20. INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL AND INTERNAL)</b>		
Loans raised	-	-
Loans repaid/written off	(1 443 690)	(1 487 318)
	<u>(1 443 690)</u>	<u>(1 487 318)</u>
<b>21. (INCREASE)/DECREASE IN CASH INVESTMENTS</b>		
Balance at beginning of year	8 096 458	6 949 953
<b>Less:</b> Balance at end of year	8 497 557	8 096 458
	<u>(401 099)</u>	<u>(1 146 505)</u>
<b>22. (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	(3 286 820)	(3 700 660)
<b>Less:</b> Cash balance at the end of the year	(9 520 261)	(3 286 820)
	<u>6 233 441</u>	<u>(413 840)</u>
Ngwathe Municipality's bank overdraft facility is covered by portion of farm property – Klipspruit No.84		
<b>23. HOUSING OPERATING ACCOUNT</b>		
Housing Reserves	188 354	188 354
Suspense Account	(50)	(50)
Housing Creditors	144 434	144 106
	<u>332 738</u>	<u>332 410</u>



**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

<b>24. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b><u>R</u></b>	<b><u>R</u></b>
<b>24.1 BANK ACCOUNTS</b>		
ABSA Bank – 11-3000-0041 : Cheque Account		
<i>Year opening balance</i>	(228 804)	652 102
<i>Year end balance</i>	(179 662)	(228 804)
ABSA Bank – 40-5270-7733 : Cheque Account		
<i>Year opening balance</i>	(3 071 112)	(4 362 067)
<i>Year end balance</i>	(9 358 221)	(3 071 112)
<b>24.2 PAYE AND UIF</b>		
Opening balance	615 161	364 767
Current year payroll deductions	6 757 180	5 781 896
Amount paid – current year	(3 905 932)	(5 166 735)
Amount paid previous year	(615 161)	(364 767)
<b>Balance unpaid (included in creditors)</b>	<b><u>2 851 248</u></b>	<b><u>615 161</u></b>
<b>24.3 PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balance	1 294 706	1 022 110
Current year payroll deductions and contributions	15 248 135	14 042 155
Amount paid – current year	(13 973 271)	(12 747 449)
Amount paid previous year	(1 294 706)	(1 022 110)
<b>Balance unpaid (included in creditors)</b>	<b><u>1 274 864</u></b>	<b><u>1 294 706</u></b>
<b>24.4 RSC LEVIES</b>		
Opening balance	61 034	464 751
Current year levies	-	-
Amount paid – current year	-	-
Amount paid previous year	(61 034)	(403 717)
<b>Balance unpaid (included in creditors)</b>	<b><u>-</u></b>	<b><u>61 034</u></b>
<b>24.5 CONTRIBUTIONS MADE TO ORGANISED LOCAL GOVERNMENT (SALGA)</b>		
Opening balance	-	-
Current year Payroll deductions	373 074	379 642
Amount paid – current year	(310 766)	(379 642)
Amount paid previous year	(32 269)	-
<b>Balance unpaid (included in creditors)</b>	<b><u>30 039</u></b>	<b><u>-</u></b>

# NGWATHE MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 24.6 NON- COMPLIANCE TO MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

The municipality was facing challenges in terms of capacity, skills development, resources (both human and capital), thus the following sections of Municipal Finance Management Act were not adhered to during 2006/2007 financial year;

- Section 2(c) – No fixed asset register
- Section 45(4) – Short term debt not settled
- Section 65 (2) – Creditors not paid within 30 days
- Section 64 (2) – No revenue reconciliations
- Section 168 – No Audit Committee
- Section 63(1)(a) - Safeguarding and maintenance of assets
- Section 131 - Audit report issues not addressed properly

### 24.7 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Interest and penalties charged on late payment of the following suppliers due to cash flow difficulties, low collection rate of revenue and lack of communication;

Description	Purpose	Amount paid R
RAND WATER	Purchase of water – interest charged	30 063
INCA	Loans – interest charged	253 331
ESKOM	Electricity – interest charged	401 325
SARS (PAYE)	Pay as you earn employee tax – interest and penalties	2 455 766
SARS (UIF)	Unemployment insurance fund – interest and penalties	191 979
SARS (SDL)	Skills development levy – interest and penalties	139 548
STATUTORY DEDUCTIONS	Garnishees and Pension – interest and legal costs	84 077
<b>Total</b>		<b>3 556 089</b>

South African Revenue Services charged interest and penalties from 2003/2004 to 2007/2008 financial year. This was due to late submission of tax returns.

### 24.8 PRIOR ADJUSTMENTS

Adjustments on the opening balances were made based on the 2006-2007 audit findings. The following items were rectified;

- Bank Charges
- Trade Creditors
- Operating Grants and Subsidies
- Legal Fees
- Provision for bad debts
- Provisions
- Long term liabilities
- Accumulated Surplus/ Deficit

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**25. CAPITAL COMMITMENTS**

The following capital projects were committed at year end;

	<u>Amount</u> R	<u>Source of Finance</u>
• Drought Relief Edenville	500 000	DWAF
• Electrification of Houses	1 454 691	DME
• Parys Bucket Eradication	6 858 990	MIG
• Vredefort Bucket Eradication	632 227	MIG
• Koppies Waterborne Sewer	836 383	MIG
• Heilbron Bucket Eradication	356 028	MIG
• Edenville Bucket Eradication	855 904	MIG
• Cemeteries in 5 Towns	469 543	MIG
• Bulk Water Vredefort/ Heilbron	685 852	MIG
• Parys Water Purification Phase 1	210 634	MIG
• Parys Water Purification Phase 2	610 472	MIG
• Parys/ Edenville Roads	600 000	MIG
• Koppies Waste Water Works	1 782 000	MIG
• Parys Waste Water Works	35 000	MIG
• Vredefort Replacement Sewer Pipes	800 000	MIG
• Asset Register	500 000	District

MIG – Municipal Infrastructure Grant  
 DWAF – Department of Water Affairs and Forestry  
 District – Fezile Dabi District Municipality  
 Department of Minerals and Energy

**26. CONTINGENT LIABILITIES**

Performance Bonuses for the previous as well as the year under review for section 57 Managers might be paid out pending the outcome of the performance measurement. Department of Water Affairs and Forestry's water extraction levies account was not accurate due to technical problems on their systems, thus there is a possibility that the amount due will be paid in future.

**27. GOVERNMENT GRANT AND SUBSIDIES**

	<u>2008</u> R	<u>2007</u> R
Equitable Share	61 189 000	50 452 535
Municipal Infrastructure Grant	79 361 000	32 443 850
Electrification Grant	1 888 000	-
Local Government Financial Management Grant	500 000	500 000
Municipal Systems Improvement Grant	734 000	-
Department of Local Government and Housing	350 000	1 310 000
National Lottery (Lotto)	-	962 568
	<u>144 022 000</u>	<u>85 668 953</u>

**28 MUNICIPAL INFRASTRUCTURE GRANT**

Opening balance	-	378 070
Amount received – current year	79 361 000	32 443 850
Amount spent – Conditions met	(69 838 000)	(32 821 920)
<b>Balance unpaid (included in creditors)</b>	<u>9 523 000</u>	<u>-</u>

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX A  
ACCUMULATED FUNDS, TRUSTS AND RESERVES**

	<b>BALANCE AT 30 JUNE 2007</b>	<b>CONTRIBUTIONS DURING THE YEAR</b>	<b>INTEREST ON INVESTMENTS</b>	<b>BALANCE AT 30 JUNE 2008</b>
	<b>(R)</b>	<b>(R)</b>	<b>(R)</b>	<b>(R)</b>
<b>STATUTORY FUNDS</b>	<b>41 400 449</b>	<b>79 230</b>	<b>740 741</b>	<b>42 220 420</b>
Redemption Fund	3 794 133	-	67 886	3 862 019
Capital Development and Revolving Fund	37 606 316	79 230	672 855	38 358 401
<b>RESERVES</b>	<b>5 130 530</b>	<b>67 124</b>	<b>91 797</b>	<b>5 289 451</b>
Insurance Fund	502 803	67 124	8 997	578 924
Capital Reserve Fund	176 195	-	3 152	179 347
Renewal Fund	1 215 645	-	21 750	1 237 395
Loss of Rental Reserve	68 800	-	1 232	70 032
Housing (Tumahole)	1 150 098	-	20 578	1 170 676
Removal Reserve	12 900	-	231	13 131
Maintenance Reserve (Electricity)	1 606 283	-	26 519	1 632 802
Maintenance Reserve (Water)	132 611	-	4 593	137 204
RDP Reserve	37 339	-	668	38 007
Asset Reserve	209 940	-	3 756	213 696
Civil Defence Reserve	17 916	-	321	18 237
<b>TRUST FUNDS</b>	<b>9 133 284</b>	<b>-</b>	<b>163 766</b>	<b>9 297 050</b>
Mayors trust Fund	17 159	-	307	17 466
Erven Fund	9 107 762	-	163 309	9 271 071
EA Blake Heritage	6 597	-	118	6 715
Trust Fund	1 766	-	32	1 798
	<b>55 664 264</b>	<b>146 354</b>	<b>996 305</b>	<b>56 806 921</b>

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX B  
EXTERNAL LOANS AND INTERNAL ADVANCES**

EXTERNAL LOANS					Balance at 30 June 2007	Redeemed during year	Received this year	Balance at 30 June 2008	Short term portion transferred to current liabilities
Redeemable									
<b>Vredefort</b>									
Loan 62	Infrastructure finance Corp- Electricity	17.00%	2008	15 655	15 655		-	-	
Loan 73	Infrastructure finance Corp- Roads & storm water	17.30%	2011	19 102	3 105		15 997	3 667	
Loan 74	Infrastructure finance Corp- Electricity	17.30%	2011	27 291	4 438		22 853	4 453	

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX B  
EXTERNAL LOANS AND INTERNAL ADVANCES (Continued)**

EXTERNAL LOANS				Balance at 30 June 2007	Redeemed during year	Received this year	Balance at 30 June 2008	Short term portion transferred to current liabilities
<b>Heilbron</b>			Redeemable					
Loan	ABSA	13.68%	2011	534 577		-	534 577	-
						-	-	-
Loan 144	DWAF	08.70%	2013	52 794	12 713	-	40 081	12 714
<b>Parys</b>								
Loan 6	ABSA Bank	10.00%	2008	179 304	179 304	-	-	-
Loan 6	ABSA Bank	10.00%	2008	32 432	32 432	-	-	-
Loan 6	ABSA Bank	10.00%	2008	213 323	213 323	-	-	-
Loan 6	INCA	17.5%	2011	3 544 000	-	-	3 544 000	-
Loan 201	INCA	11.64%	2011	3 176 000	-	-	3 176 000	-
Loan 60	INCA	17.5%	2011	1 280 000	-	-	1 280 000	-
Loan 60	DBSA	17.5%	2014	17 723 295	982 720	-	16 740 575	1 176 400
				<b>26 797 773</b>	<b>1 443 690</b>	<b>-</b>	<b>25 354 083</b>	<b>1 197 234</b>

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX B**  
**EXTERNAL LOANS AND INTERNAL ADVANCES (Continued)**

<b>INTERNAL ADVANCES</b>	<b>Balance at 30 June 2007</b>	<b>Redeemed During year</b>	<b>Received this year</b>	<b>Balance at 30 June 2008</b>
<b>Vredefort</b>				
Internal Loan: 76	5 774	1 154		4 620
<b>Koppies</b>				
Loan swimming pool: 5.5%, 25 years	8 305	738		7 567
Sewerage No. 29: 10%, 25 years	233 874	17 223		216 651
M-Net Loan: 11%, 20 years	26 563	3 357		23 206
<b>Heilbron</b>				
Erven Trust Fund 53: Town hall &: Offices	67 073	8 763		58 310
Renewal Fund 83: Workshop	10 887	2 390		8 497
CDF 110	6 092	740		5 352
<b>Parys</b>				
Loan 84 Parks & Recreation	32 245	1 837		30 408
Loan 87 Fire fighting	3 504	3 504		-
Loan 90 Town hall & Offices	21 295	1 031		20 264
Loan 96 Fire fighting	2 557	1 220		1 337
Loan 103 Housing	5 518	2 679		2 839

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

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**APPENDIX B**  
**EXTERNAL LOANS AND INTERNAL ADVANCES (Continued)**

<b>INTERNAL ADVANCES</b>		<b>Balance at 30 June 2007</b>	<b>Redeemed During year</b>	<b>Received this year</b>	<b>Balance at 30 June 2008</b>
Loan 122	Roads & Storm water	20 450	20 450	-	-
Loan 122	Water	3 174	3 174	-	-
Loan 122	Electricity	915	915	-	-
Loan 125	Electricity	26 332	3 413	-	22 919
Loan 126	Water	31 604	15 050		16 554
Loan 126	Electricity	125 407	27 640		97 767
Loan 127	Electricity	3 854	1 836		2 018
Loan 127	Street lighting	50 064	5 277		44 787
Loan 128	Community Hall	125 327	10 959		114 368
		<b>810 814</b>	<b>133 350</b>	<b>-</b>	<b>677 464</b>



**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX C  
ANALYSIS OF FIXED ASSETS**

<b>EXPENDITURE 2007</b>		<b>BUDGET 2007/2008</b>	<b>BALANCE AT 30 June 2007 (R)</b>	<b>EXPENDITURE DURING YEAR (R)</b>	<b>TRANSFER OR WRITTEN OFF (R)</b>	<b>BALANCE AT 30 June 2008</b>
<b>33 967 182</b>	<b>RATES AND GENERAL SERVICES</b>	<b>93 091 425</b>	<b>222 817 811</b>	<b>67 595 312</b>	<b>-</b>	<b>290 413 123</b>
<b>19 144 571</b>	<b>Community Services</b>	<b>17 264 911</b>	<b>128 051 811</b>	<b>5 983 146</b>		<b>134 034 957</b>
885 965	Cemetery	3 064 911	3 735 578	2 345 473	-	6 081 051
44 900	Irrigation		114 458	-	-	114 458
0	Library		688 669	-	-	688 669
0	Civil Defence		45 493	-	-	45 493
0	Town lands		8 927 134	-	-	8 927 134
193 201	Municipal Manager	80 000	194 830	-	-	194 830
11 258 943	Roads and Stormwater	2 750 000	67 956 941	2 061 763	-	70 018 704
15 390	Parks		3 990 252	-	-	3 990 252
5 691 332	Computer Centre	2 200 000	7 869 815	1 330 312	-	9 200 127
0	Schonkenville		193 519	-	-	193 519
0	Sport Facilities	6 500 000	3 368 880	-	-	3 368 880
0	Municipal Buildings		20 608 533	-	-	20 608 533
778 606	Administration and Design	800 000	2 728 640	245 598	-	2 974 238
0	Town Planning		2 647 134	-	-	2 647 134
0	Town Secretary	350 000	478 483	-	-	478 483
0	Town Treasurer	900 000	415 073	-	-	415 073
0	Swimming Pool		184 023	-	-	184 023
0	Holiday Resort		830 050	-	-	830 050
224 000	Traffic		2 143 413	-	-	2 143 413
0	Aerodrome		41 314	-	-	41 314
0	Housing	350 000	647 293	-	-	647 293
0	House – Unsold Tumahole		190 052	-	-	190 052
52 234	Director Community Services	100 000	52 234	-	-	52 234
0	Director Technical Services	170 000	-	-	-	-
	Workshop					
	<b>Subsidies Services</b>	<b>0</b>	<b>2 508 670</b>		<b>-</b>	<b>2 508 670</b>
	Ambulance		214 654	-	-	214 654
	Fire Fighting		587 089	-	-	587 089
	Health		1 706 927	-	-	1 706 927
<b>14 822 611</b>	<b>Economic Services</b>	<b>75 826 514</b>	<b>92 257 330</b>	<b>61 612 166</b>	<b>-</b>	<b>153 869 496</b>
2 076 000	Refuse	-	12 805 313	-	-	12 805 313
12 746 611	Sewerage	75 826 514	79 452 017	61 612 166	-	141 064 183
	<b>HOUSING SERVICES</b>		<b>5 607 596</b>	<b>-</b>	<b>-</b>	<b>5 607 596</b>
-	Housing General – Tumahole		5 064 365	-	-	5 064 365
-	Housing – Rent Vredefort		242 185	-	-	242 185
-	Housing – Vredefort		301 046	-	-	301 046

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX C**

**ANALYSIS OF FIXED ASSETS (Continued)**

EXPENDITURE 2007		BUDGET 2007/2008	BALANCE AT 30 June 2007 (R)	EXPENDITURE DURING YEAR (R)	TRANSFER OR WRITTEN OFF (R)	BALANCE AT 30 June 2008
<b>19 968 920</b>	<b>TRADE SERVICES</b>	<b>17 273 106</b>	<b>175 496 789</b>	<b>4 525 998</b>	-	<b>180 022 787</b>
11 927 349	Electricity	3 207 531	90 591 188	713 637	-	91 304 825
8 041 571	Water	14 065 575	84 905 601	3 812 361	-	88 717 962
<b>53 936 102</b>	<b>TOTAL FIXED ASSETS</b>	<b>110 364 531</b>	<b>403 922 196</b>	<b>72 121 310</b>	-	<b>476 043 506</b>
<b>55 552 106</b>	<b>LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>110 364 531</b>	<b>395 286 037</b>	<b>73 273 291</b>	-	<b>468 559 328</b>
1 616 004	Loans redeemed/advances paid	13 765 531	85 895 076	1 151 981	-	87 047 057
19 976 509	Contributions from operating income State		36 992 608	3 323 880	-	40 316 488
	Contribution from DC & Province		2 160 364	-	-	2 160 364
	Contributions from Erven Trust Fund		144 655 443	-	-	144 655 443
33 959 593	Grants and Subsidies	96 599 000	3 888 289	-	-	3 888 289
	Contributions from reserves		101 484 419	68 797 430	-	170 281 849
	Contributions from public		114 647	-	-	114 647
	Renewal Fund		352 862	-	-	352 862
	Other Sources		1 013 175	-	-	1 013 175
	Construction Fund		1 8 606 161	-	-	1 8 606 161
	Sports Fund		20 666	-	-	20 666
			102 327	-	-	102 327
<b>(1 616 004)</b>		<b>110 364 531</b>	<b>8 636 159</b>	<b>(1 151 981)</b>	-	<b>7 484 178</b>

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX D**  
**ANALYSIS OF OPERATING INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 June 2008**

2007 ACTUAL (R)		2008 ACTUAL (R)	2008 BUDGET (R)
	<b>INCOME</b>		
<b>52 415 103</b>	<b>Grants and Subsidies:</b>	<b>61 188 391</b>	<b>64 260 429</b>
52 415 103	• Central Government	61 188 391	64 260 429
-			
<b>128 726 071</b>	<b>Operating Income:</b>	<b>166 342 965</b>	<b>160 689 809</b>
18 675 775	• Assessment Rates	28 366 885	30 620 694
34 476 098	• Sale of Electricity	66 507 566	55 141 301
21 397 324	• Sale of Water	38 253 649	25 408 399
54 176 874	• Other	33 214 865	49 519 415
<b>181 141 174</b>	<b>Total Income</b>	<b>227 531 356</b>	<b>224 950 238</b>
	<b>EXPENDITURE</b>		
63 357 797	<b>Salaries, Wages and Allowances</b>	73 583 360	76 154 585
82 440 112	<b>General Expenses</b>	81 194 481	82 600 450
32 746 605	Purchase of Electricity	36 158 441	35 982 415
5 954 319	Purchase of Water	6 432 768	5 238 882
43 739 188	Other Expenses	38 603 272	41 379 153
8 200 093	Repairs and Maintenance	11 129 642	15 049 705
6 257 792	Capital Charges	5 493 936	4 590 433
19 976 509	Contributions to fixed assets	3 323 880	13 765 531
30 501 106	Contributions	40 957 722	32 023 477
(14 286 922)	<b>Less: Amount Charged Out</b>	-	-
<b>196 446 487</b>	<b>Total Expenditure</b>	<b>215 683 021</b>	<b>224 184 181</b>
<b>(15 305 313)</b>	<b>Surplus / (Deficit)</b>	<b>11 848 335</b>	<b>766 057</b>

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX E  
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

<u>2007</u> ACTUAL INCOME	<u>2007</u> ACTUAL EXPENDITURE	<u>2007</u> SURPLUS/ (DEFICIT)		<u>2008</u> ACTUAL INCOME	<u>2008</u> ACTUAL EXPENDITURE	<u>2008</u> SURPLUS/ (DEFICIT)	<u>2008</u> BUDGET SURPLUS/ (DEFICIT)
(R)	(R)	(R)		(R)	(R)	(R)	(R)
<b>115 774 123</b>	<b>127 531 126</b>	<b>(11 757 003)</b>	<b>RATES AND GENERAL SERVICES</b>	<b>122 770 141</b>	<b>143 732 220</b>	<b>(20 962 079)</b>	<b>(25 367 029)</b>
<b>65 397 709</b>	<b>86 083 812</b>	<b>(20 686 103)</b>	<b>Community Services</b>	<b>86 877 355</b>	<b>108 218 853</b>	<b>(21 341 498)</b>	<b>(19 628 816)</b>
18 675 775	-	18 675 775	• Assessment Rates	28 366 885	-	28 366 885	30 620 694
514 537	821 669	(307 132)	• Irrigation	738 580	933 527	(194 947)	898 050
42 562 608	40 000 822	2 561 786	• Council General	1 360 624	30 349 331	(28 988 707)	(14 031 306)
-	15 179	(15 179)	• Civil Defence	-	104 148	(104 148)	(10 004)
-	226 760	(226 760)	• Stores	-	213 084	(213 084)	(17 338)
-	2 389	(2 389)	• Museum	-	8 785	(8 785)	-
3 059	6 559 086	(6 556 027)	• Administration and Design	189 023	15 087 952	(14 898 929)	(18 963 059)
6 541	16 519 883	(16 513 342)	• Road and Stormwater	3 098	8 618 279	(8 615 181)	(12 281 678)
65 238	985 326	(920 088)	• Townplanning and Building Inspection	101 570	786 748	(685 178)	(1 028 102)
-	5 371 204	(5 371 204)	• Computer Centre	-	2 220 401	(2 220 401)	(2 232 284)
-	-	-	• Townlands	6 957 463	285 650	6 671 813	7 588 652
977 541	243 613	733 928	• Sport Facilities	30 836	45 473	(14 637)	(3 066 017)
-	7 317 018	(7 317 018)	• Municipal Manager	249	8 578 130	(8 577 881)	(8 808 364)
2 232 525	4 815 923	(2 583 398)	• Finance Director	48 643 865	35 832 580	12 811 285	6 410 613
-	941	(941)	• Swimming Pool	-	13 750	(13 750)	(96 684)
107 828	835	106 993	• Holiday Resort	146 107	689	145 418	187 383
243 065	2 659 985	(2 416 920)	• Traffic	339 055	3 265 700	(2 926 645)	(3 064 835)
-	235 122	(235 122)	• Workshop	-	1 499 919	(1 499 919)	(1 581 551)
-	298 550	(298 550)	• Housing	-	368 995	(368 995)	(126 933)
8 992	9 507	(515)	• Hostels	-	5 028	(5 028)	(26 053)
-	-	-	• Health	-	684	(684)	-
<b>17 753 889</b>	<b>13 525 780</b>	<b>4 228 109</b>	<b>Subsidised Services</b>	<b>937 952</b>	<b>17 121 454</b>	<b>(16 183 502)</b>	<b>(18 355 825)</b>
248	2 942 271	(2 942 023)	• Fire Fighting	2 538	3 278 654	(3 276 116)	(3 212 380)
9 038	2 069 615	(2 060 577)	• Library	15 997	2 258 569	(2 242 572)	(2 398 182)
562 386	796 617	(234 231)	• Cemetery	636 618	1 959 798	(1 323 180)	(1 511 254)
16 953	4 594 448	(4 577 495)	• Parks & Recreation	48 911	5 631 633	(5 582 722)	(6 039 071)
16 991 075	1 227 263	15 763 812	• Property	575	1 382 110	(1 381 535)	(2 277 491)
157 008	1 729 204	(1 572 196)	• City Hall & Offices	217 556	2 591 867	(2 374 311)	(2 882 203)
17 181	121 396	(104 215)	• Aerodrome	15 757	18 823	(3 066)	(35 244)
-	44 966	(44 966)	• Health Services	-	-	-	-

**NGWATHE MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX E  
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008 (Continue)**

<u>2007</u> ACTUAL INCOME	<u>2007</u> ACTUAL EXPENDITURE	<u>2007</u> SURPLUS/ (DEFICIT)		<u>2008</u> ACTUAL INCOME	<u>2008</u> ACTUAL EXPENDITURE	<u>2008</u> SURPLUS/ (DEFICIT)	<u>2008</u> BUDGET SURPLUS/ (DEFICIT)
(R)	(R)	(R)		(R)	(R)	(R)	(R)
<b>32 622 525</b>	<b>27 921 534</b>	<b>4 700 991</b>	<b>Economic Services</b>	<b>34 954 834</b>	<b>18 391 913</b>	<b>16 562 921</b>	<b>12 617 612</b>
15 917 164	15 685 433	231 731	▪ Refuse	16 981 674	10 275 299	6 706 375	4 142 200
16 705 361	12 236 101	4 469 260	▪ Sewerage	17 973 160	8 116 614	9 856 546	8 475 412
<b>65 367 051</b>	<b>68 915 361</b>	<b>(3 548 310)</b>	<b>TRADING SERVICES</b>	<b>104 761 215</b>	<b>71 950 801</b>	<b>32 810 414</b>	<b>26 133 086</b>
38 011 037	44 618 186	(6 607 149)	• Electricity	66 507 566	49 379 847	17 127 719	11 044 981
27 356 014	24 297 175	3 058 839	• Water Works	38 253 649	22 570 954	15 682 695	15 088 105
<b>181 141 174</b>	<b>196 446 487</b>	<b>(15 305 313)</b>	<b>TOTAL</b>	<b>227 531 356</b>	<b>215 683 021</b>	<b>11 848 335</b>	<b>766 057</b>
		(8 119 038)	Appropriations for the year (refer to note 17)			(17 550 950)	
		(23 424 351)	Net deficit for the year			(5 702 615)	
		(17 772 903)	Accumulated surplus beginning of the year			(41 197 254)	
		<b>(41 197 254)</b>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<b>(46 899 869)</b>	

**NGWATHE MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX F**

**STATISTICAL INFORMATION**

	<u>2008</u> <u>R</u>	<u>2007</u> <u>R</u>
<b>a) GENERAL STATISTICS</b>		
Population	160 000	160 000
Value of taxable properties	1 407 668 335	1 286 664 025
Value of non-taxable properties	15 468 400	47 693 030
Date of last valuation : 1 July 2003		
Valuation of residential property	1 276 234 530	1 229 890 420
Valuation of governmental property	135 799 850	6 977 730
Valuation of commercial property	32 711 585	25 985 885
Number of agricultural stands	29	19
Number of residential properties	33 078	30 628
Number of commercial properties	449	411
Service rate: Residential and Agricultural	0,2382	0,2382
Commercial	0,2247	0,2247
<b>b) ELECTRICITY STATISTICS</b>		
Number of units purchased	150 112 375	148 912 375
Number of units sold	112 468 910	99 207 088
Number of units lost	37 643 465	49 705 287
Cost per unit purchased	R0,24	R0,22
Number of consumers	36 574	36 574
Cost per unit sold	R0,59	R0,35
- Income per unit sold	R0,35	R0,13
<b>c) WATER STATISTICS</b>		
Number of units purchased/purified	9 849 778	7 875 000
Number of units sold	9 410 996	7 507 833
Number of consumers	36 167	36 167
Cost per unit sold	R4,06	R2,85
Loss with distribution	R1 781 454	R1 046 427
Cost per unit purchased/purified	R0,65	R0,76
<b>d) SUNDRY STATISTICS</b>		
Area	7 281km	7 281km
Registered Voters	59 175	60 223