

Annual Financial Statements

for

NGWATHE LOCAL MUNICIPALITY

for the year ended 30 June: **2009**

Province:

Free State

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	MNG Mahlatsi
Name of Chief Financial Officer:	SE Mofokeng
Contact telephone number:	(056) 816 2725
Contact e-mail address:	mofokengs@ngwathe.co.za
Name of contact at provincial treasury:	F Abrahams
Contact telephone number:	(051) 405 5317
Contact e-mail address:	abrahamsf@treasury.fs.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	(051) 400 7600
Contact e-mail address:	agsa@agsa.co.za
Name of contact at National Treasury:	Lizette Labuschagne
Contact telephone number:	lizette.labuschagne@treasury.gov.za
Contact e-mail address:	012 315 5781

**NGWATHE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

INDEX TO THE FINANCIAL STATEMENTS

INDEX

General Information

Approval of the Annual Financial Statements

Report of the Auditor-General

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash Flow Statement

Accounting Policies to the Annual Financial Statements

Notes to the Annual Financial Statements

Appendix A: Schedule of External Loans

Appendix B: Analysis of Property, Plant and Equipment

Appendix C: Segmental Analysis of Property, Plant and Equipment

Appendix D: Segmental Statement of Financial Performance

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Appendix E(2): Actual versus Budget (Capital Expenditure)

**NGWATHE LOCAL MUNICIPALITY
GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009**

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Ngwathe municipal area.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Mayor	MP Moshodi
Councillors and their portfolios	<u>Speaker:</u> ME Magashule
	<u>Councillor Members of The Executive Committee:</u> G Nketu DD Hansa AM Olifant GP Mandelstam M Serathi NMN Khumalo
	<u>Councillors of the Council:</u> KS Hlatswayo DS Lehman ML Sephiri TN Makhobotloane SM Vermaak M Serathi PP van der Merwe RA Majoe M Schoonwinkel SLS Sekete AC Nteo B Sothoane P Ndayi MN Phathi DB Nel AJ Rantsieng PL Moeketsi LD Jaers EC Sothoane J de Jager L Mvulane NP Mopeli ME Direko M Mbele S Choni AL Kgottlagomang TL Vandisi Ndlovu
Registered office	Liebenbergstrekk, Parys
Business address	Liebenbergstrekk, Parys
Postal address	PO Box 359 Parys 9585
Bankers	ABSA Bank Limited
Auditors	The Office of the Auditor-General: Free State Registered Auditors
Municipal Manager	MNG Mahlatsi
Grading of local authority	Grade 3
Relevant Legislation	The Constitution of the Republic of South Africa. The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004 The Basic Condition of the Employment Act 75 of 1997 The Vat Act 89 of 1991 The Skill Development Act 9 of 1999 The Water Services Act 108 Of 1997 The Housing Act of 1997 Promotion of Access to Information Act 2 of 2000 The Disaster Management Act 57 of 2000 Division of Revenue Act Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)

NGWATHE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 36, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 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.

MNG Mahlatsi
Municipal Manager:

31 August 2009

NGWATHE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
ASSETS			
Non-current assets			
		559 821 978	484 546 008
Property, plant and equipment	<u>1</u>	553 366 067	476 043 506
Intangible assets	<u>2</u>	-	-
Investments	<u>3</u>	6 424 542	8 471 136
Non-current receivables	<u>4</u>	31 369	31 366
Current assets			
		160 893 437	71 554 495
Inventory	<u>5</u>	818 169	154 137
Consumer receivables from exchange transactions	<u>6</u>	124 341 980	27 355 369
Other receivables from exchange transactions	<u>7</u>	9 848	2 132 729
Other receivables from non-exchange transactions	<u>8</u>	34 132 418	41 884 788
Current portion of non-current receivables	<u>4</u>	-	9 848
Investments	<u>3</u>	487 699	-
Cash and cash equivalents	<u>9</u>	1 103 323	17 624
Total assets		720 715 416	556 100 503
NET ASSETS AND LIABILITIES			
Net assets			
		553 396 714	474 752 553
Reserves	<u>10</u>	59 560	-
Accumulated surplus/(deficit)		553 337 154	474 752 553
LIABILITIES			
Non-current liabilities			
		48 759 529	24 149 290
Non-current borrowings	<u>12</u>	22 680 522	24 149 290
Finance lease liability	<u>37.1</u>	1 268 684	-
Other Non-current financial liabilities	<u>13</u>	24 810 323	-
Defined benefit plan obligation	<u>13</u>	-	-
Current liabilities			
		118 559 173	57 198 661
Consumer deposits	<u>15</u>	3 392 468	3 129 925
Payables from exchange transactions	<u>16</u>	107 958 385	35 299 987
Current Provisions	<u>17</u>	-	7 135 289
Bank Overdraft	<u>9</u>	-	9 537 883
Unspent conditional grants and receipts	<u>18</u>	3 937 864	890 784
VAT payable	<u>19</u>	704 056	-
Current portion of non-current borrowings	<u>12</u>	1 996 827	1 204 793
Finance lease liability	<u>37.1</u>	569 573	-
Total net assets and liabilities		720 715 416	556 100 503

NGWATHE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Property rates	20	33 412 364	28 366 885
Service charges	21	122 002 627	124 061 877
Rental of facilities and equipment	22	307 904	369 891
Interest earned	23	11 414 774	995 951
Fines		615 101	339 055
Income for agency services	24	-	-
Government grants and subsidies	25	80 077 377	61 188 391
Other income	26	5 199 559	12 306 680
Total revenue		<u>253 029 706</u>	<u>227 628 730</u>
EXPENDITURE			
Employee related costs	27	78 991 100	67 248 386
Remuneration of councillors	28	7 958 298	6 334 974
Bad debts		5 633 832	-
Depreciation and amortisation		2 811 936	-
Repairs and maintenance		10 108 558	9 876 667
Finance costs	29	4 005 793	3 752 429
Bulk purchases	30	45 681 554	42 591 209
Contracted services		1 982 446	317 117
Grants and subsidies paid	31	-	-
General expenses	32	84 102 945	111 376 861
Total expenditure		<u>241 276 462</u>	<u>241 497 642</u>
Donated Property Plant & Equipment		46 806 979	-
SURPLUS FOR THE YEAR	33	<u>58 560 223</u>	<u>(13 868 912)</u>

NGWATHE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Other Reserves R	Total Reserves R	Accumulated Surplus/ (Deficit) R	Total R
2008				
Balance at 30 June 2007	451 282 710	451 282 710	(41 197 254)	861 368 166
Correction of error	-	-	-	-
Change in accounting policy	-	-	-	-
Restated balance	451 282 710	451 282 710	(41 197 254)	410 085 456
Capital grants used to purchase property, plant and equipment and other funds	(451 282 710)	(451 282 710)	529 343 578	78 060 868
<i>Movement for the year</i>	78 060 868	78 060 868	-	78 060 868
<i>Change in accounting policy</i>	(529 343 578)	(529 343 578)	529 343 578	-
Appropriations for the year	-	-	475 142	475 142
Surplus/(deficit) for the year	-	-	(13 868 913)	(13 868 913)
Balance at 30 June 2008	-	-	474 752 553	474 752 553
2009				
Surplus for the year	-	-	58 560 223	58 560 223
Surplusses used to create reserves	59 560	59 560	(59 560)	59 560
Appropriations for the year	-	-	20 083 938	20 083 938
Insurance claims processed	-	-	-	-
Transfer from Housing Fund	-	-	-	-
Fair value loss	-	-	-	-
Asset disposals	-	-	-	-
Asset revaluation (Refer to note 1)	-	-	-	-
Balance at 30 June 2009	59 560	59 560	553 337 154	553 396 714

NGWATHE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts:		208 613 182	267 634 884
Sale of goods and services		124 185 849	193 800 758
Grants		80 077 377	61 188 391
Other receipts		4 349 956	12 645 735
Payments:		154 490 007	197 172 168
Employee costs		86 949 398	73 583 360
Suppliers		67 540 609	123 588 808
Cash flows from operating activities		54 123 175	70 462 716
Interest received		11 414 774	995 951
Interest paid		(4 005 793)	(3 752 429)
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	61 532 156	67 706 238
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(81 397 070)	(72 121 310)
Proceeds from sale of investments/(amounts invested)		1 558 895	(374 678)
Purchase of intangible assets		-	-
Proceeds from sale of intangible assets		-	-
Increase in non-current receivables		-	-
Decrease/(increase) in non-current investments		-	-
Decrease in current investments		-	-
NET CASH FLOW FROM INVESTING ACTIVITIES		(79 838 175)	(72 495 988)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		25 971 847	(1 443 690)
Increase in consumer deposits		262 544	-
NET CASH FLOW FROM FINANCING ACTIVITIES		26 234 391	(1 443 690)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7 928 372	(6 233 440)
Cash and cash equivalents at the beginning of the year		(9 520 260)	(3 286 820)
Cash and cash equivalents at the end of the year	34	1 103 323	(9 520 260)

NGWATHE LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 Property, plant and equipment

30 June 2009

	Land and Buildings	Infra-structure	Community	Other	Leased assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2008	39 694 255	391 220 134	16 065 294	29 063 824	-	476 043 507
Cost	39 694 255	391 220 134	16 065 294	29 063 824	-	476 043 507
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Additions	525 000	50 219 103	777 143	4 633 405	2 343 506	58 498 157
Capital under construction	-	-	23 048 913	-	-	23 048 913
Increases /(decreases) in revaluation	-	-	-	-	-	-
Depreciation	-	(1 815 529)	(483 421)	(512 986)	-	(2 811 936)
- based on cost	-	(1 815 529)	(483 421)	(512 986)	-	(2 811 936)
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	(1 412 574)	-	(1 412 574)
Cost / revaluation	-	-	-	(1 412 574)	-	(1 412 574)
Accumulated depreciation	-	-	-	-	-	-
Carrying values at 30 June 2009	40 219 255	439 623 707	39 407 929	31 771 668	2 343 506	553 366 067
Cost	40 219 255	441 439 237	39 891 351	32 284 654	2 343 506	556 178 003
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	(1 815 529)	(483 421)	(512 986)	-	(2 811 936)

30 June 2008

	Land and Buildings	Infra-structure	Community	Other	Leased assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2007	35 982 238	391 105 676	15 142 923	33 812 669	-	476 043 506
Cost	565 699	6 148 818	238 071	531 590	-	7 484 178
Change in Accounting Policy	35 416 539	384 956 858	14 904 852	33 281 079	-	468 559 328
Accumulated depreciation	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Increases /(decreases) in revaluation	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost / revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Carrying values at 30 June 2008	35 982 238	391 105 676	15 142 923	33 812 669	-	476 043 506
Cost	35 982 238	391 105 676	15 142 923	33 812 669	-	476 043 506
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment.

The municipality did not review the useful life or the depreciation method used or residual values on the assets recognised in the annual financial statements as in accordance with GRAP17 Property Plant and Equipment. Furthermore, the municipality did not consider impairment.

NGWATE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
3 Investments		
Financial instruments		
Held-to-maturity financial assets		
Unlisted		
Momentum Policy	372 234	-
Listed		
Sanlam Shares	115 465	-
Held-to-maturity financial assets		
Held-to-maturity investments	<u>6 424 542</u>	<u>8 471 136</u>
Total cash investments	<u><u>6 424 542</u></u>	<u><u>8 471 136</u></u>
Total investments	<u><u>6 912 241</u></u>	<u><u>8 471 136</u></u>

Included in Held-to-maturity investments is an amount of R 42 886, being the cash backed portion of the Capital Replacement Reserve.

Included in Held-to-maturity investments are investments which have been pledged as guarantees for long term liabilities as follows:

An investment of R6 049 838 has been pledged as a guarantee for INCA loan no: PARY-00-0001-417.

An investment of R254 394 has been pledged as a guarantee for the overdraft on account no 405 071 8594 amounting to R535 090.

4 Non-current receivables		
Other Long Term Receivables	<u>31 369</u>	<u>31 366</u>
Sub-total	<u>31 369</u>	<u>31 366</u>
Short term portion of Long term receivables	9 848	9 848
Less: Impairment	<u>-</u>	<u>-</u>
	<u>41 217</u>	<u>41 214</u>

NGWATE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008	
	R	R	
5 Inventory			
Consumable stores - at cost	818 169	150 941	
Fuel - at cost	-	3 196	
Total inventory	<u>818 169</u>	<u>154 137</u>	
6 Consumer receivables from exchange transactions	Gross	Impairment	Net Balance
As at 30 June 2009			
Service receivables			
Rates	51 668 222	17 535 804.05	34 132 418
Electricity	27 231 834	3 661 022	23 570 812
Water	34 790 508	6 086 441	28 704 067
Sewerage	18 201 724	9 032 972.30	9 168 752
Refuse	18 053 035	8 959 182.33	9 093 853
Other	53 804 497	-	53 804 497
Total Consumer receivables	<u>203 749 820</u>	<u>45 275 422</u>	<u>158 474 398</u>
As at 30 June 2008	Gross	Impairment	Net Balance
Service receivables			
Rates	62 709 066	20 824 278	41 884 788
Electricity	23 292 818	15 195 825	8 096 993
Water	34 397 976	24 562 772	9 835 204
Sewerage	13 452 571	12 048 462	1 404 109
Refuse	13 264 221	11 084 924	2 179 297
Other	5 839 766	-	5 839 766
Total Consumer receivables	<u>152 956 418</u>	<u>83 716 261</u>	<u>69 240 157</u>

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
6 Consumer receivables from exchange transactions continued		
<u>Rates: ageing</u>		
Current (0 – 30 days)	2 382 021	1 569 419
31 - 60 Days	1 550 290	512 915
61 - 90 Days	1 333 906	4 328 432
90+ Days	46 402 005	620 266
Total	<u>51 668 223</u>	<u>7 031 032</u>
<u>Electricity: ageing</u>		
Current (0 – 30 days)	4 323 488	2 432 454
31 - 60 Days	2 323 421	679 502
61 - 90 Days	4 592 980	411 723
90+ Days	15 991 945	11 823 130
Total	<u>27 231 834</u>	<u>15 346 809</u>
<u>Water: ageing</u>		
Current (0 – 30 days)	9 887 543	4 357 188
31 - 60 Days	2 782 562	2 314 722
61 - 90 Days	2 837 184	1 007 091
90+ Days	19 283 219	17 291 548
Total	<u>34 790 508</u>	<u>24 970 549</u>
<u>Sewerage: ageing</u>		
Current (0 – 30 days)	2 120 611	-
31 - 60 Days	1 203 063	-
61 - 90 Days	1 048 204	-
90+ Days	13 829 846	-
Total	<u>18 201 724</u>	<u>-</u>
<u>Refuse: ageing</u>		
Current (0 – 30 days)	1 675 215	-
31 - 60 Days	1 240 460	-
61 - 90 Days	1 097 993	-
90+ Days	14 039 367	-
Total	<u>18 053 035</u>	<u>-</u>
<u>Other: ageing</u>		
Current (0 – 30 days)	1 232 755	1 500 000
31 - 60 Days	1 015 370	1 081 451
61 - 90 Days	1 056 646	1 557 670
90+ Days	51 026 503	101 468 907
Total	<u>54 331 274</u>	<u>105 608 028</u>

30 June 2008		Industrial/ Commercial	National and Provincial Government
<u>Summary of receivables by customer classification</u>	Residential		
Current (0 – 30 days)	6 960 767	2 342 875	555 419
31 - 60 Days	3 349 240	352 824	886 526
61 - 90 Days	6 755 418	338 707	210 791
90+ Days	124 731 290	4 067 097	2 405 464
Sub-total	<u>141 796 715</u>	<u>7 101 503</u>	<u>4 058 200</u>
Less: Impairment	(83 716 261)		
Total receivables by customer classification	<u>58 080 454</u>	<u>7 101 503</u>	<u>4 058 200</u>

30 June 2009		Industrial/ Commercial	National and Provincial Government
<u>Summary of receivables by customer classification</u>	Residential		
Current (0 – 30 days)	18 242 678	2 685 877	693 079
31 - 60 Days	7 665 168	1 785 944	664 053
61 - 90 Days	8 755 187	999 005	2 212 721
90+ Days	151 847 038	2 554 590	6 171 257
Sub-total	<u>186 510 071</u>	<u>8 025 415</u>	<u>9 741 111</u>
Less: Impairment			
Total receivables by customer classification	<u>186 510 071</u>	<u>8 025 415</u>	<u>9 741 111</u>

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<u>Reconciliation of impairment</u>		
Balance at beginning of year	83 716 261	83 716 261
Contributions to provision	-	-
Bad debts written off against provision	(38 440 839)	-
Balance at the end of the year	<u><u>45 275 422</u></u>	<u><u>83 716 261</u></u>
7 Other receivables from exchange transactions		
VAT Receivable	-	1 781 395
Sundry receivables	<u>9 848</u>	<u>351 334</u>
Sub-total	<u>9 848</u>	<u>2 132 729</u>
Less: Impairment	-	-
Total other receivables	<u><u>9 848</u></u>	<u><u>2 132 729</u></u>
The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.		
8 Other receivables from non-exchange transactions		
Service Debtors - Rates (Refer to Note 6)	<u>34 132 418</u>	<u>41 884 788</u>
	<u><u>34 132 418</u></u>	<u><u>41 884 788</u></u>
9 Cash and cash equivalents		
The municipality has the following bank accounts:		
<u>Current account (primary bank account)</u>		
ABSA Bank		
Account number 011005104800001		
Cashbook balance at the beginning of the year	<u>(9 358 221)</u>	<u>(3 071 112)</u>
Cashbook balance at the end of the year	<u><u>1 095 336</u></u>	<u><u>(9 358 221)</u></u>
<u>Current account (Parys Account)</u>		
ABSA Bank		
Account Number 011005104800000		
Cashbook balance at the beginning of the year	<u>(179 662)</u>	<u>(228 804)</u>
Cashbook balance at the end of the year	<u><u>-</u></u>	<u><u>(179 662)</u></u>
Total cashbook balance at the beginning of the year	<u><u>(9 537 883)</u></u>	<u><u>(3 299 916)</u></u>
Total cashbook balance at the end of the year	<u><u>1 095 336</u></u>	<u><u>(9 537 883)</u></u>
The municipality has the following cash on hand:		
-Petty Cash (Cashiers)	<u>7 987</u>	<u>17 624</u>
	<u><u>7 987</u></u>	<u><u>17 624</u></u>
Total cash and cash equivalents	<u><u>1 103 323</u></u>	<u><u>(9 520 259)</u></u>

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
10 Reserves		
Capital replacement reserve	42 886	-
<p>On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).</p> <p>When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).</p>		
Other reserves	16 674	-
Total Reserves	<u>59 560</u>	<u>-</u>
12 Non-current borrowings		
Annuity loans	29 945	38 850
Government Loans : Other	15 997 094	16 740 575
Other borrowings	8 650 311	8 574 658
Less: Current Portion of Annuity loans	(10 513)	(8 906)
Less: Current Portion of Government Loans : Other	(1 443 775)	(1 176 400)
Less: Current Portion of Other borrowings	(542 540)	(19 488)
Total long-term borrowings	<u>22 680 522</u>	<u>24 149 290</u>
<p>Refer to Appendix A for more detail on long-term borrowings. At 30 June 2009 borrowings disclosed as part of government loans were in arrears as follows: INCA - R690,000 DBSA - R462,609</p>		
13 Other Non-current financial liabilities		
Deferred Income	24 810 323	-
Total non-current financial liabilities	<u>24 810 323</u>	<u>0</u>

All conditional grants for which conditions are met are raised as deferred income and allocated as revenue on a systematic basis to match the depreciation incurred on Property Plant and Equipment purchased with the grant

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
15 Consumer deposits		
Electricity and Water	3 392 468	3 129 925
Interest paid	-	-
Total consumer deposits	<u>3 392 468</u>	<u>3 129 925</u>
No provision is made for interest payable to consumers on deposits		
16 Payables from exchange transactions		
Deferred interest	-	-
Deferred lease expenditure	-	-
Other payables	43 966 252	13 204 205
Payments received in advance	49 504	-
Retentions	-	-
Staff bonuses	2 695 211	-
Staff leave	6 524 858	-
Trade payables	54 722 560	22 986 566
Total payables from exchange transactions	<u>107 958 385</u>	<u>36 190 771</u>
17 Current Provisions		
Provision for leave	-	5 509 094
Other Provisions	-	1 626 195
Total current provisions	<u>-</u>	<u>7 135 289</u>
18 Unspent conditional grants and receipts		
Municipal Infrastructure Grant	3 735 166	890 784
	<u>3 735 166</u>	<u>890 784</u>
Other grants	114 978	-
	<u>114 978</u>	<u>-</u>
LGSETA Grants	87 719	-
	<u>87 719</u>	<u>-</u>
Total unspent conditional grants and receipts	<u>3 937 864</u>	<u>890 784</u>
See note for reconciliation of grants from other spheres of government. These amounts are invested until utilized. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.		
19 VAT payable		
VAT payable	<u>704 056</u>	<u>-</u>
The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.		

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
20 Property rates			
Residential		22 065 008	18 733 052
Commercial		7 230 155	6 138 356
State		4 117 201	3 495 478
Fair value adjustment		-	-
Total assessment rates		<u>33 412 364</u>	<u>28 366 885</u>
Valuations			
Residential & Commercial		1 271 868 485	1 271 868 485
State		135 799 850	135 799 850
Municipal		<u>15 468 400</u>	<u>15 468 400</u>
Total property valuations		<u>1 423 136 735</u>	<u>1 423 136 735</u>
Valuations on land and buildings are performed at least every five years. The last valuation came into effect on 1 July 2003. A rebate of 20% is granted on government properties			
21 Service charges			
Sale of electricity		52 658 570	61 324 615
Sale of water		30 764 976	27 782 428
Refuse removal		18 304 738	16 981 674
Sewerage and sanitation charges		<u>20 274 343</u>	<u>17 973 160</u>
Total service charges		<u>122 002 627</u>	<u>124 061 877</u>
22 Rental of facilities and equipment			
Rental of facilities		<u>307 904</u>	<u>369 891</u>
		<u>307 904</u>	<u>369 891</u>
23 Interest earned			
External Investments		976 727	995 951
Financial assets			
Consumer receivables		<u>10 438 047</u>	<u>995 951</u>
		<u>11 414 774</u>	<u>995 951</u>
25 Government grants and subsidies			
Equitable share		77 992 272	61 188 391
Local Government Financial Management Grant		500 000	
Municipal Systems Improvement Grant		735 000	
Other - LG SETA		<u>850 105</u>	
		80 077 377	61 188 391
MIG Grant		12 125 000	79 361 000
Electrification Grant		-	1 888 000
Local Government Financial Management Grant		500 000	500 000
Municipal Systems Improvement Grant		735 000	734 000
Department of Local Government and Housing		-	350 000
Total government grants & subsidies received		<u>93 437 377</u>	<u>144 021 391</u>

No grants were withheld due to unfulfilled conditions.

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
26 Other income			
Administration fees		568 847	5 040
Auction fees		72 986	48 044
Building plans & inspections		69 141	254 359
Grave plots		631 320	636 618
Clearance certificates		54 298	98 875
Other income		363 284	9 661 196
Reconnection/connection fees		389 231	413 707
Pre-paid electricity		3 050 452	1 188 841
Total other income		<u>5 199 559</u>	<u>12 306 680</u>
27 Employee related costs			
Employee related costs - Salaries and Wages		51 068 927	47 255 776
Employee related costs - Contributions for UIF, pensions and medical aids		11 502 135	9 573 220
Travel, motor car, accommodation, subsistence and other allowances		3 999 445	2 919 753
Housing benefits and allowances		313 092	277 891
Overtime payments		4 354 934	2 357 818
Performance and other bonuses		5 863 834	3 752 057
Other employee related costs		1 888 733	1 111 871
Total employee related costs		<u>78 991 100</u>	<u>67 248 386</u>
Included in total employee related costs:			
Remuneration of the Municipal Manager			
Annual remuneration		596 410	363 551
Performance bonus		-	-
Car allowance		152 093	215 052
Contribution to UIF, medical and pension funds		1 497	67 093
Total		<u>750 000</u>	<u>645 696</u>
Remuneration of the Chief Financial Officer			
Annual remuneration		418 919	391 267
Performance bonus		-	-
Car allowance		179 584	130 898
Contribution to UIF, medical and pension funds		1 497	1 438
Total		<u>600 000</u>	<u>523 603</u>
Remuneration of individual Executive Directors:			
Executive Director: Community Services			
Annual remuneration		391 226	392 761
Car allowance		130 898	129 404
Contribution to UIF, medical and pension funds		1 497	1 438
Total		<u>523 622</u>	<u>523 603</u>

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
The remuneration as reflected in 2008 is for a period of 5 months due to the resignation during 2008.			
Executive Director: Corporate Services			
Annual remuneration		376 040	333 720
Performance bonus		-	-
Car allowance		158 610	128 142
Contribution to UIF, medical and pension funds		57 350	63 179
Total		<u>592 000</u>	<u>525 041</u>
Executive Director: Technical Services			
Annual remuneration		440 028	391 267
Performance bonus		-	-
Car allowance		158 475	130 898
Contribution to UIF, medical and pension funds		1 497	1 438
Total		<u>600 000</u>	<u>523 603</u>
28 Remuneration of councillors			
Executive Mayor		351 257	335 155
Speaker		284 237	233 538
Executive Committee Members		1 046 554	928 354
Councillors		6 276 250	4 837 927
Total Councillors' Remuneration		<u>7 958 298</u>	<u>6 334 974</u>
In-kind benefits			
The Executive Mayor and the Speaker are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.			
The Executive Mayor and Speaker have use of council owned vehicles for official duties.			
The Executive Mayor has one bodyguards and an official driver at the cost of Council.			
29 Finance costs			
Borrowings		4 005 793	3 752 429
Total interest on external borrowings		<u>4 005 793</u>	<u>3 752 429</u>
30 Bulk purchases			
Electricity		39 926 765	36 158 441
Water		5 754 789	6 432 768
Total bulk purchases		<u>45 681 554</u>	<u>42 591 209</u>
32 General expenses			
Included in general expenses is the following:			
Advertisements		442 626	2 302 561
Annual report		212 720	-
Arts and culture markets		9 720	61 907
Audit fees (external)		2 427 151	-
Bank charges		699 698	569 070
Bank overdraft interest		719 419	351 683
Books & magazines		70 428	15 989
Chemicals		1 983 504	1 569 906
Cleaning materials		387 534	321 004
Communication strategy		57 465	139 881
Community support programme		27 604	303 281
Cultural ceremonies		2 600	1 298
Debt collection system		742 866	14 087
Donations - spca		4 620	2 100
Electricity Ring Fencing		166 664	350 877
Employee wellness		1 193	51 360
Entertainment cost		1 199 829	838 539
Fleet management		115 512	222 578
Fuel & oil		6 791 545	4 091 546
Gender development programmes		-	18 446
Bursaries and donations		316 347	285 458
Grave - digging		51 725	23 195
Indigent verification		39 339	45 969
Insurance expenses		1 925 860	1 351 957
Interest on late payment		-	4 829 476
Inventory items		-	648
Language policy		-	37 935
Legal fees		541 011	379 106
Professional fees		657 571	1 367 778
Levies - training		6 800	48 246
Levies/membership fees		16 049	157 895
Licenses other		229 764	43 899
Licenses vehicles		298 672	184 289
Local economic development		771 575	496 976

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Notes	2009 R	2008 R
Lost books	-	19 610
Loss on disposal of assets	1 080 623	-
Maintenance programme	-	13 789
Medical examinations	-	2 000
Organisational development	385 233	193 539
Outsourcing of functions	31 611	74 543
Pauper burials	180 025	70 834
Performance management system	467 304	30 000
Postal services	878 442	936 253
Poverty alleviation	1 543 028	1 825 725
Printing & stationery	579 254	750 432
Projects - wards	1 508 097	1 020 637
Projects - Mayor	2 208 326	1 739 454
Publicity (marketing/branding)	350 118	200 154
Purchase of seeds plants & trees	-	7 895
Recycle system	-	8 591
Registration fees - operator	3 155	
Rent - plant & vehicles	5 344 415	1 668 239
Rent/hire - office equipment	1 326 664	1 353 614
Revision of IDP	655 006	2 271 664
Skills development levy	2 560	
Skills development programme	60 000	59 155
Street paint	15 127	217 603
Subsistence and travelling	1 078 832	759 289
Telephone & fax	2 553 702	1 943 857
Training costs	891 050	170 324
Uniforms and protective clothing	673 168	159 135
Valuation roll expenses	5 145 249	935 099
Weed killers	23 263	17 789
Wreaths	-	2 719
Youth development	310 380	191 981
Other	35 890 899	74 253 999
Total	84 102 945	111 376 861
33 Surplus for the year	60 904 017	(13 868 912)

Included in the surplus for the year is the following:

Operating lease charges	65 656	43 693
Depreciation of property, plant and equipment	2 811 936	-

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
34 Cash flows from operating activities		
Net surplus for the year	60 904 017	(13 868 913)
Adjustment for:		
Depreciation and amortisation	2 811 936	-
Appropriations charged against income	20 083 938	51 375 218
Prior year adjustments		584 250
Contributions reserves		1 151 982
Investment income	(11 414 774)	(995 951)
Net decrease in provisions	(832 250)	(1 026 922)
Interest paid	<u>4 005 793</u>	<u>3 752 429</u>
Operating surplus before working capital changes:	75 558 660	40 972 093
(Increase)/decrease in inventories	(664 032)	52 730
(Increase) in consumer receivables	(89 761 018)	(8 934 490)
Decrease/(increase) in other receivables	2 132 729	-
Increase in conditional grants & receipts	3 047 079	-
Decrease in impairment	-	-
Increase in payables	65 800 916	38 372 383
Increase/(decrease) in tax payable	704 056	-
Increase in non-current receivables	<u>(3)</u>	<u>-</u>
Cash generated by operations	<u><u>56 818 387</u></u>	<u><u>70 462 716</u></u>
35 Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprises the following amounts indicating financial position:		
Investments in financial instruments maturing in lesser than the first 3 months	7 987	17 624
Bank Overdrafts	1 095 336	(9 537 883)
Cash on hand	-	-
Total cash and cash equivalents	<u><u>1 103 323</u></u>	<u><u>(9 520 259)</u></u>
Refer to note 9 for a breakdown of cash book balances and balance per bank statements.		
36 Additional disclosures in terms of the Municipal Finance Management Act		
36.1 Contributions to organised local government		
Opening balance	30 039	-
Council subscriptions	44 891	373 074
Amount paid - current year	(41 073)	(310 766)
Amount paid - previous years	(30 039)	(32 269)
Balance unpaid (included in payables)	<u><u>3 818</u></u>	<u><u>30 039</u></u>
36.2 Audit fees		
Opening balance	1 239 452	1 865 651
Current year regularity audit fees	1 600 000	1 500 000
Current year performance audit fees	(380 024)	(926 199)
Amount paid - current year	(1 239 452)	(1 200 000)
Balance unpaid (included in payables)	<u><u>1 219 976</u></u>	<u><u>1 239 452</u></u>
36.3 VAT		
VAT paid/(claimed)	<u><u>-</u></u>	<u><u>-</u></u>
All Vat returns have been submitted by the due date during the year.		
36.4 PAYE and UIF		
Opening balance	2 806 945	615 161
Current year payroll deductions	8 165 189	7 165 825
Amount paid - current year	(6 710 390)	(4 358 880)
Amount paid - previous years	(2 806 945)	(615 161)
Balance unpaid (included in payables)	<u><u>1 454 799</u></u>	<u><u>2 806 945</u></u>

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
36.5 Pension and medical aid deductions		
Opening balance	1 488 170	1 294 706
Current year payroll deductions and council contributions	17 536 770	15 660 120
Amount paid - current year	(12 902 701)	(14 171 950)
Amount paid previous year	(1 488 170)	(1 294 706)
Balance unpaid (included in payables)	<u>4 634 068</u>	<u>1 488 170</u>
36.6 Skills Development Levy		
Opening balance		-
Payable during the current year	515 836	838 539
Amount paid - current year	(611 913)	(59 155)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>(96 076)</u>	<u>-</u>
36.7 Councillor's arrear consumer accounts		
Councillor:		
CHONI P.S	394	124
HANSA D	887	948
HLUNGU L	1 890	-
JAERS LD & S	353	2 038
KGOTLAGOMANG E	-	1 304
KHUMALO M.N.M	1 102	1 288
LEHMAN D S	647	284
MAGASHULE ME	2 945	246
MAGASHULE MR	5 871	203
MAJOE RA	-	798
MAKHOBOTLOANE TN	5 189	2 204
MOEKETSI P.A	211	215
MOPEDI	91	371
MVULANE L	-	653
NDAYI PR	-	69
NDLOVU NA	-	127
NEL D B	201	593
NTEO A.C	2 705	4 096
OLIPHANT AM	218	192
PHATI M.N	2 960	1 694
SCHOONWINKEL A M	297	261
SEKETE SLS	372	968
SERATHI J	847	780
VAN DER MERWE J.M	546	410
VERMAAK S M	930	462
	<u>28 655</u>	<u>20 328</u>
37 Capital commitments		
Commitments in respect of capital expenditure:		
- Approved and contracted for	125 422 603	13 998 178
Infrastructure	8 664 701	13 317 947
Community	116 668 302	180 231
Other	89 600	500 000
- Approved but not yet contracted for	149 083 700	125 333 003
Infrastructure	145 183 700	18 333 003
Community	-	107 000 000
Other	3 900 000	-
Total	<u>274 506 303</u>	<u>139 331 181</u>
This expenditure will be financed from:		
- Government Grants	269 661 703	138 831 181
- District Council Grants	944 600	500 000
- Other	3 900 000	-
	<u>274 506 303</u>	<u>139 331 181</u>
38 Retirement benefit information		
The municipality provides retirement benefits for its employees and councillors. Benefits are provided defined benefit plans.		
38.1 Defined benefit plan		
The SALA, SAMWU, OFS,NFM, LGPF AMD SANLAM Pension Fund are also classified as defined benefit plans however, treated as a defined contribution plan. These are multi-employer plans and accordingly it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan in terms of IAS 19 (AC116).30.		

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
39 Contingent liabilities		
<i>Pending cases and estimated contingency:</i>		
The municipality is being sued in the following pending claims against the Council. All the claims are being contested based on legal advice.		
- Farm lease dispute	500 000	500 000
- Unpaid debt for services rendered	73 135	
- Unpaid debt for services rendered	-	59 274
- Unpaid debt for services rendered	-	15 100
- Unpaid debt for services rendered	-	38 864
- Unpaid debt for services rendered	-	73 135
- Alleged failure to be introduced to council and demand for budget adoption reversal	-	-
- Unlawful removal of gravel	250 000	250 000
- Motor car collision - absence of stop signs	100 000	
- Alleged failure to lodge death claim in respect of late employee	59 274	
- Alleged negligence, unmarked dug pit	10 000	
- Garnishee order not paid	1 671	1 671
- Garnishee order not paid	-	100 000
- Garnishee order not paid	-	100 000
- Garnishee order not paid	-	100
- Cut-off for unpaid services, municipality interdicted	250 000	250 000
- Alleged unfair dismissal	-	200 000
- Alleged unfair dismissal	-	28 984
- Alleged unfair dismissal	-	500 000
- Alleged unfair dismissal	-	250 000
- Alleged unfair dismissal	250 000	250 000
- Alleged unfair dismissal	100 000	100 000
- Alleged unfair dismissal	100 000	100 000
- Alleged unfair dismissal	100 000	-
- Alleged non- promotion/appointment	300 000	300 000
- Alleged unfair dismissal	100 000	-
	<u>2 194 080</u>	<u>3 117 128</u>

40 Related parties

Amounts paid to related parties:

Related party	Amount Paid	Description of Goods/Services
Du Toit & Mandelstam	6 675	Capital Infrastructure
Batho Pele Funeral	4 600	Funeral Services
Du Toit & Mandelstam	42 786	Garnishee Orders

Amounts Owing to related parties:

	Balance owing	Description of Goods/Services
Du Toit & Mandelstam	570	Capital Infrastructure

41 Leases

41.1 Finance Leases

	Minimum Lease Payment	Future Finance charges	Present Value of minimum lease payments
30 June 2009			
Amounts payable under finance leases			
Within one year	759 647	190 074	569 573
In the second to fifth year inclusive	1 502 710	234 026	1 268 684
After five years	-	-	-
	<u>2 262 357</u>	<u>424 100</u>	<u>1 838 257</u>

Less: Amount due for settlement within 12 months

(569 573)
1 268 684

	Minimum Lease Payment	Future Finance charges	Present Value of minimum lease payments
30 June 2008			
Amounts payable under finance leases			
Within one year	305 447	174 568	130 879
In the second to fifth year inclusive	473 909	424 100	49 809
After five years	-	-	-
	<u>779 356</u>	<u>598 668</u>	<u>180 688</u>

Less: Amount due for settlement within 12 months

(130 879)
49 809

2008 amounts only provided for disclosure purposes, no finance leases recognised in 2008
Obligations under finance leases are secured by the lessor's title to the leased asset.

42 Irregular Expenditure

Reconciliation of irregular expenditure identified:

Opening Balance		-
Irregular expenditure current year		-
Irregular expenditure not previously disclosed	1 144 912	-
Condoned or written off by Council		-
Transfer to receivables for recovery - not condoned		-
Irregular expenditure awaiting condonement	<u>1 144 912</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
<i>Misuse of garage cards. The municipality dismissed of the employees involved in misuse of garage cards. The matter is currently being investigated by National Intelligence Agency (NIA)</i>	

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

Incident: Vehicle tracking expenditure
Disciplinary steps: Officials suspended, investigation ongoing
Incident: Irregularities surrounding circumstances of the awarding of tender MD58 - 2006/2007
Disciplinary steps: The Contract has been terminated, Internal audit have recommended that the supplier be blacklisted.
Incident: Irregularities catering costs incurred.
Disciplinary steps: The matter is being investigated.
Incident: Irregularities training costs incurred.
Disciplinary steps: The matter was investigated. The official has resigned on the 1st March 2009. No costs have been recovered from the Official. The expenditure is awaiting condonement from Council.
Incident: Irregularities skills development costs incurred.
Disciplinary steps: The matter was investigated. The official has resigned on the 1st March 2009. No costs have been recovered from the Official. The expenditure is awaiting condonement from Council.
Incident: Expenditure incurred without adhering to the Supply Chain Management Policy require three quotations.
Disciplinary steps: The matter is being investigated.
Incident: Expenditure incurred without adhering to the Supply Chain Management Policy require three quotations.
Disciplinary steps: The matter is being investigated.
Incident: Expenditure incurred on invoices which are not in the name of the Municipality.
Disciplinary steps: The matter is being investigated.
Incident: Expenditure incurred for which no tender documents could be obtained.
Disciplinary steps: The matter is being investigated.
Incident: Expenditure incurred without adhering to the Supply Chain Management Policy paragraph 7.2.21.1.
Disciplinary steps: The matter is being investigated.

1 144 912	-
-----------	---

44 Fruitless and wasteful expenditure

The following have been identified as fruitless and wasteful expenditure:

Supplier	Amount	Reason	
Eskom	1 728 915	Interest on overdue account	401 325
Rand water	57 832	Interest on overdue account	30 063
Data M	488	Interest on overdue account	-
Pension funds	2 015	Interest on overdue account	84 077
Sheriff of the court	641	Interest on overdue account	-
Grimbeek Attorneys	5 107	Interest on overdue account	-
Jansen Attorneys	904	Interest on overdue account	-
SARS	549 574	Interest & penalties on late taxes	2 837 648
Garage Cards	1 391 254	Misuse / Excessive use	-
Councillors	-	Non-disclosure of interest	165 886
Salaries	-	Payment of salaries	54 796
INCA	-	after termination	253 331
	-	Interest on arrears	-
	3 736 730		3 827 126

45 Unauthorised expenditure

Reconciliation of unauthorised expenditure identified:

Opening Balance	-	-
Unauthorised expenditure current year	-	-
Unauthorised expenditure current year - not reported previously	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

46 Key sources of estimation uncertainty

The following areas involve a significant degree of estimation uncertainty:

(i) Trade receivables of R158m (2008: R69m) due from customers for services rendered at 30 June 2009. Estimates were used when meter readings were not done during the month and with the provision for bad debts.

(ii) Property, plant and equipment of R553m (2008: R476m) at 30 June 2009 were stated at cost less accumulated depreciation and impairment losses. Estimates are used in the determination of the useful lives, residual values and the expected pattern of consumption of the future economic benefits embodied in the assets.

Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets or liabilities.

47 Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

policy must provide for the procurement of goods and services by way of a competitive bidding process. The entity complied with the supply chain management policy.

48 Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1)

NGWATHE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
49 Restatement of comparative information		
The following changes in accounting policies have resulted in comparatives being adjusted:		
49.1 Write back of funds and reserves to accumulated surplus/(deficit) - (GRAP implementation)		
The following funds and reserves have been written back to accumulated surplus/(deficit):		
Statutory Funds	45 932 136	
Reserves	5 222 326	
Operating account	332 738	
Trust funds	9 297 050	
Loand redeemed and other capital receipts	468 559 328	
	529 343 578	
Impact on Annual Financial Statements:		
<i>Increase in opening retained earnings 30 June 2008</i>	(529 343 578.00)	
<i>Increase in carrying value of Property Plant & Equipment</i>	468 559 328	
<i>Decrease in Statutory funds</i>	45 932 136	
<i>Decrease in reserves</i>	5 222 326	
<i>Decrease in operating account</i>	332 738	
<i>Decrease in trust funds</i>	9 297 050	
	-	
A cash backed Capital Replacement Reserve has been created in the current year		
49.2		
Impact on Annual Financial Statements:		
<i>Decrease in Accumulated surplus/(deficit) at 30 June 2009</i>	-	
<i>Increase in Capital Replacement Reserve at 30 June 2008</i>	-	
	-	
49.3 Deferred income raised on portion of conditional grants met		
All conditional grants for which conditions are met are raised as deferred income and allocated as revenue on a systematic basis to match the depreciation incurred on Property Plant and Equipment purchased with the grant		
Impact on Annual Financial Statements:		
<i>Increase in deferred revenue at 30 June 2009</i>	24 810 323	
50 RISK MANAGEMENT		
50.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
Financial assets exposed to credit risk at year end were as follows:		
Primary Bank Account		
Trade and other receivables		
These balances represent the maximum exposure to credit risk.		
50.2 Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities into relevant categories, which represent the maximum exposure to liquidity risk		
Gross finance lease obligations		
Borrowings		
Trade and other payables		
Other		

NGWATHE LOCAL MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20x1		
Gross finance lease obligations		-
Borrowings	-	-
Trade and other payables	-	-
Current portion of borrowings	-	-

50.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity loans

NGWATHE LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

AT 30 JUNE 2009

EXTERNAL LOANS	Loan number	Redeemable Date	input financial year in cover sheet	Received during the period	Redeemed / written off during the period	input financial year in cover sheet
			R'000	R'000	R'000	R'000
OTHER LONG-TERM LOANS						
Loan 144 Dept of Water	9100/02/2/04/0603	2013	40 080	3 428		43 508
ABSA	4050718594	2011	534 578	513		535 090
Loan 60 Infrastructure Finance Corp	PARY000001-417	2011	8 000 000			8 000 000
Loan 201 Bankfin			-	71 713		71 713
Total Other Long Term Loans			8 574 658	75 653	-	8 650 311
ANNUITY LOAN						
Lening 73 Infrastructure Finance Corp	VDF111ZSS	2011	15 997		3 667	12 330
Lening 74 Infrastructure Finance Corp	VDF111ZSS	2011	22 853		5 239	17 614
Total Annuity Loans			38 850	-	8 906	29 945
GOVERNMENT LOANS						
DBSA	25742	2014	16 740 575		743 481	15 997 093
Total Government Loans			16 740 575	-	743 481	15 997 093
TOTAL EXTERNAL LOANS			25 354 082	75 653	752 387	24 677 349

NGWATHE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost						Accumulated Depreciation					Other Movements	Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals			Closing Balance
Land and Buildings														
Land	8 927 134	-	-	-	-	-	8 927 134	-	-	-	-	8 927 134	-	8 927 134
Buildings	27 055 104	525 000	-	-	-	-	27 580 104	-	-	-	-	27 580 104	-	27 580 104
	35 982 238	525 000	-	-	-	-	36 507 238	-	-	-	-	36 507 238	-	36 507 238
Infrastructure														
Roads & Stormwater	70 018 703	8 840 390	-	-	-	1 412 574	77 446 519	-	(656 080)	-	-	76 790 439	-	76 790 439
Sewerage Mains & Purification	141 064 185	35 013 820	-	-	-	-	176 078 005	-	(574 484)	-	-	175 503 521	-	175 503 521
Electricity Mains	91 304 825	200 991	-	-	-	-	91 505 816	-	-	-	-	91 505 816	-	91 505 816
Water Mains & Purification	88 717 963	6 163 902	-	-	-	-	94 881 865	-	(584 965)	-	-	94 296 900	-	94 296 900
	391 105 676	50 219 103	-	-	-	1 412 574	439 912 205	-	(1 815 529)	-	-	438 096 676	-	438 096 676
Community Assets														
Parks & Gardens	3 990 252	598 183	-	-	-	-	4 588 435	-	-	-	-	4 588 435	-	4 588 435
Libraries	688 669	-	-	-	-	-	688 669	-	-	-	-	688 669	-	688 669
Recreation Grounds	4 198 930	-	-	-	23 048 913	-	27 247 843	-	-	-	-	27 247 843	-	27 247 843
Swimming Pools	184 022	-	-	-	-	-	184 022	-	-	-	-	184 022	-	184 022
Cemeteries	6 081 050	178 960	-	-	-	-	6 260 010	-	(483 421)	-	-	5 776 589	-	5 776 589
	15 142 923	777 143	-	-	23 048 913	-	38 968 980	-	(483 421)	-	-	38 485 558	-	38 485 558
Other Assets														
Emergency Equipment	260 147	-	-	-	-	-	260 147	-	-	-	-	260 147	-	260 147
Fire Engines	587 089	657 821	-	-	-	-	1 244 910	-	-	-	-	1 244 910	-	1 244 910
Computer Equipment	9 200 126	2 309 828	-	-	-	-	11 509 954	-	(110 840)	-	-	11 399 114	-	11 399 114
Other Assets	23 765 307	1 665 755	-	-	-	-	25 431 062	-	(402 146)	-	-	25 028 916	-	25 028 916
	33 812 669	4 633 405	-	-	-	-	38 446 074	-	(512 986)	-	-	37 933 088	-	37 933 088
Lease assets														
Furniture & Office Equipment	-	2 343 506	-	-	-	-	2 343 506	-	-	-	-	2 343 506	-	2 343 506
	-	2 343 506	-	-	-	-	2 343 506	-	-	-	-	2 343 506	-	2 343 506
Total	476 043 506	58 498 157	-	-	23 048 913	1 412 574	556 178 002	-	(2 811 936)	-	-	553 366 066	-	553 366 066

NGWATHE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008

	Cost						Accumulated Depreciation					Other Movements	Carrying Value		
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals			Closing Balance	
Land and Buildings															
Land	140 349	-	-	-	-	-	140 349	-	-	-	-	-	-	8 786 785	8 927 134
Buildings	425 350	-	-	-	-	-	425 350	-	-	-	-	-	-	26 629 754	27 055 104
	565 699	-	-	-	-	-	565 699	-	-	-	-	-	-	35 416 539	35 982 238
Infrastructure															
Roads & Stormwater	1 100 808	-	-	-	-	-	1 100 808	-	-	-	-	-	-	68 917 895	70 018 703
Sewerage Mains & Purification	2 217 759	-	-	-	-	-	2 217 759	-	-	-	-	-	-	138 846 426	141 064 185
Electricity Mains	1 435 460	-	-	-	-	-	1 435 460	-	-	-	-	-	-	89 869 365	91 304 825
Water Mains & Purification	1 394 791	-	-	-	-	-	1 394 791	-	-	-	-	-	-	87 323 172	88 717 963
	6 148 818	-	-	-	-	-	6 148 818	-	-	-	-	-	-	384 956 856	391 105 676
Community Assets															
Parks & Gardens	62 733	-	-	-	-	-	62 733	-	-	-	-	-	-	3 927 519	3 990 252
Libraries	10 827	-	-	-	-	-	10 827	-	-	-	-	-	-	677 842	688 669
Recreation Grounds	66 014	-	-	-	-	-	66 014	-	-	-	-	-	-	4 132 916	4 198 930
Swimming Pools	2 893	-	-	-	-	-	2 893	-	-	-	-	-	-	181 129	184 022
Cemeteries	95 604	-	-	-	-	-	95 604	-	-	-	-	-	-	5 985 446	6 081 050
	238 071	-	-	-	-	-	238 071	-	-	-	-	-	-	14 904 852	15 142 923
Other Assets															
Emergency Equipment	4 090	-	-	-	-	-	4 090	-	-	-	-	-	-	256 057	260 147
Fire Engines	9 230	-	-	-	-	-	9 230	-	-	-	-	-	-	577 859	587 089
Computer Equipment	144 641	-	-	-	-	-	144 641	-	-	-	-	-	-	9 055 485	9 200 126
Other Assets	373 629	-	-	-	-	-	373 629	-	-	-	-	-	-	23 391 678	23 765 307
	531 590	-	-	-	-	-	531 590	-	-	-	-	-	-	33 281 079	33 812 669
Lease assets															
Furniture & Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7 484 178	-	-	-	-	-	7 484 178	-	-	-	-	-	-	468 559 328	476 043 506

Included in other movements are the following:

1. GRAP compliance with respect to reversals of Loans Redeemed and other Capital Receipts, which were previously netted off against the value of Property Plant & Equipment.
2. GRAP compliance with respect to capitalisation of finance leases.

NGWATHE LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Opening Balance	Additions	Transfer In	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R		
Executive & Council	-	-	-	-	-	-	-	-	-	-	-	-	
Finance & Admin	10 093 682	4 671 311	-	-	-	-	14 764 993	-	(512 986)	-	-	(512 986)	14 252 007
Planning & Development	14 983 994	1 246 239	-	-	-	-	16 230 233	-	-	-	-	-	16 230 233
Health	1 706 927	-	-	-	-	-	1 706 927	-	-	-	-	-	1 706 927
Community & Social Services	27 802 916	703 960	-	-	-	-	28 506 877	-	(483 421)	-	-	(483 421)	28 023 455
Public Safety	2 945 155	909 360	-	-	-	-	3 854 515	-	-	-	-	-	3 854 515
Sport & Recreation	8 189 182	598 183	-	-	23 048 913	-	31 836 279	-	-	-	-	-	31 836 279
Housing	6 254 890	-	-	-	-	-	6 254 890	-	-	-	-	-	6 254 890
Waste Management	153 869 498	35 163 820	-	-	-	-	189 033 317	-	(574 484)	-	-	(574 484)	188 458 834
Road Transport	70 018 703	8 840 390	-	-	-	1 412 574	77 446 519	-	(656 080)	-	-	(656 080)	76 790 439
Water	88 832 421	6 163 902	-	-	-	-	94 996 323	-	(584 965)	-	-	(584 965)	94 411 358
Electricity	91 304 825	200 991	-	-	-	-	91 505 816	-	-	-	-	-	91 505 816
Other	41 314	-	-	-	-	-	41 314	-	-	-	-	-	41 314
Total	476 043 507	58 498 157	-	-	23 048 913	1 412 574	556 178 003	-	(2 811 936)	-	-	(2 811 936)	553 366 067

NGWATHE LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008		2009	2009	2009
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
1 360 873	24 503 989	(23 143 116)	Executive & Council	1 627 989	45 239 770	(43 079 943)
77 297 147	91 732 017	(14 434 870)	Finance & Admin	87 663 720	52 999 904	37 359 028
7 059 033	1 072 398	5 986 635	Planning & Development	302 942	6 183 510	(5 880 569)
870 746	7 619 513	(6 748 766)	Community & Social Services	1	1 124 703	(1 124 702)
-	374 022	(374 022)	Housing	1 103 595	11 750 991	(10 647 396)
341 593	6 876 491	(6 534 898)	Public Safety	453 964	7 409 845	(6 955 881)
225 854	5 691 545	(5 465 691)	Sport and Recreation	21 354 020	7 712 938	13 641 082
16 981 674	10 209 842	6 771 832	Waste Management	-	-	-
17 973 160	8 116 614	9 856 546	Waste Water Management	64 924 916	25 821 065	37 879 135
3 098	9 571 116	(9 568 018)	Road Transport	5 055 015	14 037 864	(8 823 412)
38 992 229	24 956 424	14 035 805	Water	53 057 061	20 870 246	32 292 045
66 507 566	50 754 849	15 752 717	Electricity	64 276 844	48 066 961	16 286 677
15 757	18 824	(3 067)	Other	16 617	58 664	(42 047)
227 628 730	241 497 643	(13 868 912)		299 836 685	241 276 462	58 560 223

NGWATHE LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009
	Actual Income	Atual Expenditure	Deficit	Budget Surplus
	R	R	R	R
Executive & Council	1 627 989	45 239 770	(43 611 781)	(26 326 440)
Finance & Admin	87 663 720	52 999 904	34 663 817	17 474 364
Planning & Development	302 942	6 183 510	(5 880 569)	(2 948 787)
Community & Social Services	1	1 124 703	(1 124 702)	(6 137 503)
Housing	1 103 595	11 750 991	(10 647 396)	(976 970)
Public Safety	453 964	7 409 845	(6 955 881)	(7 958 664)
Sport and Recreation	21 354 020	7 712 938	13 641 082	(7 166 998)
Waste Management	-	-	-	-
Waste Water Management	64 924 916	25 821 065	39 103 851	14 139 629
Road Transport	5 055 015	14 037 864	(8 982 849)	(9 751 733)
Water	53 057 061	20 870 246	32 186 815	16 533 109
Electricity	64 276 844	48 066 961	16 209 883	34 141 548
Other	16 617	58 664	(42 047)	(6 625 456)
Total Revenue	299 836 685	241 276 462	58 560 223	14 396 100

NGWATHE LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008	2008	2008	2008
	Actual Income	Atual Expenditure	Deficit	Budget Surplus
	R	R	R	R
Executive & Council	1 360 873	24 503 989	(23 143 116)	(22 839 670)
Finance & Admin	77 297 147	91 732 017	(14 434 870)	15 818 626
Planning & Development	7 059 033	1 072 398	5 986 635	6 560 550
Community & Social Services	870 746	7 619 513	(6 748 766)	(9 069 130)
Housing	-	374 022	(374 022)	(152 986)
Public Safety	341 593	6 876 491	(6 534 898)	(6 287 219)
Sport and Recreation	225 854	5 691 545	(5 465 691)	(9 014 389)
Waste Management	16 981 674	10 209 842	6 771 832	4 142 200
Waste Water Management	17 973 160	8 116 614	9 856 546	8 475 412
Road Transport	3 098	9 571 116	(9 568 018)	(13 863 229)
Water	38 992 229	24 956 424	14 035 805	15 986 155
Electricity	66 507 566	50 754 849	15 752 717	11 044 981
Other	15 757	18 824	(3 067)	(35 244)
Total Revenue	227 628 730	241 497 643	(13 868 912)	766 057

NGWATHE LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2009 Actual	2009 Budget	2009 Variance	2009 Variance
	R	R	R	%
Executive & Council	-	638 920	638 920	100
Finance & Admin	4 671 311	2 944 100	(1 727 211)	(59)
Planning & Development	1 246 239	1 055 605	(190 634)	(18)
Community & Social Services	-	260 000	260 000	100
Housing	703 960	314 000	(389 960)	(124)
Public Safety	909 360	-	(909 360)	n/a
Sport and Recreation	23 647 096	2 550 000	(21 097 096)	(827)
Waste Management	-	-	-	n/a
Waste Water Management	35 163 820	12 364 852	(22 798 968)	(184)
Road Transport	8 840 390	3 784 750	(5 055 640)	(134)
Water	6 163 902	13 863 873	7 699 971	56
Electricity	200 991	1 300 000	1 099 009	85
Other	-	-	-	n/a
	81 547 070	39 076 100	(42 470 970)	