

**STEVE TSHWETE LOCAL
MUNICIPALITY**



**ANNUAL
FINANCIAL
STATEMENTS**

2005/2006 Financial Year

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General Information

MEMBERS OF THE MAYORAL COMMITTEE & THEIR PORTFOLIOS

Councillor

I.M.T. Mahlangu	:	Executive Mayor
R.T. Mabanola	:	MMC Health, Social Services, Culture, Sport & Recreation
N.E. Masemola	:	MMC Housing & Agriculture
E.F. Mathebula	:	MMC Infrastructure Development & Service Delivery
J.B. Mayaba	:	MMC Traffic, Emergency, Transport, Safety & Security
H. Pilodia	:	MMC Economic Development, Finance & Audit
A.B. Xulu	:	MMC Administration, Human Resource & Audit

Speaker : Cllr. T.R. Mpye

Chief Whip : Cllr. M.A. Masina

WARD COUNCILLORS

Councillor

N. Monareng	:	Ward 1	J.P. Pretorius	:	Ward 13
T.J. Mokwana	:	Ward 2	D. Botes	:	Ward 14
L. Mahlangu	:	Ward 3	J. Makanya	:	Ward 15
M.G. Mathebola	:	Ward 4	H. Pilodia	:	Ward 16
T.P. Motau	:	Ward 5	R. Xaba	:	Ward 17
B. Simelane	:	Ward 6	T.R. Mpye	:	Ward 18
G. Nkamba	:	Ward 7	M.T.E. Mnguni	:	Ward 19
M.T. Masango	:	Ward 8	E.F. Mathebula	:	Ward 20
A.B. Xulu	:	Ward 9	P.R. Sibanyoni	:	Ward 21
M.A. Masina	:	Ward 10	T.J. Morotobolo	:	Ward 22
L. Zweni	:	Ward 11	A.S. Grobler	:	Ward 23
E.A. Swarts	:	Ward 12	G. Mbalane	:	Ward 24

COUNCILLORS, PROPORTIONAL

Councillor

E.S. Bassed	L.I. Manzini	R. Perumall
D. Botha	K.E. Masilela	R.E. Redman
M.J. Brits	C.A. McFarlane	A.G. Stroud
A.S. du Toit	J.N. Mgedeza	C.T. Tonga
H. Knoesen	B.H. Mokoena	K.P.J. Uys
R. Kunene	T.D. Motau	R.M.D. Zulu
A.M. Mabena		

General Information

GRADING OF LOCAL AUTHORITY	:	Grade 9
AUDITORS	:	Auditor-General
BANKERS	:	ABSA Bank
LEGAL ADVISERS	Messrs :	Brandmullers Van Deventer & Campher Ströh Coetzee Birman Serfontein
REGISTERED OFFICE	:	Civic Centre Wanderers Avenue P.O. Box 14 MIDDELBURG 1050
TELEPHONE	:	(013) 249 7000
FACSIMILE	:	(013) 243 2550
MUNICIPAL MANAGER	:	W.D. Fouché
Telephone	:	(013) 249 7264
E-Mail Address	:	wfouche@middelburgsa.co.za
MANAGER : FINANCE	:	F.J. Naudé
Telephone	:	(013) 249 7108
E-Mail Address	:	fnaude@middelburgsa.co.za
MANAGER : CORPORATE SERVICES	:	M. Mnguni
Telephone	:	(013) 249 7242
E-Mail Address	:	mmnguni@middelburgsa.co.za
MANAGER : PUBLIC SERVICES	:	C. Hlatshwayo
Telephone	:	(013) 249 7306
E-Mail Address	:	chlatshwayo@middelburgsa.co.za
MANAGER : TECHNICAL & FACILITIES	:	H. Niemann
Telephone	:	(013) 249 7208
E-Mail Address	:	hniemann@middelburgsa.co.za

General Information

ENQUIRIES

Building Plans	:	(013)	249 7179
Electricity	:	(013)	249 7223/31
Water & Sewerage	:	(013)	249 7168
Consumers	:	(013)	249 7156

PAYPOINTS

Chromeville	Telephone	:	(013)	241 2928
Hendrina	Telephone	:	(013)	293 0000
	Facsimile	:	(013)	293 0388
Komati	Telephone	:	(013)	295 3102
Kwazamokuhle	Telephone	:	(013)	294 1212
Mhluzi	Telephone	:	(013)	242 1030
Mhluzi Ext. 5	Telephone	:	(013)	241 7222
Nasaret	Telephone	:	(013)	246 1177
Pullenshope	Telephone	:	(013)	296 1630
Rietkuil	Telephone	:	(013)	297 1075
Van Calder	Telephone	:	(013)	243 2400

FINANCIAL REPORT

The financial statements have been prepared from the following principles:

- Standards of GRAP – which are GRAP 1, GRAP 2 and GRAP 3 and the 8 GAMAP standards;
- The new budget formats prescribed by National Treasury;
- The Municipal Finance Management Act;
- The Division of Revenue Act; and
- The specimen Municipal Annual Financial Statements issued by National Treasury.

Steve Tshwete Local Municipality, as a high capacity municipality, has implemented the prescribed new accounting standards as from 1 July 2005 with the exception of infrastructural assets where a grace period of three (3) years has been allowed for the unbundling.

Standards of GRAP change continually as new standards are issued by the Accounting Standards Board.

The operational results achieved for the past financial year are extremely favourable as per the Statement of Financial Performance with a surplus for the year that amounts to R83 149 930. This is mainly due to the implementation of the new accounting standards. Various transactions, which were previously accounted for under appropriations and suspense accounts, are now either recognised as revenue or as expenditure.

Should these transactions be excluded, the actual deficit for year is R1 144 055, which represents a budget deviation of 4,77%.

The following is a reconciliation of the surplus for the year in the Statement of Financial Performance to the actual budgeted surplus:

▪ Surplus/(deficit) for the year	R	83 149 930
▪ Other adjustments as recognised in the Statement of Changes in Net Assets:		
- Less Capital Replacement Reserve	R	(58 843 230)
- Plus Capitalisation Reserve	R	16 945 269
- Plus Government Grant Reserve & Public Contributions	R	10 159 914
- Less Stated Benefits Reserve	R	(26 257 876)
- Less Insurance Reserve	R	(200 000)
- Plus Transfer from surplus	R	1 402 919
		<hr/>
Sub-Total	R	26 356 926

FINANCIAL REPORT

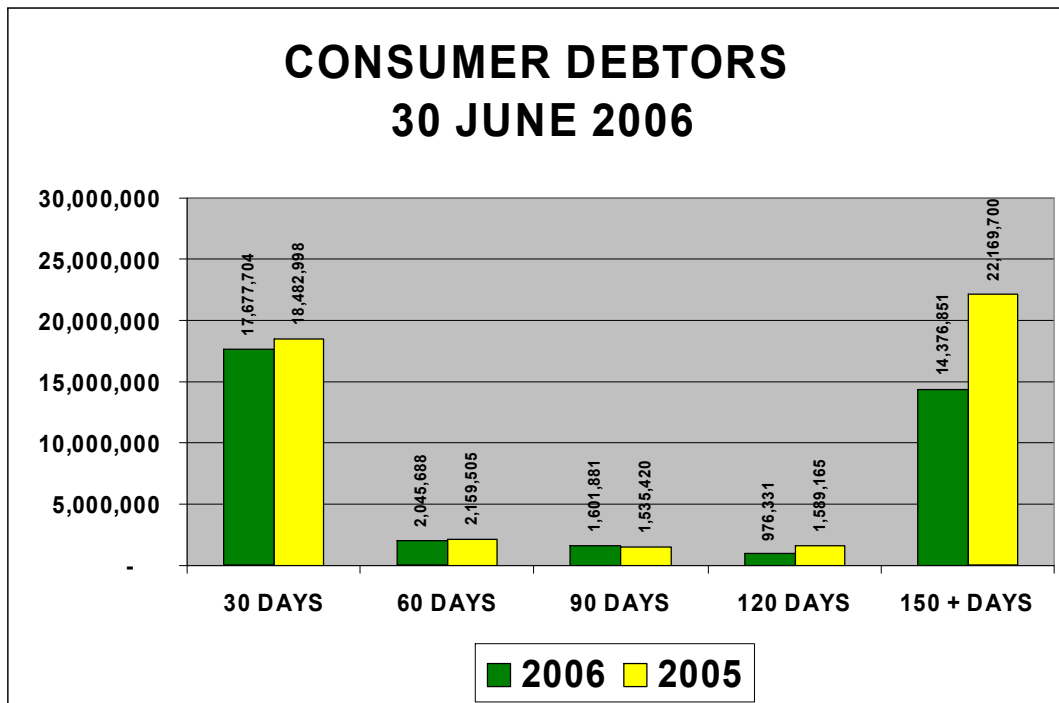
▪ Additional appropriations recognised as revenue:		
- Less	Donated contributions property, plant and equipment	R (36 823 212)
- Less	Interest received – Zero bond investments	R (7 761 011)
- Less	Surplus stock	R (127 691)
- Less	Sale of erven	R (43 539 874)
- Less	Main services contributions	R (1 692 255)
- Less	Additional revenue from coal reserves	R (1 219 184)
	Sub-Total	R (64 806 301)
▪ Additional Appropriations recognised as expenditure:		
- Plus	Stock losses	R 320 165
- Plus	Leave provision	R 1 298 055
- Plus	Provision for bad debt	R 760 298
- Plus	Additional contribution: Capital Replacement Reserve	R 31 767 051
- Plus	Inventory expensed on sale of erven	R 25 098 700
- Plus	Deficit on sale of erven	R 4 417 977
	Actual operating deficit	R (1 144 055)
	Budget operating surplus	R 14 580 043
	Unfavourable deviation	R 15 724 098

The budget deviation can amongst others be attributed to a favourable deviation in revenue to the amount of R2,1-million and expenditure to the amount of R8,3-million. Appendix E is a summary of budget variances with explanations for variances of more than 10%.

Operating income for the year is R434,6-million (2005: R338,2-million) which is 28,5% more than the previous year and includes operating government grants to the amount of R31,2-million and capital grants received to the amount of R49,3-million. Additional revenue to the amount of R43,5-million was recognised from the sale of erven. The operating expenditure for the year is R351,5-million (2005: R291,3-million) which is 20,67% higher than the 2004/2005 financial year.

An additional contribution had been made to the bad debt provision to the amount of R760 298 to supplement the provision for outstanding consumer debt exceeding 150 days and R2 005 710 for sundry debtors exceeding 150 days. Irrecoverable debts to the amount of R11,5-million were written off during the financial year.

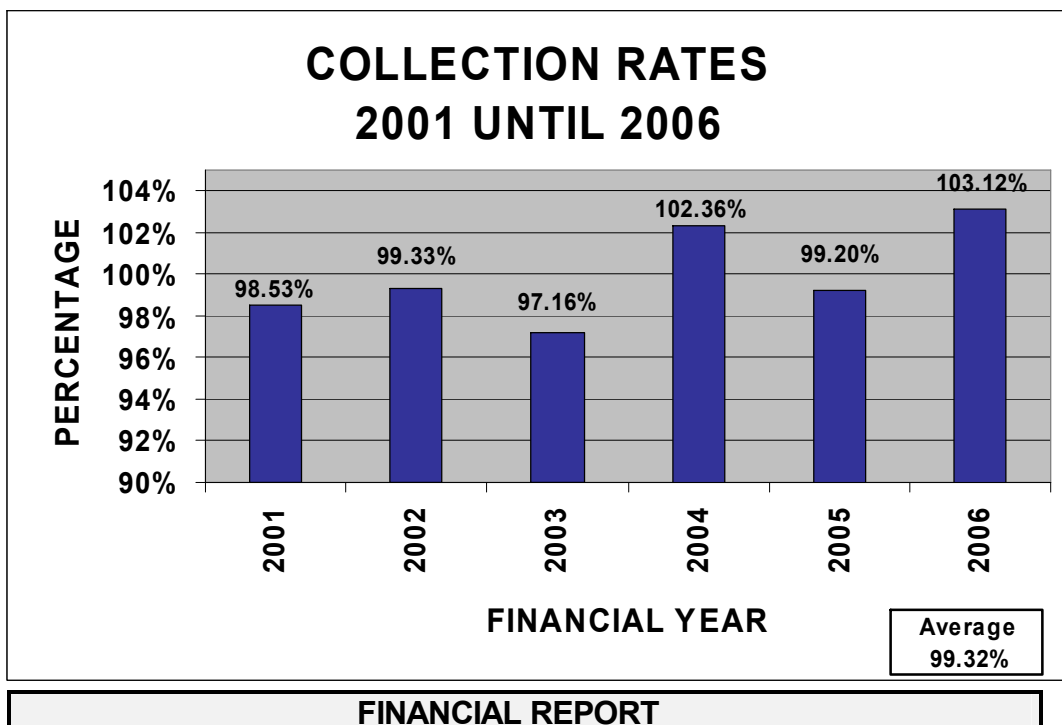
Consumer debtors has decreased from R45,9-million to R36,7-million mainly due to the debt written off during the year as well as the restatement of debtors at fair value which can graphically be presented as follows:



Cash and short term investments increased by a significant 49,25% to R257,6-million (2005: R172,6-million) over the past financial year. This is mainly the result of the strong operating performance and high collection rates for the year of 103,12% (2005: 99,02%).

The high collection rates are indicative of the strong credit control measures implemented by Council. The collection period amounted to a very healthy 23 days (2005: 33 days) with a debtors turnover rate of 7,35% (2004: 10,34%) which is in line with the accepted norms.

This can be graphically presented as follows:



Long term investments to the amount of R37,5-million (2005: R46,8-million) matured during the year to redeem external loans which amount to R36,2-million at the end of the 2005/2006 financial year. The remaining long term investments to the amount of R10,4-million serves as security for external loans to the amount of R39,2-million.

A new ten (10) year loan from SCMB of R32-million has been raised in the past financial year. This loan is intended to finance new capital infrastructural projects. Loans totaling R46,4-million were redeemed whilst the total debt decreased to R125,1-million (2005: R139,5-million).

Total debt to total income decreased to 28,67% from 41,26% previously, mainly due to the higher income and the bullet loan redemption which was recognised in the 2005/2006 financial year as in the 2004/2005 financial year. More information regarding external loans and investments are disclosed in Notes 4 and 11 and Appendix A.

Net capital expenditure for the year amounts to R92,4,6-million which is notably 34,6% higher than the previous financial year (R68,6-million). During the year R43 443 430 was spent from own funds and R12 236 543 from government grants and R36 759 708 from the Nkangala District Municipality. Assets with a carrying value of R5,7-million were disposed of during the year. The actual capital expenditure incurred is 86,43% of the budgeted amount. The deviations on the capital budget are explained in more detail in Appendix F.

In general Council has maintained a strong liquidity profile in the past financial year, with collection levels well above average. The financial position of Council remains healthy and there will be continued to keep this standard.

Acknowledgement

During the year under review my department and I received valuable support and guidance from the Executive Mayor and Members of her Committee, Municipal Manager, the other Managers and Heads of Departments. Their invaluable co-operation is dearly appreciated.

All the officials in my department who provided me with loyal assistance and expressed exceptional competency without which I would not have been able to produce this report.

To all I wish to express my sincere appreciation.



F.J. NAUDÉ (Dipl. IAC; F.I.M.F.O.)
MANAGER : FINANCE

ACCOUNTING POLICY

1. OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position, performance and changes in financial status of the Steve Tshwete Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

2. BASIS OF PRESENTATION

2.1 The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette No. 28095 of 15 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette No. 28095 of 7 December 2005.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Change in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

2.2 With the exception of the Town Development Suspense Accounts and Land Trust Fund These accounting policies are

consistent with those of the previous financial year.

ACCOUNTING POLICY

- 2.3 The effect of the change in accounting policy arising from the unbundling of the Town Development Suspense Accounts and Land Trust Fund is set out in Note 36. Comparative amounts have been restated retrospectively to the extent possible.

In addition, the policy is changed in respect of provision for bad debt for sundry debtors.

- 2.4 The financial statements have been prepared on the historical cost basis.
- 2.5 Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.
- 2.6 Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.
- 2.7 The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the Fund.

ACCOUNTING POLICY

Expenditure allowed in terms of the Housing Act is expressed in the Statement of Financial Performance and a corresponding transfer is made to the Fund.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. All cash received from the Council's coal reserves is being transferred to the CRR account. All surplus cash on the sale of erven are also transferred to the CRR to set aside cash for future property developments. The cash is transferred to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

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).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

ACCOUNTING POLICY

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.5 Self-Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (related to specific circumstances).

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception. These surpluses arose from the differences between premiums charged against claims paid and various administrative expenditure incurred.

The Self-Insurance Reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims until

aggregated excess payment to the amount of R200 000 per annum is reached.

ACCOUNTING POLICY

The Self-Insurance Reserve for electricity is mainly used for theft of distribution networks and cables, which are uncovered items in terms of the insurance contract of Council.

Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The balance of the Self-Insurance Reserve is fully cash backed and invested in fixed and negotiable deposits.

7. PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Property, plant and equipment is stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

Heritage assets which are of culturally significant resources are shown at cost and are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up. Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

ACCOUNTING POLICY

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods gets adjusted.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<u>Infrastructure Assets</u>	<u>Years</u>
Roads, pavements, bridges and storm water	10-30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15-20
Water meters	7
Car parks, bus terminals and taxi ranks	20
Electricity reticulation	15-30
Electricity meters	10
Sewerage purification and reticulation	15-20
Housing	30
Street lighting	20-25
Refuse sites	30
<u>Community Assets</u>	<u>Years</u>
Parks and gardens	10-30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	20-30
Clinics	30
Fire services	30
Cemeteries	30
<u>Other Assets</u>	<u>Years</u>
Motor vehicles	4-7
Plant and equipment	2-15
Security measures	3-10
Buildings	30
IT equipment	3-5

Office equipment	3-7
Specialised vehicles	15-20

ACCOUNTING POLICY

Where the carrying amount of an item of property, plant and equipment is larger than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

Accounts receivable

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

ACCOUNTING POLICY

Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognized or impaired through the amortisation process.

Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

9. **LEASES**

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

ACCOUNTING POLICY

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

10. INVENTORIES

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost method.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction.

Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Water and purified efficient are valued at purified cost insofar as it is stored (controlled) in reservoirs at year end.

11. ACCOUNTS RECEIVABLE

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

12. TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ACCOUNTING POLICY

13. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or services potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

This principle also applies to tariff or charges.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The entity retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income from the sale of housing by way of instalment sales agreements is recognised on a time proportion basis.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

ACCOUNTING POLICY

Rates, including collection charges and penalty interest

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- There has been compliance with the relevant legal requirements.

The Steve Tshwete Local Municipality uses a differentiated site value assessment rate system. According to this assessment rates are levied on the land value of properties and rebates are granted according to the usage of a particular property.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Service charges

Flat rate service charges and consumption-based service charges shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on

each property, regardless of whether or not containers are emptied during the month.

ACCOUNTING POLICY

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Fines

Revenue from the issuing of fines shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Revenue from fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected.

Government Grants

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations received

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions

have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

ACCOUNTING POLICY

Where public contributions have been received but the conditions were not met, a liability is recognised.

Levies

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement; and

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorized irregular, fruitless and wasteful expenditure is based on legislated procedures.

14. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

ACCOUNTING POLICY

15. **CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is raised.

16. **PROVISION FOR BAD DEBT (accounts receivable)**

An annual contribution is made towards a bad debt provision for non-recoverable rates and service fees as well as for sundry debtors.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 150 days.

When an under recovery occurs during the year an additional contribution is made from the accumulated surplus at year-end.

Bad debts are written off during the year in which they are identified.

17. **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. **UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ACCOUNTING POLICY

19. **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. **FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. **COMPARATIVE INFORMATION**

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22. **RETIREMENT BENEFITS**

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

(i) *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the

statement of financial performance in the year to which they relate as part of cost of employment.

ACCOUNTING POLICY

(ii) *Post employment medical care benefits*

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments are debited or credited to Statement of Financial Performance in the period in which it occurs. Valuations of these obligations are carried out annually by independent qualified actuaries.

23. **BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

24. **CONSUMER DEPOSITS**

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

25. **INVESTMENT PROPERTY**

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation, is stated at cost. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

26. **EVENTS AFTER BALANCE SHEET DATE**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

STATEMENT OF FINANCIAL POSITION
as at
30 JUNE 2006

		30-06-2006	30-06-2005
		R	R
NET ASSETS & LIABILITIES			
Net Assets		660 996 971	601 044 116
Housing development Fund	1	6 419 539	7 229 645
Capital replacement reserve	2	210 051 408	167 953 022
Capitalisation reserve	2	112 180 739	129 123 472
Government grant reserve	2	48 416 628	39 612 162
Donations and public contribution reserves	2	105 737 628	77 531 341
Self-insurance reserve	2	1 631 765	1 008 535
Accumulated surplus/(deficit)	3	176 559 264	178 585 938
Non-current liabilities		139 504 600	91 355 069
Long-term liabilities	4	113 246 724	91 355 069
Post-retirement benefits	4	26 257 876	
Current liabilities		85 148 434	104 569 731
Consumer deposits	5	15 017 410	13 376 235
Provisions	6	896 780	434 276
Creditors	7	51 764 964	37 822 231
Unspent conditional grants and receipts	8	5 590 513	4 731 886
Current portion of long term liabilities	4	11 878 767	48 205 104
Total Net Assets and Liabilities		885 650 005	796 968 916
ASSETS			
Non-current assets		720 661 360	633 798 728
Property, plant & equipment	10	467 167 461	421 025 005
Investments property	35	45 144 462	42 697 965
Investments	11	202 483 305	156 849 424
Long-term receivables	12	5 866 133	13 226 335
Current assets		164 988 645	163 170 187
Inventory	13	40 165 072	63 936 512
Consumer debtors	14	22 794 778	23 767 139
Other debtors	15	6 600 076	7 089 524
Current portion of long-term receivables	12	29 795 763	5 728 780
Bank balances and cash	16	65 632 956	62 648 232
Total Assets		885 650 005	796 968 916



F.J. NAUDÉ (Dipl. IAC; F.I.M.F.O.)
MANAGER : FINANCE



W.D. FOUCHÉ (B.A.; I.T.C.)
MUNICIPAL MANAGER

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended
30 June 2006

		ACTUAL	
		2006	2005
		R	R
REVENUE			
	Note		
Property rates	17	75 235 438	73 622 475
Service charges:			
Electricity	18	108 269 250	97 385 320
Refuse Removal	18	14 870 058	16 876 419
Sewerage	18	16 797 386	17 099 749
Water	18	26 702 547	24 875 200
Rental of facilities and equipment		2 235 159	2 239 745
Interest earned – external investments	21	18 856 010	15 467 199
Interest earned – outstanding debtors	21	3 155 286	2 593 742
Fines		3 658 474	3 699 497
Licenses and permits		3 129 652	2 495 880
Income for agency services		4 015 425	3 740 977
Government grants and subsidies received – operating	19	31 254 575	23 997 017
Government grants and subsidies received – capital	19	12 576 376	9 405 061
Public contributions, donated and contributed property, plant and equipment	20	36 823 212	16 154 589
Other revenue	22	76 775 873	28 338 624
Gain on disposal of property, plant and equipment		303 141	217 962
Total Revenue		434 657 860	338 209 455
EXPENDITURE			
	Note		
Employee related costs	23	109 035 029	98 553 151
Remuneration of councillors	24	6 013 265	5 650 017
Bad debts		3 090 908	5 997 382
Collection costs		364 513	125 385
Depreciation		44 193 929	39 167 226
Repairs and maintenance		22 556 741	15 879 782
Interest paid	25	23 234 682	21 041 026
Bulk purchases			
Electricity	26	60 724 524	55 367 310
Water	26	2 822 666	2 389 937
Contracted services		8 149 587	6 025 697
Grants and subsidies paid	27	454 672	381 687
General expenses (including abnormal expenses)		68 569 358	38 610 260
Loss on disposal of property, plant and equipment			
Contributions to/(from) provisions	28	2 298 055	2 166 200
Total Expenditure		351 507 930	291 355 060
Surplus/(deficit) for the year		83 149 930	46 854 395
Appropriations for the year			
NET SURPLUS/(DEFICIT) FOR THE YEAR	30	83 149 930	46 854 395

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2006

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donation & Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R
2005									
Correction of error (note 32)								1 072 090	1 072 090
Changes in accounting policy									
Restated balance	5 116 044	174 880 717	124 736 380		99 595 472	1 673 950		46 759 808	452 762 372
Net surplus for the year								46 854 395	48 854 395
Appropriations								20 270 448	20 270 448
Other income/expenditure	153 705	20 857 650				(777 215)		(20 234 140)	
Transfer to CRR		26 440 129						(26 440 129)	
Property, plant & equipment purchased		(12 569 290)						12 569 290	
Capital grants used to purchase PPE				32 014 441	(32 014 411)				
Donated/contributed PPE				9 836 818	15 965 186			(25 802 004)	
Contribution to insurance reserve						111 800		(111 800)	
Insurance claims processed									
Transfer to Housing Development Fund	(55 537)							55 537	
Asset disposals			(79 758)			(179 068)		258 826	
Offsetting of depreciation			(15 129 094)	(2 419 667)	(5 835 838)			23 384 599	
Balance at 30 June 2005	5 214 212	209 609 206	109 527 528	39 431 562	77 531 341	1 008 535		77 564 830	519 887 215
2006									
Changes in accounting policy (note 36)	2 015 433	(41 656 184)	19 595 944						(20 044 807)
Correction of error (note 29)								488 589	488 589
Correction of error (note 29)				180 600				(180 600)	
Changes in accounting policy (note 36)								(2 005 710)	(2 005 710)
Changes in accounting policy (note 36)								42 697 965	42 697 965
Changes in accounting policy (note 36)								60 020 865	60 020 865
Restated balance	7 229 645	167 953 022	129 123 472	39 612 162	77 531 341	1 008 535		178 585 938	601 044 116
Net surplus for the year								83 149 930	83 149 930
Appropriations	(687 465)	2 760 449						545 198	2 618 182
Other income/expenditure	(142 030)					837 598		(26 115 845)	(25 420 278)
Transfer to CRR		54 141 052						(54 141 052)	
Property, plant and equipment purchased		(14 803 115)						14 803 115	
Capital grants used to purchase PPE				12 541 628				(12 541 628)	
Donated/contributed PPE					36 759 708			(36 759 708)	
Contributions to insurance reserve						200 000		(200 000)	
Insurance claims processed						(414 368)			(414 368)
Transfer to Housing Development Fund	19 389								19 389
Asset disposals			(139 494)	(505 677)	(1 624 991)			2 270 162	
Offsetting of depreciation			(16 803 239)	(3 231 485)	(6 928 430)			26 963 154	
Balance at 30 June 2006	6 419 539	210 051 408	180 739	48 416 628	105 737 628	1 631 765		176 559 264	660 996 971

CASH FLOW STATEMENT

for the year ended

30 JUNE 2006

		2006	2005
	Note	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from ratepayers, government and others		410 710 884	342 153 584
Cash paid to suppliers and employees		(247 327 459)	(241 260 600)
Cash generated from / (utilised in) operations	30	163 383 425	100 892 984
Interest received		22 011 296	18 060 940
Interest paid		(23 234 682)	(21 041 026)
Net cash from operating activities		162 160 039	97 912 898
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(86 955 777)	(68 750 060)
Proceeds on disposal of property, plant and equipment		303 141	217 962
(Increase)/decrease in non-current loans		(16 706 781)	2 690 813
(Increase)/decrease in investments		(45 633 880)	(18 473 476)
Net cash from investment activities		(148 993 297)	(84 314 761)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(11 823 194)	21 792 506
Increase/(decrease) in deposits		1 641 175	1 542 679
Net cash from financing activities		(10 182 019)	23 335 185
Increase/(decrease) in cash and cash equivalents	31	2 984 723	36 933 322
Cash and cash equivalents at beginning of the year		62 648 232	25 714 909
Cash and cash equivalents at end of the year		65 632 956	62 648 232

NOTES
to the Statement of Financial Position
as at 30 June 2006

	30 June 2006	30 June 2005
	R	R
1. HOUSING DEVELOPMENT FUND	6 419 539	7 229 645
Balance at beginning of the year	7 229 645	5 116 044
Change in accounting policy		2 015 433
Contributions	19 389	21 643
Income	491 001	200 906
Operating expenditure	(1 320 496)	(124 381)
2. NET ASSETS	478 018 168	437 108 172
CAPITAL REPLACEMENT RESERVE	210 051 408	167 953 021
Capital Replacement Reserve	73 346 797	52 343 013
Balance at beginning of the year	52 343 013	33 424 897
Contributions	33 046 450	
Income	2 760 450	31 487 407
Property, plant & equipment	(14 803 115)	(12 569 290)
CRR : Land Trust Fund	76 784 997	76 500 612
Balance at beginning of the year	76 500 612	71 876 028
Correction of error		
Contributions	284 385	4 624 584
Operating expenditure		
CRR : Property Development	59 919 614	39 109 396
Balance at beginning of the year	39 109 396	69 579 792
Change in accounting policy		(41 656 185)
Contributions	20 810 218	11 185 789
Operating expenditure		
Capitalisation Reserve	112 180 739	129 123 472
Balance at beginning of the year	129 123 472	124 736 380
Change in accounting policy		19 595 944
Property, plant & equipment purchased		
Offsetting of depreciation	(16 803 250)	(15 129 094)
Disposal	(139 483)	(79 758)

	30 June 2006	30 June 2005
	R	R
Government Grants Reserve (utilised)	48 416 628	39 431 562
Balance at beginning of the year	39 612 162	180 600
Correction of error		9 836 818
Donated/contributed PPE	12 541 628	(2 419 667)
Offsetting of depreciation	(3 231 485)	
Disposal	(505 677)	
Capital grants used for PPE		32 014 411
Donations and Public Contribution Reserve (utilised)	105 737 628	77 531 341
Balance at beginning of the year	77 531 341	99 595 472
Donated/contributed PPE		15 965 186
Offsetting of depreciation	(6 928 430)	(5 835 838)
Capital grants used for PPE	36 759 708	(32 014 411)
Disposals	(1 624 991)	(179 068)
SELF INSURANCE RESERVE	1 631 765	1 008 535
Insurance Reserve Electricity	1 005 016	794 976
Balance at beginning of the year	794 976	1 466 235
Contributions	200 000	111 800
Other income	65 775	
Insurance claims processed	(55 735)	(783 060)
Insurance Reserve General	626 749	213 560
Balance at beginning of the year	213 560	207 715
Other income	771 821	1 044 459
Insurance claims processed	(358 632)	(1 038 614)

3. ACCUMULATED SURPLUS/(DEFICIT)

Accumulated surplus: beginning of year	178 585 938	46 759 808
Operating surplus/(deficit) for the year	83 149 930	46 854 395
Changes in net assets	(85 176 604)	(16 049 373)
Change in accounting policy / error		101 021 108
Accumulated surplus: end of year	176 559 264	178 585 938

Refer to note 29 and 36 for more detail.

	30 June 2006	30 June 2005
	R	R
4. NON-CURRENT LIABILITIES		
Long term liabilities		
Local registered stock loans		15 220 000
Annuity loans	125 125 492	103 340 173
Capitalised lease liability		21 000 000
Sub-Total	125 125 492	139 560 173
Less: Current portion transferred to current liabilities	(11 878 767)	(48 205 104)
Local registered stock loans		(15 220 000)
Annuity loans	(11 878 767)	(11 985 104)
Capitalised lease liability		(21 000 000)
Total External Loans	113 246 725	91 355 069

Refer to Appendix A for more detail on long term liabilities.

R10 483 305 (2005: R9 354 132) has been invested specifically as security for the repayment of long term liabilities.

See note 11 for more detail.

Post-employment benefits

Medical care benefits	26 257 876	
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The estimated liability of post employment medical care is R131 289 876. The municipality has taken advantage of transitional liability according to IAS 19 (AC 116) where only one fifth of this amount is recognised. The amount remaining is R105 032 000 and will be phased in over the next four (4) years. An amount of R9,4-million was contributed by Council and these contributions have been expensed.

5. CONSUMER DEPOSITS

Electricity	10 208 720	9 382 467
Water	2 847 264	2 418 379
Other	1 961 427	1 575 389
Total consumer deposits	15 017 410	13 376 235

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits	3 826 670	3 627 933
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	30 June 2006	30 June 2005
	R	R
6. PROVISIONS		
Performance Bonus		
Balance at beginning of year	434 276	407 771
Contribution to provision	462 504	368 476
Expenditure incurred		(341 971)
Balance at end of year	896 780	434 276
Total provisions	896 780	434 276

Performance bonuses are paid one year in arrears. The assessment of eligible employees had not taken place at the reporting date. The provision is an estimate of the amount according to the performance agreements at the reporting date.

7. CREDITORS		
Trade Creditors	25 606 080	16 981 947
Amounts received in advance:		
Consumer debtors	6 915 832	3 844 047
Sundry debtors	29 068	246 815
Other	2 377 656	2 430 299
VAT	2 397 347	2 694 536
RDP development	3 111 264	2 885 458
Government grants & subsidies	361 017	
Staff leave	4 520 978	4 530 141
Retention money	2 084 153	1 641 183
Community facilities	4 361 569	2 567 805
Total creditors	51 764 964	37 822 231

8. CONDITIONAL GRANTS FROM GOVERNMENT		
Finance management grant	2 794 533	2 824 138
Municipal systems improvement grant	843 180	
Municipal support grant	62 811	236 347
VUNA awards	7 50 000	1 000 000
Local government transitional grant	632 641	632 641
Municipal infrastructure grant	269 271	20 998
Integrated national electricity programme	238 077	
Local economic development		17 761
Total conditional grants and receipts	5 590 513	4 731 886

See note 19 for reconciliation of grants. These amounts are invested until utilised.

30 June 2006

30 June 2005

R

R

9. CONTINGENT LIABILITIES & CONTRACTUAL OBLIGATIONS

Disclosure in terms of the MFMA, 2003, Section 125(2)(c).

10. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings	Infrastructure	Community Assets	Other Assets	Housing Development Fund	Total
	R	R		R	R	R
Reconciliation of Carrying Value						
Carrying values at 1 July 2005	45 108 701	311 761 438	21 335 898	42 218 460	600 509	421 025 005
Cost	58 571 396	528 021 165	30 237 322	103 712 240	1 312 550	721 854 673
Accumulated depreciation – cost	(13 462 695)	(216 259 727)	(8 901 424)	(61 493 780)	(712 041)	(300 829 667)
Acquisitions	1 325 474	61 637 465	1 414 696	14 713 662		79 091 297
Capital under construction		13 083 627	564 757			13 648 384
Depreciation – based on cost	(1 861 488)	(30 532 777)	(1 026 818)	(10 746 744)	(26 103)	(44 193 929)
Carrying value of disposals	(2 204 770)	(30 277)	(11)	(168 238)		(2 403 296)
Cost	(2 509 062)	(121 884)	(14 709)	(3 138 249)		(5 783 903)
Accumulated depreciation	304 292	91 607	14 698	2 970 011		3 380 607
Other movements	1 201 964	250 987	(912 663)	(540 289)		
Carrying values at 30 June 2006	43 569 881	356 170 462	21 375 859	45 476 851	574 406	467 167 460
Cost	60 150 823	601 507 703	30 608 452	115 230 923	1 312 550	808 810 450
Accumulated depreciation – cost	(16 580 941)	(245 337 240)	(9 232 593)	(69 754 072)	(738 144)	(341 642 991)
Reconciliation of Carrying Value						
Carrying values at 1 July 2005	36 171 140	272 271 518	21 317 938	41 024 738	626 611	371 411 945
Cost	47 937 157	427 858 960	29 147 258	91 408 083	1 312 550	597 664 008
Accumulated depreciation – cost	(11 766 017)	(155 587 442)	(7 829 320)	(50 383 345)	(685 939)	(226 252 063)
Acquisitions	9 383 552	63 947 870	3 309 985	11 623 573		88 264 980
Capital under construction	35 350	403 471		76 488		515 309
Depreciation – based on cost	(1 696 679)	(24 967 111)	(1 039 248)	(11 438 087)	(26 102)	(39 167 227)
Carrying value of disposals						
Cost				(327 651)		(327 651)
Accumulated depreciation				(327 651)		327 651
Other movements	1 215 337	105 691	(2 252 777)	931 747		(2)
Carrying values at 30 June 2006	45 108 701	311 761 438	21 335 898	42 218 459	600 509	421 025 005
Cost	58 571 396	528 021 165	30 237 322	103 712 240	1 312 550	721 854 673
Accumulated depreciation – cost	(13 462 695)	(216 259 727)	(8 901 424)	(61 493 780)	(712 041)	(300 829 667)

Refer to Appendices B and C for more detail.

The municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in the process of itemizing all infrastructural and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. Furthermore the municipality has not assessed whether items of property, plant and equipment are impaired.

	30 June 2006	30 June 2005
	R	R
11. INVESTMENTS (Unlisted)		
FINANCIAL INSTRUMENTS		
Short Term Fixed Deposits	192 000 000	127 899 614
ABSA Bank	36 000 000	20 000 000
First National Bank	18 000 000	15 000 000
Investec Bank	42 000 000	35 000 000
Nedbank	51 000 000	15 000 000
Nedbank Capital		17 899 614
Standard Bank	45 000 000	25 000 000
Long Term Fixed Deposits	10 483 305	28 949 811
Standard Bank		19 595 679
Nedbank Capital		
ABSA Bank	10 483 305	9 354 132
Total Investments	202 483 305	156 849 425
 Average rate of return	 7,83%	 8,45 %
Council's valuation of investments	202 483 305	156 849 425

No investments have been written off during the year.

The long term investments (including Nedbank Capital) matured during the year to redeem the following external loans:

- Standard Merchant Bank (Sale and Leaseback)
- Inca (Local Government Stock)

The Absa zero bond serves as security for the Absa Annuity Loan.

Refer to Appendix A for more detail on external loans.

Disclosure in terms of the MFMA, 2003, Section 125(2)(b).

12. LONG TERM RECEIVABLES

Motor car loans	1 032 613	2 454 768
Housing selling scheme loans	227 352	999 311
Sale of erven loans	34 075 223	14 012 453
Country Club loan	24 307	31 985
Inyanda loan	288 760	1 359 109
Engineering service loans	13 640	97 489
Sub-total	35 661 896	18 955 115
Less: current portion transferred to current receivables	29 795 763	5 728 780
Motor car loans	533 818	1 042 949

Housing selling scheme loans	28 134	139 813
Sale of erven loans	28 926 344	3 505 319
Country Club loan	7 678	7 678
Inyanda loan	288 760	946 614
Engineering service loans	11 029	86 407
Total long term receivables	5 866 133	13 226 335

Motor car loans

Senior personnel were previously entitled to car loans which attract interest at 8,5% per annum and which are repayable over a maximum period of five (5) years. In terms of the MFMA no new loans are granted and the existing loans will be repaid by the year 2009.

Engineering services loans

Off-payment arrangements are made for service connections to the reticulation system. These loans attract interest at prime rate per annum and are repayable over a maximum period of one (1) year.

Housing selling scheme loans

Housing loans were granted under old housing schemes to qualifying individuals in terms of the Housing Act. These loans attract differentiated interest rates and are repayable over twenty (20) years. No new loans are granted and existing loans will continue until repaid.

Sale of erven

Loans were given at a low interest rate of 7,5% per annum repayable over four (4) years to encourage development through the sale of vacant erven. In terms of the MFMA no new loans are granted.

	30 June 2006	30 June 2005
	R	R
13. INVENTORY		
Consumable stock	4 175 441	3 915 647
Unsold properties	35 933 421	60 020 865
Water at cost	56 210	
Total	40 165 072	63 936 512
Stock shortages written off during the year	320 166	177 463

With the annual stocktaking on 30 June 2006 stock shortages to the value of R320 166 stock surpluses to the value of R127 692 realised. See note 36 for change in accounting policy.

14. CONSUMER DEBTORS

	Gross Balance	Provision for Bad Debt	Net Balance
	R	R	R
30 June 2006			
Service debtors:	30 688 719	10 750 474	19 938 245
Property rates	12 924 941	6 227 039	6 697 902
Electricity	9 228 239	1 253 608	7 974 631
Water	4 148 045	1 761 477	2 386 568

Sewerage	2 759 924	1 052 726	1 707 198
Refuse	1 627 570	455 624	1 171 946
Estates	687 414		687 414
Other	5 302 323	3 133 204	2 169 119
Total	36 678 456	13 883 678	22 794 778

Contribution to bad debt provision 3 090 908

Debt written off for the year 11 376 930

Property rates	2 638 595
Electricity	112 731
Water	811 889
Sewerage	988 692
Refuse	1 120 269
Other	5 704 754

Gross Balance	Provision for Bad Debt	Net Balance
R	R	R

30 June 2005

Service debtors: **44 431 760** **21 204 252** **23 227 508**

Property rates	20 852 503	12 417 550	8 434 954
Electricity	9 200 422	1 692 460	7 507 961
Water	6 010 572	2 735 330	3 275 243
Sewerage	4 479 897	2 336 126	2 143 771
Refuse	3 888 366	2 022 786	1 865 580

Estates 1 505 078 965 448 539 630

Total **45 936 838** **22 169 700** **23 767 139**

Contribution to bad debt provision 5 997 382

Debt written off for the year 8 644 028

Property rates	1 628 950
Electricity	50 214
Water	769 988
Sewerage	1 017 695
Refuse	1 026 060
Other	4 151 121

30 June 2006

R

30 June 2005

R

AGEING OF CONSUMER DEBTORS

Property Rates

Current (0-30 days)	4 986 510	6 122 396
31-60 days	703 517	813 828
61-90 days	624 020	748 414
91-120 days	368 106	750 316
121-150 days	284 450	12 417 550
151+ days	5 958 338	

Sub-total **12 924 941** **20 852 504**

Services

Current (0-30 days)	11 024 859	12 360 602
31-60 days	987 251	1 036 131
61-90 days	720 085	699 500
91-120 days	392 097	696 272
121-150 days	311 242	8 786 702
151+ days	4 328 246	
Sub-total	17 763 778	23 579 207

30 June 2006

30 June 2005

R

R

Estates

Current (0-30 days)		
31-60 days	142 443	309 547
61-90 days	63 123	87 507
91-120 days	88 282	142 576
121-150 days	393 567	965 448
151+ days		
Sub-total	687 414	1 505 078

Other

Current (0-30 days)	1 666 336	
31-60 days	212 477	
61-90 days	194 654	
91-120 days	127 847	
121-150 days	103 005	
151+ days	2 998 004	
Sub-total	5 302 323	

Total consumer debtors

36 678 456

45 936 789

Made up as follows:

Current (0-30 days)	17 677 704	18 482 998
31-60 days	2 045 688	2 159 506
61-90 days	1 601 881	1 535 420
91-120 days	976 331	1 589 165
121-150 days	1 092 264	22 169 700
151+ days	13 284 587	
Total	36 678 456	45 936 789

15. OTHER DEBTORS

Other debtors	3 135 764	3 526 419
Government capital grants	174 208	786 400
Sundry debtors	4 207 352	5 337 317
Deposits	12 250	12 250
Other public donations	23 419	
Insurance	908 579	432 848

Provision for other debt	(1 861 496)	(2 005 710)
Total Other Debtors	6 600 076	7 089 524
Debt written off for the year	144 214	157 216

See note 36 for change in accounting policy.

See note 29 for correction of error.

30 June 2006

30 June 2005

R

R

16. **BANK CASH AND OVERDRAFT BALANCES**

The municipality has the following bank accounts:

Absa Bank : Nelspruit

Account number : 1040 000 077

Type : cheque account

Current account (primary bank account)

Bank statement balance at beginning of year	75 372 450	32 944 696
Bank statement balance at end of year	71 907 389	75 372 450
Cash book balance at beginning of year	62 627 446	25 694 754
Increase/(decrease) in cash book balance	2 973 454	36 932 692
Cash book balance at end of year	65 600 900	62 627 446
Petty cash		
Balance at beginning of year	20 785	20 155
Increase/(decrease) of petty cash	11 270	630
Balance at end of year	32 055	20 785
Total cash resources	65 632 956	62 648 232

Disclosure in terms of the MFMA, 2003, Section 125(2)(a).

17. **PROPERTY RATES**

	Site Valuations	Revenue 2005/2006	Revenue 2004/2005
	R	R	R
Middelburg			
Residential	347 172 834	62 339 220	54 820 424
Pensioners	8 026 500	1 434 756	2 574 045
Commercial	172 179 606	30 522 418	29 775 964
Exempted	20 368 100	2 601 959	2 799 387

Total

547 747 040	96 898 354	89 969 820
--------------------	-------------------	-------------------

Government

Middelburg

26 901 095 5 081 079 4 693 703

Hendrina

352 444 124 765 115 250

Pullenshope

18 750 11 115

Total**27 253 539 5 216 959 4 808 953**

Site Valuations	Revenue 2005/2006	Revenue 2004/2005
----------------------------	------------------------------	------------------------------

R**R****R****Hendrina**

Residential

13 045 822 4 587 361 4 013 088

Pensioners

264 900 118 598 332 328

Commercial

1 809 452 635 220 571 983

Exempted

118 400 45 265 34 460

Total**15 238 574 5 386 443 4 951 859****Blinkpan**

Residential

1 588 150 296 629

Commercial

99 300 18 756

Total**1 687 450 315 385****Komati**

Residential

670 828 673 443 634 632

Pensioners

26 860 30 758 17 898

Commercial

152 596 152 352 138 884

Total**850 284 856 553 791 414****Rietkuil**

Residential

1 682 416 715 044 661 059

Pensioners

14 580 5 840 4 847

Commercial

551 786 234 399 216 521

Total**2 248 782 955 283 882 427****Pullenshope**

Residential

1 612 020 959 267 896 129

Pensioners

42 590 22 611 11 980

Commercial

470 372 277 637 255 488

Total**2 124 982 1 259 515 1 163 597**

Presidentsrus

Residential	2 066 580	27 770	33 790
Commercial	324 250	3 909	5 566
Total	2 390 830	31 679	39 356

Site Valuations	Revenue 2005/2006	Revenue 2005/2004
R	R	R

Kranspoort

Residential	8 974 689	87 774	81 808
Commercial	224 546	1 775	2 028
Total	9 199 235	89 550	83 836

Rural Areas

	Site Valuations		
Commercial	13 996 055	827 265	446 243
	Improvements		
	141 873 820		316 873
Total	155 869 875	827 265	763 116

Sub-Total

111 836 985 103 454 378

Less:

Income Forgone**(28 042 184) (25 260 356)**

Middelburg

Residential	(26 637 577)	(24 043 330)	
Government	(1 177 017)	(1 089 570)	
Hendrina	Residential	(78 633)	(98 817)
	Government	(23 487)	(21 697)
Blinkpan	Residential	(106 668)	
Komati	Residential	(12 378)	(3 577)
Pullenshope	Residential	(4 532)	(2 396)
	Government	(720)	
Rietkuil	Residential	(1 171)	(969)

Less: **Indigent Support**

MP313 area

(8 559 363) (4 571 547)**Final Total**

75 235 438 73 622 475

VALUATIONS

		2005/2006	2004/2005
Residential	Site valuation	385 188 769	379 154 868
Government	Site valuation	27 272 289	27 253 539
Commercial	Site valuation	189 807 963	188 553 335
Rural Commercial	Improvement valuation	141 873 820	142 638 120
		744 142 841	737 599 862

	30 June 2006	30 June 2005
	R	R
18. SERVICE CHARGES		
Sale of electricity	108 269 250	97 385 320
Sale of water	26 702 547	24 875 200
Refuse removal	14 870 058	16 876 419
Sewerage and sanitation charges	16 797 386	17 099 749
Total service charges	166 639 241	156 236 688

19. GOVERNMENT SUBSIDIES & GRANTS

Operating Grants	31 196 155	23 997 017
Equitable share	25 752 531	16 365 063
Provincial health subsidies	4 345 160	4 895 745
Finance management grant (FMG)	766 348	1 520 993
Local government transition grant (LGTF)		346 769
Local government capacity building grant	173 535	563 653
Provincial local economic projects (LED)	17 761	304 794
Municipal systems improvement grant (MSIG)	140 820	
Capital Grants	12 634 795	9 405 061
Finance management grant (FMG)	263 258	
Department of provincial and local government (DPLG)	300 000	
Municipal infrastructural grant (MIG)	9 883 214	8 614 963
Integrated national electrification grant (INEP)	2 188 323	790 098
Total Government Grants & Subsidies	43 830 950	33 402 078

Equitable Share

This grant is an unconditionally grant and is partially utilised for the provision of indigent support through free basic services. Registered indigents receive a rebate of 100% on discounted assessment rates and a monthly subsidy of R108 (2005: R72) on the cost of other services which are funded from this grant.

	30 June 2006	30 June 2005
	R	R
Provincial Health Subsidy		
Current year receipts	4 345 160	4 895 745
Conditions met – transferred to revenue	(4 345 160)	(4 895 745)
Unspent amount transferred to liabilities		
(see note 8)		

The municipality renders health services on behalf of the provincial government and is refunded approximately 51,7% of total expenditure incurred. This grant has been used exclusively to fund clinical services. The conditions of this grant have been met and there was no delay or withholding of the subsidy.

Finance Management Grant

Balance unspent at beginning of year	2 824 138	3 345 131
Current year receipts	1 000 000	1 000 000
Conditions met – transferred to revenue	(1 029 606)	(1 520 993)
Unspent amount transferred to liabilities	2 794 532	2 824 138
(see note 8)		

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Local Government Transition Grant (LGTF)

Balance unspent at beginning of year	632 641	979 410
Current year receipts		
Other expenditure		
Conditions met – transferred to revenue		(346 769)
Unspent amount transferred to liabilities	632 641	632 641
(see note 8)		

This grant was used to implement new systems as provided in the Municipal Systems Act, 2000. Other than the unspent amount, the conditions of the grant were met.

Local Government Capacity Building Grant

Balance unspent at beginning of year	236 347
--------------------------------------	---------

Current year receipts		800 000
Conditions met – transferred to revenue	(173 535)	(563 653)
Unspent amount transferred to liabilities	62 812	236 347
(see note 8)		

This grant was used to build in-house capacity to perform their functions and improve governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

	30 June 2006	30 June 2005
	R	R
<i>Municipal Systems Improvement Grant</i>		
Balance unspent at beginning of year	250 000	
Current year receipts	734 000	250 000
Conditions met – transferred to revenue	(140 820)	
Unspent amount transferred to liabilities	843 180	250 000
(see note 8)		

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Local Economic Development

Balance unspent at beginning of year	17 761	322 556
Current year receipts		
Conditions met – transferred to revenue	(17 761)	(304 794)
Unspent amount transferred to liabilities		17 761
(see note 8)		

Provincial LED projects grants are used for the planning and implementation of job creation and poverty alleviation projects.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	20 998	
Current year receipts	9 957 278	8 455 361
Conditions met – transferred to revenue	(9 883 214)	(8 614 963)
Spent amount – transferred to debtors	174 209	180 600
Unspent amount transferred to liabilities	269 271	20 998
(see note 8)		

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Integrated National Electrification Grant (INEP)

Balance unspent at beginning of year		
Current year receipts	2 354 400	790 098
Conditions met – transferred to revenue	(2 116 323)	(790 098)
	<hr/>	<hr/>
Unspent amount transferred to liabilities	238 077	
	<hr/>	<hr/>

(see note 8)

This grant was used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were met and no funds have been withheld.

30 June 2006

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30 June 2005

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Vuna Awards 2003

Balance unspent at beginning of year	750 000	750 000
Current year receipts		
Conditions met – transferred to revenue		
	<hr/>	<hr/>
Unspent amount transferred to liabilities	750 000	750 000
	<hr/>	<hr/>

(see note 8)

This grant is observed as a contribution to the construction of a Multi-Purpose Community Centre.

Department of Provincial and Local Government (DPLG)

Balance unspent at beginning of year		
Current year receipts	300 000	
Conditions met – transferred to revenue	(300 000)	
	<hr/>	<hr/>
Unspent amount transferred to liabilities		
	<hr/>	<hr/>

(see note 8)

This grant was used to erect a mini water purification/package plant to provide water in the rural area. The conditions of the grant were met and no funds have been withheld.

20. **PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT**

Nkangala District Municipality	36 759 708	15 965 186
Other grants	63 504	189 403
	<hr/>	<hr/>
Total donated property, plant & equipment	36 823 212	16 154 589
	<hr/>	<hr/>

21. **INTEREST EARNED**

EXTERNAL INVESTMENTS

	18 856 010	15 467 199
Current account	4 794 999	3 578 671
External investments	14 061 011	11 888 528

30 June 2006

30 June 2005

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OUTSTANDING DEBTORS

	3 155 286	2 593 742
Sundry loans	15 572	290 203
Sundry debtors	104 314	664 622
Sale of erven	1 188 819	
Services:	891 777	787 297
Electricity	304 543	187 750
Sewerage	186 375	200 279
Refuse Removal	101 911	168 626
Water	298 948	230 641
Property rates	954 804	851 620
Total interest earned	22 011 296	18 060 940

In terms of Council's accounting policy interest earned on external investments are allocated to the Capital Replacement Reserve.

22. **OTHER REVENUE**

Building plan fees	913 419	574 857
Connection fees	3 910 850	3 443 610
Entrance fees	156 313	173 313
Internal fees	6 741 318	6 713 748
Community service fees	720 321	988 712
Sale of coal (coal rights)	16 740 611	13 956 383
Refund skills development	751 513	541 887
Festival fees	86 600	100 900
Sundry income	1 423 653	1 845 215
Dumping site fees	465 678	
Admin fees	1 386 596	
Sale of erven	41 786 745	
Main services contributions	1 692 255	
Total	76 775 873	28 338 624

23. **EMPLOYEE RELATED COSTS**

Salaries and wages	87 264 217	79 058 628
Social contributions:	23 399 726	21 235 163

Pension deductions	14 527 408	13 195 199
Medical aid funds	4 691 816	4 024 730
Group insurance	697 337	595 326
Housing subsidy	1 554 283	1 690 065
Unemployment Insurance Fund	781 843	685 384
Workmen's compensation	1 147 039	1 044 459
Less: employee cost capitalized	(937 404)	(1 086 190)
Less: employee cost to operating	(691 510)	(654 450)
Total employee related cost	109 035 029	98 553 151

30 June 2006

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30 June 2005

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Remuneration of Managers

Municipal Manager	700 764	732 134
Annual remuneration	700 764	657 994
Performance bonus		74 140
Manager : Finance	595 649	638 067
Annual remuneration	595 649	559 294
Performance bonus		78 773
Manager : Corporate Services	595 649	622 312
Annual remuneration	595 649	559 294
Performance bonus		63 018
Manager : Public Services	595 649	622 312
Annual remuneration	595 649	559 294
Performance bonus		63 018
Manager : Technical & Facilities	595 649	622 312
Annual remuneration	595 649	559 294
Performance bonus		63 018
Total	3 083 360	3 237 137

During the year no performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act

Disclosure in terms of the MFMA, 2003, Section 124(1)(c).

24. REMUNERATION OF COUNCILLORS

Executive Mayor	233 259	220 576
Speaker	186 608	176 461
Mayoral Committee members	1 049 670	992 598
Chief Whip	72 894	

Councillors	2 116 226	2 053 902
Pension fund	528 900	491 836
Medical aid	201 117	211 574
Housing subsidy	318 406	289 352
Travelling allowances	889 499	832 367
Cellphone allowances	379 186	346 753
UIF	37 500	34 598
Total councillor's remuneration	6 013 265	5 650 017

The Executive Mayor, Speaker and Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

The Executive Mayor has a personal assistant to assist her in her duties.

Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

**CERTIFICATION
BY THE MUNICIPAL MANAGER
ON COUNCILLORS' REMUNERATION**

I, **WILHELM DIEDERICK FOUCHÉ**, municipal manager, certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 28231, dated 14 November 2005.



**W.D. FOUCHÉ
MUNICIPAL MANAGER**

	30 June 2006	30 June 2005
	R	R
25. INTEREST PAID		
Local government stock	2 496 080	2 496 080
Annuity loan	15 057 807	13 426 963
Lease liability	5 440 795	5 117 981
External loan cost	240 000	
Total	23 234 682	21 041 024

26. **BULK PURCHASES**

Electricity	60 724 524	55 367 310
Water	2 822 666	2 389 937
Total	63 547 190	57 757 247

Electricity losses	13,33%	9,36%
Water losses	19,33%	20,65%

30 June 2006

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30 June 2005

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27. **GRANT AND SUBSIDIES PAID**

Middelburg Tourist Information	85 000	80 000
Middelburg Country Club	7 678	7 678
Assessment rates: Various organisations	138 032	127 509
Recreation Club	6 000	5 000
Animal care : SPCA	125 000	120 000
Columbus Marathon	15 000	15 000
Welfare organisation	21 000	2 000
Arts & culture organisation	21 000	20 000
Elderly organisation	21 000	4 500
Local Economic Development	14 961	
Total	454 672	381 687

Disclosure in terms of the MFMA, 2003, Section 123(l)(b).

28. **CONTRIBUTIONS TO/(FROM)
PROVISIONS & RESERVES**

Staff leave	2 298 055	2 166 200
Housing Development Fund		
Asset Financing Reserve		
Total contributions to provisions	2 298 055	2 166 200
Contributions to/(from) Reserves		
Self-Insurance Reserve		

Staff leave is an accrual and the full staff leave obligation at year end has been raised as a current liability regardless how the obligation will be settled at a future date. See note 7.

29. **CORRECTION OF ERROR**

During the year ended 30 June 2005 dumping site levies were not recognised as revenue.

The comparative amount has been restated as follows:

Correction of income 488 589

During the year ended 30 June 2005, asset number Y0923 was recognised as work in progress from a MIG grant. No depreciation reserve was created.

The comparative amount has been restated as follows:

Correction of Government Grant Reserve (180 600)

Net effect on surplus/(deficit) for the year

307 989

30 June 2006

30 June 2005

R

R

30. CASH GENERATED BY OPERATIONS

Net surplus for the year 83 149 930 46 854 395

Adjustment for:

Depreciation charges 44 193 929 38 839 573

Gain on disposal of property, plant and equipment (303 141) (217 962)

Contributions to provisions Contributions to bad debt (3 090 908) (2 803 861)

Contribution to Insurance Reserve Interest received (22 011 296) (18 060 940)

Interest paid 23 234 685 21 041 026

Non-operating income (26 611 615) 22 507 797

Non-operating expenditure 24 324 728 (6 627 238)

Operating surplus before working capital changes 122 886 312 101 532 790

(Increase)/decrease in inventories 23 771 440 (991 308)

(Increase)/decrease in debtors 972 361 684 740

(Increase)/decrease in other debtors 489 448 1 834 355

Increase/(decrease) in creditors 15 263 864 (2 167 593)

Increase/(decrease) in contingent liabilities

Cash generated by operations 163 383 425 100 892 984

31. CASH AND CASH EQUIVALENTS

Balance at the end of the year 62 648 232 25 714 909

Balance at the beginning of the year 65 632 955 62 648 232

Net increase/(decrease) in cash and cash equivalents 2 984 723 36 933 323

32. UTILISATION OF LONG TERM LIABILITIES RECONCILIATION

Long term liabilities (see note 4) (125 125 491) (139 560 174)

Used to finance property, plant and equipment at cost 121 901 258 137 082 631

Sub-Total	(3 224 234)	(2 477 543)
Cash set aside for the repayment of long term liabilities (see note 11)	10 483 305	46 849 425
Cash set aside for the acquiring of property, plant & equipment	3 224 234	2 477 543
Cash invested for the repayment of long term liabilities	10 483 305	46 849 425
	30 June 2006	30 June 2005
	R	R

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for	14 965 997	2 468 512
Land and buildings	9 688 376	230 000
Infrastructure	5 277 621	438 512
Community assets	1 800 000	1 800 000
Other assets	11 662 300	4 376 693
Specialised vehicles	50 000	314 650
Approved but not yet contracted for	11 662 300	4 376 693
Land and buildings	7 073 392	725 243
Infrastructure	2 737 408	3 305 000
Community assets	1 801 500	31 800
Other assets	26 628 297	6 845 205
Specialised vehicles	26 628 297	6 845 205
Total	26 628 297	6 845 205
This expenditure will be financed from		
External loans	8 665 741	2 629 893
Capital replacement reserve	14 550 413	4 215 312
Government grants	3 412 143	26 628 297
Total	26 628 297	6 845 205

34. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Section 125(1)(b)

- **Contribution to SALGA**

Opening balance		
Council membership fees payable	458 943	503 227
Amount paid current year	(458 943)	(503 227)
Amount paid previous		
Balance unpaid (included in creditors)		

MFMA 125(1)(b) to (c)

30 June 2006

30 June 2005

R

R

▪ **Audit Fees**

Opening balance		
Council membership fees payable	541 216	308 227
Amount paid current year	(541 216)	(308 227)
Amount paid previous		
Balance unpaid (included in creditors)		

▪ **VAT**

Output Tax

Opening balance	(2 694 535)	(2 495 731)
Closing balance	(2 397 347)	(2 694 535)

Input Tax

Opening balance		826 949
Amount received from SARS		(826 949)
Amount payable to SARS	13 279 178	11 818 906
Amount paid current year	(13 279 178)	(11 818 906)
Amount refundable		
Balance outstanding (to)/from SARS		

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT input receivables and VAT output receivable are shown in notes 14 and 7 respectively. All VAT returns have been submitted by the due date throughout the year.

▪ **Pay as You Earn (PAYE)**

Opening balance		
Current payroll deductions	12 058 146	11 687 267
Amount paid current year	(12 058 146)	(11 687 267)
Balance unpaid		

▪ **Unemployment Insurance Fund (UIF)**

Opening balance		
Current payroll deductions	1 646 041	1 453 673
Amount paid current year	(1 646 041)	(1 453 673)
Balance unpaid		

30 June 2006

R

30 June 2005

R

▪ **Medical Aid**

Opening balance		
Current payroll deductions	8 252 065	6 741 720
Amount paid current year	(8 252 065)	(6 741 720)
Balance unpaid		

▪ **Pension Fund**

Opening balance		
Current payroll deductions	20 167 306	19 428 199
Amount paid current year	(20 167 306)	(19 428 199)
Balance unpaid		

▪ **Disclosure concerning councillors**

Section 124(1)(b)

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June 2006:

	Total 30 June 2006	Outstanding less than 90 days	Outstanding more than 90 days	30 June 2005
Councillor Nkamba TG Account 86-5739-7-X	507	275	232	
Councillor Jooma MS Account 90-1128-9-X				804
Councillor Mahlangu ITM Account 80-0227-0-X	296	259	37	796
Total	802	533	269	1 600

During the year the following councillors had arrear accounts outstanding for more than 90 days:

**Highest
amount
outstanding**

Ageing

**During
2005**

Councillor Jooma MS
Account 90-1128-9-X

1 018

150 days

In terms of this section, any arrears by individual councillors to the municipality for rates and services, which at any time during the relevant financial year was outstanding for more than 90 days, including the names of those councillors must be disclosed.

Section 64(3)

▪ Outstanding consumer accounts

Government institutions

	Arrear	Current	Outstanding 30 June 2006	Arrear	Current	Outstanding 30 June 2005
Other government institutions	90 930	108 330	199 260	109 412	147 694	257 106
Department of Public Works (Other)	233 248	215 270	448 518	94 653	72 768	167 421
Department of Education & Schools	1 381 606	223 458	1 605 065	810 115	203 189	1 013 304
Department of Public Works (Roads)	92 665	45 679	138 344	299 076	(144 190)	154 886
Total	1 798 450	592 738	2 391 188	279 461	279 461	1 592 717

In terms of the section, National Treasury was informed of the arrear accounts of schools for periods of more than 30 days.

	30 June 2006	30 June 2005
	R	R
35. INVESTMENT PROPERTY		
Property at cost	42 697 965	42 697 965
Additions	2 446 497	
Total	45 144 462	42 697 965

See note 36 for changes in accounting policy.

36. CHANGE IN ACCOUNTING POLICY IMPLEMENTATION OF GAMAP INVENTORY

Balance previously reported	3 915 647
Implementation of GAMAP Transferred to accumulated surplus/(deficit)	
▪ Unsold properties	60 020 865
Total	63 936 512

INVESTMENT PROPERTY

Balance previously reported	
Implementation of GAMAP Transferred to accumulated surplus/(deficit)	
▪ Investment property at cost	42 697 965
Total	42 697 965

30 June 2006

R

30 June 2005

R

SUNDRY DEBTORS

Balance previously reported

Implementation of GAMAP
Transferred to accumulated
surplus/(deficit)

- Contribution to bad debt for
sundry debtors

2 005 710

Total**2 005 710****PROPERTY, PLANT AND
EQUIPMENT**

Balance previously reported

Implementation of GAMAP
Transferred to reserves

- Infrastructural assets previously
not recorded

441 069 813

(20 044 808)

Total**421 025 005****FUNDS AND RESERVES**

Balance previously reported

Implementation of GAMAP
Transferred to property, plant and
equipment

- Housing Development Fund
- Capital Replacement Reserve
- Capitalisation Reserve

324 350 946

2 015 433

(41 656 185)

19 595 944

Total**304 306 138****ACCUMULATED SURPLUS**

Balance previously reported

- Adjustment to inventory
- Creation of investment property
- Additional provision bad debt :
sundry debtors
- Adjustment to dumping site levies

77 564 830

60 020 865

42 697 965

(2 005 710)

307 989

Total**178 585 939**

APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2006

<i>External Loans</i>	Loan No.	Redeemable	Balance at 30 June 2005	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2006	Carrying value of Property, Plant & Equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R	R
LOCAL GOVERNMENT STOCK									
INCA @ 16,40%	MIDD-00-0001	30-06-2006	15 220 000	2 496 080		15 220 000		9 216 085	
Total Local Government Stock			15 220 000	2 496 080		15 220 000		9 216 085	
ANNUITY LOANS									
DBSA @ 13,41%	LALF 15309	31-12-2009	3 093 686	398 084		540 395	2 553 291	568 567	
DBSA @ 11,25%	LALF 11902	30-06-2009	114 892	12 288		24 190	90 702	297 959	
DBSA @ 10,05%	LALF 11903	30-06-2007	47 851	4 267		22 755	25 096	143 085	
INCA @ 12,80%	MIDD-00-0003	31-12-2012	25 882 267	3 245 253		2 227 345	23 654 922	18 819 131	
INCA @ 12,35%	MIDD-00-0002	30-09-2006	1 359 109	108 873		1 070 349	288 760		
ABSA @ 14,40%	40-5934-1607	24-11-2011	43 711 593	6 145 606		4 485 550	39 226 043	40 134 597	
INCA @ 12,50%	MIDD-00-0004	30-06-2019	29 130 775	3 616 887		843 595	28 287 180	28 113 754	
SCMB @ 9,62%	87016-348242	01-09-2015		1 526 549	32 000 000	1 000 502	30 999 498	31 546 293	240 000
Total Annuity Loans			103 340 173	15 057 807	32 000 000	10 214 681	125 125 492	119 623 386	240 000
LEASE LIABILITY									
SCMB @ 15,95%	9705384	07-05-2006	21 000 000	5 440 795		21 000 000		11 034 325	
Total External Loans			139 560 173	22 994 682	32 000 000	46 434 681	125 125 492	139 873 796	240 000

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
for the year ended 30 June 2006

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value	Budget Additions 2006
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R		
INFRASTRUCTURE	529 333 715	60 524 795	13 083 627	121 884	602 820 253	216 971 768	29 195 223	91 607	246 075 384	356 744 868	78 793 262
Roads, pavements, bridges & stormwater	208 794 975	24 433 532	4 087 659	50 631	237 265 535	99 064 714	12 163 669	41 835	111 186 548	126 078 987	30 607 640
Water reservoirs & reticulation	109 398 489	7 550 543	448 932		117 397 964	50 721 080	5 512 619		56 233 699	61 164 265	7 417 879
Car parks, bus terminals & taxi ranks	2 057 745	1 770 272	2 910		3 830 927	869 789	667 780		1 537 569	2 293 358	340 000
Electricity reticulation	127 782 603	5 870 697	4 682 118		138 335 418	37 712 129	6 183 193		43 895 323	94 440 096	17 085 112
Sewerage purification & reticulation	54 388 168	12 485 865	1 019 117		67 893 150	20 469 445	2 698 201		23 167 646	44 725 504	9 226 128
Housing	9 423 638	(3 186 971)		1 820	6 234 847	4 098 535	(1 634 124)	1 819	2 462 592	3 772 255	
Street lighting	11 506 948	8 249 474		24 493	19 731 929	2 341 483	502 035	12 002	2 831 516	16 900 413	8 213 868
Refuse sites	1 449 716		1 932 932		3 382 648	355 908	48 061		403 969	2 978 679	2 899 700
Other (town planning & development)	4 531 433	3 351 383	909 959	44 940	8 747 835	1 338 684	3 053 790	35 951	4 356 523	4 391 312	3 002 935
COMMUNITY ASSETS	30 237 322	(178 918)	564 757	14 709	30 608 452	8 901 424	345 866	14 698	9 232 593	21 375 859	9 518 250
Establishment of parks & gardens	7 817 876	(1 209 341)	49 513		6 658 048	2 480 378	(585 763)		1 894 615	4 763 433	733 600
Sports fields	2 976 201	4 199 129		10 744	7 164 586	1 126 908	1 510 662	10 735	2 626 835	4 537 751	1 200 000
Community halls	2 203 367	120 724	515 244		2 839 335	519 469	171 226		690 695	2 148 640	6 305 000
Libraries	3 972 296	(83 455)			3 888 841	1 562 131	129 194		1 691 325	2 197 516	
Recreational facilities	3 820 777	(3 057 964)		3 965	758 848	1 603 821	(989 656)	3 963	610 202	148 646	145 000
Clinics	3 911 843	(343 867)			3 567 976	463 568	65 443		529 011	3 038 965	
Museums & art galleries	422 206	(304 531)			117 675	168 922	(101 891)		67 032	50 643	
Other (fire services & cemeteries)	5 112 756	500 387			5 613 143	976 227	146 651		1 122 878	4 490 265	1 134 650
OTHER ASSETS	148 172 904	16 745 819		5 647 310	159 271 413	69 896 060	13 740 899	3 274 302	80 362 657	78 908 756	16 880 736
Other motor vehicles	21 294 099	4 388 323		626 247	25 056 175	12 123 402	3 508 427	616 552	15 015 277	10 040 898	2 958 000
Plant & equipment	41 002 946	1 350 505		1 032 465	41 320 986	24 194 313	2 959 198	877 585	26 275 925	15 045 061	6 142 781
Office equipment	4 465 372	1 121 280		150 978	5 435 674	3 982 094	377 821	147 630	4 212 285	1 223 389	1 696 645
Abattoirs		72 233			72 233		54 323		54 323	17 910	
Security measures (including fencing)	4 811 165	1 649 854		18	6 461 001	3 244 088	1 166 368	16	4 410 440	2 050 561	957 700
Civic land & buildings	43 522 691	(4 588 414)		58 290	38 875 987	9 871 375	511 164	47 180	10 335 359	28 540 628	1 318 000
Other land & buildings	15 048 705	8 676 902		2 450 772	21 274 836	3 591 320	2 911 373	257 111	6 245 582	15 029 253	659 519
Other (including IT)	18 027 926	4 075 136		1 328 541	20 774 521	12 889 469	2 252 224	1 328 228	13 813 464	6 961 057	3 148 091
SPECIALISED VEHICLES	14 110 732	1 999 601			16 110 333	5 060 415	911 942		5 972 357	10 137 976	1 750 000
Refuse	8 505 730	621 554			9 127 284	3 392 055	741 189		4 133 245	4 994 039	
Fire	5 605 002	1 378 047			6 983 049	1 668 360	170 752		1 839 112	5 143 937	1 750 000
TOTAL	721 854 673	79 091 297	13 648 384	5 783 903	808 810 450	300 829 668	44 193 930	3 380 607	341 642 991	467 167 460	106 942 248

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
for the year ended 30 June 2006

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value	Budget Additions 2005
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	Closing Balance		
	R	R		R	R	R	R	R	R		
EXECUTIVE COUNCIL	1 431 127	2 487 722		20 321	3 898 529	857 164	1 332 430	20 293	2 169 301	1 729 228	1 067 855
Executive Council	1 431 127	2 487 722		20 321	3 898 529	857 164	1 332 430	20 293	2 169 301	1 729 228	1 067 855
FINANCE & ADMINISTRATION	70 905 965	7 173 897		3 432 419	74 647 444	30 130 252	4 020 279	1 843 606	32 306 925	42 340 519	8 514 486
Finance	3 595 098	4 678 793		911 370	7 362 522	2 893 950	3 486 554	910 992	5 469 512	1 893 010	1 51 060
Information technology	6 555 757	(1 411 643)		8 146	5 135 967	4 811 771	(2 138 575)	8 141	2 665 055	2 470 912	1 767 945
Human resources	220 854	54 178		20 446	254 586	210 999	8 636	20 269	199 367	55 220	149 460
Property services	50 040 689	4 208 520		2 131 278	52 117 931	15 182 271	2 355 267	543 261	16 994 277	35 123 654	4 599 116
Other & admin	10 493 566	(355 950)		361 178	9 776 438	7 031 260	308 397	360 943	6 978 714	2 797 724	846 905
PLANNING & DEVELOPMENT	6 120 058	(422 291)	865 200	705 370	5 857 598	1 606 344	835 522	89 324	2 352 542	3 505 056	3 068 850
Planning & development	6 120 058	(422 291)	865 200	705 370	5 857 598	1 606 344	835 522	89 324	2 352 542	3 505 056	3 068 850
ROAD TRANSPORT	211 526 139	27 276 987	3 909 961	86 943	242 626 145	103 271 283	14 169 278	78 061	117 362 500	125 263 644	29 977 430
Vehicle licensing & testing	1 880 144	89 837		75 901	1 894 081	1 013 128	195 248	67 026	1 141 351	752 730	48 640
Roads & stormwater	208 041 928	27 157 288	3 907 051	11 042	239 095 225	101 603 471	13 887 082	11 035	115 479 519	123 615 706	29 648 790
Roads other	1 604 067	29 862	2 910		1 636 839	654 683	86 947		741 631	895 208	280 000
HEALTH	7 052 051	358 850		19 767	7 391 134	2 323 733	472 356	19 725	2 776 364	4 614 770	375 856
Clinics	6 009 301	306 618		10 860	6 305 058	1 950 049	343 996	10 827	2 283 217	4 021 841	264 756
Health other	1 042 750	52 232		8 907	1 086 075	373 684	128 360	8 898	493 146	592 929	111 100
COMMUNITY & SOCIAL SERVICES	14 738 421	879 341	560 003	38 653	16 139 112	4 382 823	789 752	35 993	5 136 582	11 002 531	7 697 500
Libraries & archives	5 415 050	234 735		26 736	5 623 050	2 674 625	236 037	24 287	2 886 375	2 736 675	222 950
Community halls & facilities	3 010 944	111 746	515 244	11 917	3 626 017	823 814	164 033	11 706	976 140	2 649 877	6 404 550
Cemeteries & crematoriums	6 312 427	532 860	44 759		6 890 046	884 385	389 682		1 274 067	5 615 979	1 070 000
PUBLIC SAFETY	18 881 415	4 112 593	180 608	375 525	22 799 091	8 387 532	1 388 712	339 390	9 436 854	13 362 237	4 327 544
Fire	11 905 548	2 967 288		128 777	14 744 060	4 081 559	671 514	92 669	4 660 403	10 083 657	2 840 834
Traffic	6 975 866	1 145 305	180 068	246 748	8 055 031	4 305 973	717 198	246 721	4 776 451	3 278 580	1 486 710
SPORT & RECREATION	38 671 840	2 051 434	49 513	647 807	40 124 979	16 697 418	2 483 186	528 136	18 652 469	21 472 511	3 306 250
Sport & recreation	38 671 840	2 051 434	49 513	647 807	40 124 979	16 697 418	2 483 186	528 136	18 652 469	21 472 511	3 306 250
WASTE WATER MANAGEMENT	61 454 049	10 991 884	280 307	74	72 726 166	22 154 589	2 852 034	63	25 006 560	47 719 606	10 411 248
Sewerage	61 325 400	10 991 884	280 307	74	72 597 517	22 115 292	2 847 746	63	24 962 975	47 634 542	10 411 248
Public toilets	128 649				128 649	39 297	4 288				
WASTE MANAGEMENT	15 448 859	126 130	1 932 932	1 005	17 506 916	6 255 505	858 513	1 001	7 113 017	10 393 899	2 969 700
Solid waste	15 448 859	126 130	1 932 932	1 005	17 506 916	6 255 505	858 513	1 001	7 113 017	10 393 899	2 969 700
HOUSING	10 117 720	22 336		123 917	10 016 138	5 170 771	267 354	123 910	5 314 215	4 701 923	145 110
Housing	10 117 720	22 336		123 917	10 016 138	5 170 771	267 354	123 910	5 314 215	4 701 923	145 110
WATER	114 320 559	8 198 400	1 187 742	30 002	123 676 699	52 643 515	6 100 184	26 984	58 716 714	64 959 985	7 973 009
Water distribution	83 874 830	6 707 491	448 932		91 031 253	33 423 690	4 684 505		38 108 195	52 923 058	6 524 329
Water storage	30 445 729	1 490 909	738 810	30 002	32 645 446	19 219 825	1 415 679	26 984	20 608 520	12 036 926	1 448 680
ELECTRICITY	151 186 470	15 834 013	4 682 118	302 101	171 400 499	46 948 739	8 624 329	274 121	55 298 947	116 101 553	27 107 410
Electricity distribution	142 225 383	7 723 864	4 573 347	302 101	154 220 492	45 385 863	8 241 371	274 121	53 353 114	100 867 379	18 893 542
Street lighting	8 961 087	8 110 149	108 771		17 180 007	1 562 876	382 957		1 945 833	15 234 174	8 213 868
TOTAL	721 854 673	79 091 297	13 648 384	5 783 903	808 810 450	300 829 668	44 193 930	3 380 607	341 642 991	467 167 460	106 942 248

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2006

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Actual Surplus/ (Deficit)
R	R	R		R	R	R
10 666 468	16 972 919	(6 306 451)	Executive & Council	16 275 651	22 785 943	(6 510 293)
10 666 468	16 792 919	(6 306 451)	Executive & Council	16 275 651	22 785 943	(6 510 293)
153 410 922	64 329 356	89 081 566	Finance & Admin	204 837 642	90 487 581	114 350 061
124 285 703	26 525 535	97 760 168	Finance	138 260 839	28 626 939	109 633 900
3 212 282	3 231 385	(19 103)	Human Resources	3 490 759	3 502 877	(12 117)
2 740 526	3 920 507	(1 179 981)	Information Technology	1 661 236	2 953 426	(1 292 190)
5 925 741	8 032 680	(2 106 939)	Property Services	48 576 524	35 345 604	13 230 920
17 246 669	22 619 249	(5 372 580)	Other Admin	12 848 284	20 058 736	(7 210 451)
2 175 818	4 288 063	(2 112 245)	Planning & Development	1 779 053	5 337 973	(3 558 920)
2 175 818	4 288 063	(2 112 245)	Planning & Development	1 779 053	5 337 973	(3 558 920)
4 913 406	9 983 140	(5 069 734)	Health	4 351 377	11 256 360	(6 904 983)
4 699 942	8 361 341	(3 661 399)	Clinics	4 350 245	9 409 671	(5 059 426)
213 464	1 621 799	(1 408 335)	Health Other	1 132	1 846 688	(1 845 557)
3 349 788	6 113 075	(2 763 288)	Community Services	478 692	6 549 713	(6 071 021)
223 242	3 061 272	(2 838 030)	Libraries	80 189	2 963 325	(2 883 137)
53 414	803 441	(750 027)	Community Halls & Facilities	62 170	851 094	(788 924)
3 073 132	2 248 362	824 770	Cemeteries	336 333	2 735 293	(2 398 960)
523 913	3 324 058	(2 800 145)	Housing	754 172	3 819 129	(3 064 956)
523 913	3 324 058	(2 800 145)	Housing	754 172	3 819 129	(3 064 956)
2 639 470	7 760 165	(5 120 695)	Public Safety	4 526 183	20 252 029	(15 725 846)
2 639 470	7 760 165	(5 120 695)	Fire Services	1 004 627	8 318 357	(7 313 730)
			Other	3 521 556	11 933 672	(8 412 116)

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2006

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Actual Surplus/ (Deficit)
R	R	R		R	R	R
4 496 879	25 177 263	(20 680 384)	Parks & Recreation	5 185 959	28 039 816	(22 853 857)
4 496 879	25 177 263	(20 680 384)	Parks & Recreation	5 185 959	28 039 816	(22 853 857)
41 185 720	36 045 295	5 140 425	Waste Management	52 083 849	41 043 097	11 040 752
20 699 709	15 956 862	4 742 847	Sewerage	29 557 650	18 310 731	11 246 919
	690 193	(690 193)	Public Toilets		795 016	(795 016)
20 486 011	19 398 239	1 087 772	Refuse Removal	22 526 198	21 937 350	588 848
18 733 447	46 167 598	(27 434 151)	Roads Transport	28 394 971	39 575 189	(11 180 218)
8 817 503	30 109 585	(21 292 082)	Roads	21 172 019	33 682 615	(12 510 596)
9 879 337	15 315 095	(5 435 758)	Vehicle Licenses & Traffic	7 186 346	5 125 229	2 061 117
36 606	742 918	(706 312)	Transport Other	36 606	767 345	(730 739)
30 106 625	22 895 407	7 211 218	Water	34 920 399	26 334 191	8 586 208
29 923 640	13 853 741	16 069 899	Water Distribution	34 620 399	16 162 008	18 458 391
182 985	9 041 666	(8 858 681)	Water Purification	300 000	10 172 183	(9 872 183)
113 755 096	96 046 819	17 708 278	Electricity	134 123 811	109 080 808	25 043 003
112 424 904	91 908 277	20 516 627	Electricity Distribution	126 558 498	104 579 649	21 978 849
1 330 192	4 138 542	(2 808 350)	Street Lighting	7 565 313	4 501 159	3 064 154
385 957 553	339 103 158	46 854 395	Sub-Total	487 711 760	404 561 830	83 149 930
(47 748 098)	(47 748 098)		Less: Inter-Departmental Charges	(53 053 899)	(53 053 899)	
338 209 455	291 355 060	46 854 395	Total	434 657 860	351 507 930	83 149 930

APPENDIX E
UNAUDITED ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	75 235 438	75 860 567	(625 129)	(0,82)	
Service charges : Electricity	108 269 250	106 366 297	1 902 953	1,79	
Refuse removal	14 870 058	15 445 621	(575 563)	(3,73)	
Sewerage	16 797 386	16 812 036	(14 650)	(0,09)	
Water	26 702 547	26 921 439	(218 892)	(0,81)	
Rental of facilities and equipment	2 235 159	2 109 522	125 637	5,96	
Interest earned – external investments	18 856 010	10 547 210	8 308 800	78,78	Interest received on zero bond investments was not included in the budget and is now recognised as revenue.
Interest earned – outstanding debtors	3 155 286	1 514 764	1 640 522	108,30	Interest increased because of the restatement of debtors at fair value.
Fines	3 658 474	3 831 250	(172 776)	(4,51)	
Licenses & permits	3 129 652	2 658 530	471 122	17,72	Increase in licensing fees resulted in more revenue.
Revenue for agency services	4 015 425	3 675 000	340 425	9,26	
Government grants & subsidies – operating	31 254 575	32 388 693	(1 134 118)	(3,50)	
Government grants & subsidies – capital	12 576 376	13 946 250	(1 369 874)	(9,82)	
Public contributions, donated and contributed property, plant and equipment	36 823 212		36 823 212	100,00	Nkangala District Municipality donated assets is now recognised as revenue.
Other revenue	76 775 873	30 569 734	46 206 139	151,15	The sale of erven was not budgeted for, but due to the change in accounting standards, the sale of erven is now recognised as revenue.
Gains on disposal of property, plant & equipment	303 141	500 000	(196 859)	(39,37)	Less revenue was received on the auction for the sale of redundant equipment than was anticipated.
Total Revenue	434 657 860	343 146 913	91 510 947	26,67	

APPENDIX E
UNAUDITED ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2006

	2006 Actual R	2006 Budget R	2006 Variance R	2006 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related costs	109 035 029	111 808 644	(2 773 615)	(2,48)	
Remuneration of councillors	6 013 265	6 021 920	(8 655)	(0,14)	
Bad debts	3 090 908	2 330 610	760 298	32,62	An additional amount was provided for bad debts under other debtors which was not budgeted for.
Collection costs	364 513	284 375	80 138	28,18	More debtors were handed over to the debt collectors than expected.
Depreciation	44 193 929	42 409 846	1 784 083	4,21	
Repairs & maintenance	22 556 741	24 108 031	(1 551 290)	(6,43)	
Interest of external borrowings	23 234 682	23 285 583	(50 901)	(0,22)	
Bulk purchases : Electricity	60 724 524	58 003 690	2 720 834	4,69	
Water	2 822 666	3 048 100	(225 434)	(7,40)	
Contracted services	8 149 587	8 797 620	(648 033)	(7,37)	
Grants & subsidies paid	454 672	750 078	(295 406)	(39,38)	In terms of Council's policy, grants can only be paid to registered umbrella organisations. Not all the organisations which were budgeted for, managed to register, resulting in less grants and subsidies paid.
General expenses	68 569 358	47 886 641	20 682 717	43,19	Inventories for land available for sale were created, which were not budgeted for and is disclosed as a change in accounting policy.
Loss on disposal of property, plant & equipment					
Contributions to/(transfers from) provisions	2 298 055	1 067 297	1 230 758	115,32	Additional provision for staff leave was made in terms of the accounting policy.
Total Expenditure	351 507 930	329 802 435	21 705 495	6,58	
NET SURPLUS/(DEFICIT) FOR THE YEAR	83 149 930	13 344 478	69 805 452	523,10	

APPENDIX F
UNAUDITED ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2006

	2006 Actual R	2006 Under Construction R	2006 Total Additions R	2006 Budget R	2006 Variance R	2006 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	958 379		958 379	1 072 955	(114 576)	(10,68)	
Executive & Council	958 379		958 379	1 072 955	(114 576)	(10,68)	Savings realised on purchase of vehicle, photocopy machine and furniture.
FINANCE & ADMINISTRATION	7 789 969		7 789 969	8 514 485	(724 516)	(8,51)	
Finance	1 096 161		1 096 161	1 151 059	(54 898)	(4,77)	
Information Technology	1 541 860		1 541 860	1 767 945	(226 085)	(12,79)	Savings realised on disaster recovery, communication, development on Intranet and anti-virus packages.
Human Resources	45 553		45 553	149 460	(103 907)	(69,52)	Finger print recorders rolled over to 2006/2007.
Property Services	4 322 877		4 322 877	4 599 116	(276 239)	(6,01)	Savings realized on PABX, replacement of lift, upgrading Rates Hall and fencing 24 Hour Control Centre rolled over to 2006/2007.
Other & Admin	783 518		783 518	846 905	(63 387)	(7,48)	Savings realised on purchases to upgrade vehicle fleet, PABX system.
PLANNING & DEVELOPMENT	61 595	865 200	926 795	3 068 850	(2 142 055)	(69,80)	
Planning & Development	61 595	865 200	926 795	3 068 850	(2 142 055)	(69,80)	Town planning rural villages not executed.
ROAD TRANSPORT	27 805 318	3 909 961	31 715 279	29 989 400	1 725 839	5,75	
Vehicle Licensing & Testing	51 149		51 149	60 650	(9 501)	(15,67)	Savings realised on purchases of bulk filer.
Roads & Stormwater	27 754 169	3 907 051	31 661 220	29 648 790	2 012 430	6,79	Assets from Nkangala District Municipality capitalised, not included in budget (w/p previous year).
Roads Other		2 910	2 910	280 000	(277 090)	(98,96)	Project upgrading taxi facilities rolled over to 2006/2007.
HEALTH	356 526		356 526	376 262	(19 736)	(5,25)	
Clinics	260 909		260 909	264 850	(3 941)	(1,49)	
Health Other	95 617		95 617	111 412	(15 795)	(14,18)	Savings realised on portable dust sampler, palisade fencing project rolled over to 2006/2007.

APPENDIX F
UNAUDITED ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2006

	2006 Actual R	2006 Under Construction R	2006 Total Additions R	2006 Budget R	2006 Variance R	2006 Variance %	Explanations of significant variances greater than 5% versus budget
COMMUNITY & SOCIAL SERVICES	829 793	560 003	1 389 796	7 697 500	(6 307 704)	(81,94)	
Libraries & Archives	213 978		213 978	222 950	(8 972)	(4,02)	
Community Halls & Facilities	96 485	515 244	611 729	6 404 550	(5 792 821)	(90,45)	Building of community hall Extension 5 – roll over 2006/2007.
Cemeteries & Crematoriums	519 330	44 759	564 089	1 070 000	(505 911)	(47,28)	Develop cemeteries rural rolled over 2006/2007.
PUBLIC SAFETY	3 596 500	180 608	3 777 108	4 327 544	(550 436)	(12,72)	
Fire	2 744 496		2 744 496	2 840 834	(96 338)	(3,39)	
Traffic	852 004	180 608	1 032 612	1 486 710	(454 098)	(30,54)	Upgrade traffic signals rolled over 2006/2007.
SPORT & RECREATION	2 217 881	49 513	2 267 394	3 306 250	(1 038 856)	(31,42)	
Sport & Recreation	2 217 881	49 513	2 267 394	3 306 250	(1 038 856)	(31,42)	Park erf 3061, resurfacing play courts and graded soccer fields rolled over 2006/2007.
WASTE WATER MANAGEMENT	11 043 528	280 307	11 323 835	10 410 068	913 767	8,78	
Sewerage	11 043 528	280 307	11 323 835	10 411 248	913 767	8,78	Assets from Nkangala District Municipality not included in budget (w/p previous years).
Public Toilets							
WASTE MANAGEMENT	123 037	1 932 932	2 055 969	2 969 700	(913 731)	(30,77)	
Solid Waste	123 037	1 932 932	2 055 969	2 969 700	(913 731)	(30,77)	Garden refuse sites project rolled over 2006/2007.
HOUSING	102 352		102 352	145 110	(42 758)	(29,47)	
Housing	102 352		102 352	145 110	(42 758)	(29,47)	Savings realized on trailer bought, firearms did not realise.
WATER	8 059 596	1 187 742	9 247 338	7 973 009	1 274 329	15,98	
Water Distribution	6 750 236	448 932	7 199 168	6 589 329	609 839	9,25	Assets from Nkangala District Municipality in budget (w/p previous year).
Water Storage	1 309 360	738 810	2 048 170	1 383 680	664 490	48,02	Assets from Nkangala District Municipality in budget (w/p previous year).
ELECTRICITY	16 146 823	4 682 118	20 828 941	27 107 410	(6 278 469)	(23,16)	
Electricity Distribution	8 036 674	4 682 118	12 718 792	18 893 542	(6 174 750)	(32,68)	Projects rolled over to 2006/2007.
Street Lighting	8 110 149		8 110 149	8 213 868	(103 719)	(1,26)	
TOTAL	79 091 297	13 648 384	92 739 681	106 958 583	(14 218 902)	(13,29)	

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2006

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Traffic Services	Middelburg Nissan	3 261,77	Only agent of Nissan Almera parts – vehicle under warranty.
Traffic Services	Solly's Middelburg	1 434,07	Only agent and company that has the necessary equipment to maintain the necessary services for the patrol vehicle – vehicle under warranty.
Traffic Services	Middelburg Nissan	1 132 ,40	Only agent that has the necessary equipment for the patrol vehicle – vehicle under warranty.
Town Engineer	Elster	11 358,72	Elster is the sole supplier of the Elster Kent water connection drill bits.
Information Technologies	Eclipse Network	119 917,74	Other suppliers cannot quote the Microsoft products under select agreement.
Town Engineer	Elster	77 689,00	The Kent water meters are used and they did not want to deviate and use other products.
Town Engineer	Ingersoll Rand	23 796,65	Ingersoll Rand is the sole supplier and has been appointed as service provider to repair the compactor.
Town Engineer	Elster	45 697,80	The Kent water meters are used and they did not want to deviate and use other products.
Information Technologies	Open Spatial Solutions	59 841,45	They are the sole suppliers.
Human Resources	Asindo HR	3 580,63	They are the only supplier that could provide the service.
Town Engineer	Onduka	30 420,00	Sole supplier of this polyelectrolyte.
Town Engineer	Betram	28 818,06	Sole supplier of the Amalooloo prefab structure of which more than 320 were erected in Doornkop.
Information Technologies	TGIS	35 516,00	Sole supplier on the development of the IMIS Integrator which link several modules on the GIS.
Information Technologies	Total Geo-Spatial Information	28 500,00	Sole supplier for the product.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2006

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Town Engineer	Elster	52 965,00	The Kent water meters are used and they did not want to deviate and use other products.
Town Engineer	Elster	31 779,00	The Kent water meters are used and they did not want to deviate and use other products.
Town Electrical Engineer	Vero Test	7 000,00	The only supplier that can test and locate the cable fault.
Town Electrical Engineer	Alstom	343 859,00	The equipment must be serviced by the manufacturers themselves.
Town Engineer	DLM	25 000,00	Only supplier that can provide us with these flow meters.
Finance	Merlin Gerin SA (Pty) Ltd	27 521,93	Only supplier.
Town Engineer	Flender	9 500,00	Sole supplier of the Flender Gearbox.
Town Electrical Engineer	Sectional Poles (Pty) Ltd	97 530,00	Sole supplier that can be appointed to do the work.
Town Engineer	Concor Technicrete (Pty) Ltd	15 078,83	Only supplier of the Amorflex 180 in the Middelburg area.
Human Resources	Open Spatial Solutions	36 765,00	The sole provider that can perform this task.
Traffic Services	Digicore Fleet Management	1 770,69	The sole supplier of the C-Track System.
Health Services	JEF Gerber	13 680,00	Sole supplier of computer software.
Town Engineer	Sudchemie	16 425,00	Sole supplier.
Town Engineer	Onduka	30 420,00	Sole supplier.
Town Engineer	Sudchemie	65 700,00	Sole supplier.
Town Engineer	Sherenco	201,67	Sole supplier of Stihl.
Public Relations	AC Bracy	13 894,32	Sole supplier of maps.
Parks and Recreation	East Auto & Tractor	1 662,50	Sole supplier.

Parks and Recreation	East Auto & Tractor	1 382,42	Sole supplier.
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APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2006

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Town Engineer	WJ Mobile Auto Elect	257,24	Sole supplier.
Town Engineer	Betram	28 818,06	Sole supplier of toilet structures.
Town Electrical Engineer	Verotest	3 192,00	Only service provider and distributor.
Parks and Recreation	Sherenco	84 562,00	Sole provider of Stihl.
Town Electrical Engineer	Multi Power System	1 002,06	Manufacturer of equipment.
Information Technologies	Open Spatial Solutions	59 841,45	Sole supplier of the spares.
Town Secretary	Barloworld	2 320,90	Sole supplier.
Parks and Recreation	Middelburg Nissan	304,15	Sole agent.
Parks and Recreation	Sherenco	9 199,00	Sole agent.
Parks and Recreation	Sherenco	5 221,37	Sole agent.
Parks and Recreation	Sherenco	5 604,53	Sole agent.
Parks and Recreation	Sherenco	601,92	Sole agent.
Parks and Recreation	JHI	4 474,50	Only two quotations received.
Parks and Recreation	Sherenco	4 120,19	Sole agent.
Parks and Recreation	Eastvaal Auto	2 423,88	Sole agent.
Parks and Recreation	Solly's Middelburg	2 580,03	Sole agent.
Parks and Recreation	MP Tyres	803,00	Only one quotation received.
Parks and Recreation	Supa Quick	704,66	Agents for Venter trailers.
Parks and Recreation	Mid Air	1 504,80	Agents for Bosch.
Parks and Recreation	Sherenco	1 689,00	Sole agent.

Town Electrical Engineer	Solly's Middelburg	673,19	Sole agent.
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APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2006

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
Fire Services	TJJ Bester Auto	1 013,46	Only one quote on emergency.
Fire Services	Selco	1 478,00	Sole agent.
Fire Services	Flash Fire	1 444,00	Sole manufacturer of value keys.
Town Engineer	Goscor	1 624,82	Sole agent.
Town Engineer	Supra Toyota	806,22	Sole agent.
Town Engineer	ESP	222,12	Sole agent
Town Engineer	Solly's Middelburg	620,58	Sole agent.
Town Engineer	Digicore	4 960,51	Contract with Council.
Finance (Central Stores)	Procol	2 252,64	Sole agent.
Finance (Central Stores)	Procol	1 688,00	Sole agent for aqualok.
Solid Waste Disposal	Solly's Middelburg	453,71	Sole agent.
Town Engineer	Goscor	1 006,85	Sole agent.
Town Engineer	Enviro	2 009,00	Sole supplier of slag locally.
Town Engineer	Sensus Metering	2 970,00	Sole supplier of Sensus meters.
Town Engineer	DLM	500,00	Only supplier working on site.
Town Engineer	Middelburg Nissan	2 015,51	Sole agent for Nissan spares.
Town Engineer	Aquatronics	5 186,89	Only supplier of value box.
Town Electrical Engineer	Linegear 2000	380,00	Sole supplier of tap links.
Total		1 513 730,59	