

ANNUAL
FINANCIAL

2006
2007

STEVE TSHWETE



LOCAL
MUNICIPALITY

S**TATEMENTS**

TABLE OF CONTENTS

	<u>Page</u>
1. GENERAL INFORMATION	1
2. AUDITOR-GENERAL REPORT	
3. FINANCIAL REPORT	4
4. ACCOUNTING POLICY	14
5. STATEMENT OF FINANCIAL POSITION	34
6. STATEMENT OF FINANCIAL PERFORMANCE	35
7. STATEMENT OF CHANGES IN NET ASSETS	36
8. CASH FLOW STATEMENT	37
9. NOTES TO THE STATEMENT OF FINANCIAL POSITION	38
10. <u>APPENDIXES:</u>	
A: EXTERNAL LOANS	64
B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT	65
C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT	66
D: DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	67
E: ACTUAL OPERATING VERSUS BUDGET	69
F: ACTUAL CAPITAL VERSUS BUDGET	71
G: DEVIATION FROM PROCUREMENT PROCESSES	74
H: IMPLEMENTATION PLAN	93

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
J. Nkambule	:	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
E. 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 ADVISORS	Messrs	: Johan Alberts Ntuli Noble Van Deventer & Campher
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@stevetshwetelm.gov.za

EXECUTIVE MANAGER FINANCE

		F.J. Naudé
Telephone	:	(013) 249 7108
E-Mail Address	:	fnaude@stevetshwetelm.gov.za

EXECUTIVE MANAGER CORPORATE SERVICES

		M. Mnguni
Telephone	:	(013) 249 7242
E-Mail Address	:	mmnguni@stevetshwetelm.gov.za

EXECUTIVE MANAGER PUBLIC SERVICES

		P.F. Phiri
Telephone	:	(013) 249 7202
E-Mail Address	:	fphiri@stevetshwetelm.gov.za

EXECUTIVE MANAGER TECHNICAL & FACILITIES

Vacant

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



ΑΥΔΙΤΟΡ-ΓΕΝΕΡΑΛ

REPORT

OF THE

AUDITOR-GENERAL

TO THE

MUNICIPAL COUNCIL

ON THE

FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE
STEVE TSHWETE LOCAL MUNICIPALITY

FOR

THE YEAR ENDED 30 JUNE 2007

REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND THE MPUMALANGA PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE STEVE TSHWETE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Steve Tshwete Local Municipality (municipality) which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Steve Tshwete Local Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting, determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matter

11. Without qualifying my audit opinion, I draw attention to the following matter:

Basis of accounting

12. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.

OTHER MATTERS

13. I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Matters of governance

14. Although an audit committee existed, it had to serve the district municipality and six local municipalities in the district. The audit committee could therefore not effectively advise management and council on the following matters as prescribed in section 166 of the MFMA:

- accounting policies
- the adequacy, reliability and accuracy of financial reporting and information
- performance management
- effective governance
- compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- performance evaluation.

Internal control

15. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Matters of governance (paragraph 14)			✓	✓	✓

Unaudited supplementary schedules

16. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

17. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

18. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA). Furthermore, in terms of clause 4 of *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007 (General Notice 646)*, the performance information should be submitted for audit together with the financial statements within two months after the end of the financial year.

Responsibility of the Auditor-General

19. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646* and section 45 of the MSA.
20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Quarterly reporting on performance information

22. Quarterly reports were drafted but were only evaluated after the nine-month period ended 31 March 2007, indicating that monitoring of, and progress in, achieving measurable objectives and targets did not take place as required by regulation 13(2)(b) and (c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 and the municipality's performance management system (PMS).

Internal auditing of performance measurements

23. The internal auditors conducted two audits, for which only draft reports were compiled, namely the performance management system: second quarter monitoring review (2006-07) and the performance agreement compliance review. Performance measurements were therefore not audited and reports were not submitted on a continuous basis to the municipal manager and the audit committee as required by regulation 14(1)(c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Existence and functioning of a performance audit committee

24. The audit committee did not advise the municipal council on matters relating to performance management and performance evaluation, as required by section 166(2)(a)(v) and (viii) of the MFMA and regulation 14(4)(a) and (b) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Performance information not received in time

25. I was not able to complete an evaluation of the consistency and quality of the performance information to be reported in the annual report, since this information was not available as required by clause 4 of *General Notice 646*.

APPRECIATION

26. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

Nelspruit

30 November 2007



A U D I T O R - G E N E R A L

Introduction

The 2006/2007 Medium Term Budget focused on three key areas on the way to fiscal stability and economic vitality. These areas were:

- To expand economic development.
- Improve quality of life.
- Greater accountability and efficiency in the government of the municipality.

To be able to align the above strategies to the national and provincial governments' growth strategies the IDP priorities for the 2006/2007 financial year were:

- Expansion of basic services;
- Extension of services to areas not presently serviced;
- Accreditation of delivery of water, electricity and sanitation to the poor;
- Creation of jobs;
- Ensure local capacity through administrative and financial returns;
- Proper maintenance of current infrastructure;
- Establishment of control measures to ensure organised settlements; and
- Strengthen law enforcement to ensure compliance to municipal by-laws.

Throughout the financial year the municipality strove to utilise all its financial and administrative capacity to achieve its mandate to deliver on these priorities.

The municipality further played a role in piloting the implementation of the National Treasury Financial Management Reform Programme and is proud to continue rolling out reforms and key developments in the accounting standards.

The financial strategy recognises that the development and implementation of various financial planning reforms (such as GAMAP / GRAP / GAAP) will fundamentally challenge the municipality in terms of its financial planning for future financial years.

The need for an integrated approach when appropriating resources has become essential for sustainable outcomes, especially taking into account the size and diverse challenges the municipality faces.

It is therefore critical that the results of the past financial year be placed in context with a viewpoint expressed by Minister Sydney Mufamadi when opening the National Forum on Municipal Finance - *“our ability to access such basic services as water, electricity, refuse removal and sanitation depends on the efficiency with which the finances of our municipalities are managed and the efficient way in which these and other resources are allocated”*.

Background

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Practices (GAMAP) prescribed by the Minister of Finance in terms of the General Notices 991 and 992 of 2005.

Accounting policies for material transaction errors or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies are based on the South African Standards of Generally Accepted Accounting Practices (SA GAAP).

The Minister of Finance has, in terms of Government Notice 552 of 2007 as per Government Gazette 30013 of 29 June 2007 exempted compliance with certain of the above-mentioned Standards and aspects or parts of these Standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

Review of Operating Results

1. General

The operating 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 R147,5-million measured against the budgeted surplus of R97,7-million.

Various transactions which were previously accounted for under appropriations and suspense accounts are now either recognised as revenue or as expenditure. The appropriation of the surplus is accounted for in the Statement of Changes in Net Assets. Should these transactions be taken into consideration the net actual budget surplus for the year is R 21,4-million which represents a budget deviation of 3,96% of total operating expenditure. The following is a reconciliation of the surplus for the year to the actual budgeted surplus:

FINANCIAL REPORT

▪	Surplus/(deficit) for the year	R	147 523 273
▪	Other appropriations as recognised in the Statement of Changes in Net Assets:		
-	Less Contributions : Capital Replacement Reserve	R	(136 013 267)
	Transfer CRR to acquire PPE	R	5 105 276
	Revenue from coal reserves	R	23 442 933
	Sale of erven	R	84 525 239
	Main services contributions	R	2 975 110
	Interest received : External investments	R	19 964 708
-	Plus Capitalisation Reserve	R	14 882 685
-	Plus Government Grant Reserve	R	12 165 123
-	Less Contribution to Insurance Reserve	R	(909 169)
	Sub-Total	R	37 648 526
-	Less Donated contributions utilised for PPE	R	3 808 628
-	Less Government grants utilized for PPE	R	12 455 942
	Actual operating surplus	R	21 383 956
	Budgeted operating surplus	R	125 480
	Favourable deviation	R	21 258 476

The favourable budget deviation can amongst others be attributed to the following factors:

▪	Favourable deviation Revenue		
-	Service Charges	R	10,3-million
▪	Favourable deviation Expenditure	R	10,7-million
	Employee related costs	R	4,4-million
	General expenditure	R	13,2-million
	Bulk purchases	R	(4,6-million)
	Contributions to provisions	R	(2,3-million)

Appendix E is a summary of all budget variances with explanations for variances of more than 10% while the detail operating results per department are shown in Appendix D.

2. Operating Revenue

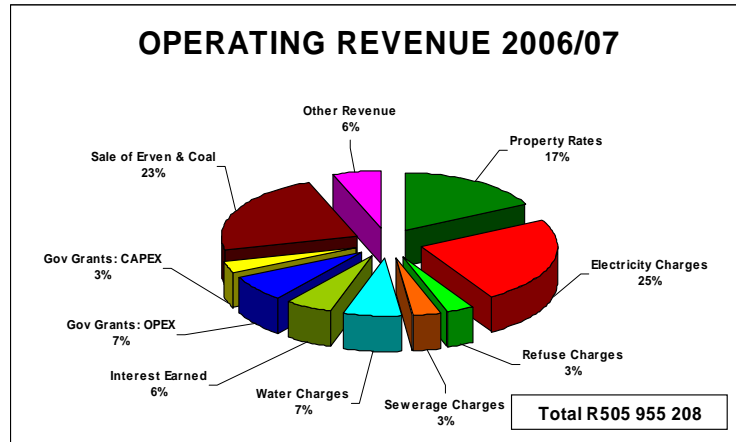
Operating revenue for the year is R505,9-million (2006: R434,6-million) which reflects an increase of 16,40%. Included in operating revenue is operating government grants to the amount of R37-million and capital grants and donated PPE to the amount of R16,2-million (2006: R80,6-million).

Service charges jointly comprise 37,64% of total revenue and property rates 17,33%. The sale of electricity remains the largest source of income and contributes 25% to total revenue.

Other revenue has increased with 72,2% which can mainly be contributed to the sale of erven of R93,1-million and coal royalties of R23,4-million.

FINANCIAL REPORT

The following graph indicates a break down of the largest categories of revenue:



3. Operating Expenditure

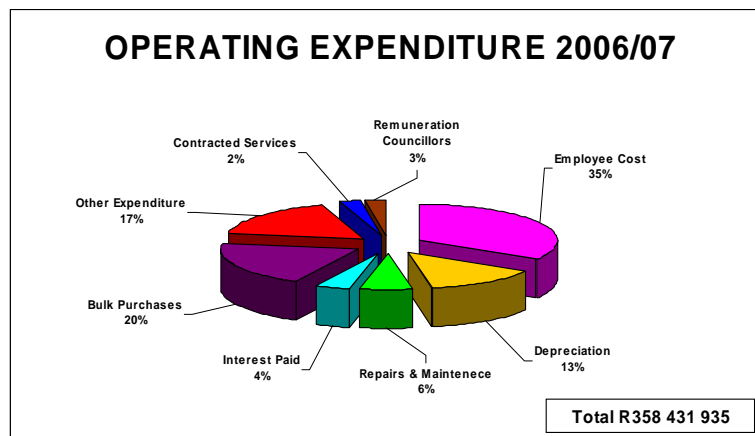
The operating expenditure for the year is R358,4-million (2006: R351,5-million) which is 1,97% higher than the 2005/2006 financial year.

The main contributing expenditures are employee related cost at 35% and bulk purchases at 20,10%.

An additional contribution had been made to the leave provision to the amount of R2,2-million to supplement the provision for leave accruals. No additional provision for bad debt was required for the past financial year.

The maintenance of existing infrastructure is a very crucial expense and comprise 6,08% of total expenses and 4,10% of the carrying value of its fixed assets.

The graph below indicates the break down per main expenditure group:



4. Debtors

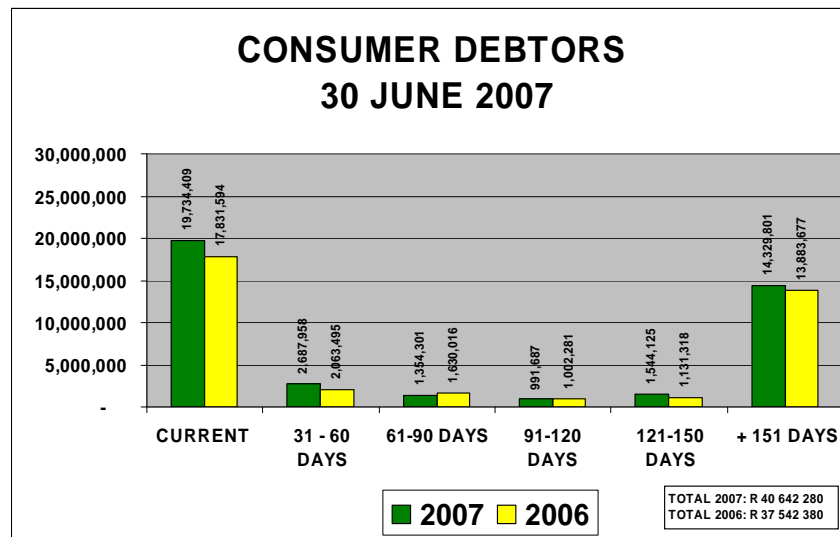
Details regarding the debtors are provided in note 12 (long term receivables), note 14 (consumer debtors) and note 15 (other debtors) of the notes to the annual financial statements.

The long term receivables showed a decrease of R5,6-million (2007: R30,8-million). This decrease can mainly be ascribed to the phasing out of motor loans to officials of R1,02-million as well as a decrease in previous estate accounts of R4,3-million.

Other debtors increased in total with R4,3-million to R11,8-million (2006: R6,7-million). The main increase is accruals for external interest of R5,7-million on investments only to be paid out on maturity date.

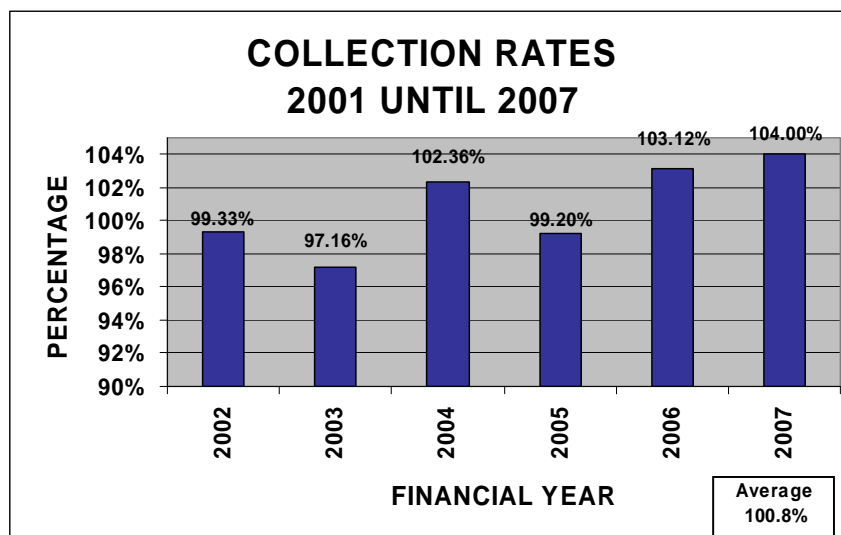
Consumer debtors increased in total with R3,1-million to R40,6-million (2006: R37,5-million), whilst the provision for bad debt increased to R16,1-million (2006: R13,8-million) as a result of provisions made during the financial year. The main increase according to the age analysis grouping is current debtors with R1,9-million and 31-60 days debtors with R0,7-million.

The increase in consumer debt per ageing analysis is graphically presented as follows:



A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The implementation of the credit control policy and continuous strict actions taken in terms of this policy resulting in a collection rate of 104% (2006: 103,12%) for the 2006/2007 financial year. The collection period amounted to a very healthy 32 days (2006: 23 days) with a debtors turnover rate of 8,79% (2006: 7,35%) which remain within acceptable norms.

The collection rates are graphically presented as follows:



5. Capital Expenditure and Financing

The adjusted capital budget approved by Council amounts to R168,1-million in total.

Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R83-million (2006: R92,7-million).

Although the capital expenditure incurred is only 49,36% of the adjustment budget when comparing the expenditure to the budget, the finance source of capital projects plays an important role. This is summarised in the following table:

Finance Source	Adjustment Budget	Actual	Actual % of Adjustment Budget
	R	R	%
Own CRR	107 789 331	58 308 844	54,10%
EFF	11 569 496	8 226 724	71,11%
MIG	13 966 950	10 712 633	76,70%
INEP	3 613 000	993 312	27,49%
NDM	21 100 000	3 388 628	16,06%
Other	10 120 000	1 370 000	13,54%
Total	168 158 777	83 000 141	49,36%

With the approval of the 2007/2008 capital budget it was indicated that projects to the amount of R65,9-million is planned to be rolled over from the 2006/2007 capital budget.

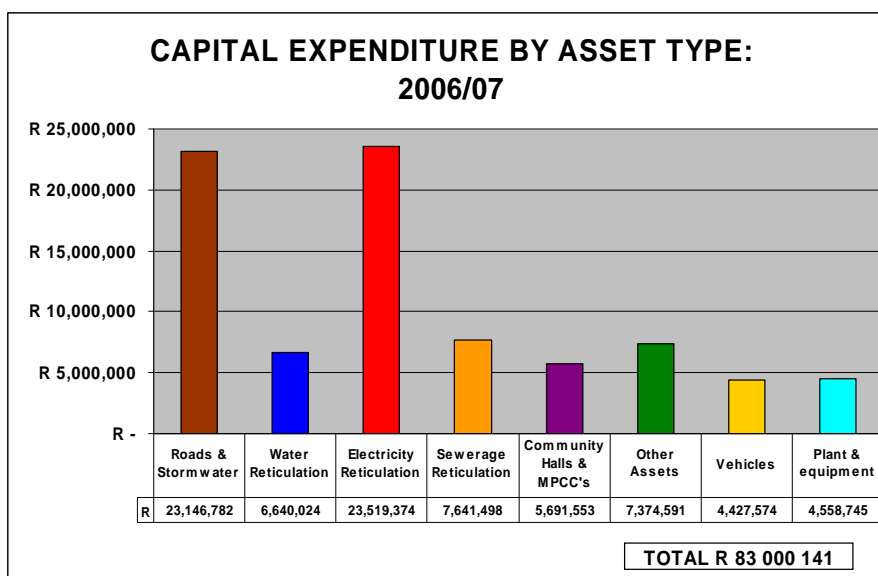
FINANCIAL REPORT

The actual roll overs from the 2006/2007 capital budget are as follows:

Capital Replacement Reserve	R40 365 127
National Electricity Programme	R 2 386 923
Nkangala District Municipality	<u>R18 826 978</u>
Total:	<u>R61 579 028</u>

These roll over projects clearly effect the performance of the past financial year.

The following is a graphical presentation of actual capital expenditure according to asset type:



6. Debt Management

For the financial year under review no new external financing facility was taken up and property, plant and equipment was mainly financed from own internal resources and grants received.

Long term loans consist of annuity loans and bear interest at rates between 9,62% and 14,40% per annum. During the year loans totaling R11,7-million were redeemed whilst the total debt decreased to R113,4-million (2006: R125,1-million).

Total long term debt to total revenue improved from 28,67% in 2006 to 22,42% in 2007. Interest paid on external loans is at 4,25% of revenue which is relatively low.

The pressure on capital expenditure is expected to remain high over the medium term. The approved capital expenditure over the next three years amounts to R533,9-million and external borrowing is expected to reach roughly R218,4-million in 2010.

Cash and short term investments increase by a significant 39,44% to R373,9-million (2006: R268,1-million) over the past financial year. The cash investments reflects the cash backing of reserves and unspent conditional grants.

7. Other Important Accounting Ratios

The operating capital ratio is a useful indicator when determining the ability to find operating expenditure. The ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short term debt can be paid out of short term assets. The following table shows the calculation of the operating capital ratio:

	2006/2007	2005/2006
Current assets	168 458 890	165 967 594
Current liabilities	82 775 496	85 148 434
Net operating capital	85 683 394	80 819 160
Operating capital ratio	2,03 : 1	1,94 : 1

The solvability ratio is total assets to total liabilities and it shows the municipality's ability to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

	2006/2007	2005/2006
Total assets	550 795 503	517 100 408
Total liabilities	235 847 500	224 653 034
Solvability ratio	2,34 : 1	2,33 : 1

8. Credit Rating

The credit rating is based on the annual financial statements for the year ending 30 June 2005 and the following rating was awarded:

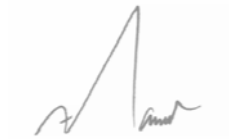
Short term	A1-	High certainty of timely payment liquidity factors are strong and supported by good fundamental protection factors.
Long term	A-	High credit quality protection factors are good. However, risk factors are more variable and greater in periods of economic stress.

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 Executive 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.)
EXECUTIVE MANAGER FINANCE

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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

The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. 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.

The annual 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 Notices 991 and 992 of 2005.

These standards are summarised as follows:

- GRAP 1 Presentation of financial statements.
- GRAP 2 Cash flow statements.
- GRAP 3 Accounting policies, changes in accounting estimates and errors.
- GAMAP 4 Effects of changes in foreign exchange rates.
- GAMAP 6 Consolidated financial statements and accounting for controlled entities.
- GAMAP 9 Revenue.
- GAMAP 7 Accounting for investments in associates.
- GAMAP 8 Financial reporting of interests in joint ventures.
- GAMAP 12 Inventories.
- GAMAP 17 Property, plant and equipment.
- GAMAP 19 Provisions, contingent liabilities and contingent assets.

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards related to the municipality's separate financial statements.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Accounting policies for material transactions, events or conditions not covered by the above GRAP and/or 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 (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements, except for IAS 19 / AC 116. An application for deviating from Gazette 30013 of 29 June 2007 to fully comply with IAS 19 / AC 116 for the 2006/2007 financial year was granted by National Treasury.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

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 and are rounded to the nearest 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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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.

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

6.2 Capitalisation Reserve

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 the Capitalisation 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).

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

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

When an item of property, plant and equipment financed from government grants 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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The purpose of this reserve 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 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).

When an item of property, plant and equipment financed from donations and public contributions 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

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

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.

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.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets. The total amount of insurance premiums paid to external insurers are regarded as expense and is shown in the Statement of Financial Performance. Repair and replacement costs not covered by external insurance are financed from the insurance reserve. This cost is regarded as an expense and is reflected in the Insurance Reserve.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 and impairment losses. Such assets are financed either by external loans, capital replacement reserve, government grants and contributions and donations.

The cost of an item of property, plant and equipment comprises of 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.
- Estimated cost of dismantling the asset.

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. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

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.

Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use, and are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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.

Residual value

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

<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

Land is not depreciated as it is regarded as having an infinite life.

Accounting policy for 2005/2006 financial year

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.

Accounting policy for 2006/2007 financial year

The useful life or depreciation method for items of property, plant and equipment that have been recognised was not reviewed as permitted in terms of Gazette 30013 of 29 June 2007.

Impairment

Accounting policy for 2005/2006 financial year

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, except where the impairment reverses a previous revaluation.

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.

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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Accounting policy for 2006/2007 financial year

The testing for and impairing of any items of property, plant and equipment were not accounted for as permitted in terms of Gazette 30013 of 29 June 2007

Heritage assets

These are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

8. INTANGIBLE ASSETS

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over their useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use of by the municipality. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets 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 except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

<p style="text-align: center;">ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007</p>
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Accounting policy for the 2006/2007 financial year

Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognised as permitted in terms of Gazette 30013 of 29 June 2007. All other cost incurred on intangible assets during the exemption period has been expensed.

9. INVESTMENT PROPERTY

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

Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

Accounting policy for 2006/2007 financial year

The process for identifying investment property had not been finalised and items that may meet the definition was accounted for in terms of GAMAP 17 under property, plant and equipment as permitted in terms of Gazette 30013 of 29 June 2007.

10. 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. Financial instruments are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 of all debt outstanding for more than 150 days 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.

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

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

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 derecognised or impaired through the amortisation process.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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.

Leases

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.

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.

Accounting policy for 2006/2007 financial year

Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows as per the lease contract as permitted in terms of Gazette 30013 of 29 June 2007.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

11. INVENTORY

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 of commodities.

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 effluent are valued at purified cost insofar as it is stored (controlled) in reservoirs and distribution networks at year end.

For the 2006/2007 financial year water purification costs incurred for non-purchased water has been recognised whilst pre-purified non-purchased water was not recognised as permitted in terms of Gazette 30013 of 29 June 2007.

The process to identify immovable capital assets as inventory/stock are not finalised yet and were accounted for in terms of GAMAP 17 as permitted in terms of Gazette 30013 of 29 June 2007.

12. TRADE CREDITORS

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

Accounting policy for the 2006/2007 financial year

Trade creditors are recognise initially at cost price as permitted in terms of Gazette 30013 of 29 June 2007.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 tariffs 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 municipality 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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Finance income from sold 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.

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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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.

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 is 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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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.

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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

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 unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

Accounting policy for the 2006/2007 financial year

Revenue are initially recognised at cost as permitted in terms of Gazette 30013 of 29 June 2007.

14. PROVISIONS

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

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

15. CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

16. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

17. 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.

18. 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.

19. UNAUTHORISED EXPENDITURE

Unauthorised 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.

20. 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.

**ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

21. 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.

22. 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.

23. 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 POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

(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.

Post employment medical care benefits are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

24. BORROWING COSTS

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

25. 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.

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.

27. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

28. TAXATION

The Steve Tshwete Local Municipality are exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

STATEMENT OF FINANCIAL POSITION

as at
30 JUNE 2007

		30-06-2007	30-06-2006
	Note	R	R
NET ASSETS & LIABILITIES			
Net Assets			
		790 684 906	667 576 277
Housing development fund	1	6 291 568	6 419 539
Capital replacement reserve	2	290 250 176	210 051 408
Capitalisation reserve	2	99 897 900	115 673 628
Government grant reserve	2	57 367 266	48 455 702
Donations and public contribution reserves	2	105 700 394	106 219 634
Self-insurance reserve	2	1 936 502	1 631 765
Accumulated surplus/(deficit)	3	229 241 100	179 124 601
Non-current liabilities			
		153 072 004	139 504 600
Long-term liabilities	4	100 556 054	113 246 724
Post employment benefits	4	52 515 950	26 257 876
Current liabilities			
		82 775 496	85 148 434
Consumer deposits	5	17 463 744	15 017 410
Provisions	6	468 564	896 780
Creditors	7	47 516 925	51 764 964
Unspent conditional grants and receipts	8	4 435 593	5 590 513
Current portion of long term liabilities	4	12 890 670	11 878 767
Total Net Assets and Liabilities		1 026 532 406	892 229 311
ASSETS			
Non-current assets			
		564 073 516	534 261 717
Intangible assets	9	1 983 912	3 496 805
Property, plant & equipment	10	548 811 591	513 603 603
Investments property	35	-	-
Investments	11	11 612 479	10 483 306
Long-term receivables	12	1 665 534	6 678 003
Current assets			
		462 458 890	357 967 594
Inventory	13	34 597 293	40 165 072
Short-term investments	11	294 000 000	192 000 000
Consumer debtors	14	24 591 669	23 658 703
Other debtors	15	11 834 904	6 715 100
Current portion of long-term receivables	12	29 183 886	29 795 763
Bank balances and cash	16	68 251 138	65 632 956
Total Assets		1 026 532 406	892 229 311



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



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

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended
30 June 2007

BUDGET		REVENUE		ACTUAL	
2006 R	2007 R		Note	2007 R	2006 R
75 860 567	86 816 047	Property rates	17	87 679 521	75 235 438
		Service charges:			
106 366 297	113 359 780	Electricity	18	121 399 833	108 269 250
15 445 621	16 742 915	Refuse Removal	18	16 789 529	14 870 058
16 812 036	17 472 539	Sewerage	18	17 606 858	16 797 386
26 921 439	32 509 951	Water	18	34 646 560	26 702 547
2 109 522	1 497 193	Rental of facilities and equipment		1 840 584	2 235 159
10 547 210	16 800 000	Interest earned – external investments	21	26 960 138	18 856 010
1 514 764	2 613 564	Interest earned – outstanding debtors	21	1 703 384	3 155 286
3 831 250	3 782 000	Fines		3 345 607	3 658 474
2 658 530	2 920 500	Licenses and permits		3 228 248	3 129 652
3 675 000	4 150 000	Income for agency services		5 023 898	4 015 425
32 388 693	38 804 000	Government grants and subsidies received - operating	19	36 998 627	31 254 575
13 946 250	15 751 200	Government grants and subsidies received - capital	19	12 455 942	12 576 376
	18 100 000	Public contributions, donated and contributed property, plant and equipment	20	4 022 521	36 823 212
30 569 734	103 066 491	Other revenue	22	132 252 460	76 775 873
500 000	250 000	Gain on disposal of property, plant and equipment		1 499	303 141
343 146 913	474 636 180	Total Revenue		505 955 208	434 657 860
		EXPENDITURE			
			Note		
111 808 644	125 727 816	Employee related costs	23	121 965 642	109 035 029
6 021 920	10 061 280	Remuneration of councillors	24	9 452 422	6 013 265
2 330 610	2 833 680	Bad debts		2 833 680	3 090 908
284 375	350 000	Collection costs		319 698	364 513
42 409 846	52 868 662	Depreciation		47 482 193	44 193 929
24 108 031	23 441 540	Repairs and maintenance		21 797 569	22 556 741
23 285 583	15 227 591	Interest paid	25	15 236 357	23 234 682
		Bulk purchases			
		Electricity	26	69 800 821	60 724 524
58 003 690	65 228 390	Water	26	2 245 373	2 822 666
3 048 100	3 055 000	Contracted services		8 857 622	8 149 587
8 797 620	10 239 630	Grants and subsidies paid	27	1 671 264	454 672
750 078	1 971 063	General expenses (including abnormal expenses)		51 344 966	68 569 358
47 886 641	64 532 145	Loss on disposal of property, plant and equipment		1 744 602	
1 006 345	1 424 349	Contributions to/(from) provisions	28	3 679 725	2 298 055
329 741 483	376 961 146	Total Expenditure		358 431 935	351 507 930
13 405 430	97 675 034	Surplus/(deficit) for the year		147 523 273	83 149 930
		Appropriations for the year			
13 405 430	97 675 034	NET SURPLUS/(DEFICIT) FOR THE YEAR	30	147 523 273	83 149 930

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2007

	Housing Development Fund	Capital Replacement Reserve	Capitalization 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
2006									
Opening balance	5 214 212	209 609 206	109 527 528	39 431 562	77 531 341	1 008 535	-	77 564 830	519 887 215
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	112 180 739	48 416 628	105 737 628	1 631 765	-	176 559 264	660 996 971
2007									
Correction of error (note 32)	-	-	3 492 889	39 074	482 006	-	-	774 518	4 788 487
Changes in accounting estimate	-	-	-	-	-	-	-	1 790 819	1 790 819
Restated balance	6 419 539	210 051 408	115 673 628	48 455 702	106 219 634	1 631 765	-	179 124 601	667 576 277
Net surplus for the year	-	-	-	-	-	-	-	147 523 273	147 523 273
Appropriations	-	-	-	-	-	-	-	(26 258 074)	(26 258 074)
Other income/expenditure	(145 280)	(1 734 328)	-	-	-	159 509	-	81 606	(1 638 493)
Transfer to CRR	-	136 013 386	-	-	-	-	-	(136 013 386)	-
Property, plant and equipment purchased	-	(54 080 290)	-	-	-	-	-	54 080 290	-
Capital grants used to purchase PPE	-	-	-	12 655 945	-	-	-	(12 655 945)	-
Donated/contributed PPE	-	-	-	-	8 037 183	-	-	(3 808 628)	4 228 555
Contributions to insurance reserve	-	-	-	-	-	909 169	-	(909 169)	-
Insurance claims processed	-	-	-	-	-	(763 941)	-	-	(763 941)
Transfer to Housing Development Fund	17 309	-	-	-	-	-	-	-	17 309
Asset disposals	-	-	(974 649)	-	(135 681)	-	-	1 110 330	-
Offsetting of depreciation	-	-	(14 801 079)	(3 744 381)	(8 420 742)	-	-	26 966 202	-
Balance at 30 June 2007	6 291 568	290 250 176	99 897 900	57 367 266	105 700 394	1 936 502	-	229 241 100	790 684 906

CASH FLOW STATEMENT
for the year ended
30 JUNE 2007

		2007	2006
		R	R
Note			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from ratepayers, government and others		473 303 427	411 907 009
Cash paid to suppliers and employees		(294 376 509)	(245 100 225)
Cash generated from / (utilized in) operations		178 926 918	166 806 784
Interest received		28 663 522	22 011 296
Interest paid		(15 236 357)	(23 234 682)
Net cash from operating activities		192 354 083	165 583 398
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(83 000 141)	(86 955 777)
Proceeds on disposal of property, plant and equipment		1 499	303 141
(Increase)/decrease in non-current loans		5 624 348	(17 518 651)
(Increase)/decrease in investments		(103 129 174)	(45 633 880)
Net cash from investment activities		(180 503 468)	(149 805 167)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(11 678 767)	(14 434 682)
Increase/(decrease) in deposits		2 446 334	1 641 175
Net cash from financing activities		(9 232 433)	(12 793 507)
Increase/(decrease) in cash and cash equivalents		2 618 182	2 984 724
Cash and cash equivalents at beginning of the year		65 632 956	62 648 232
Cash and cash equivalents at end of the year		68 251 138	65 632 956

NOTES
to the Financial Statements
for the year ended 30 June 2007

	30 June 2007	30 June 2006
	R	R
1. HOUSING DEVELOPMENT FUND	6 291 568	6 419 539
Balance at beginning of the year	6 419 539	7 229 645
Contributions	17 309	19 389
Income	124 383	491 001
Operating expenditure	(269 663)	(1 320 496)
2. RESERVES	555 152 237	437 108 172
CAPITAL REPLACEMENT RESERVE	290 250 176	210 051 408
Capital Replacement Reserve	98 538 287	73 346 797
Balance at beginning of the year	73 346 797	52 343 013
Contributions	64 400 905	33 046 450
Income	-	2 760 450
Property, plant & equipment	(39 209 415)	(14 803 115)
CRR : Land Trust Fund	76 627 184	76 784 997
Balance at beginning of the year	76 784 997	76 500 612
Contributions	1 011 808	284 385
Expenditure	(284 868)	-
Property, plant & equipment	(884 752)	-
CRR : Property Development	115 084 705	59 919 614
Balance at beginning of the year	59 919 614	39 109 396
Contributions	70 600 674	20 810 218
Expenditure	(1 449 460)	-
Property, plant & equipment	(13 986 123)	-
Capitalisation Reserve	99 897 900	115 673 628
Balance at beginning of the year	115 673 628	129 123 472
Offsetting of depreciation	(14 801 079)	(16 803 250)
Disposal	(974 649)	(139 483)
Correction of error	-	3 492 889

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
Government Grants Reserve (utilized)	57 367 266	48 455 702
Balance at beginning of the year	48 455 702	39 612 162
Donated/contributed PPE	12 655 945	12 541 628
Offsetting of depreciation	(3 744 381)	(3 231 485)
Disposal	-	(505 677)
Correction of error	-	39 074
Donations and Public Contribution Reserve (utilized)	105 700 394	106 219 634
Balance at beginning of the year	106 219 634	77 531 341
Donated/contributed PPE	8 037 182	36 759 708
Offsetting of depreciation	(8 420 742)	(6 928 430)
Correction of error	-	482 006
Disposals	(135 681)	(1 624 991)
SELF INSURANCE RESERVE	1 936 502	1 631 764
Insurance Reserve Electricity	894 868	1 005 016
Balance at beginning of the year	1 005 016	794 976
Contributions	150 000	200 000
Other income	39 941	65 775
Insurance claims processed	(300 089)	(55 735)
Insurance Reserve General	1 041 634	626 749
Balance at beginning of the year	626 749	213 560
Other income	878 737	771 821
Insurance claims processed	(463 852)	(358 632)

3. ACCUMULATED SURPLUS/(DEFICIT)

Accumulated surplus: beginning of year	179 124 601	178 585 938
Operating surplus/(deficit) for the year	147 523 273	83 149 930
Changes in net assets	(97 406 774)	(85 176 604)
Change in accounting policy / error	-	2 565 337
Accumulated surplus: end of year	<u>229 241 100</u>	<u>179 124 601</u>

Refer to note 29 and 36 for more detail.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
4. LONG TERM LIABILITIES		
Annuity loans	113 446 724	125 125 492
Sub-Total	113 446 724	125 125 492
Less: Current portion transferred to current liabilities	(12 890 670)	(11 878 767)
Annuity loans	(12 890 670)	(11 878 767)
Total External Loans	100 556 054	113 246 724

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

R11 612 479 (2006: R10 483 305) 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	52 515 950	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 the transitional liability according to IAS19 (AC116) where only one fifth of this amount is recognised for each financial year. The amount remaining is R78 773 926 and will be phased in over the next three (3) years. The amount contributed by Council has been expensed.

5. CONSUMER DEPOSITS

Electricity	10 945 436	10 208 720
Water	3 679 929	2 847 264
Other	2 838 379	1 961 427
Total consumer deposits	17 463 744	15 017 410

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits	4 404 142	3 826 670
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6. PROVISIONS

Performance Bonus

Balance at beginning of year	896 780	434 276
Contribution to provision	-	462 504
Expenditure incurred	(428 216)	-
Total provisions	468 564	896 780

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
7. CREDITORS		
Trade Creditors	20 430 663	25 606 080
Amounts received in advance:		
Consumer debtors	9 996 421	6 915 832
Sundry debtors	97 577	29 068
Other	1 054 967	2 377 656
VAT	2 966 381	2 397 347
RDP development	3 804 745	3 111 264
Government grants & subsidies	423 705	361 017
Staff leave	5 482 021	4 520 978
Retention money	3 127 429	2 084 153
Community facilities	133 015	4 361 569
Total creditors	47 516 925	51 764 964

Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013 of 29 June 2007.

8. CONDITIONAL GRANTS FROM GOVERNMENT		
Finance management grant	2 643 572	2 794 533
Municipal systems improvement grant	485 146	843 180
Municipal support grant	11 652	62 811
VUNA awards	-	750 000
Local government transitional grant	632 641	632 641
Municipal infrastructure grant	30 816	269 271
Integrated national electricity programme	631 765	238 077
Total conditional grants and receipts	4 435 593	5 590 513

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

9. INTANGIBLE ASSETS		
Reconciliation of carrying value	Computer Software	Total
	R	R
Carrying values at 1 July 2006	3 496 805	3 496 805
Cost	10 700 342	10 700 342
Accumulated impairment	-	-
Accumulated depreciation – cost	(7 203 537)	(7 203 537)
Acquisitions	715 676	715 676
Amortisation	(2 228 569)	(2 228 569)
Impairment loss – recognised/reversed	-	-
Borrowing costs capitalized	-	-
Disposals	-	-
Carrying values at 30 June 2007	1 983 912	1 983 912
Cost	11 416 018	11 416 018
Accumulated depreciation – cost	(9 432 106)	(9 432 106)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Reconciliation of carrying value

Carrying values at 1 July 2005

Cost
 Accumulated impairment
 Accumulated depreciation – cost
 Acquisitions
 Amortisation
 Impairment loss – recognised/reversed
 Borrowing costs capitalized
 Disposals

Carrying values at 30 June 2006

Cost
 Accumulated depreciation – cost

Computer Software	Total
R	R
3 496 805	3 496 805
10 700 342	10 700 342
-	-
(7 203 537)	(7 203 537)
-	-
-	-
-	-
-	-
-	-
3 496 805	3 496 805
10 700 342	10 700 342
(7 203 537)	(7 203 537)

The municipality did not recognize servitudes in the previous financial year and has not recognized any servitudes in 2006/2007 due to the exemption that was granted allowing the municipality to only account for any software and website costs for the 2006/2007 financial year as per Gazette 30013 dated 29 June 2007.

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 2006	88 714 344	356 202 453	21 375 859	46 736 541	574 406	513 603 603
Cost	105 295 285	601 507 703	30 608 452	104 530 580	1 312 550	843 254 570
Accumulated depreciation – cost	(16 580 941)	(245 305 250)	(9 232 593)	(57 794 039)	(738 144)	(329 650 967)
Acquisitions	743 477	54 475 773	1 002 876	11 399 691	-	67 621 817
Capital under construction	-	8 684 940	5 863 306	114 402	-	14 662 648
Depreciation – based on cost	(1 902 393)	(33 816 555)	(1 087 959)	(8 420 615)	(26 101)	(45 253 622)
Carrying value of disposals	(190 221)	(117 250)	(68 729)	(1 446 654)	-	(1 822 854)
Cost	(343 561)	(396 215)	(718 982)	(5 487 586)	-	(6 946 344)
Accumulated depreciation	153 340	278 965	650 253	4 040 932	-	5 123 492
Carrying values at 30 June 2007	87 365 207	385 429 361	27 085 353	48 383 365	548 305	548 811 591
Cost	105 695 201	664 272 201	36 755 652	110 557 087	1 312 550	918 592 691
Accumulated depreciation – cost	(18 329 994)	(278 842 840)	(9 670 299)	(62 173 722)	(764 245)	(369 781 100)
Reconciliation of Carrying Value						
Carrying values at 1 July 2005	45 108 701	311 761 438	21 335 898	42 218 460	600 509	421 025 006
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)	(44 193 930)
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)	-	(5 783 904)
Accumulated depreciation	304 292	91 607	14 698	2 970 011	-	3 380 608
Other movements	46 346 427	282 977	(912 663)	719 401	-	46 436 142
Carrying values at 30 June 2006	88 714 344	356 202 453	21 375 859	46 736 541	574 406	513 603 603
Cost	105 295 285	601 507 703	30 608 452	104 530 580	1 312 550	843 254 570
Accumulated depreciation – cost	(16 580 941)	(245 305 250)	(9 232 593)	(57 794 039)	(738 144)	(329 650 967)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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. The municipality has taken advantage of the exemptions granted in gazette 30013 of 29 June 2007 and the following should be disclosed:

- The useful life or depreciation method used were not reviewed.
- Items of property, plant and equipment were not assessed for impairment and is not aware of any impairments to assets.
- Included in land and buildings are items that may meet the definition of investment property.
- Included in PPE are items that may meet the definition of inventory.

	30 June 2007	30 June 2006
	R	R
11. FINANCIAL INSTRUMENTS		
Short Term Fixed Deposits	294 000 000	192 000 000
ABSA Bank	63 000 000	36 000 000
First National Bank	45 000 000	18 000 000
Investec Bank	60 000 000	42 000 000
Nedbank	63 000 000	51 000 000
Standard Bank	63 000 000	45 000 000
Long Term Fixed Deposits	11 612 479	10 483 306
ABSA Bank	11 612 479	10 483 306
Total Investments	305 612 479	202 483 306
Average rate of return	7,70%	7,83%
Council's valuation of investments	305 612 479	202 483 306

No investments have been written off during the year.
 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	190 958	1 032 613
Housing selling scheme loans	94 887	227 352
Sale of erven loans	30 549 934	34 887 093
Country Club loan	-	24 307
Inyanda loan	-	288 760
Engineering service loans	13 640	13 640
Sub-total	30 849 420	36 473 765
Less: current portion transferred to current receivables	29 183 886	29 795 763

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
Motor car loans	177 034	533 818
Housing selling scheme loans	19 497	28 134
Sale of erven loans	28 976 326	28 926 344
Country Club loan	-	7 678
Inyanda loan	-	288 760
Engineering service loans	11 029	11 029
Total long term receivables	1 665 534	6 678 002

Long term receivables are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013.

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 2007	30 June 2006
	R	R
13. INVENTORY		
Consumable stock	5 641 468	4 175 441
Unsold properties	28 893 521	35 933 421
Water at cost	62 304	56 210
Total	34 597 293	40 165 072

Stock shortages written off during the year

288 144

320 166

With the annual stocktaking on 30 June 2007 stock shortages to the value of R288 144 and stock surpluses to the value of R70 593 realised.

Included in land and buildings are items that meet the definition of inventory. The municipality is still in a process of identifying inventory and these items will be transformed once identified in accordance with the definition of GAMAP 12.

The status quo of the 2005/2006 financial year was maintained and only properties listed under inventory which were sold during the year, were expensed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

14. CONSUMER DEBTORS

	Gross Balance	Provision for Bad Debt	Net Balance
	R	R	R
30 June 2007			
Service debtors:	33 573 368	12 246 329	21 327 039
Property rates	14 787 049	7 654 782	7 132 267
Electricity	9 299 497	1 059 183	8 240 314
Water	4 918 845	1 958 384	2 960 461
Sewerage	2 672 733	1 055 442	1 617 291
Refuse	1 895 243	518 537	1 376 706
Estates	769 730		769 730
Other	6 299 182	3 804 282	2 494 900
Total	40 642 280	16 050 611	24 591 669
Contribution to bad debt provision			2 833 680
Debt written off for the year			666 746
Property rates			411 833
Electricity			5 123
Water			27 031
Sewerage			31 257
Refuse			4 069
Other			187 433
30 June 2006			
Service debtors:	31 371 822	10 750 474	20 621 348
Property rates	13 274 089	6 227 039	7 047 050
Electricity	9 358 329	1 253 608	8 104 721
Water	4 253 322	1 761 477	2 491 845
Sewerage	2 826 433	1 052 726	1 773 707
Refuse	1 659 649	455 624	1 204 025
Estates	706 180		706 180
Other	5 464 378	3 133 204	2 331 174
Total	37 542 380	13 883 678	23 658 702
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
AGEING OF CONSUMER DEBTORS		
Property Rates		
Current (0-30 days)	5 673 285	5 029 918
31-60 days	909 488	709 641
61-90 days	527 955	634 980
91-120 days	413 648	377 890
121-150 days	428 572	294 621
151+ days	6 834 101	6 227 039
Sub-total	14 787 049	13 274 089
Services		
Current (0-30 days)	12 065 039	11 120 833
31-60 days	1 318 083	995 844
61-90 days	568 905	732 733
91-120 days	376 595	402 518
121-150 days	358 416	322 370
151+ days	4 099 280	4 523 435
Sub-total	18 786 319	18 097 733
Estates		
31-60 days	99 430	143 681
61-90 days	79 343	64 232
91-120 days	60 495	90 628
121-150 days	530 462	407 639
Sub-total	769 730	706 180
Other		
Current (0-30 days)	1 996 086	1 680 842
31-60 days	360 957	214 327
61-90 days	178 098	198 072
91-120 days	140 947	131 245
121-150 days	226 675	106 688
151+ days	3 396 419	3 133 204
Sub-total	6 299 182	5 464 378
Total consumer debtors	40 642 280	37 542 380
Made up as follows:		
Current (0-30 days)	19 734 409	17 831 594
31-60 days	2 687 958	2 063 495
61-90 days	1 354 301	1 630 016
91-120 days	991 687	1 002 281
121-150 days	1 544 125	1 131 318
151+ days	14 329 800	13 883 677
Total	40 642 280	37 542 380

Debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
15. OTHER DEBTORS		
Other debtors	6 936 905	3 163 062
Government capital grants	20 998	174 208
Sundry debtors	5 576 604	4 295 078
Deposits	214 839	12 250
Other public donations	-	23 419
Insurance	211 521	908 579
Provision for other debt	(1 125 963)	(1 861 496)
Total Other Debtors	11 834 904	6 715 100
Debt written off for the year	735 533	144 214

Other debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.

	30 June 2007	30 June 2006
	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	71 907 389	75 372 450
Bank statement balance at end of year	82 564 423	71 907 389
Cash book balance at beginning of year	65 600 900	62 627 446
Increase/(decrease) in cash book balance	2 617 557	2 973 454
Cash book balance at end of year	68 218 457	65 600 900
Petty cash		
Balance at beginning of year	32 056	20 785
Increase/(decrease) of petty cash	625	11 271
Balance at end of year	32 681	32 056
Total cash resources	68 251 138	65 632 956

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

17. PROPERTY RATES

Site Valuations	Revenue 2006/2007	Revenue 2005/2006
R	R	R

Middelburg

Residential	361 503 480	72 904 310	62 339 220
Pensioners	6 760 335	1 521 591	1 434 756
Commercial	178 658 457	35 994 104	30 522 418
Exempted	30 132 391	6 175 935	2 601 959
Total	577 054 663	116 595 940	96 898 353

Government

Middelburg	26 901 095	5 513 647	5 081 079
Hendrina	351 194	135 259	124 765
Pullenshope	18 750	12 060	11 115
Total	27 271 039	5 660 966	5 216 959

Hendrina

Residential	13 095 522	5 010 441	4 587 361
Pensioners	243 900	94 384	118 598
Commercial	1 997 252	845 462	635 220
Exempted	117 742	45 213	45 264
Total	15 454 416	5 995 500	5 386 443

Blinkpan

Residential	1 535 600	317 694	296 629
Commercial	157 100	30 225	18 756
Total	1 692 700	347 919	315 385

Komati

Residential	661 503	719 037	673 443
Pensioners	32 990	42 367	30 758
Commercial	162 066	172 331	152 352
Total	856 559	933 735	856 553

Rietkuil

Residential	1 685 846	776 944	715 044
Pensioners	11 150	5 032	5 840
Commercial	551 786	254 263	234 399
Total	2 248 782	1 036 239	955 283

Pullenshope

Residential	1 608 314	1 034 612	959 267
Pensioners	47 207	30 174	22 611
Commercial	470 372	302 543	277 637
Total	2 125 893	1 367 329	1 259 515

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Site Valuations	Revenue 2006/2007	Revenue 2005/2006
R	R	R

Presidentsrus

Residential	2 066 580	39 936	27 770
Commercial	324 250	6 264	3 909
Total	2 390 830	46 200	31 679

Kranspoort

Residential	11 082 015	98 939	87 774
Commercial	224 546	9 956	1 776
Total	11 306 561	108 895	89 550

Rural Areas

	Site Valuations		
Commercial	13 977 055	903 331	827 265
	Improvements		
	141 840 820		
Total	155 817 875	903 331	827 265

Sub-Total

132 996 054 111 836 985

Less:

Income Forgone

(35 517 274) (28 042 184)

Middelburg	Residential	(34 007 612)	(26 637 578)
	Government	(1 281 022)	(1 177 017)
Hendrina	Residential	(64 147)	(78 633)
	Government	(25 478)	(23 487)
Blinkpan	Residential	(113 681)	(106 668)
Komati	Residential	(15 859)	(12 378)
Pullenshope	Residential	(6 035)	(4 532)
	Government	(2 412)	(720)
Rietkuil	Residential	(1 028)	(1 171)

Less: **Indigent Support**

MP313 area

(9 799 259) (8 559 364)

Final Total

87 679 521 75 235 438

VALUATIONS

		2006/2007	2005/2006
Residential	Site valuation	400 334 442	385 188 769
Government	Site valuation	27 271 039	27 272 289
Commercial	Site valuation	196 522 884	189 807 963
Rural Commercial	Improvement valuation	141 840 820	141 873 820
Exempted		30 250 133	20 486 500
		796 219 318	764 629 341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
18. SERVICE CHARGES		
Sale of electricity	121 399 833	108 269 250
Sale of water	34 646 560	26 702 547
Refuse removal	16 789 529	14 870 057
Sewerage and sanitation charges	17 606 858	16 797 386
Total service charges	190 442 779	166 639 241

19. GOVERNMENT SUBSIDIES & GRANTS

Operating Grants **36 998 627** **31 196 155**

Equitable share	30 611 474	25 752 531
Provincial health subsidies	4 593 000	4 345 160
Finance management grant (FMG)	650 961	766 348
Local government capacity building grant	51 159	173 535
Provincial local economic projects (LED)	-	17 761
Municipal systems improvement grant (MSIG)	1 092 033	140 820

Capital Grants **12 455 942** **12 634 795**

Finance management grant (FMG)	-	263 258
Department of provincial and local government (DPLG)	-	300 000
Municipal infrastructural grant (MIG)	10 712 630	9 883 214
Integrated national electrification grant (INEP)	993 312	2 188 323
Vuna Awards	750 000	-

Total Government Grants & Subsidies **49 454 568** **43 830 950**

Equitable Share

This grant is an unconditionally grant and is partially utilized 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 R115 (2006: R108) on the cost of other services which are funded from this grant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
Provincial Health Subsidy		
Current year receipts	4 593 000	4 345 160
Conditions met – transferred to revenue	<u>(4 593 000)</u>	<u>(4 345 160)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>

(see note 8)

The municipality renders health services on behalf of the provincial government and is refunded approximately 44,97% 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	2 794 532	2 824 138
Current year receipts	500 000	1 000 000
Conditions met – transferred to revenue	<u>(650 961)</u>	<u>(1 029 606)</u>
Unspent amount transferred to liabilities	<u>2 643 571</u>	<u>2 794 532</u>

(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)

Current year receipts	<u>632 641</u>	<u>632 641</u>
Unspent amount transferred to liabilities	<u>632 641</u>	<u>632 641</u>

(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	62 812	236 347
Conditions met – transferred to revenue	<u>(51 159)</u>	<u>(173 535)</u>
Unspent amount transferred to liabilities	<u>11 653</u>	<u>62 812</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
<i>Municipal Systems Improvement Grant</i>		
Balance unspent at beginning of year	843 180	250 000
Current year receipts	734 000	734 000
Conditions met – transferred to revenue	(1 092 034)	(140 820)
Unspent amount transferred to liabilities	485 146	843 180
(see note 8)		

This grant was used to build in-house capacity to perform their functions and stabilize 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
Conditions met – transferred to revenue	-	(17 761)
Unspent amount transferred to liabilities	-	-
(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	269 271	20 998
Current year receipts	10 474 175	9 957 278
Conditions met – transferred to revenue	(10 712 630)	(9 709 005)
Unspent amount transferred to liabilities	30 816	269 271
(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)

Current year receipts	1 625 077	2 354 400
Conditions met – transferred to revenue	(993 312)	(2 116 323)
Unspent amount transferred to liabilities	631 765	238 077
(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
Vuna Awards 2003		
Current year receipts	750 000	750 000
Conditions met – transferred to revenue	(750 000)	-
Unspent amount transferred to liabilities	-	(750 000)
<i>(see note 8)</i>		

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

Department of Provincial and Local Government (DPLG)

Current year receipts	-	300 000
Conditions met – transferred to revenue	-	(300 000)
Unspent amount transferred to liabilities	-	-
<i>(see note 8)</i>		

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	3 388 628	36 759 708
National Lottery Distribution Fund	420 000	
Other grants	213 893	63 504
Total donated property, plant & equipment	4 022 521	36 823 212

21. INTEREST EARNED EXTERNAL INVESTMENTS

	26 960 138	18 856 010
Current account	7 391 414	4 794 999
External investments	19 568 724	14 061 011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
OUTSTANDING DEBTORS	1 703 384	3 155 286
Sundry loans	55 966	130 596
Sundry debtors	242 038	(10 710)
Sale of erven	97 104	1 188 819
Services:	546 870	891 777
Electricity	188 264	304 543
Sewerage	112 322	186 375
Refuse Removal	57 572	101 911
Water	188 712	298 948
Property rates	761 406	954 804
Total interest earned	28 663 522	22 011 296

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	1 066 540	913 419
Connection fees	5 025 715	3 910 850
Entrance fees	40 059	156 313
Internal fees	-	6 741 318
Insurance claims	1 496 899	-
Community service fees	517 708	720 322
Sale of coal (coal rights)	23 453 246	16 740 611
Refund skills development	589 226	751 513
Festival fees	51 356	86 600
Sundry income	1 463 778	1 423 653
Dumping site fees	638 005	465 678
Admin fees	1 744 889	1 386 596
Sale of erven	93 189 929	41 786 745
Main services contributions	2 975 110	1 692 255
Total	132 252 460	76 775 873

23. EMPLOYEE RELATED COSTS

Salaries and wages	97 974 323	87 264 217
Social contributions:	25 676 386	23 399 726
Pension deductions	16 249 489	14 527 408
Medical aid funds	5 020 011	4 691 816
Group insurance	768 906	697 337
Housing subsidy	1 550 214	1 554 283
Unemployment Insurance Fund	875 560	781 843
Workmen's compensation	1 212 206	1 147 039
Less: employee cost capitalized	(965 967)	(937 404)
Less: employee cost to operating	(719 100)	(691 510)
Total employee related cost	121 965 642	109 035 029

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
Remuneration of Managers		
Municipal Manager	912 869	700 764
Annual remuneration	749 818	700 764
Performance bonus	163 051	-
Executive Manager Finance	810 585	595 649
Annual remuneration	637 344	595 649
Performance bonus	173 241	-
Executive Manager Corporate Services	810 585	595 649
Annual remuneration	637 344	595 649
Performance bonus	173 241	-
Executive Manager Public Services	704 459	595 649
Annual remuneration	637 344	595 649
Performance bonus	67 115	-
Executive Manager Technical & Facilities	721 238	595 649
Annual remuneration	637 344	595 649
Performance bonus	83 894	-
Total	3 959 736	3 083 360

During the year 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	288 670	233 259
Speaker	211 044	186 608
Mayoral Committee members	1 197 610	1 049 670
Chief Whip	202 223	72 894
Councillors	3 570 263	2 116 226
Pension fund	879 259	528 900
Medical aid	169 721	201 117
Housing subsidy	-	318 406
Travelling allowances	2 399 833	889 499
Cellphone allowances	475 689	379 186
UIF	58 110	37 500
Total councillor's remuneration	9 452 422	6 013 265

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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.

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 promulgated by government notice no. R1224, dated 1 December 2006.



W.D. FOUCHÉ
MUNICIPAL MANAGER

	30 June 2007	30 June 2006
	R	R
25. INTEREST PAID		
Local government stock	-	2 496 080
Annuity loan	15 236 357	15 057 807
Lease liability	-	5 440 795
External loan cost	-	240 000
Total	15 236 357	23 234 682
26. BULK PURCHASES		
Electricity	69 800 821	60 724 524
Water	2 245 373	2 822 666
Total	72 046 194	63 547 190
Electricity losses	8,84%	13,33%
Water losses	15,76%	19,33%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
27. GRANT AND SUBSIDIES PAID		
Middelburg Tourist Information	90 000	85 000
Middelburg Country Club	24 307	7 678
Assessment rates: Various organisations	462 359	138 033
Municipal Sports Games	108 300	6 000
Animal care : SPCA	132 000	125 000
Columbus Marathon	16 000	15 000
Welfare organization	11 224	21 000
Arts & culture organization	-	21 000
Elderly organization	-	21 000
Local Economic Development	12 000	14 961
Sport and Recreation	7 760	-
Tourism – Botshabelo	807 314	-
Total	1 671 264	454 672

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

28. CONTRIBUTIONS TO/(FROM) PROVISIONS		
Staff leave	3 662 416	2 298 055
Housing Development Fund	17 309	-
Total contributions to provisions	3 679 725	2 298 055

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 2007 a correction was made on depreciation in respect of useful life and residual value on property, plant and equipment.

Correction on depreciation	4 788 487
Correction on offsetting of depreciation	(4 013 969)
Net effect on surplus/(deficit) for the year	774 518

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
30. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	147 523 273	83 149 930
Adjustment for:		
Depreciation charges	49 305 046	44 193 929
Gain on disposal of property, plant and equipment	(1 499)	(303 141)
Contributions to provisions		
Contributions to bad debt	(2 833 680)	(3 090 908)
Contribution to Insurance Reserve		
Interest received	(28 663 522)	(22 011 296)
Interest paid	15 236 357	23 234 682
Non-operating income	6 331 091	6 148 345
Non-operating expenditure	(650 798)	(4 032 918)
Operating surplus before working capital changes	186 246 268	127 288 620
(Increase)/decrease in inventories	5 567 780	23 771 440
(Increase)/decrease in debtors	(3 099 900)	108 436
(Increase)/decrease in other debtors	(4 384 271)	374 424
Increase/(decrease) in creditors	(5 402 959)	15 263 864
Increase/(decrease) in contingent liabilities	-	-
Cash generated by operations	178 926 918	166 806 784
31. INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Balance at the end of the year	65 632 955	62 648 232
Balance at the beginning of the year	68 251 138	65 632 955
Net increase/(decrease) in cash and cash equivalents	2 618 182	2 984 723
32. UTILISATION OF LONG TERM LIABILITIES RECONCILIATION		
Long term liabilities (see note 4)	(113 446 724)	(125 125 491)
Used to finance property, plant and equipment at cost	110 103 952	121 901 258
Sub-Total	(3 342 772)	(3 224 233)
Cash set aside for the repayment of long term liabilities (see note 11)	11 612 479	10 483 305
Cash set aside for the acquiring of property, plant & equipment	3 342 772	3 224 234
Cash invested for the repayment of long term liabilities	11 612 479	10 483 305

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
33. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	21 383 600	14 965 997
Infrastructure	10 822 600	9 688 376
Community assets	9 648 000	5 277 621
Other assets	913 000	
Approved but not yet contracted for	29 076 413	11 662 300
Land and buildings	700 000	50 000
Infrastructure	11 221 013	7 073 392
Community assets	14 565 400	2 737 408
Other assets	890 000	1 801 500
Specialised vehicles	1 700 000	-
Total	<u>50 460 013</u>	<u>26 628 297</u>
This expenditure will be financed from		
External loans	-	8 665 741
Capital replacement reserve	48 073 090	14 550 413
Government grants	2 386 923	3 412 143
Total	<u>50 460 013</u>	<u>26 628 297</u>

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

Section 125(1)(b)

▪ **Contribution to SALGA**

Council membership fees payable	413 543	458 943
Amount paid current year	(413 543)	(458 943)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

MFMA 125(1)(b)

▪ **Audit Fees**

Current year audit fee	540 663	541 216
Amount paid current year	(540 663)	(541 216)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
VAT		
Output Tax		
Opening balance	(2 397 347)	(2 694 535)
Closing balance	(2 966 381)	(2 397 347)
Input Tax		
Amount payable to SARS	21 061 513	13 279 178
Amount paid current year	<u>(21 061 513)</u>	<u>(13 279 178)</u>
Balance outstanding (to)/from SARS	<u><u>-</u></u>	<u><u>-</u></u>
<p>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.</p>		
Pay as You Earn (PAYE)		
Current payroll deductions	13 527 467	12 058 146
Amount paid current year	<u>(13 527 467)</u>	<u>(12 058 146)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
Unemployment Insurance Fund (UIF)		
Current payroll deductions	1 883 665	1 646 041
Amount paid current year	<u>(1 883 665)</u>	<u>(1 646 041)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
Medical Aid		
Current payroll deductions	8 749 284	8 252 065
Amount paid current year	<u>(8 749 284)</u>	<u>(8 252 065)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
Pension Fund		
Current payroll deductions	23 581 690	20 167 306
Amount paid current year	<u>(23 581 690)</u>	<u>(20 167 306)</u>
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

30 June 2007

30 June 2006

R

R

▪ **Disclosure concerning councillors**

Section 124(1)(b)

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June 2007:

	Total 30 June 2007	Outstanding less than 90 days	Outstanding more than 90 days	30 June 2006
Councillor Nkamba TG Account 86-5739-7-X	810	313	497	507
Councillor Zweni L Account 44-2686-5-X	3 869	1 007	2 862	296
Total	4 679	1 320	3 359	802

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

	Highest amount outstanding	Ageing	During 2006
Councillor Simelane BB Account 15-9960-6-X	5 274	150 days	
Councillor Simelane BB & DS Account 13-2543-0-X	2 504	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 2007	Arrear	Current	Outstanding 30 June 2006
Other government institutions	209 580	143 992	353 573	90 930	108 330	199 260
Department of Public Works (Other)	152 458	111 201	263 659	233 248	215 270	448 518
Department of Education & Schools	957 495	106 096	1 063 591	1 381 606	223 459	1 605 065
Department of Public Works (Roads)	24 550	29 512	54 061	92 666	45 679	138 345
Total	1 344 083	390 801	1 734 884	1 798 450	592 738	2 391 188

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	30 June 2007	30 June 2006
	R	R
35. INVESTMENT PROPERTY		
Property at cost	-	42 697 965
Additions	-	2 446 497
Transferred to PPE	-	(45 144 462)
	<hr/>	<hr/>
Total	-	-
	<hr/> <hr/>	<hr/> <hr/>

The municipality has taken advantage of the exemptions as per gazette 30013 of 29 June 2007. The municipality is still in a process of identifying investment property which is currently part of PPE. These items will be transferred once they have been identified in terms of the definition IAS 40 (AC 135). See also note 10.

**36. CHANGE IN ACCOUNTING POLICY
IMPLEMENTATION OF GAMAP**

The municipality has taken advantage of the following exemptions granted in gazette 30013 of 29 June 2007 which has been applied prospectively and therefore the comparative information and amounts have not been reclassified and may not be consistent with the current year's information and amounts as follows:

1. REVENUE (paragraph 13)

Revenue measured at fair value	-	1 790 819
Reversal of revenue at fair value	-	(1 790 819)

Revenue is recognised at cost.

Measurement of fair value, discounting future receipts were determined for the financial year ended 30 June 2006.

The comparative amounts have been reclassified.

2. PROPERTY, PLANT & EQUIPMENT (paragraph 7)

- The useful life or depreciation method used were not reviewed.
- Items of property, plant and equipment were not assessed for impairment and is it not aware of any impairments to assets.
- Included in land and buildings are items that meet the definition of investment property.
- Included in property, plant and equipment are items that meet the definition of inventory.
- The comparative information and amounts have not been reclassified and may therefore not be consistent with the current year information and amounts.

3. INVESTMENT PROPERTY (paragraph 9)

Included in land and buildings are items that meet the definition of investment property. The municipality is still in a process of identifying investment property and these items will be transformed once identified in accordance with the definition of IAS 40 (AC 135). The comparative amounts have been reclassified.

4. INVENTORY (paragraph 11)

Included in land and buildings are items that meet the definition of inventory. The municipality is still in a process of identifying inventory and these items will be transformed once identified in accordance with the definition of GAMAP 12.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The status quo of the 2005/2006 financial year was maintained and only properties listed under inventory which were sold during the year, were expensed.

The comparative amounts have not been reclassified and may therefore not be consistent with the current year information and amounts.

5. **INTANGIBLE ASSETS** (paragraph 8)

Cost incurred on computer software and websites that meet the definition of an intangible asset has been recognized where all other costs incurred have been expensed.

The comparative amounts have been reclassified.

37. **CONTINGENT LIABILITIES**

The Council may still have a contractual obligation to repay 25% of the purchase prices of church erven, to an amount of R24 233, on completion of church buildings to the purchasers.

Forthwith is a list of possible liability claims where the outcome was unknown at year end:

1. **M.M. Selala** on behalf of Phillip Selala – this is a claim for damages in the amount of **R175 000,00** against the municipality for the loose pavement which injured the child resulting in the amputation of his three foot toes.
2. **N.J. & R.D. Mahlaba** – this is a claim for damages in the amount of **R100 000,00** whereby a nurse in the employment of the municipality incorrectly diagnose a patient as being HIV positive.
3. **TAC Wesson** – this is a claim for the amount of **R100 000,00** for unlawful arrest in a traffic related incident.
4. **ABSA Technology Finance Solutions (Pty) Ltd** - this is a claim of **R22 000,00** as the sum owing at the date of termination of the Master Rental Agreement.
5. **IMPISI Trading** – this is a claim of **R5-million** for the cancellation of the agreement regarding the Middelburg Mall which was subsequently alienated to La Roca (Pty) Ltd.
6. **Steven Mahlangu** – this is a claim for the amount of **R100 000,00** for unlawful arrest in a traffic related incident.
7. **H.E. Scheepers** – this is a claim for the amount of **R300 000,00** for unlawful arrest in a traffic related incident.
8. **J.B. Mahlangu** – this is a claim for the amount of **R50 000,00** wherein the fire department vehicle negligently collided with a minibus taxi.
9. **Apostolic Church in South Africa** – in this matter the church has obtained a High Court Order with costs against the municipality regarding the removal of a condition in the title deed. This municipality has appealed this decision of the High Court. The amount of costs orders is at this stage unknown as the bill of costs still has to be taxed.
10. **Medina Meats** – in this matter the High Court has granted costs against the municipality in a matter regarding the illegal butchery. The amount of costs order is at this stage unknown as the bill of costs still has to be taxed.

38. **CONTINGENT ASSETS**

Nkangala District Council executes capital projects which will be donated to Council on completion. At balance sheet date, the following uncompleted capital projects were identified for the following asset classes:

Sewerage	R1 270 357
Roads & Stormwater	R4 675 847
Electricity	R1 455 787
Town Planning & Urban Development	<u>R 739 105</u>
	<u>R8 141 096</u>

APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2007

External Loans	Loan No.	Redeemable	Balance at 30 June 2006	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2007	Carrying value of Property, Plant & Equipment	Other costs in accordance with the MFMA
			R	R	R	R	R	R	R
ANNUITY LOANS									
DBSA @ 13,41%	LALF 15309	31-12-2009	2 553 291	323 015	-	615 464	1 937 827	469 674	-
DBSA @ 11,25%	LALF 11902	30-06-2009	90 702	9 485	-	26 994	63 708	268 163	-
DBSA @ 10,05%	LALF 11903	30-06-2007	25 096	1 927	-	25 096	-	128 776	-
INCA @ 12,80%	MIDD-00-0003	31-12-2012	23 654 922	2 951 030	-	2 521 569	21 133 353	17 171 495	-
INCA @ 12,35%	MIDD-00-0002	30-09-2006	288 760	6 045	-	288 760	-	-	-
ABSA @ 14,40%	40-5934-1607	24-11-2011	39 226 043	5 503 397	-	5 127 758	34 098 285	36 272 100	-
INCA @ 12,50%	MIDD-00-0004	30-06-2019	28 287 180	3 508 142	-	952 340	27 334 840	26 821 154	-
SCMB @ 9,62%	87016-348242	01-09-2015	30 999 498	2 933 316	-	2 120 787	28 878 711	38 237 452	-
Total Annuity Loans			125 125 492	15 236 357	-	11 678 768	113 446 724	119 368 814	-
Total External Loans			125 125 492	15 236 357	-	11 678 768	113 446 724	119 368 814	-

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2007

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value	Budget Additions 2007
	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	602 820 253	54 475 773	8 684 940	396 215	665 584 751	246 043 394	33 842 656	278 965	279 607 085	385 977 666	119 218 018
Roads, pavements, bridges & stormwater	237 265 535	22 179 487	967 295	22 247	260 390 070	111 186 548	15 448 801	22 246	126 613 103	133 776 968	31 865 995
Water reservoirs & reticulation	117 397 964	6 193 928	446 096	63 121	123 974 867	56 213 893	5 991 741	53 162	62 152 472	61 822 395	16 877 460
Car parks, bus terminals & taxi ranks	3 830 927	276 750	-	432	4 107 245	1 537 569	185 327	431	1 722 465	2 384 780	2 960 000
Electricity reticulation	138 335 418	19 379 279	2 539 722	208 315	160 046 104	43 895 323	6 838 270	101 030	50 632 562	109 413 542	46 042 453
Sewerage purification & reticulation	66 393 151	3 994 157	5 147 340	2 277	75 532 371	23 161 482	3 040 828	2 276	26 200 033	49 332 337	13 831 640
Housing	6 234 847	-	-	-	6 234 847	2 462 592	183 037	-	2 645 629	3 589 218	-
Street lighting	19 731 929	1 600 373	-	-	21 332 302	2 831 516	791 137	-	3 622 653	17 709 649	3 400 470
Refuse sites	3 382 648	650 297	401 931	-	4 434 876	397 949	43 847	-	441 796	3 993 080	2 385 000
Other (town planning & development)	8 703 076	201 502	727 314	99 823	9 532 069	4 356 523	1 319 670	99 820	5 576 372	3 955 697	1 855 000
COMMUNITY ASSETS	30 608 452	1 002 876	5 863 306	718 982	36 755 652	9 232 593	1 087 959	650 253	9 670 299	27 085 353	27 813 969
Establishment of parks & gardens	6 658 048	301 805	-	17 565	6 942 288	1 894 615	254 259	17 564	2 131 310	4 810 978	1 005 400
Sports fields	7 164 586	567 115	-	-	7 731 701	2 626 835	311 290	-	2 938 126	4 793 575	770 000
Community halls	2 839 335	-	5 691 553	-	8 530 888	690 695	74 653	-	765 347	7 765 541	21 296 569
Libraries	3 888 841	-	-	-	3 888 841	1 691 325	129 628	-	1 820 952	2 067 889	-
Recreational facilities	758 848	-	-	583 742	175 106	610 202	8 532	561 735	57 000	118 106	190 000
Clinics	3 567 976	-	171 753	-	3 739 729	529 011	118 256	-	647 267	3 092 462	3 360 000
Museums & art galleries	117 675	-	-	117 675	-	67 032	3 922	70 954	-	-	-
Other (fire services & cemeteries)	5 613 143	133 956	-	-	5 747 099	1 122 878	187 419	-	1 310 297	4 436 802	1 192 000
OTHER ASSETS	193 715 533	10 848 794	114 402	5 831 147	198 847 582	69 851 872	9 483 380	4 194 272	75 140 980	123 706 602	14 716 790
Other motor vehicles	25 056 175	3 133 200	-	3 058 683	25 130 692	13 223 558	1 758 937	2 446 946	12 535 549	12 595 143	3 397 465
Plant & equipment	41 320 335	4 021 926	114 402	2 090 994	43 365 668	24 759 742	3 991 692	1 304 377	27 447 057	15 918 611	5 008 560
Office equipment	5 436 326	422 417	-	253 259	5 605 484	4 212 940	296 611	228 195	4 281 356	1 324 127	561 600
Abattoirs	72 233	-	-	-	72 233	54 323	2 238	-	56 562	15 671	-
Security measures (including fencing)	6 461 001	1 185 873	-	79 753	7 567 121	4 410 440	572 989	56 520	4 926 910	2 640 211	1 222 157
Civic land & buildings	38 875 987	334 539	-	-	39 210 526	10 335 359	1 287 180	-	11 622 539	27 587 987	915 000
Other land & buildings	66 419 298	408 938	-	343 561	66 484 675	6 245 582	615 214	153 340	6 707 455	59 777 219	1 696 843
Other (including IT)	10 074 179	1 341 901	-	4 897	11 411 183	6 609 927	958 518	4 895	7 563 551	3 847 632	1 915 165
SPECIALISED VEHICLES	16 110 332	1 294 374	-	-	17 404 706	4 523 108	839 628	-	5 362 736	12 041 970	3 800 000
Refuse	9 127 284	1 294 374	-	-	10 421 658	3 177 288	525 409	-	3 702 697	6 718 961	1 300 000
Fire	6 983 048	-	-	-	6 983 048	1 345 820	314 220	-	1 660 040	5 323 008	2 500 000
TOTAL	843 254 570	67 621 817	14 662 648	6 946 344	918 592 691	329 650 967	45 253 623	5 123 491	369 781 100	548 811 591	165 548 777

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2007

	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		
EXECUTIVE COUNCIL	3 356 503	124 434	-	11 261	3 469 676	1 859 785	282 191	11 260	2 130 716	1 338 960	313 000
Executive Council	3 356 503	124 434	-	11 261	3 469 676	1 859 785	282 191	11 260	2 130 716	1 338 960	313 000
FINANCE & ADMINISTRATION	113 211 069	2 630 960	114 402	121 446	115 834 985	27 198 722	4 085 554	34 157	31 250 119	84 584 866	4 580 895
Finance	5 228 625	359 572	-	-	5 588 197	3 756 084	416 052	-	4 172 136	1 416 061	670 600
Information technology	925 658	747 419	-	-	1 673 077	381 615	154 003	-	535 618	1 137 459	553 000
Human resources	295 276	77 486	-	-	372 762	241 127	13 950	-	255 077	117 686	267 600
Property services	97 288 247	760 725	-	-	98 048 972	16 929 944	2 813 252	-	19 743 196	78 305 776	1 593 300
Other & admin	9 473 263	685 758	114 402	121 446	10 151 977	5 889 952	688 297	34 157	6 544 092	3 607 884	1 496 395
PLANNING & DEVELOPMENT	5 957 631	9 518	658 708	-	6 625 857	2 443 873	933 087	-	3 376 960	3 248 898	3 955 000
Planning & development	5 957 631	9 518	658 708	-	6 625 857	2 443 873	933 087	-	3 376 960	3 248 898	3 955 000
ROAD TRANSPORT	242 503 729	20 735 473	967 295	4 949 240	259 257 257	116 841 282	15 298 513	3 638 528	128 501 267	130 755 990	32 519 995
Vehicle licensing & testing	1 842 789	150 335	801 654	-	2 794 778	1 125 538	105 466	-	1 231 004	1 563 774	1 021 000
Roads & stormwater	239 024 100	20 308 388	165 641	4 949 240	254 548 889	114 974 113	15 125 704	3 638 528	126 461 289	128 087 600	29 738 995
Roads other	1 636 839	276 750	-	-	1 913 589	741 631	67 343	-	808 973	1 104 616	1 760 000
HEALTH	7 088 133	87 519	171 753	-	7 347 405	2 654 405	401 023	-	3 055 113	4 292 291	3 833 500
Clinics	6 089 576	82 760	171 753	-	6 344 089	2 176 184	234 196	-	2 410 380	3 933 709	3 493 000
Health other	998 557	4 759	-	-	1 003 316	477 907	166 827	-	644 733	358 583	340 500
COMMUNITY & SOCIAL SERVICES	16 172 605	1 465 303	5 715 400	-	23 353 308	5 139 559	819 070	-	5 958 629	17 394 679	23 482 569
Libraries & archives	5 751 210	6 063	-	-	5 757 273	2 982 225	247 232	-	3 229 458	2 527 815	8 000
Community halls & facilities	3 545 078	488 690	5 691 553	-	9 725 321	884 140	175 730	-	1 059 870	8 665 451	21 832 569
Cemeteries & crematoriums	6 876 318	970 550	23 847	-	7 870 715	1 273 194	396 108	-	1 669 302	6 201 413	1 642 000
PUBLIC SAFETY	21 880 939	3 640 527	-	-	25 521 466	8 111 322	1 410 220	-	9 521 543	15 999 923	5 701 595
Fire	14 624 030	1 554 260	-	-	16 178 290	4 153 284	832 903	-	4 986 187	11 192 103	3 264 420
Traffic	7 256 909	2 086 267	-	-	9 343 176	3 958 038	577 318	-	4 535 356	4 807 820	2 437 175
SPORT & RECREATION	40 361 500	2 652 063	10 404	1 864 379	41 159 588	17 505 311	2 167 915	1 439 530	18 233 696	22 925 892	3 787 400
Sport & recreation	40 361 500	2 652 063	10 404	1 864 379	41 159 588	17 505 311	2 167 915	1 439 530	18 233 696	22 925 892	3 787 400
WASTE WATER MANAGEMENT	72 739 434	4 911 348	3 647 341	-	81 298 123	25 013 138	3 400 716	-	28 413 854	52 884 268	14 780 040
Sewerage	72 610 785	4 911 348	3 647 341	-	81 169 474	24 969 553	3 396 428	-	28 365 981	52 803 493	14 780 040
Public toilets	128 649	-	-	-	128 649	43 585	4 288	-	47 873	80 776	-
WASTE MANAGEMENT	17 392 469	2 299 329	401 931	-	20 093 729	5 933 627	814 555	-	6 748 182	13 345 547	3 947 000
Solid waste	17 392 469	2 299 329	401 931	-	20 093 729	5 933 627	814 555	-	6 748 182	13 345 547	3 947 000
HOUSING	9 954 351	47 383	-	-	10 001 734	5 262 218	335 075	-	5 597 293	4 404 442	270 000
Housing	9 954 351	47 383	-	-	10 001 734	5 262 218	335 075	-	5 597 293	4 404 442	270 000
WATER	123 344 675	6 953 795	446 096	-	130 744 566	58 606 219	6 464 703	-	65 070 922	65 673 644	17 556 460
Water distribution	90 857 656	6 422 585	446 096	-	97 726 337	38 067 404	5 075 627	-	43 143 031	54 583 306	16 925 460
Water storage	32 487 019	531 210	-	-	33 018 229	20 538 815	1 389 076	-	21 927 892	11 090 337	631 000
ELECTRICITY	169 291 531	22 064 165	2 529 318	18	193 884 996	53 081 823	8 840 999	16	61 922 806	131 962 190	50 821 323
Electricity distribution	152 111 524	20 550 168	2 529 318	18	175 190 992	51 135 989	8 149 818	16	59 285 791	115 905 201	47 420 853
Street lighting	17 180 007	1 513 997	-	-	18 694 004	1 945 833	691 181	-	2 637 015	16 056 989	3 400 470
TOTAL	843 254 570	67 621 817	14 662 648	6 946 344	918 592 691	329 650 967	45 253 623	5 123 491	369 781 100	548 811 591	165 548 777

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Actual Surplus/ (Deficit)
R	R	R		R	R	R
16 275 651	22 785 943	(6 510 293)	Executive & Council	18 964 624	30 439 139	(11 474 515)
16 275 651	22 785 943	(6 510 293)	Executive & Council	18 964 624	30 439 139	(11 474 515)
204 837 642	90 487 581	114 350 061	Finance & Admin	292 362 492	85 236 535	207 125 957
138 260 839	28 626 939	109 633 900	Finance	170 229 477	34 703 920	135 525 557
3 490 759	3 502 877	(12 117)	Human Resources	4 190 050	4 154 637	35 413
1 661 236	2 953 426	(1 292 190)	Information Technology	1 960 916	4 172 003	(2 211 087)
48 576 524	35 345 604	13 230 920	Property Services	101 433 178	20 148 580	81 284 598
12 848 284	20 058 736	(7 210 451)	Other Admin	14 548 871	22 057 395	(7 508 524)
1 779 053	5 337 973	(3 558 920)	Planning & Development	1 058 040	6 069 674	(5 011 634)
1 779 053	5 337 973	(3 558 920)	Planning & Development	1 058 040	6 069 674	(5 011 634)
4 351 377	11 256 360	(6 904 983)	Health	4 599 354	12 449 074	(7 849 720)
4 350 245	9 409 671	(5 059 426)	Clinics	4 593 000	10 212 924	(5 619 924)
1 132	1 846 688	(1 845 557)	Health Other	6 354	2 236 150	(2 229 796)
478 692	6 549 713	(6 071 021)	Community Services	1 718 643	7 393 113	(5 674 470)
80 189	2 963 325	(2 883 137)	Libraries	93 780	3 699 382	(3 605 602)
62 170	851 094	(788 924)	Community Halls & Facilities	815 520	1 041 851	(226 331)
336 333	2 735 293	(2 398 960)	Cemeteries	809 343	2 651 880	(1 842 537)
754 172	3 819 129	(3 064 956)	Housing	776 579	4 712 286	(3 935 707)
754 172	3 819 129	(3 064 956)	Housing	776 579	4 712 286	(3 935 707)
4 526 183	20 252 029	(15 725 846)	Public Safety	3 391 809	23 939 180	(20 547 371)
1 004 627	8 318 357	(7 313 730)	Fire Services	176 685	10 274 680	(10 097 995)
3 521 556	11 933 672	(8 412 116)	Traffic	3 215 124	13 664 500	(10 449 376)

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Actual Surplus/ (Deficit)
R	R	R		R	R	R
5 185 959	28 039 816	(22 853 857)	Parks & Recreation	5 178 053	27 964 443	(22 786 390)
5 185 959	28 039 816	(22 853 857)	Parks & Recreation	5 178 053	27 964 443	(22 786 390)
52 083 849	41 043 097	11 040 752	Waste Management	50 792 655	45 231 897	5 560 758
29 557 650	18 310 731	11 246 919	Sewerage	27 050 748	20 304 832	6 745 916
-	795 016	(795 016)	Public Toilets	-	821 023	(821 023)
22 526 198	21 937 350	588 848	Refuse Removal	23 741 907	24 106 042	(364 135)
28 394 971	39 575 189	(11 180 218)	Roads Transport	13 645 613	40 493 100	(27 297 487)
21 172 019	33 682 615	(12 510 596)	Roads	5 263 492	33 683 367	(28 419 875)
7 186 346	5 125 229	2 061 117	Vehicle Licenses & Traffic	8 345 515	6 434 086	1 911 429
36 606	767 345	(730 739)	Transport Other	36 606	825 647	(789 041)
34 920 399	26 334 191	8 586 208	Water	41 140 125	26 937 648	14 202 477
34 620 399	16 162 008	18 458 391	Water Distribution	41 134 031	17 170 867	23 963 164
300 000	10 172 183	(9 872 183)	Water Purification	6 094	9 766 781	(9 760 687)
134 123 811	109 080 808	25 043 003	Electricity	140 635 613	115 424 238	25 211 375
126 558 498	104 579 649	21 978 849	Electricity Distribution	139 971 640	109 962 150	30 009 490
7 565 313	4 501 159	3 064 154	Street Lighting	663 973	5 462 088	(4 798 115)
487 711 760	404 561 830	83 149 930	Sub-Total	574 263 600	426 740 327	147 523 273
(53 053 899)	(53 053 899)	-	Less: Inter-Departmental Charges	(68 308 392)	(68 308 392)	-
434 657 860	351 507 930	83 149 930	Total	505 955 208	358 431 935	147 523 273

APPENDIX E
ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2007

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	87 679 521	86 816 047	863 474	0,99	
Service charges : Electricity	121 399 833	113 359 780	8 040 053	7,09	
Refuse removal	16 789 529	16 742 915	46 614	0,28	
Sewerage	17 606 858	17 472 539	134 319	0,77	
Water	34 646 560	32 509 951	2 136 609	6,57	
Rental of facilities and equipment	1 840 584	1 497 193	343 391	22,94	More revenue received for rental of land and advertisement signs than budgeted for.
Interest earned – external investments	26 960 138	16 800 000	10 160 138	60,48	Investments had grown by more than 50% and higher cash balances in current account resulted in more interest received.
Interest earned – outstanding debtors	1 703 384	2 613 564	(910 180)	(34,83)	Erven are sold cash, therefore income does not realize.
Fines	3 345 607	3 782 000	(436 393)	(11,54)	Court roll overloaded, resulting in more cases rejected.
Licensing & permits	3 228 248	2 920 500	307 748	10,54	Increase in licensing fees resulted in more revenue.
Revenue for agency services	5 023 898	4 150 000	873 898	21,06	Increase in licensing fees resulted in more revenue.
Government grants & subsidies – operating	36 998 627	38 504 000	(1 505 373)	(3,91)	
Government grants & subsidies – capital	12 455 942	15 331 200	(2 875 258)	(18,75)	INEP grant unclaimed due to rolled over projects.
Public contributions, donated and contributed property, plant and equipment	4 022 521	18 820 000	(14 797 479)	(78,63)	Majority projects from NDM not completed during the financial year.
Other revenue	132 252 460	103 066 491	29 185 969	28,32	More erven were sold including R53-million for Mall.
Gains on disposal of property, plant & equipment	1 499	250 000	(248 501)	(99,40)	Less revenue received. The auction for the sale of redundant equipment did not realise.
Total Revenue	505 955 208	474 636 180	31 319 028	6,60	

APPENDIX E
ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2007

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related costs	121 965 642	125 727 816	(3 762 174)	(2,99)	
Remuneration of councillors	9 452 422	10 061 280	(608 858)	(6,05)	
Bad debts	2 833 680	2 833 680	-	-	
Collection costs	319 698	350 000	(30 302)	(8,66)	
Depreciation	47 482 193	52 868 662	(5 386 469)	(10,19)	Only 50% of CAPEX spent and projects rolled over to next financial year resulted in less depreciation.
Repairs & maintenance	21 797 569	23 441 540	(1 643 971)	(7,01)	
Interest of external borrowings	15 236 357	15 227 591	8 766	0,06	
Bulk purchases : Electricity	69 800 821	65 228 390	4 572 431	7,01	
Water	2 245 373	3 055 000	(809 627)	(26,50)	Water tariff paid for purchase of water much less than budgeted for.
Contracted services	8 857 622	10 239 630	(1 382 008)	(13,50)	Savings realised on the costs of security and cleaning services and services private contracts.
Grants & subsidies paid	1 671 264	1 971 063	(299 799)	(15,21)	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	51 344 966	64 532 145	(13 187 179)	(20,44)	Savings realised on inventory saleable land, town planning costs, consulting fees, purchase of fuel and lubricants, stationery, vehicle costs capitalised and telecommunication costs.
Loss on disposal of property, plant & equipment	1 744 602	-	1 744 602	100	Botshabelo land claim finalised and Inyanda loan repaid. Assets have therefore been written off.
Contributions to/(transfers from) provisions	3 679 725	1 424 349	2 255 376	158,34	Additional provision for staff leave was made in terms of the accounting policy.
Total Expenditure	358 431 935	376 961 146	(18 529 211)	(4,92)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	147 523 273	97 675 034	49 848 239	51,03	

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2007

	2007 Actual R	2007 Under Construction R	2007 Total Additions R	2007 Budget R	2007 Variance R	2007 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	256 729	-	256 729	363 000	(106 271)	(29,28)	
Executive & Council	256 729	-	256 729	363 000	(106 271)	(29,28)	Saving on computer software (Valuation programme).
FINANCE & ADMINISTRATION	3 063 665	114 402	3 178 067	7 115 895	(3 937 828)	(55,34)	
Finance	388 468	-	388 468	2 120 600	(1 732 132)	(81,68)	Savings on IT equipment, security cameras & Munsoft Classic Conversion.
Information Technology	915 478	-	915 478	1 638 000	(722 522)	(44,11)	Disaster recovery rolled over to 2007/2008.
Human Resources	219 616	-	219 616	267 600	(47 984)	(17,93)	Saving on finger print readers (clock system).
Property Services	840 717	-	840 717	1 593 300	(752 583)	(47,23)	Pounding storage and upgrading of Rates Hall rolled over to 2007/2008
Other & Admin	699 386	114 402	813 788	1 496 395	(682 607)	(45,62)	PABX telephone system rolled over to 2007/2008 and multi safes not executed.
PLANNING & DEVELOPMENT	17 418	658 708	676 126	3 955 000	(3 278 874)	(82,90)	
Planning & Development	17 418	658 708	676 126	3 955 000	(3 278 874)	(82,90)	Facilities for informal traders, surveying Rockdale and town establishment of Mafube Village rolled over to 2007/2008.
ROAD TRANSPORT	20 754 969	967 295	21 722 264	32 519 995	(10 797 731)	(33,20)	
Vehicle Licensing & Testing	163 830	801 654	965 484	1 021 000	(55 516)	(5,44)	Saving on furniture not purchased – moratorium.
Roads & Stormwater	20 314 389	165 641	20 480 030	29 738 995	(9 258 965)	(31,13)	Saving due to road projects rolled over to 2007/2008.
Roads Other	276 750	-	276 750	1 760 000	(1 483 250)	(84,28)	Taxi facilities rolled over to 2007/2008.
HEALTH	109 307	171 753	281 060	3 833 500	(3 552 440)	(92,67)	
Clinics	99 088	171 753	270 841	3 493 000	(3 222 159)	(92,25)	Construction of Tokologo Clinic rolled over to 2007/2008.
Health Other	10 219	-	10 219	340 500	(330 281)	(97,00)	Saving on air pollution monitoring equipment.

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2007

	2007 Actual R	2007 Under Construction R	2007 Total Additions R	2007 Budget R	2007 Variance R	2007 Variance %	Explanations of significant variances greater than 5% versus budget
COMMUNITY & SOCIAL SERVICES	1 479 334	5 715 400	7 194 734	23 507 569	(16 312 835)	(69,39)	
Libraries & Archives	20 094	-	20 094	33 000	(12 906)	(39,11)	Savings on installation of alarm systems and extension to software libraries.
Community Halls & Facilities	488 690	5 691 553	6 180 243	21 832 569	(15 652 326)	(71,69)	Erection of new banquet hall rolled over to 2007/2008.
Cemeteries & Crematoriums	970 550	23 847	994 397	1 642 000	(647 603)	(39,44)	Development of rural cemeteries rolled over to 2007/2008.
PUBLIC SAFETY	3 677 123	-	3 677 123	5 701 595	(2 024 472)	(35,51)	
Fire	1 548 738	-	1 548 738	3 264 420	(1 715 682)	(52,56)	Water tanker and water pump replacement rolled over to 2007/2008.
Traffic	2 128 385	-	2 128 385	2 437 175	(308 790)	(12,67)	VASCAR equipment for vehicles rolled over to 2007/2008.
SPORT & RECREATION	2 682 404	10 404	2 692 808	3 787 400	(1 094 592)	(28,90)	
Sport & Recreation	2 682 404	10 404	2 692 808	3 787 400	(1 094 592)	(28,90)	Development and upgrading of parks and facilities rolled over to 2007/2008
WASTE WATER MANAGEMENT	4 906 589	3 647 341	8 553 930	14 780 040	(6 226 110)	(42,13)	
Sewerage	4 906 589	3 647 341	8 553 930	14 780 040	(6 226 110)	(42,13)	Development and upgrading of sewerage structures and facilities rolled over to 2007/2008.
Public Toilets							
WASTE MANAGEMENT	2 307 229	401 931	2 709 160	3 947 000	(1 237 840)	(31,36)	
Solid Waste	2 307 229	401 931	2 709 160	3 947 000	(1 237 840)	(31,36)	Refuse transfer stations rolled over to 2007/2008 and savings on executed projects.
HOUSING	47 383	-	47 383	270 000	(222 617)	(82,45)	
Housing	47 383	-	47 383	270 000	(222 617)	(82,45)	Delivery period of supplier not in time for closing date of financial year - orders cancelled.

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2007

	2007 Actual R	2007 Under Construction R	2007 Total Additions R	2007 Budget R	2007 Variance R	2007 Variance %	Explanations of significant variances greater than 5% versus budget
WATER	6 949 791	446 096	7 395 887	17 556 460	(10 160 573)	(57,85)	
Water Distribution	6 418 581	446 096	6 864 677	16 925 460	(10 060 783)	(59,44)	Development and upgrading of water networks rolled over to 2007/2008
Water Storage	531 210	-	531 210	631 000	(99 790)	(15,81)	Water purification projects Presidentsrus and Vaalbank rolled over to 2007/2008.
ELECTRICITY	22 085 552	2 529 318	24 614 870	50 821 323	(26 206 453)	(51,57)	
Electricity Distribution	20 571 555	2 529 318	23 100 873	47 420 853	(24 319 980)	(51,29)	Electricity network projects rolled over to 2007/2008 and savings on executed projects.
Street Lighting	1 513 997	-	1 513 997	3 400 470	(1 886 473)	(55,48)	Streetlight projects rolled over to 2007/2008 and savings on executed projects
TOTAL	68 337 493	14 662 648	83 000 141	168 158 777	(85 158 636)	(50,64)	

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
July 2006			
Town Engineer	V&V Consultant	170 000,00	Sole provider.
Town Engineer	Power Pump Engineering	119 375,00	Emergency.
Town Electrical Engineer	Success Maintenance	30 000,00	Emergency.
Town Electrical Engineer	Verotest	3 673,50	Sole provider.
Solid Waste Disposal	Rodek Transmission	9 234,00	Agents.
Solid Waste Disposal	Rodek Transmission	9 918,00	Agents.
August 2006			
Town Electrical Engineer	Middelburg Nissan	3 443,70	Agents.
Licensing	MP Provincial Government	14 166,80	Sole provider.
Licensing	MP Provincial Government	13 933,80	Sole provider.
Town Electrical	VI Instruments	9 273,04	Sole provider.
Public Relations	MP Mirror	14 520,64	Sole provider.
Finance – Supply Chain Unit	Conlog	18 240,00	Sole provider.
Finance – Supply Chain Unit	Conlog	170 662,27	Sole provider.
September 2006			
Municipal Building	Electra Highveld	530,70	Sole provider.
Public Relations	The Herald Newspaper	500,00	Preferred.
Town Electrical	Alstom Electrical	5 000,00	Manufacturer.
Human Resources	Association of Office	5 040,00	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
September 2006			
Municipal Buildings	Electra Highveld	530,10	Sole provider.
Mayor's Office	Zicalele Trading	1 500,00	Preferred.
Public Relations	LSS Samsung	22 013,00	Sole provider.
Town Electrical Engineer	Motomid Motors	2 473,00	Agents.
Town Electrical Engineer	Barloworld Toyota	1 259,14	Agents.
Town Engineer	Afrilab	10 413,00	Sole provider.
Town Engineer	Afrilab	10 266,00	Sole provider.
Town Engineer	Sud-Chemie	20 175,00	Sole provider.
Solid Waste Disposal	Auto & Diesel	664,94	Preferred.
Parks & Recreation	Auto & Diesel	120,00	Preferred.
Solid Waste Disposal	Eastvaal Engineering	2 280,00	One quote.
Parks & Recreation	Digicore Fleet Management	500,00	Contract.
Town Electrical Engineer	Specialist Engineering	1 080,00	Emergency.
Town Engineer	YMR CC	11 884,00	Emergency.
Public Relations	LSS Samsung	7 870,56	Sole provider.
Public Relations	LSS Samsung	5 985,00	Sole provider.
Public Relations	LSS Samsung	27 873,00	Sole provider.
Finance	Advance Fire	1 613,10	Sole provider.
Town Electrical Engineer	TV Electrical	5 279,56	Emergency.
Town Electrical Engineer	Relay	19 600,00	Manufacturer.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
September 2006			
Municipal Buildings	Airex	1 504,80	Sole provider.
Town Engineer	Metsi-Chem	1 265,66	Emergency.
Public Relations	MP Mirror	9 469,98	Preferred.
Solid Waste Disposal	Middelburg Radiators	547,20	Emergency.
Traffic & Security	Truvelo Manufacturers	6 103,74	Sole provider.
Traffic & Security	Forms Media	14 318,40	One quote.
Mayor's Office	Liquor City	444,22	No reason specified.
Mayor's Office	Liquor City	756,06	No reason specified.
Traffic & Security	Alco-Safe	54 720,00	No reason specified.
Technical & Facilities	Midvaal Motor Engineering	3 749,46	No reason specified.
Technical & Facilities	Midvaal Motor Engineering	500,00	No reason specified.
Parks & Recreation	Auto & Diesel	500,00	No reason specified.
Parks & Recreation	Auto & Diesel	120,00	No reason specified.
Traffic & Security	Magna FS (Pty) Ltd	183 872,08	No reason specified.
October 2006			
Solid Waste Disposal	East Auto Hydraulic	1 500,00	Emergency.
Town Secretary	Canon Office Equipment Product	2 339,28	Rental agreement.
Town Engineer	Orberton Civils	5 000,00	Preferred.
Solid Waste Disposal	Middelburg Brake & Clutch	1 500,00	Emergency.
Human Resources	Open Spatial Solutions	10 260,00	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
October 2006			
Town Electrical Engineer	Mpumalanga Mining & Supplies	3 000,00	Emergency.
Town Electrical Engineer	Relay Settings	46 900,00	Manufacturer.
Town Electrical Engineer	Middelburg Power Supplies	914 508,00	Emergency.
Solid Waste Disposal	Auto & Diesel Services	1 600,00	Emergency.
Solid Waste Disposal	Propshaft & Gearbox Centre	1 850,00	Emergency.
Town Engineer	Ukwazi Engineering	3 374,00	Emergency.
Town Electrical Engineer	Margot	10 659,00	Emergency.
Licensing	Truvelo Manufacturers	1 171,00	Sole provider.
Municipal Manager	The Penny Whistler	1 440,00	Preferred.
Town Electrical Engineer	DA Ncongwane Attorneys	3 000,00	Preferred.
Parks & Recreation	GJ Electrical	10 000,00	Emergency.
Licensing	SABS	800,00	Sole provider.
Town Engineer	Sud-Chemie	73 800,00	Sole provider.
Solid Waste Disposal	Midvaal Motor Engineering	1 600,00	Warranty.
Town Engineer	Sud-Chemie	18 450,00	Sole provider.
Town Engineer	Sud-Chemie	29 520,00	Sole provider.
Finance	PR Communications	10 916,00	No reason specified.
Town Secretary	The Herald Newspaper	500,00	Preferred.
Town Secretary	The Herald Newspaper	500,00	Preferred.
Town Secretary	The Herald Newspaper	1 022,00	Preferred.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
October 2006			
Town Secretary	The Herald Newspaper	7 158,00	Preferred.
Human Resources	PR Communications	14 158,00	No reason specified.
Human Resources	PR Communications	24 610,00	No reason specified.
Solid Waste Disposal	East Auto Hydraulics	1 197,00	Emergency.
Solid Waste Disposal	East Auto Hydraulics	6 449,00	Emergency.
Public Relations	The Herald Newspaper	1 179,00	No reason specified.
Town Secretary	Optiplan	2 357,00	Sole provider.
Traffic & Security	Truvelo Manufacturers	6 021,00	Sole provider.
Human Resources	Lexis Nexis Butterworths	4 356,00	Preferred.
Town Electrical Engineer	Electrotron	3 000,00	Emergency.
Parks & Recreation	Eastvaal Auto & Tractor	3 000,00	Agents.
Town Secretary	Optiplan	2 096,00	Sole provider.
Housing	Nashua Mpumalanga	467,00	Sole provider.
Housing	Xerox	749,00	Sole provider.
November 2006			
Licensing	SABS	730,74	Sole provider.
Town Secretary	The Herald Newspaper	2 556,45	Preferred.
Town Secretary	The Herald Newspaper	511,21	Preferred.
Town Secretary	The Herald Newspaper	511,21	Preferred.
Town Secretary	The Herald Newspaper	1 022,58	Preferred.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
November 2006			
Town Secretary	The Herald Newspaper	874,00	Preferred.
Town Secretary	The Herald Newspaper	828,00	Preferred.
Town Secretary	The Herald Newspaper	828,00	Preferred.
Traffic & Security	Truvelo Manufacturers	20 457,50	Sole provider.
Town Engineer	Procol Engineering	6 116,00	Ex-stock.
IT	Open Spacial Solution	7 986,84	Sole provider.
Solid Waste Disposal	Eastvaal Auto Hydraulics	4 000,00	Emergency.
Solid Waste Disposal	Eastvaal Auto Hydraulics	1 200,00	Emergency.
Human Resources	PR Communications	14 158,80	Sole provider.
Traffic	Middelburg Nissan	2 180,77	Agents.
Solid Waste Disposal	East Auto Hydraulic	1 200,00	Emergency.
Mayor's Office	McCarthy Kunene Witbank	3 000,00	Agents.
Solid Waste Disposal	Midvaal Motor Engineering	1 500,00	Emergency.
IT	Midvaal Motor Engineering	11 901,00	Warranty.
Fire	Midvaal Motor Engineering	68 755,58	Emergency.
Human Resources	PR Communications	24 610,32	Sole provider.
IT	TGIS	11 801,28	Sole provider.
Town Secretary	The Citizen	1 140,00	Sole provider.
Town Electrical Engineer	Mpumalanga Mining and Engineering Supplies	2 530,80	Emergency.
Human Resources	PR Communications	19 502,72	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
November 2006			
Town Secretary	OH Frewin Printers	319,77	Emergency.
Solid Waste Disposal	Auto & Diesel Services	1 890,00	Emergency.
December 2006			
Town Secretary	The Herald Newspaper	2 919,00	Emergency.
Town Secretary	The Herald Newspaper	2 840,00	Emergency.
Human Resources	Verotest	11 400,00	Sole provider.
Solid Waste Disposal	Rodek Transmission	11 699,00	Sole provider.
Human Resources	ABB South Africa	11 608,00	Sole provider.
Human Resources	Execuprime	32 490,00	Only available supplier.
Town Engineer	Nicodane	16 000,00	Only available supplier.
Fire	LSS Samsung	1 272,00	Sole provider.
Town Secretary	FP SA	1 087,00	Sole provider.
Parks & Recreation	Auto & Diesel	3 136,00	Only available supplier.
Fire	Hi-Tech Auto Repairs	2 936,64	Emergency.
Parks & Recreation	Auto & Diesel	3 496,00	Emergency.
IT	Total Geo-Spatial Solutions	46 908,72	Emergency.
Traffic	Truvelo Manufacturers	500,00	Sole provider.
Traffic	Ri & D Projects	53 200,00	Emergency.
Town Electrical Engineer	Success Maintenance	64 768,00	Nsueweni Trading.
Town Secretary	Jet X Pro	4 854,00	Only available supplier.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
December 2006			
Human Resources	Vizual Solutions	26 676,00	Sole provider.
Public Relations	LSS Samsung	3 363,00	Sole provider.
Public Relations	PR Communications	78 492,00	Contracted providers.
Town Engineer	Flender	155 188,50	Sole provider.
Fire	Middelburg Air Brakes	3 017,00	Emergency.
Town Engineer	Man Air	6 600,00	Emergency.
January 2007			
Town Secretary	The Herald Newspaper	1 610,00	Preferred.
Town Secretary	The Herald Newspaper	4 601,61	Preferred.
Town Secretary	The Herald Newspaper	3 067,74	Preferred.
Town Secretary	The Herald Newspaper	511,29	Preferred.
Town Secretary	The Herald Newspaper	7 551,36	Preferred.
Town Secretary	Mpumalanga Gazette	1 000,00	Preferred.
Town Secretary	The Herald Newspaper	2 622,00	Preferred.
Town Secretary	The Herald Newspaper	3 700,00	Preferred.
Town Secretary	The Herald Newspaper	3 213,00	Preferred.
Town Secretary	The Herald Newspaper	3 213,00	Preferred.
Parks & Recreation	Motomid	2 014,77	Sole provider.
Town Electrical Engineer	Relay Settings	46 000,00	Manufacturer.
Town Electrical Engineer	Relay Settings	20 000,00	Manufacturer.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
January 2007			
Solid Waste Disposal	McCarthy Kunene	843,15	Sole provider.
Licensing	Truvelo Manufacturers	1 279,02	Sole provider.
Parks & Recreation	MP B Civil	3 420,00	Emergency.
Finance- Supply Chain Unit	Emalahleni Documents	2 762,97	Sole provider.
Finance- Supply Chain Unit	Nashua Mpumalanga	466,16	Sole provider.
Solid Waste Disposal	Middelburg Air Brakes	860,00	Emergency.
Solid Waste Disposal	Auto And Diesel	1 150,00	Emergency.
Licensing	SABS	471,96	Sole provider.
Licensing	SABS	730,74	Sole provider.
Traffic & Security	Truvelo Manufacturers	38 000,00	Sole provider.
Town Electrical Engineer	DA Ncongwane Attorney	28 800,00	Preferred.
Solid Waste Disposal	Middelburg Air Brakes	6 000,00	Emergency.
Solid Waste Disposal	Hlokeni Sophie Matshika	1 050,00	Only available supplier.
Town Secretary	Raslo Sound	1 800,00	Emergency.
Health	Zama-Pumelela	1 117,20	Preferred.
Health	Chubb Security	370,00	Contracted providers.
Health	Chubb Security	370,00	Contracted providers.
Town Electrical Engineer	Ukwazi Engineering	800,00	Emergency.
Public Relations	LSS Samsung	399,00	Contracted providers.
IT	Meissner UPS	4 993,20	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
January 2007			
Municipal Buildings	JCF Air Conditioning	87 211,33	Emergency.
Town Secretary	Discount Furnishers	9 490,00	Sole provider.
Parks & Recreation	Thermadyne	491,93	Contracted providers.
February 2007			
Town Secretary	The Herald Newspaper	3 670,80	Contracted Providers
Solid Waste Disposal	Solly's Delta	13 001,97	Emergency
Town Secretary	Mpumalanga Gazette	800,00	Sole Provider
Solid Waste Disposal	Auto And Diesel	1 350,00	Emergency
Public Relations	Lion Cellars	11 644,90	Emergency
Town Electrical Engineer	Static Power	5 003,46	Sole Provider
Parks & Recreation	Thermadyne	306,05	Contracted Providers
Municipal Building	Remocor (Pty) Ltd	1 181,00	Emergency
Mayor's Office	Thumbalethu Projects	1 250,00	Emergency
Public Relations	Mid Signs CC	15 600,00	Contracted Providers
Town Engineer	Rand Air	1 651,00	Sole Provider
Town Engineer	Metsi-Chem	88 840,65	Only Available Supplier
Solid Waste Disposal	Middelburg Air Brakes	1 385,10	Sole Provider
Town Engineer	Metsi-Chem	15 820,45	Only Available Supplier
Solid Waste Disposal	East Auto Hydraulics	2 162,00	Emergency
Public Relations	The Herald Newspaper	6 785,00	Preferred.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
February 2007			
Town Secretary	MJ Mtshwene	1 200,00	Only Available Supplier
Municipal Building	Setec CC	2 736,00	Emergency.
Municipal Building	Remocor (Pty) Ltd	1 845,00	Emergency.
Town Secretary	MULDTA Association	720,00	One quote obtained.
Public Relations	Mbungiswa Transport	9 540,00	Only available supplier.
Human Resources	PR Communication	24 493,86	Emergency.
Town Engineer	Metsi-Chem	20 729,49	Only available supplier.
Human Resources	Ugesi Training	20 000,00	Sole provider.
Public Relations	21 st Century Funerals	6 258,60	Emergency.
Public Relations	Bhekky's Photo Specialist	5 210,00	Only available supplier.
Human Resources	Ugesi Training	18 000,00	Only available supplier.
Town Secretary	Chubb Security	1 110,00	Contracted providers.
Health	Hemocue South Africa	1 480,00	Sole provider.
Town Engineer	Power Pump Engineering	15 062,00	Emergency.
Town Engineer	Witcrete	4 260,00	Emergency.
IT	TGIS	23 033,00	Sole provider.
Human Resources	Ugesi Training	19 200,00	Sole provider.
Finance	Contour Technologies	56 498,40	Sole provider.
Finance – Data	Flaming Silver Joint Venture	75 790,08	Contracted providers.
Finance – Supply Chain Unit	Predicate Logistics	105 000,00	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
February 2007			
Town Secretary	Raslo Music	2 290,00	Emergency.
March 2007			
Town Secretary	The Sowetan	1 941,00	Preferred.
Town Secretary	Government Gazette	1 000,00	Sole provider.
Town Secretary	The Herald Newspaper	1 000,00	Preferred.
Town Secretary	The Herald Newspaper	300,00	Preferred.
Town Secretary	The Herald Newspaper	300,00	Preferred.
Town Engineer	Uncedo Develop Planner	57 000,00	Emergency.
Human Resources	PR Communications	41 450,46	Emergency.
Town Engineer	Aquatronics	764,84	Emergency.
IT	Micromation System	24 339,00	Preferred.
IT	Payday Software	2 438,46	Sole provider.
Engineer	Fire Disaster & Training	3 600,00	Emergency.
Engineer	Procol Engineering	1 249,00	Sole provider.
Finance	Fidelity Cash Management	2 360,00	Contracted supplier.
Electrical Engineer	Verotest	2 850,00	Sole provider.
Electrical Engineer	Sectional Poles	17 550,00	Emergency.
Solid Waste Disposal	Sanumed	2 612,10	Sole provider.
Electrical Engineer	ABB South Africa	9 582,84	Sole provider.
Electrical Engineer	Verotest	28 145,46	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
For the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
March 2007			
Corporate Services	OH Frewin	1 048,00	Preferred
Public Relations	Mmabatho OE Services	37 620,00	Emergency.
Public Relations	NE Masilela	890,00	Emergency.
Public Relations	Mbungiswa Transport	2 400,00	Emergency.
Public Relations	AR Framing	1 100,00	Preferred.
Town Engineer	TGIS	7 000,00	Preferred.
Finance	Mid Alarms	1 980,00	Preferred.
Finance	Contour Technologies	5 908,08	Sole provider.
Public Relations	Lion Cellar	7 841,70	Only quote.
Town Engineer	Instru-Serve	2 975,00	Preferred.
Health	The Vaccine Bureau	9 506,25	Manufacturer.
Youth Advisory Centre	The Herald Newspaper	2 000,00	Preferred.
Town Engineer	Power Pumps Engineering	37 350,00	Emergency.
Licensing	Polycomp (Pty) Ltd	8 436,00	Sole provider.
Fire	Micromation System	75 283,00	Sole provider.
Human Resources	Front Foot Consulting	15 236,10	Preferred.
April 2007			
Town Secretary	The Herald Newspaper	500,00	Preferred.
Town Secretary	The Herald Newspaper	108 800,00	Preferred.
Town Secretary	The Herald Newspaper	500,00	Preferred.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
April 2007			
Town Secretary	The Herald Newspaper	500,00	Preferred.
Mayor's Office	McCarthy Kunene	500,00	Agent.
Fire	Senter Motordienste	6 623,45	Emergency.
Solid Waste Disposal	MP Tyres	1 128,60	Emergency.
Solid Waste Disposal	East Auto Hydraulics	656,99	Emergency.
Parks & Recreation	Eastvaal Auto & Tractor	3 589,00	Emergency.
Traffic	Middelburg Nissan	4 463,96	Agent.
Public Relations	First Comvement	13 000,00	Preferred.
Town Secretary	Sowetan	500,00	Preferred.
IT	TGIS	89 804,64	Sole provider.
Human Resources	Water Institute of SA	1 400,00	Preferred.
Town Engineer	Matlapeng Mahuma	35 000,00	Preferred.
Town Engineer	Matlapeng Mahuma	70 000,00	Preferred.
Town Secretary	Nashua Mpumalanga	1 450,00	Contracted supplier.
Public Relations	Sowetan	4 514,40	Preferred.
Parks & Recreation	JN Autolec & TLB Hire	27 702,00	Only quotation received.
Town Electrical Engineer	Success Maintenance	150 000,00	Emergency.
Licensing	Department of Transport	43 099,60	Sole provider.
Traffic	Tidasa Training & Instructions	5 643,00	Sole provider.
Mayor's Office	Blue House Design	54 400,00	Sole provider.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
April 2007			
Finance	Mid Alarms	650,00	Contracted supplier.
Traffic & Security	Truvelo Manufacturers	6 202,56	Sole provider.
Traffic & Security	Intercal	10 260,00	Sole provider.
Solid Waste Disposal	Solly's Middelburg	200,00	Agent.
Solid Waste Disposal	Despatch Hydraulics	2 594,50	Emergency.
Health	Middelburg Jurgens	3 524,00	Preferred.
Fire	McCarthy Kunene	500,00	Warranty service.
Solid Waste Disposal	Solly's Middelburg	527,80	Agent.
Solid Waste Disposal	Solly's Middelburg	1 802,04	Agent.
Solid Waste Disposal	MP Tyres	1 026,00	Emergency.
Fire	D+F Crane Services	29 638,00	Only quotation received.
Parks & Recreation	Talisman	10 195,00	Contract condition.
Solid Waste Disposal	Middelburg Air Brakes	3 939,84	Emergency.
Town Secretary	The Herald Newspaper	6 520,00	Preferred.
Parks & Recreation	Midvaal Motor Engineering	1 626,02	Warranty service.
Traffic & Security	Solly's Middelburg	2 636,71	Agent.
Traffic & Security	Solly's Middelburg	1 285,00	Agent.
Traffic & Security	Solly's Middelburg	540,94	Agent.
Traffic & Security	Middelburg Nissan	4 394,14	Agent.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
May 2007			
Parks & Recreation	Kanhym Landgoed	9 042,48	Acquisition of game feeds.
Parks & Recreation	Safari Feeds (Pty) Ltd	10 659,00	Acquisition of game feeds.
Traffic & Security	Middelburg Nissan	999,32	Agent.
Traffic & Security	New Signal & Accessories	1 415,88	Sole provider.
Licensing	Motomid	1 027,31	Warranty service.
Town Engineer	TGIS	14 000,00	Sole provider.
Parks & Recreation	Concor Technicrete	23 597,27	Sole provider.
Finance	Contour Technologies	576,26	Sole provider.
Town Engineer	Procol Engineering	1 578,00	Emergency.
LED	Impala Glass & Omheining	1 448,25	No reason specified.
Fire	Motomid	2 024,20	Agent.
Fire	McCarthy Kunene	500,00	Agent.
Public Relations	PR Communication	50 350,00	No reason specified.
Town Engineer	Retrospective	29 412,00	Emergency.
Health	Envirocon Instrumentation	61 557,72	No reason specified.
Health	River Queen Trading	7 600,00	Emergency.
Town Secretary	Metsi-Chem	34 864,05	Emergency.
Town Engineer	Sud-Chemie	38 625,00	Emergency.
Finance	Advance Fire Suppression	3 328,61	Sole provider.
Traffic & Security	Abuti Suspension	1 203,00	Not drive-able.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
May 2007			
Town Engineer	Uwp Consulting (Pty) Ltd	57 400,00	Sec 36(1) V STLM SCM Policy
Traffic & Security	Directional Drilling	23 444,10	Sole provider.
Human Resources	Numara Software SA	9 120,00	Sole provider.
IT	TGIS	3 192,00	Sole provider.
Town Engineer	Aquatronics	75 069,67	Emergency.
Fire	Angus Fire	1 433,00	Sole provider.
Parks & Recreation	Magenta Plant Distribution	16 057,47	Sec 36 (1) V STLM SCM Policy.
Parks & Recreation	Green's Sand Cc	34 884,00	Sole provider.
Town Engineer	Electra Highveld	1 082,00	Emergency.
Town Engineer	Sensus Metering	3 440,00	Sole provider.
Town Electrical Engineer	Success Maintenance	70 000,00	No reason specified.
IT	Onsoft	8 000,00	Sole provider.
Licensing	Wonder Stationery	4 565,17	No reason specified.
Licensing	Variprint Systems	1 050,00	Sole provider.
Human Resources	Knowledge Base Sales	6 156,00	Emergency.
June 2007			
Traffic & Security	GRS Medical	7 332,00	Sole provider.
Traffic & Security	Middelburg Nissan	8 777,00	Sole provider.
Licensing	Esaaks Appliances	33 995,00	One quote received.
Parks & Recreation	Malan Seuns	25 829,00	Sec 36 (1) V STLM SCM Policy.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
June 2007			
Parks & Recreation	Malan Seuns	25 841,00	Sec 36 (1) V STLM SCM Policy.
Parks & Recreation	Malan Seuns	29 459,00	Sec 36 (1) V STLM SCM Policy.
Town Electrical Engineer	Strike Technologies	13 400,00	Sole provider.
Parks & Recreation	Karcher	9 362,00	Agent.
Parks & Recreation	Propshaft & Gearbox Centre	401,28	Emergency.
Parks & Recreation	Middelburg Air Brakes	4 104,00	Emergency.
Town Engineer	Van Schaik Book Store	393,00	Sole provider.
Public Relations	LSS Samsung	2 190,00	Sole provider.
Traffic & Security	Van Zyl Automotive	3 316,00	Emergency.
Licensing	Poly Comp (Pty) Ltd	2 280,00	Sole provider.
Town Electrical Engineer	TGIS	4 788,00	Sec 36 (1) V STLM SCM Policy.
Town Engineer	JMPL Systems	46 000,00	Emergency.
Town Engineer	JMPL Systems	2 900,00	Emergency.
Town Engineer	APS South Africa MP	1 476,56	Emergency.
Town Engineer	Regen Waters	4 140,00	Sole provider.
Library	World Books	19 372,00	Sole provider.
Health	Braam Electronic	547,20	Sole provider.
Parks & Recreation	Malan Seuns	15 134,00	Sec 36 (1) V STLM SCM Policy.
Human Resources	Mosedimosi Business Training	57 000,00	No reason specified.
Traffic & Security	Bike & Boat	4 272,72	Agent.

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2007

Department	Supplier	Amount (VAT incl.) R	Reason for deviation
June 2007			
Town Electrical Engineer	Mpumalanga Cluster	1 240,00	Emergency.
Public Relations	Lion Kelders	473,50	Emergency.
Total		5 953 843,90	

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
		<ul style="list-style-type: none"> • Arrange training on procedures and standards – All stakeholders must understand their responsibility. • First review of useful life for all asset classes • If useful life change calculate effect of a change in accounting estimate 	<p>Consultant with all stakeholders</p> <p>Assistant Town Treasurer Budget Office with Head's of Departments (HOD's)</p> <p>Assistant Town Treasurer Budget Office</p>	<p>30 November 2008</p> <p>31 January 2009</p> <p>May 2009 until June 2009 for 2008/2009 financial statements</p> <p>July 2009 for 2008/2009 financial statements</p>
	<p>Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i></p>	<ul style="list-style-type: none"> • To appoint a consultant to prepare a GAP analysis: <ul style="list-style-type: none"> - Simultaneous process with review of useful life - See above 	<p>See above</p>	<p>See above</p>
<p>(GRAP 17) (GAMAP 17)</p> <p>Impairment of Assets (IAS 36 / AC 128)</p>	<p>Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i></p> <p>Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i></p> <p>Entire Standard</p>	<ul style="list-style-type: none"> • To appoint a consultant to investigate the FAR and assist with: <ul style="list-style-type: none"> - Identification of cash generating assets and non-cash generating assets - Asses if current information in FAR are sufficient for impairment - Identification of assets that may be impaired - How to review the carrying amount of assets for impairment - How to determine the recoverable 	<p>Assistant Town Treasurer Budget Office</p> <p>Consultant</p> <p>Assistant Town</p>	<p>Appoint consultant by 31 December 2007</p> <p>Assessment of FAR by 28 February 2008</p> <p>Analysis,</p>

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
		<ul style="list-style-type: none"> - amount - When to recognize or reverse an impairment loss - Timing of impairment test - Recognizing and measuring of impairment loss - Disclosure requirements • Define procedures for Impairment tests of assets • Arrange training on procedures and standard – all stakeholders must clearly understand their role • Conduct first impairment test and recognition 	<p>Treasurer Budget Office with Deputy Town Treasurer</p> <p>Consultant and Assistant Town Treasurer Budget Office</p> <p>Consultant</p> <p>Assistant Town Treasurer Budget Office with HOD's</p>	<p>recommendations and amendments of systems and FAR if necessary by 30 June 2008, if new asset system is required then only by 31 October 2008</p> <p>By 30 September 2008 depending on above</p> <p>By 31 October 2008</p> <p>By 30 June 2009 for the 2008/2009 financial year</p>
<p>Inventories (GAMAP 12) (IAS 2) (AC 108)</p>	<p>The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17</p>	<ul style="list-style-type: none"> • To appoint a consultant to : <ul style="list-style-type: none"> - Identify items of property, plant and equipment that should be recognised and be disclosed as inventory - Measurement of Inventory with reference to costs of land development and saleable land - Accounting treatment for cancellations of inventory specifically for saleable land (Dead of sales over more than one financial year) - Write downs of inventories to net realisable value - Asses if rest of standard is applied correctly - Asses current systems and general ledger for correct treatment of inventories - Asses Supply Chain Management Policy for the sale of land and the 	<p>Assistant Town Treasurer Budget Office</p> <p>Consultant</p>	<p><i>Appoint Consultant by 31 December 2007</i></p> <p><i>Analyze and recommendations 31 March 2008</i></p>

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
		<p>influence thereof on the accounting treatment of inventories</p> <ul style="list-style-type: none"> • Implement recommendations, system changes and make corrections • Arrange training on accounting treatment of inventories • Implement correct recognition of inventories 	<p>Assistant Town Treasurer Budget office with Deputy Town Treasurer</p> <p>Assistant Town Treasurer Budget office with consultant</p> <p>Assistant Town Treasurer Budget Office</p>	<p>31 May 2008</p> <p>30 April 2008</p> <p>By 30 June 2008 for the 2007/2008 Financial year</p>
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	<ul style="list-style-type: none"> • Fully compliant 		30/6/2006
Investment Property (IAS 40/AC 135)	<p>The entire standard to the extent that the property is accounted for in terms of GAMAP 17</p> <p>Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard <i>[paragraphs 79(e)(i) – (iii)]</i></p>	<ul style="list-style-type: none"> • To appoint a consultant to : <ul style="list-style-type: none"> - Identify items of property, plant and equipment accounted for in terms of GAMAP 17 but meet the definition of investment property. - Identify land for undetermined future use – Is all available land included in asset register. - Analyze the existing systems and make recommendations to account for Investment property. - Assist with recognition of Investment Property and the accounting treatment thereof - - Determine most beneficial measurement of recognition - fair value or cost model - Determine fair value of all investment properties - Analyze systems and make 	<p>Assistant Town Treasurer Budget Office</p> <p>Consultant</p>	<p><i>Appoint Consultant by 31 December 2007</i></p> <p><i>Analyze and recommendations 31 March 2008</i></p>

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
		<p>recommendations to comply with disclosure requirements.</p> <ul style="list-style-type: none"> Implement correct classification of investment property and recommendations Arrange training on accounting treatment of investment property 	<p>Assistant Town Treasurer Budget Office with Deputy Town Treasurer</p> <p>Assistant Town Treasurer Budget Office</p>	<p><i>From October 2008 until 31 December 2008</i></p> <p><i>November 2008</i></p>
<p>Leases (IAS 17/AC 105)</p>	<p>Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i></p>	<ul style="list-style-type: none"> To appoint a consultant to: <ul style="list-style-type: none"> - Asses all lease & rental agreements to classify between operating and finance lease - Compile a register of operating leases - Assist with calculation of straight-lining - Investigate influence on budget and possible changes to financial system software - Implementation and correction of accounting treatment if necessary 	<p>Assistant Town Treasurer Budget Office</p>	<p>From April 2007 until May 2007 to be compliant for the 2007/2008 financial year</p>
<p>Intangible Assets (IAS 38/AC 129)</p>	<p>The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed</p>	<ul style="list-style-type: none"> To appoint a consultant for : <ul style="list-style-type: none"> - Identification and correct classification of all assets of the Council. - Thereafter, in conjunction with the Chief: IT Services to reconcile the Asset Register and tracking audit system for IT equipment. Amend asset register for intangible assets and implement corrections. 	<p>Assistant Town Treasurer Budget Office</p> <p>Assistant Town Treasurer Budget Office</p>	<p><i>Appoint Consultant by 31 December 2007</i></p> <p>Complete assessment by 30 June 2008</p> <p>For the 2008/2009 financial year.</p>

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]</i>	<ul style="list-style-type: none"> To appoint a consultant for advice on procedure & system changes for correct accounting treatment & disclosure requirements. 	Assistant Town Treasurer Budget office	<i>Appoint Consultant by 31 December 2007</i> More detail on implementation after advice has been received
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<ul style="list-style-type: none"> To appoint a consultant for advice on procedure & system changes for correct accounting treatment & disclosure requirements. 	Assistant Town Treasurer Budget office	<i>Appoint Consultant by 31 December 2007</i> More detail on implementation after advice has been received
Construction Contracts (IAS 11/AC 109)	Entire Standard	<ul style="list-style-type: none"> To appoint a consultant for advice on procedure & system changes for correct accounting treatment & disclosure requirements. 	Assistant Town Treasurer Budget office	<i>Appoint Consultant by 31 December 2007</i> More detail on implementation after advice has been received
Business Combinations (IFRS 3/AC 140)	Entire Standard	<ul style="list-style-type: none"> To appoint a consultant for advice on procedure & system changes for correct accounting treatment & disclosure requirements. 	Assistant Town Treasurer Budget office	<i>Appoint Consultant by 31 December 2007</i> More detail on implementation after advice has been received
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	<ul style="list-style-type: none"> To appoint a consultant to investigate the current accounting treatment of Government Grants and to suggest any changes required to comply with the full standard. 	Assistant Town Treasurer Budget office	<i>Appoint Consultant by 31 December 2007</i> More detail on implementation after advice has been received

ANNEXURE H
IMPLEMENTATION PLAN FOR HIGH
31 MARCH 2007

Name of municipality:		Demarcation Code:	
Name of preparer:		Date completed:	
Contact Details:		Financial period:	

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Property, plant and equipment (GRAP 17) Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	•	•		
Property, plant and equipment (GRAP 17) Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	•	•		
Property, plant and equipment (GRAP 17) Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	•	•		
Property, plant and equipment (GRAP 17) Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	•	•		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Impairment of Assets (IAS 36/AC 128) Entire Standard	•	•		
Inventories (GAMAP 12) The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	•	•		
Inventories (GAMAP 12) The entire standard to the extent that it relates to water stock that was not purchased by the municipality	•	•		
Investment Property (IAS 40/AC 135) The entire standard to the extent that the property is accounted for in terms of GAMAP 17	•	•		
Investment Property (IAS 40/AC 135) Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard <i>[paragraphs 79(e)(i) – (iii)]</i>	•	•		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Leases (IAS 17/AC 105) Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i>	•	•		
Intangible Assets (IAS 38/AC 129) The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	•	•		
Employee Benefits (IAS 19/AC 116) Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i>	•	•		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	•	•		
Financial Instruments: Recognition and Measurement (IAS 39/AC 133) Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i>	•	•		
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142) Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]</i>	•	•		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Financial Instruments: Disclosures (IFRS 7/AC 144) Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	•	•		
Construction Contracts (IAS 11/AC 109) Entire Standard	•	•		
Business Combinations (IFRS 3/AC 140) Entire Standard	•	•		
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	•	•		