

01/03/07

MNQUMA MUNICIPALITY

2006-07-1002

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FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 30 JUNE 2005

THE OFFICE OF THE AUDITOR-GENERAL
PRIVATE BAG X5045, UMTATA 5100

2006 -11- 14

SIGNATURE: _____

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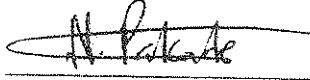
**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

The records and statements set out below comprise the financial statements presented to the council:


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Approval of the financial statements

The financial statements set out on pages 3 to 25 were approved by the Municipal Manager on 06/11/06 and presented and approved by the Council on 10 November 2006



Municipal Manager

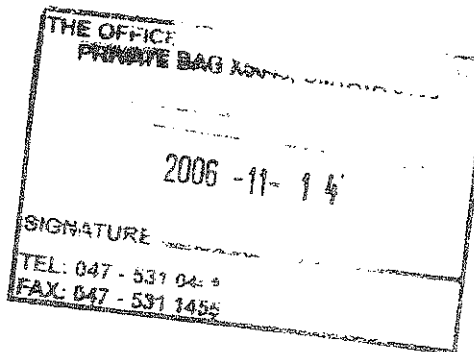


Executive Mayor

06/11/06

10/11/2006
Date

14/11/2006
Date



**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

The reports and statements set out below comprise the financial statements presented to the council.

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Municipal Manager

Date

Executive Mayor

Date

**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

GENERAL INFORMATION

Members of the Mngquma Council

- | | | |
|---|-------------------------|-----------------------|
| 1. Cllr M W Ntenjwa (Executive Mayor) from 24 July 2004 to 30 June 2005 | 23 Cllr M N Magobiane | 47 Cllr S N Qikani |
| 2. Cllr N Ndindwa (Executive Mayor) up to 24 July 2004 | 24 Cllr Y. Mahlangu | 48 Cllr Z Sayo |
| 3. Cllr N H Skelenge (Deputy Executive Mayor) | 25 Cllr B W Mampofu | 49 Cllr A L Sijadu |
| | 26 Cllr M N Matiwane | 50 Cllr R Z Somana |
| 4. Cllr T G Mlungwana (Council Speaker) | 27 Cllr S N Mavaleliso | 51 Cllr M Stemela |
| 5. Cllr W M Duna - Mayoral Committee | 28 Cllr C M Nibandazayo | 52 Cllr W Toboti |
| 6. Cllr G M Faniso - Mayoral Committee | 29 Cllr Z Mdluta | 53 Cllr H Tshoko |
| 7. Cllr Z Mlokoti - Mayoral Committee | 30 Cllr Z B Mhlauti | 54 Cllr S Wana |
| 8. Cllr S D Mlonyeni - Mayoral Committee | 31 Cllr F S Mkalali | 55 Cllr T Z Xhongwana |
| 9. Cllr N Thandela - Mayoral Committee | 32 Cllr N A Mngwazi | 56 Cllr P L Zamxaka |
| 10. Cllr P P Mapasa - Mayoral Committee | 33 Cllr Q. A Mpande | 57 Cllr P Jabe |
| 11. Cllr N Mashiyi - Mayoral Committee | 34 Cllr K C Mpeluza | |
| 12. Cllr G.M Mvalo | 35 Cllr A Z Mqolo | |
| 13. Cllr P X Bikitsha | 36 Cllr E.L. Mngowan | |
| 14. Cllr S Doko | 37 Cllr D F Napakade | |
| 15. Cllr S Dokoda | 38 Cllr N Ndzotyana | |
| 16. Cllr C N Dondolo | 39 Cllr L M Ngalo | |
| 17. Cllr J N Dyan | 40 Cllr M Ngcukana | |
| 18. Cllr H T Gwampi | 41 Cllr G Q Ngqongolo | |
| 19. Cllr M Sondamase | 42 Cllr W M Ntongana | |
| 20. Cllr E Komanisi | 43 Cllr C Ntshwanti | |
| 21. Cllr Z Lavisa | 44 Cllr S C S Nxusani | |
| 22. Cllr C N Lufondo/Magadla | 45 Cllr A Nyokana | |
| | 46 Cllr N G Pikela | |

Category of Municipality

Category B

Grading of Municipality

Grade 3

Business Address

52 King Street
Butterworth
4960
Tel: (047) 4012400
Fax: (047) 4910195

Postal Address

P.O. Box 36
Butterworth
4960

Bankers

Meeg Bank & First National Bank

Auditors

Office of the Auditor General

Municipal Manager

Mr. N. Pakade

Planning & Development Director

Mr. S. Mengezeleli

Administration Director

Ms. N. Zim

Acting Chief Financial Officer

Mrs. G. Tasana

Human Resources Director

Mr. M. Mtalo

Community Services Director

Mr. B. Ganjana

Technical Services Director

Mr. B. Rosi

**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

REPORT OF THE CHIEF FINANCIAL OFFICER

1 Introduction

I present my report for the year ended 30 June 2005. This report forms part of the audited annual financial statements. I am responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for the independent audit and reporting on the fair presentation of the financial statements in conformity with South African Auditing Standards and Generally Accepted Government Auditing Standards. The financial statements have been prepared to conform with phase-in provisions of Generally Accepted Municipal Accounting Principles and standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997)

I am also responsible for the municipality's system of internal financial control. These are designed to provide reasonable but not , absolute, assurance as to the reliability of financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement of loss.

The financial statements have been prepared on a going concern basis as there were no doubts on the ability of the municipality to continue operating in the foreseeable future.

As part of a broader transformation of municipalities, National Government initiated a programme of far reaching municipal fiscal reforms. The reforms, such as the introduction of Local Government Systems Act, Municipal Finance Management Act, new budgeting formats, new borrowing framework and new investment regulations, have significantly impacted on municipalities. Since the introduction of the Municipal Finance Management Act 56 of 2003, the name of the department changed from Finance Department to Budget and Treasury Office.

2 General review of the state of financial affairs

It is imperative that our municipality keeps its expenditure within its budget and at the same time endeavour to increase its sources of income so as to improve on service delivery. The municipality experienced serious backlogs in terms of updating of its accounting records due to the installation of the new financial management system and these challenges are being addressed when identified.

The municipality's business and operations and results thereof are clearly reflected in the attached financial statements and are summarised below.

2.1. Overall operating results

Details of the operating results per department, classification and object of expenditure are included in Appendix D and E. and are reflected hereunder:

Details	Actual 2005	Actual 2004	Variance
Overall			
Income	99,370,828	65,727,395	33,643,434
Expenditure	86,742,406	188,975,771	(102,233,364)
Surplus / (Deficit)	12,628,422	(123,248,376)	135,876,798
Surplus / (Deficit) as % of income	13%	-188%	404%
Administration			
Income	84,482,542	50,341,116	34,141,426
Expenditure	76,137,973	168,888,680	(92,750,707)
Surplus / (Deficit)	8,344,569	(118,547,564)	126,892,133
Surplus / (Deficit) as % of income	10%	-235%	372%
Economic Services			
Income	6,947,946	5,590,435	1,357,511
Expenditure	7,290,253	11,131,300	(3,841,047)
Surplus / (Deficit)	(342,307)	(5,540,865)	5,198,558
Surplus / (Deficit) as % of income	-5%	-99%	383%
Trading Services			
Income	7,940,341	9,795,844	(1,855,503)
Expenditure	3,314,181	8,955,791	(5,641,611)
Surplus / (Deficit)	4,626,160	840,053	3,786,107
Surplus / (Deficit) as % of income	58%	9%	-264%

**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

REPORT OF THE CHIEF FINANCIAL OFFICER (continued)

2.1. Overall operating results (continued)

The overall operating income increased by 51% which translates to R 33 643 424 in monetary terms. This could be attributable to equitable share from the National Treasury in terms of the Division of Revenue Act which increased to R 51 652 650 in the current year. An amount of R 8 414 000 of the total amount allocated is for free basic electricity and free basic services and as such has been accounted for as trust monies even though no special bank account is opened for these funds. In essence that means the operating account owes the free basic services account and the free basic electricity account. This will be addressed in the future years. The Amathole District Municipality subsidy increased by 48% during the current year to R 7 516 956 from R 5 066 448. An amount of R 232 640 was also received from the Amathole District Municipality for cleaning campaign casual wages.

Over and above R 2 937 047 that was received from the Provincial Department to intervene in the process of settling long outstanding staff debts a further contribution of R 5 211 202 was received in the current year for financial management system intervention. Furthermore, R 5 000 000, R 2 769 784, and R 316 666 was received from government for drought relief, municipal infrastructure improvement and municipal support programme respectively. DBSA also contributed R 216 074 for Urban Renewal.

A health subsidy increased from R 2 188 825 to R 3 552 805 in the current year. This subsidy is obtained from the Department of Health to compensate the municipality for providing primary health care. Patient fees on the other hand were not received due to stopping of the coupon system in the provision of health care. Over and above these increases, there was a stabilisation in car registration, licencing, drivers cards and temporary permits issued as the closure of some of the neighbouring provincial licencing centres in the previous year was temporary. However, it is concerning that collection of revenue has declined so drastically and efforts are in place to capacitate the debt collection centre so as to fully implement the credit control policy of the municipality. Consumer charges decreased by R 19 728 537 in total compared to previous year and R 27 911 598 was budgeted. This indicates that the results of data cleansing and general valuation of ratable properties approved by valuation court are bearing fruit.

Operating expenses have remained stable and in line with the budget and R 2 896 199 decrease being made for provision for leave pay from R 6 751 832 to R 3 855 633. Bad debt provision amounting increased by R 14 267 364 from R 113 047 683 to R 127 315 057 of the R 173 041 890 of the total consumer debtors book. The municipality needs to review the results of its data cleansing exercise to ensure that debtors information updated into the new billing system is accurate. There was no purchase of raw water in the current year. Repairs and maintenance increased due to extensive repair program especially for pipelines and roads. Contribution to capital outlay is summarised hereunder and details of payroll expenditure are summarised in paragraph 2.3 below.

Details	2005 Actual	2004 Actual
Buildings	R 915,102	R 807,577
Streets & Roads	R 1,131,281	R 1,953,131
Street lighting	R 203,215	R 437,116
Plant & equipment	R 244,551	R 229,192
Office equipment	R 216,582	R 216,588
Furniture & fittings	R 241,903	R 228,662
Motor vehicles	R 583,875	R 644,501
	<u>R 2,536,507</u>	<u>R 4,516,766</u>

Without the grant funding, it does not look like the municipality would have been able to meet its obligations as revenue collection has not improved during the current year under review.

2.2. Projected revenue and expenditure

An overall surplus of R 36 256 was budgeted for in the current year. However, a budget surplus of R 12 022 385 appears on the income statement due to reasons mentioned above. Administration Services as well as Economic Services reflected a budget deficit of R 1 157 420 and R 5 308 776 respectively whilst trading services show a surplus of R 6 502 452. The reasonableness of our projections could therefore not be ascertained.

2.3. Payroll expenditure

The total payroll expenditure for the year is R 47 193 879 (2004: R 50 940 106) after adjusting for the decline in leave pay provision of R 2 896 199. Of this amount R 5 182 086 (2004: R 4 482 056) is for councillor's remuneration, R 3 523 598 for Municipal Manager and Section 57 manager and the balance being salaries for staff.

2.4. Grants-in-aid

This policy was adopted regarding this type of expenditure but no grants of this nature were paid out during the year under review.

2.5. Variance analysis and explanations

Overall operating results and variances are reflected in paragraph 2.1 above. Due to lack of reliable financial information from the current financial systems, it becomes impossible to analyse the variances at a departmental level and to properly monitor the budget so as to ensure accurate monthly reporting.

**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

REPORT OF THE CHIEF FINANCIAL OFFICER (continued)

2.6. Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure means the overspending of a vote or a main division within a vote, or expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division. Irregular expenditure is, on the other hand, expenditure incurred in contravention of a specific legislation whilst fruitless expenditure is expenditure that would have been avoided had reasonable care been exercised. Due to lack of proper adequate internal control systems it is difficult to identify such expenditure and to ensure that identified amounts are recovered from relevant officials should they exist. However, our limited review procedures prior to making any payment has not picked up any expenditure of this nature except for R122 910 and R 38 285.53 for interest and penalties due to non-payment of Compensation Commissioner and South African Revenue Services respectively.

2.7. Financial misconduct and actions taken

No disciplinary actions were taken as a result of financial misconduct during the year under review.

2.8. Important policy decisions and strategic issues taken by the department

During the previous year, as part of the general re-organisation of the municipality, the finance complex was boosted by two interns whose expenses were funded by National Treasury. The monies received only have to be used for these interns. Finance policies were adopted by the council and finance procedures were put in place. However, monitoring of the implementation of these policies and procedures is a challenge as at this stage the municipality constantly has to focus on clearing the backlog on financial management.

3 Services rendered by the department

3.1. Tariff policy

The department offers financial support to all the other departments of the institution. No inter-departmental charges are made for this function. Over and above that the department also charges consumers for services rendered in line with the approved tariff structure of the municipality. The tariff policy has now been developed and approved.

3.2. Free basic services

The free basic services policy has now been developed. However a process of identifying indigent households was initiated and would be finalised in the next financial year. An amount of R 8 414 000 was allocated for free basic services. 432 people are benefiting through this allocation for free basic electricity. All households in rural areas are getting free basic water though the challenge is to measure the amount of water they are getting due to absence of water meters.

4 Capacity constraints

To assist with capacitating the finance department as well as other departments the mentors continued with their exercise for sometime to ensure continuance of the institutional stability. Finance management system, management information system, human resources management system and electronic document management system were installed and training provided. However, retraining is needed. Funding for financial and management improvement was made possible by the Eastern Cape Department of Housing and Local Government Management Support Programme. It is hoped that the implementation of the finance management system would improve the monthly management reporting and financial reporting within the deadlines.

5 Utilisation of donor funding

No donor funding was obtained during the year under review.

6 Revenue management

There is a significant increase in accounts receivable due to the culture of non-payment for services. The financial controls, which could also ensure proper revenue management are not yet in place but this is treated as a matter of urgency and the systems to be implemented will be assessed based on their ability to assist in improving revenue management. In fact certain processes were undertaken during the year to recover monies owed by businesses and government institutions. Other revenue improvement strategies will be tried in the foreseeable future. The credit control and, customer care policy, tariff policy and indigent policy were also implemented. Certain councillors had consumer arrear debts amounting to R 291 385 as at 30 June 2005 which was more than 3 months in arrear.

**MQUMBA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005**

REPORT OF THE CHIEF FINANCIAL OFFICER (continued)

7 Creditors' management

It is this department's desire to ensure that creditors are paid within 30 days of obtaining an invoice and to implement proper creditors reconciliation procedures. Included in accounts payable are arrear payovers which were deducted from employees and not paid over to relevant institutions amounting to R 2 077 093. Verification of insurance deductions was completed during the previous year and paid over with the current year focus being repayment of loans and other deductions. An amount owing to Department of Water Affairs and Forestry totalling R 18 759 968 is included in accounts payable so is amount due to SARS and Compensation Commissioner amounting to R 2 700 000 and R 1 737 100 for PAYE and Workmens Compensation respectively.

8 Long term liability management

Development bank of South Africa loan which was unserviced for an extended period resulting in accumulation of interest. This loan had a balance of R 2 387 693 at year end. Endeavours are made to ensure that this loan is paid on a monthly basis. Over and above this loan, instalment sale agreements that were entered into previously with Meeg Bank to acquire municipal vehicles for administration purposes were settled in the current year. Details of long term loans are reflected in Appendix A.

9 Investment and cash management

The municipality has instituted measures to ensure that investment and operating accounts are reconciled on a monthly basis. This is presently being done outside the system as the bank reconciliation module of our financial management software was never utilised. The balance of cash and cash equivalents at 30 June 2005 amounted to R 24 796 679 including special fund investments as reflected in notes 1 and 2 of the financial statements.

10 Asset management

To ensure proper recording of assets, the municipality engaged a firm of service providers to prepare its fixed assets register for the year ended 30 June 2002. This fixed assets register was updated internally for the year ended 30 June 2005 but numerous errors were noted when it was reviewed. The asset management section will ensure that these errors are addressed as its proper compilation is key to ensure readiness towards the implementation of GRAP.

11 Corporate governance arrangement and risk management

The need to ensure compliance with laws and regulations could never be over-emphasised. All our efforts are intended to clear the backlog so as to ensure proper compliance, hence, the development of policies and procedures and the need for assistance with risk management.

12 Discontinued activities and activities to be discontinued

There has been no activities that were discontinued during the year under review or proposed to be discontinued in future.

13 New or proposed activities

There were no new or proposed activities during the year under review. The disaster section was established and budgeted for under protection services.

MINQUMA MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

REPORT BY THE FINANCE DIRECTOR (continued)

14 Progress with financial management improvement

All the issues highlighted above are endeavours by this department to improve on financial management. During 2004, the financial statements for 2001 and 2002 were completed, VAT returns up to 30 June 2002 were compiled, the asset register was updated, the IT infrastructure was improved to ensure that the municipality is running on a network, data cleansing project was completed and will be integrated with the existing or proposed financial management system database, the procurement policy has been adopted and in force and the annual budget was compiled and submitted. These efforts were sustained in 2004 to ensure that the backlog is managed.

15 Performance Information

In order to monitor our performance the IDP was broken down into the institution scorecard, departmental scorecard, and broken down into an individual scorecard. The quarterly reports are reviewed by the different clusters.

16 Events after the reporting date

There were no major events that occurred after the balance sheet date which will have the impact on the financial statements.

17 Expression of appreciation

I wish to express my appreciation to the Executive Mayor, the members of the finance committee, councillors, municipal manager and my colleagues for their invaluable assistance and support during the past trying year.



Mrs. G. Tsaba
Acting Chief Financial Officer

MQUMU MUNICIPALITY
BALANCE SHEET AS AT 30 JUNE 2005

	Notes	2005 R	2004 R
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	3,857	3,208
ACCUMULATED SURPLUS / (DEFICIT)		(2,661,268)	(24,870,732)
TRUST FUNDS	2	40,274,640	26,973,267
LONG-TERM LIABILITIES	3	2,387,692	4,993,538
CONSUMER DEPOSITS	4	2,096,829	1,019,922
		<u>42,103,751</u>	<u>8,119,204</u>
TOTAL			
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	5	0	199,480
INVESTMENTS	6	26,717,659	15,284,762
		15,386,091	(7,365,038)
NET CURRENT ASSETS		73,425,443	48,810,318
CURRENT ASSETS			
Inventory	7	347,467	352,033
Consumer debtors	8	46,332,870	35,247,367
Other debtors	9	28,664,068	14,013,242
Cash resources		(1,918,983)	(802,325)
		58,039,351	56,175,356
CURRENT LIABILITIES			
Provisions	10	3,890,909	7,314,744
Creditors	11	54,148,442	48,678,173
Short-term Portion of Long-Term Liabilities	3	0	182,440
		<u>42,103,750</u>	<u>8,119,204</u>
TOTAL			

MNQUMA MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 Actual	2005 Budget	2004 Actual
		R		R
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES				
Executive Services		(5,754,274)	(10,961,891)	(1,636,784)
Administration Services		(1,281,735)	(11,588,659)	(10,527,882)
Technical Services		(10,071,222)	(15,350,923)	(12,362,854)
Financial Services		36,264,390	55,029,988	(77,647,690)
Health Services		688,642	1,324,336	(4,527,760)
Protection Services		(5,203,516)	(8,885,253)	(6,939,253)
Council's General Expenses		(6,297,715)	(10,725,018)	(4,905,341)
Sewerage Services		1,832,090	(2,767,314)	(6,098,947)
Sanitation Services		(2,174,397)	(2,541,462)	558,081
Water Services		4,626,160	6,502,452	840,053
Sub-total (Refer Annexure)		<u>12,628,422</u>	<u>36,256</u>	<u>(123,248,376)</u>
Extraordinary Items		-	-	-
NET SURPLUS BEFORE APPROPRIATIONS		12,628,422	36,256	(123,248,376)
UNAPPROPRIATED SURPLUS/(DEFICIT) AT BEGINNING OF THE YEAR		(24,870,732)		113,729,709
APPROPRIATIONS		9,581,042	-	(15,352,065)
Fundamental error	12	9,581,042	-	(15,352,065)
UNAPPROPRIATED SURPLUS AT END OF THE YEAR		<u>(2,661,268)</u>	<u>36,256</u>	<u>(24,870,732)</u>

MINQUIMA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR 30 JUNE 2005

	Notes	2005 R	2004 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations		(4,438,281)	(19,742,679)
Interest received		219,020	375,375
Interest paid		(975,569)	(852,476)
Decrease / (increase) in funds and reserves		13,302,022	13,089,502
NET CASH FROM OPERATING ACTIVITIES		<u>8,107,192</u>	<u>(7,130,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		3,536,507	4,516,767
NET CASH FROM INVESTING ACTIVITIES		<u>3,536,507</u>	<u>4,516,767</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (decrease) in external loans		(2,605,846)	(2,105,741)
Increase / (decrease) in consumer deposits		1,078,907	26,300
Other capital receipts		199,478	184,820
NET CASH FROM FINANCING ACTIVITIES		<u>(1,327,461)</u>	<u>(1,894,621)</u>
NET CASH FLOW		10,316,239	(4,508,132)
INCREASE IN CASH AND CASH EQUIVALENTS		(10,316,239)	4,508,132
Cash and cash equivalents at beginning of the year		14,482,437	18,990,569
Cash and cash equivalents at end of the year		24,798,676	14,482,437

**MINQUWA MUNICIPALITY
ACCOUNTING POLICIES**

1 BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform with phase-in provisions of Generally Accepted Municipal Accounting Principles and standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997)

1.2 The financial statements have been prepared on the historical cost basis.

2 INVESTMENTS

2.1 Investments are stated at cost, less amounts written off.

2.2 Investments are written down to give recognition to a permanent decline in value.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Property, plant and equipment is stated at cost.

3.2 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.

3.3 The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation. However, certain structural differences do exist. By way of this "Provision" property, plant and equipment are written down over their estimated useful life. Property, plant, and equipment acquired and paid for during the year form part of a direct charge against council's revenue and it is therefore unnecessary to provide for depreciation. Property, plant and equipment financed through grants and donations are recognised and costs and such grants or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account. Property, plant and equipment financed by means of external loans result in such loans being repaid within the estimated useful life of assets.

4 INVENTORIES

4.1 Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

4.2 Redundant and slow-moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

5 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a national basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating local municipalities.

6 REVENUE RECOGNITION

6.1 Assessment rates income is recognised once a rates assessment has been issued to ratepayers. Adjustment or interim rates are recognised once the Municipal Valuator has valued the change to properties. Rates collection charges on unpaid rates are recognised once the due date for payment has elapsed. Rates penalty charges are recognised after each payment interval has elapsed.

6.2 Revenue from the sale of goods is recognised when the risk is passed to the consumer.

6.3 Revenue from the sale of water is recognised when either a meter reading has been performed or an estimate of consumption is raised on a proportional basis.

6.4 Revenue arising from the application of the approved tariff of charges is generally when the relevant service is rendered.

6.5 Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

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

MNQUMA MUNICIPALITY
ACCOUNTING POLICIES (continued)

6 REVENUE RECOGNITION (continued)

6.7 Amounts received from government and donors that are considered to be of a revenue nature are recognised on receipt. Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are classified as capital receipts and credited directly to non-distributable reserves. These amounts are released to the income statement over the estimated life of the item of property, plant and equipment acquired.

7 SEGMENTAL INFORMATION

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditures. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
1 STATUTORY FUNDS		
Revolving fund	3,857	3,208
	<u>3,857</u>	<u>3,208</u>
Movement is reconciled as follows:		
Balance at beginning of the year	3,209	3,146
Contributions / adjustments during the year	610	0
Interest on investments	38	63
Balance at end of year	<u>3,857</u>	<u>3,209</u>

2 TRUST & PROJECTS FUNDS

282 houses fund	420,846	249,873
312 houses fund	740,986	1,328,125
Centane planning fund	169,653	165,485
Centane survey fund	112,355	106,969
Drought relief fund	2,066,877	0
Finance management grant fund	725,876	924,935
Free basic services fund	24,029,020	15,579,763
General valuation fund	16,889	606,934
IDP fund	131,579	201,136
Intervention fund	8,112,250	4,959,353
MIG fund	2,769,784	0
MSP fund	317,618	0
Municipal Mentoring fund	(0)	210,372
Nqamakwe planning fund	34,476	32,157
Nqamakwe survey fund	126,451	121,722
Pilot housing fund	36,439	333,612
Siyanda planning fund	98,376	175,647
Siyanda survey fund	365,364	354,792
Transitional grant fund	0	1,622,390
	<u>40,274,640</u>	<u>26,973,267</u>

Movement is reconciled as follows:

Balance at beginning of the year	26,973,263	13,883,827
Interest on investments	396,367	126,636
Contributions / adjustments during the year	27,127,136	20,270,235
Expenditure / adjustments during the year	(14,222,129)	(7,307,435)
Balance at end of year	<u>40,274,637</u>	<u>26,973,263</u>

These represent funds provided by the government to provide a specified service. Trust Funds are invested separately as indicated in note 6.

3 LONG-TERM LOANS

Development Bank of SA	2,387,692	4,976,498
Meeg Bank instalment sale agreement	0	199,480
	<u>2,387,692</u>	<u>5,175,978</u>
Less: Current portion transferred to current liabilities		
Meeg Bank instalment sale agreement	0	(182,440)
	<u>2,387,692</u>	<u>4,993,538</u>

Refer to Appendix A for more detail

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
4 CONSUMER DEPOSITS	<u>2,098,829</u>	<u>1,019,922</u>

All consumers are required to pay a deposit for services. Deposits are considered a long-term liability as the deposit is only refunded once the service is terminated. Interest is not paid on deposits.

5 PROPERTY, PLANT AND EQUIPMENT

	Historical Cost		Loans Redeemed & Other Capital Receipts	Carrying Value
30 JUNE 2005	R	R	R	R
Land	6,640,460	6,640,460		0
Buildings	4,639,410	4,639,410		0
Infrastructure	34,923,621	34,923,621		0
Other	9,933,617	9,933,617		0
TOTAL	<u>56,137,108</u>	<u>56,137,108</u>		<u>0</u>
30 JUNE 2004	R	R	R	R
Land	6,640,460	6,640,460		0
Buildings	3,969,163	3,969,163		(0)
Infrastructure	34,220,281	34,220,281		0
Other	7,770,697	7,571,216		199,480
TOTAL	<u>52,600,601</u>	<u>52,401,121</u>		<u>199,480</u>

Refer to Appendices B and C for more details

6 INVESTMENTS

	2005 R	2004 R
<u>Unlisted</u>		
Short-term Deposits		
TOTAL	<u>26,717,659</u>	<u>15,284,762</u>
Allocated as follows: -	<u>26,717,659</u>	<u>15,284,762</u>
: Pilot Housing Fund	35,439	35,716
: Operating Accounts	630,810	1,692,525
: CMIP Fund	0	2,090,676
: Siyanda Planning Fund	31,087	246,327
: Nqamakwe Survey Fund	18,500	195,034
: Nqamakwe Planning Fund	57,128	165,485
: Centane Planning Fund	137,298	165,485
: Siyanda Survey Fund	365,364	354,792
: Centane Survey Fund	123,170	195,034
: General Valuation Fund	16,689	606,934
: Finance Management Grant Fund	738,026	937,085
: Intervention Fund	7,137,504	4,996,427
: MIG Fund	1,711,646	0
: MMP Fund	0	10,372
: MSP Fund	281,618	0
: 282 Houses Fund	432,840	211,665
: 312 Houses Fund	525,228	1,264,487
: Drought Relief Fund	3,251,894	0
: ADM Water Fund	7,530,932	0
: IDP Fund	103,710	428,399
: Free Basic Services Fund	9,112	8,746
: Transitional Grant Fund	0	5,180
: Primary Health Care Fund	3,574,806	1,670,576
: Revolving Fund	3,857	3,818
TOTAL	<u>26,717,659</u>	<u>15,284,762</u>

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
7 INVENTORY		
Consumable stores	347,467	352,033
TOTAL	347,467	352,033
Inventory is net of specific provisions for obsolescence.		
8 CONSUMER DEBTORS		
Water	23,755,536	18,601,191
Sanitation/Sewerage	12,363,898	9,886,156
Refuse	17,092,587	13,390,903
Assessment Rates	67,070,832	55,841,654
Rentals	12,885,620	10,085,702
Other debtors	40,479,453	40,479,454
	173,647,927	148,295,060
Less: Provision for bad debts	127,315,057	113,047,693
TOTAL	46,332,870	35,247,367
The ageing of debtors is as follows: -		
<u>WATER</u>		
Current	58,342	1,034,655
30-60 days	245,205	482,935
60-90 days	526,832	118,761
90-120 days	472,469	355,270
120-365 days	22,452,688	16,609,571
TOTAL	23,755,536	18,601,191
The ageing of debtors is as follows: -		
<u>SANITATION/SEWERAGE</u>		
Current	154,546	611,608
30-60 days	234,361	220,626
60-90 days	248,365	71,456
90-120 days	243,209	171,696
120-365 days	11,483,398	8,810,570
TOTAL	12,363,898	9,886,166
The ageing of debtors is as follows: -		
<u>REFUSE</u>		
Current	295,672	648,855
30-60 days	314,117	312,247
60-90 days	321,248	106,582
90-120 days	334,900	235,558
120-365 days	15,826,650	11,887,662
TOTAL	17,092,587	13,390,903
<u>ASSESSMENT RATES</u>		
Current	0	(2,128,355)
30-60 days	0	358
60-90 days	55,009	0
90-120 days	59,658	77
120-365 days	66,956,166	57,969,573
TOTAL	67,070,832	55,841,654

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
8 CONSUMER DEBTORS (continued)		
<u>RENTALS</u>		
Current	289,478	380,079
30-60 days	191,550	169,059
60-90 days	291,780	98,502
90-120 days	197,058	133,217
120-365 days	11,915,755	9,314,845
TOTAL	12,865,620	10,095,702
<u>OTHER CONSUMER DEBTORS</u>		
Current	(2,053,418)	(2,053,418)
30-60 days	1,267	1,267
60-90 days	0	0
90-120 days	1,314	1,314
120-365 days	42,530,292	42,530,292
TOTAL	40,479,454	40,479,454
<u>BAD DEBT PROVISION</u>		
The bad debt provision is increased in the current year in line with debtor's recovery.		
9 OTHER DEBTORS		
Internal loans and advances	26,656,596	11,021,018
Unpaid cheques & unknown deposits	168,716	153,743
Vat refundable	1,838,776	2,838,482
	28,664,088	14,013,242
10 PROVISIONS		
Accounting and audit fees	35,276	562,912
Staff leave	3,855,633	6,751,832
	3,890,909	7,314,744
11 CREDITORS		
Internal loans and advances	26,776,977	11,148,396
Other accounts payable	2,231,727	1,497,301
Salary deductions payable	6,379,770	16,672,507
Trade creditors	18,759,968	19,359,968
VAT payable	0	0
	54,148,442	48,678,173
12 CORRECTION OF FUNDAMENTAL ERROR	9,581,042	(18,352,065)

The correction of fundamental error relates to clearance of unsubstantiated balance sheet accounts as well as restatement of misallocated accounts in the previous year. The prior year comparative amounts in the current year's financial statements have not been restated and all the adjustments were made as appropriations against the accumulated surplus / (deficit).

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
13 NET SURPLUS FOR THE YEAR		
The net surplus for the year has been determined after taking the following into account:		
<u>COUNCILLORS' REMUNERATION</u>		
Mayor, Members of EXCO and Councillors	5,182,086	4,482,056
	<u>5,182,086</u>	<u>4,482,056</u>
<u>AUDITORS REMUNERATION</u>		
Audit fees - Auditor-General	633,886	106,813
	<u>633,886</u>	<u>106,813</u>
<u>INTEREST PAID</u>		
Long-term liabilities - DBSA and Meeg Bank	852,264	852,264
Interest and penalties	122,910	0
Interest on bank overdraft	395	212
	<u>975,569</u>	<u>852,476</u>
<u>INTEREST RECEIVED</u>		
Local Term and Short Term Investments	219,020	375,375
	<u>219,020</u>	<u>375,375</u>
<u>GOVERNMENT SUBSIDIES</u>		
Amathole District Municipality - Water Services	7,516,956	5,066,447
Central Government - Equitable share	43,238,650	35,776,591
DBSA Urban Renewal grant	216,074	0
Other grants and subsidies - SETA	53,684	48,698
Provincial Government - Health Subsidies	3,552,805	2,188,825
Provincial Government - Interventions	4,772,405	2,937,075
	<u>59,360,574</u>	<u>46,817,636</u>
<u>OPERATING LEASES CHARGES</u>		
Lease of premises and office equipment	1,125,680	922,511
	<u>1,125,680</u>	<u>922,511</u>
14 REVENUE		
Assessment Rates	19,432,446	4,934,516
Rental Income	3,064,465	1,743,419
Water Sales	7,892,556	4,720,161
Sewerage and Sanitation	3,057,917	2,185,235
Refuse Removal	3,875,741	3,405,200
Interest on Investments	219,020	375,375
Equitable Share	43,238,650	35,776,591
Water Services Subsidy	7,516,956	5,066,447
Health Subsidy	3,552,805	2,188,825
Transformation Grant & Other Subsidies	5,042,163	2,985,772
Car Registration & Licensing Income	1,984,757	1,699,946
Patient Fees	0	57,264
Other Income	198,586	437,544
Traffic Fines	294,768	151,080
Total	<u>99,370,828</u>	<u>65,727,395</u>

MNQUMA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
15 CASH GENERATED BY OPERATIONS		
Net surplus for the year	12,628,422	(123,248,376)
Adjustments:		
Contribution to fixed assets	(3,536,507)	(4,516,767)
Investment income	(219,020)	(375,375)
Interest paid	975,569	852,476
Correction of fundamental error	9,581,042	(15,352,065)
Operating surplus before working capital	<u>19,429,506</u>	<u>(142,640,107)</u>
Decrease / (increase) in inventory	4,565	(186,559)
Decrease / (increase) in debtors	(11,085,503)	105,864,582
Decrease / (increase) in sundry debtors	(14,650,846)	(3,486,356)
Increase / (decrease) in provisions	(3,423,834)	6,751,832
Decrease / (increase) in creditors	5,470,270	14,159,029
Increase in short-term portion of long-term liabilities		
	<u>(182,440)</u>	<u>(5,100)</u>
Cash utilised in operations	<u>(4,438,281)</u>	<u>(19,742,679)</u>

16 CASH AND CASH EQUIVALENTS

Cash resources	(1,918,983)	(802,325)
Short term investments	<u>26,717,659</u>	<u>15,284,762</u>
	<u>24,798,676</u>	<u>14,482,437</u>

17 RETIREMENT BENEFITS

An interim actuarial valuation of the Pension Funds (a defined benefit fund) was done as at 30 June 2004 in which the actuaries reported the estimated values of the pensions as follows:

<i>Name of pension fund</i>		
Cape Joint Pension Fund	246,650,000	246,650,000
SAMWU National Provident Fund	969,082,000	969,082,000
Total Valuation	<u>1,215,732,000</u>	<u>1,215,732,000</u>

The valuation of the National Fund for Municipal Workers was not done as at 30 June 2004 and as such no values could be obtained.

The Council also contributes to gratuity fund in respect of certain staff who, when they commenced employment with the council were over the age of 55 years and hence not eligible to join the pension funds. Furthermore, the council also made contributions in respect of employees who joined the Cape Joint Retirement Fund and the Cape Town Municipal Pension Fund.

18 CAPITAL AND OTHER COMMITMENTS

Commitments in respect of approved orders:		
- Approved and contracted for	<u>1,577,198</u>	<u>227,319</u>
This expenditure will be financed from internal sources.	<u>1,577,198</u>	<u>227,319</u>

MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Funder	Rate	Redeemable	Balance @ 01/07/2004	Received during the year	Interest capitalised	Redeemed or Written off during the year	Balance @ 30/06/2005
	MEEG BANK	17%	2006/05/31	199,480	-	12,491	(211,971)	-
	DEVELOPMENT BANK OF SA	9.92%	2006/05/31	4,976,498	-	368,223	(2,957,028)	2,387,692
	TOTAL EXTERNAL LOANS			5,175,978		380,714	(3,168,999)	2,387,692
	INTERNAL ADVANCES							
	FREE BASIC SERVICES			9,139,397	-	-	-	9,139,397
	TRANSITIONAL GRANT			771,502	64,500	-	-	836,002
	MUNICIPAL MENTORING PROGRAMMEE			200,000	-	-	-	200,000
	IDP			430,764	250,764	-	-	681,528
	PILOT HOUSING			333,133	33,133	-	-	366,267
	312 HOUSES			273,600	273,600	-	-	547,200
	TOTAL EXTERNAL LOANS AND INTERNAL ADVANCES			11,148,396	621,997	-	-	11,770,394
				17,813,218	621,997	380,714	(3,168,999)	14,158,086

**MINQUA MUNICIPALITY
FINANCIAL STATEMENTS - 30 JUNE 2005
APPENDIX B
ANALYSIS OF FIXED ASSETS**

	HISTORICAL COST		LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		TOTAL FIXED ASSETS
	Original Cost	Accumulated Depreciation	Original Cost	Accumulated Depreciation	Original Cost
LAND	6,640,460	-	6,640,460	-	6,640,460
Bawa Falls	66,055	-	66,055	-	66,055
Cemetery	23,604	-	23,604	-	23,604
Estates	147,924	-	147,924	-	147,924
Parks & Gardens	53,715	-	53,715	-	53,715
Township Development	105,144	-	105,144	-	105,144
Various Properties	6,244,018	-	6,244,018	-	6,244,018
BUILDINGS	3,969,163	670,247	3,969,163	670,247	4,639,410
Abattoirs	36,997	-	36,997	-	36,997
Administration & Civic buildings	2,390,760	670,247	2,390,760	670,247	3,061,007
Clinics	124,057	-	124,057	-	124,057
Library buildings	39,135	-	39,135	-	39,135
Pound building	700	-	700	-	700
Staff housing	1,145,403	-	1,145,403	-	1,145,403
Traffic buildings	138,910	-	138,910	-	138,910
Workshop building	93,201	-	93,201	-	93,201
ELECTRICITY	1,327,185	-	1,327,185	-	1,327,185
Supply/reticulation	1,327,185	-	1,327,185	-	1,327,185
ROADS	18,734,084	216,582	18,734,084	216,582	18,950,666
Streets	17,720,310	216,582	17,720,309	216,582	17,936,891
Street lighting	721,630	-	721,630	-	721,630
Testing grounds	292,145	-	292,145	-	292,145
WASTE WATER	4,847,612	-	4,847,612	-	4,847,612
Sewers & Sludge Machines	4,847,612	-	4,847,612	-	4,847,612

MNQUMA MUNICIPALITY
 FINANCIAL STATEMENTS - 30 JUNE 2005
 APPENDIX B
 ANALYSIS OF FIXED ASSETS

HISTORICAL COST

LOANS REDEEMED AND OTHER CAPITAL RECEIPTS

TOTAL FIXED ASSETS

	Original Value	Accumulated Depreciation	Current Balance	Original Value
BULK WATER				
Boreholes	8,500,809	-	8,500,809	
Reservoirs and tanks	356,198	-	356,198	
Supply/reservation	575,696	-	575,696	
RECREATIONAL FACILITIES	7,568,915	-	7,568,915	
	810,591	486,758	1,297,349	
Floodlights	737,116	241,903	979,019	
Swimming pools	73,475	244,855	318,330	
PLANT & EQUIPMENT	3,289,880	244,551	3,534,431	
Chinic equipment	11,860	-	11,860	
Firearms	9,480	-	9,480	
Graders, earthmovers and loaders	2,209,823	-	2,209,823	
Lawnmowers	179,371	8,401	187,772	
Radio equipment	1,600	-	1,600	
Refuse removal equipment	38,744	-	38,744	
Road marking machine	36,000	-	36,000	
Speed trapping machine and breathalizer	2,800	-	2,800	
Swimming pool equipment	75,610	-	75,610	
Telecommunication equipment	1,200	-	1,200	
Tipper	165,000	-	165,000	
Tractors	461,000	208,500	669,500	
Water purification equipment	3,500	-	3,500	
Workshop & cleaning equipment	93,892	27,650	121,542	
GAS	4,980	-	4,980	
Gas masks	180	-	180	
Storage tanks	4,800	-	4,800	

MNOQUA MUNICIPALITY
FINANCIAL STATEMENTS - 30 JUNE 2005
APPENDIX B
ANALYSIS OF FIXED ASSETS

	HISTORICAL COST		LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		TOTAL FIXED ASSETS
	Original Cost	Depreciated	Original Cost	Closing Balance	
OFFICE EQUIPMENT					
Air conditioners	690,566	-	690,566	1,131,281	1,821,847
Cleaning & Kitchen equipment	108,730	7,840	108,730	7,840	116,570
Computer equipment	29,106	2,952	29,106	2,952	32,058
Miscellaneous equipment	239,176	1,069,338	239,176	1,069,338	1,308,515
Office fans	237,527	47,029	237,527	47,029	284,557
Office faxes, photocopiers and calculators	4,950	-	4,950	-	4,950
Office heaters	14,100	-	14,100	-	14,100
Office refrigeration equipment	6,429	2,456	6,429	2,456	8,885
Office safes and cable locks	11,857	1,666	11,857	1,666	13,523
FURNITURE & FITTINGS	38,690	-	38,690	-	38,690
Cabinets and cupboards	772,499	203,214	772,499	203,214	975,713
Chairs	179,416	66,700	179,416	66,700	246,116
Clinic beds	262,366	27,404	262,366	27,404	289,770
Miscellaneous	10,311	-	10,311	-	10,311
Tables & Desks	130,686	76,199	130,686	76,199	206,885
MOTOR VEHICLES	189,720	32,912	189,720	32,912	222,632
Motor vehicles	3,012,771	583,875	2,813,291	783,355	3,596,646
Trucks, bakkies and trailers	668,439	133,333	632,424	169,348	801,772
	2,344,332	450,541	2,180,867	614,007	2,794,874
TOTAL	52,600,601	3,536,507	52,401,121	3,735,988	56,137,108

MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS - 30 JUNE 2005
APPENDIX C

SUMMARY OF FIXED ASSETS BY DEPARTMENTAL AND SERVICE CLASSIFICATION

	HISTORICAL COST			LOANS REDEEMED AND OTHER CAPITAL RECEIPTS			TOTAL FIXED ASSETS	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Additions		Disposal
FIXED ASSETS								
GENERAL SERVICES	37,416,711	3,038,678	-	40,455,389	37,217,231	3,238,158	-	40,455,389
Executive Services	2,122,490	1,077,047	-	3,199,537	2,122,490	1,077,047	-	3,199,537
Administration Services	10,817,757	790,221	-	11,607,978	10,618,277	989,701	-	11,607,978
Engineering Services	23,321,876	493,421	-	23,815,297	23,321,876	493,421	-	23,815,297
Financial Services	188,737	545,077	-	733,814	188,737	545,077	-	733,814
Health Services	102,754	25,550	-	128,304	102,754	25,550	-	128,304
Protection Services	766,414	50,063	-	816,477	766,414	50,063	-	816,477
Council's General Expenses	96,682	57,300	-	153,982	96,682	57,300	-	153,982
ECONOMIC SERVICES	6,356,716	8 137,79	-	6,364,854	6,356,716	8 137,79	-	6,364,854
Sewerage Services	4,847,612	6,053	-	4,853,665	4,847,612	6,053	-	4,853,665
Sanitation Services	1,509,104	2,085	-	1,511,190	1,509,104	2,085	-	1,511,190
TRADING SERVICES	8,827,173	489,692	-	9,316,865	8,827,173	489,692	-	9,316,865
Bulk Water	8,827,173	489,692	-	9,316,865	8,827,173	489,692	-	9,316,865
TOTAL	52,600,601	3,536,507	-	56,137,108	52,401,121	3,735,988	-	56,137,108

**MINQUMA MUNICIPALITY
FINANCIAL STATEMENTS
APPENDIX D**

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

Actual 2004		Actual 2005	Budget 2005
R	INCOME	R	
4,934,516	Assessment Rates	19,432,446	12,000,000
1,743,419	Rental Income	3,064,465	3,868,060
4,720,181	Water Sales	7,892,556	6,091,030
2,185,235	Sewerage and Sanitation	3,057,917	2,452,880
3,405,200	Refuse Removal	3,875,741	3,499,628
375,375	Interest on Investments	219,020	-
35,776,591	Equitable Share	43,238,650	54,811,000
5,066,447	Water Services Subsidy	7,516,956	11,772,916
2,188,825	Health Subsidy	3,552,805	6,100,359
2,985,772	Transformation Grant & Other Subsidies	5,042,163	8,346,734
1,699,946	Car Registration & Licencing Income	1,984,757	1,035,000
57,264	Patient Fees	0	100,000
437,544	Other Income	198,586	207,720
151,080	Traffic Fines	294,768	750,000
<u>65,727,395</u>	TOTAL INCOME	<u>99,370,828</u>	<u>111,035,327</u>
	EXPENDITURE		
50,940,106	Salaries and Wages	47,193,879	54,020,588
113,879,561	Bad Debts Written off	14,267,364	2,875,655
11,790,995	General Expenses	15,929,171	37,114,089
2,048,542	Purchase of Water	0	2,300,000
1,070,075	Electricity Consumption	1,210,334	624,612
4,729,639	Repairs and Maintenance	4,605,151	9,752,222
4,516,853	Contribution to Capital Outlay	3,536,507	4,311,901
<u>188,975,771</u>	NET EXPENDITURE	<u>86,742,406</u>	<u>110,999,067</u>

MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS
APPENDIX E

DETAILED INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income	2004 Actual Expenditure		2004 Surplus/(Deficit)	2005 Actual Income		2005 Actual Expenditure		2005 Surplus/(Deficit)	Budget Surplus/(Deficit)	
	R	R		R	R	R	R		R	R
50,341,116	168,888,680		(118,547,564)	84,482,542	76,137,973	8,344,569	(1,157,420)			
0	1,636,784		(1,636,784)	493,095	6,247,368	(5,754,274)	(10,961,891)			
21,924	10,549,807		(10,527,882)	3,291,251	4,572,986	(1,281,735)	(11,588,659)			
22,097	12,384,951		(12,362,854)	249,123	10,320,345	(10,071,222)	(15,350,923)			
47,104,117	124,751,807		(77,647,690)	74,576,816	38,312,426	36,264,390	55,029,988			
2,259,217	6,786,977		(4,527,760)	3,564,230	2,875,588	688,642	1,324,336			
933,761	7,873,014		(6,939,253)	2,308,027	7,511,544	(5,203,516)	(8,885,253)			
0	4,905,341		(4,905,341)	0	6,297,715	(6,297,715)	(10,725,018)			
5,590,435	11,131,300		(5,540,865)	6,947,946	7,290,253	(342,307)	(5,308,776)			
2,185,235	8,284,181		(6,098,947)	3,058,180	1,226,091	1,832,090	(2,767,314)			
3,405,200	2,847,119		558,081	3,889,766	6,064,163	(2,174,397)	(2,541,462)			
9,795,844	8,955,791		840,053	7,940,341	3,314,181	4,626,160	6,502,452			
9,795,844	8,955,791		840,053	7,940,341	3,314,181	4,626,160	6,502,452			
65,727,395	188,975,771		(123,248,376)	99,370,828	86,742,406	12,628,422	36,256			

Net surplus/(deficit) for the year

**MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS**

**APPENDIX F
STATISTICAL INFORMATION**

	2004/2005	2003/2004
Ambulance Services		
Number of stations	N/A	N/A
Number of employees	N/A	N/A
Number of patients conveyed	N/A	N/A
Kilometres travelled	N/A	N/A
Bulk Water		
Water purified	600,077	4,200,000
Water sold	4,879,876	1,289,784
Water unaccounted	N/A	N/A
% Water losses	12	30
Waste Management		
Waste disposed		
Abattoir		
Fresh meat slaughtered	N/A	N/A
Cattle slaughtered	N/A	N/A
Calves slaughtered	N/A	N/A
Sheep slaughtered	N/A	N/A
Pigs slaughtered	N/A	N/A
Cemeteries and Crematoria		
Burials	143	131
Cremations	N/A	N/A
Market		
Consignments fresh produce received	N/A	N/A
Sales Transactions	N/A	N/A
Economic and Social Development		
1. Breakdown of formal employment in Mnquma Municipality		
Agriculture	4.00%	4.00%
Construction	2.00%	2.00%
Electricity and Water	0.30%	0.30%
Finance	3.00%	3.00%
Manufacturing	18.00%	18.00%
Community	53.90%	53.90%
Household	11.00%	11.00%
Trade & Catering	9.00%	9.00%
Transport & Communication	3.00%	3.00%
Mining & Quarrying	0.10%	0.10%

MNQUMA MUNICIPALITY
FINANCIAL STATEMENTS

APPENDIX F
STATISTICAL INFORMATION

	2004/2005	2003/2004
2. Sectorial composition of Mngquma Municipality		
Education	33.80%	33.80%
Retail Trade & Repair of goods	9.40%	9.40%
Health & Social Work	8.60%	8.60%
Food, Beverages & Tobacco Products	8.10%	8.10%
Wholesale & Commission Trade	7.00%	7.00%
Financial Intermediation & Other Ancilliary Activities	5.40%	5.40%
Textile, Clothing & Leather Goods	3.00%	3.00%
Public Administration & Defence Activities	2.90%	2.90%
Land Transport	2.50%	2.50%
Post & Telecommunication	2.00%	2.00%
Insurance & Pension Funding	1.90%	1.90%
Construction	1.90%	1.90%
Agriculture	1.80%	1.80%
Furniture & Other Items	1.60%	1.60%
Transport Equipment	1.50%	1.50%
Fuel, Petroleum, Chemical & Rubber Products	1.40%	1.40%
Metal Products, Machinery & Household Appliances	1.00%	1.00%
Hotels & Restaurants	0.80%	0.80%
Forestry & Lodging	0.80%	0.80%
	<u>100.00%</u>	<u>100.00%</u>