

INDEX

1. GENERAL INFORMATION	Page 1
2. APPROVAL OF FINANCIAL STATEMENTS	Page 2
3. FOREWORD	Page 3
4. REPORT OF THE AUDITOR-GENERAL	Page
5. TREASURER'S REPORT	Page 4
6. ACCOUNTING POLICIES	Page 7
7. BALANCE SHEET	Page 9
8. INCOME STATEMENT	Page 10
9. CASH FLOW STATEMENT	Page 11
10. NOTES TO THE FINANCIAL STATEMENTS	Page 12
11. APPENDICES	
A. STATUTORY FUNDS, TRUST FUNDS AND RESERVES	Page 22
B. EXTERNAL LOANS AND INTERNAL ADVANCES	Page 23
C. ANALYSIS OF FIXED ASSETS	Page 24
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005	Page 25
E. DETAILED INCOME STATEMENT OF THE YEAR ENDED 30 JUNE 2005	Page 26
F. STATISTICAL INFORMATION	Page 27

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Z I Dumzela Mayor / Chairperson Executive Committee Member
D D Mqungquthu Speaker
M M Ralijji Member Executive Committee / Chairperson Housing & Estate Standing Committee
G N Mvunyiswa Member Executive Committee / Chairperson Technical Standing Committee
A Kwinana Member Executive Committee / Chairperson Community & Social Services Standing Committee
M Mpelwane Member Executive Committee / Chairperson Corporate & Support Services Standing Committee
M Stanley Member Executive Committee / Chairperson Finance Standing Committee

J Constable	M Kuse
M M Mafilika	L Boo
N A Ngaba	N I Monoalibe
I Elia	Z Manzi
B Lutshaba	N Kwinana
J J Lamane	A Sobhuza
S S Ndzongana	G Mbonyana
A A Masolo	M Baduza
V V Mbulawa	P August
M P Bingwa	P Xhantini
L M Ntlombe	X Ganamfana
N E Mkontwana	M Ngogodo
B Sono	

AUDITORS

The Auditor-General

BANKERS

Standard Bank
LADY GREY

REGISTERED OFFICE

19 Murray Street, P O Box 18, LADY GREY, 9755
Tel No: 051 - 603 0019 Fax No: 051 - 603 0445

MUNICIPAL MANAGER

M M Yawa

FINANCIAL MANAGER

C R Venter

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 - 27 were approved by the Municipal Manager and re-submitted to the Auditor-General on the **6th December 2005**.

MUNICIPAL MANAGER
M M YAWA

FINANCIAL MANAGER
C R VENTER

FOREWORD

Our command and our duty is to rise and do for us. This command comes as we reach the halfway stage in the life of the third legislature in our Municipality. It comes at a stage when we should move in earnest to consolidate our efforts for accelerated service delivery to our people. Our administration has matured, and we are now harvesting knowledge. This has recently been hailed with praise from various members of our communities from various walks of life that our administration has improved a great deal in service delivery, customer care, information dissemination, etc. This does not mean that we do not engage ourselves into constructive fight with our administration and these credits could be attributed to that. Well done!

Essentially, the new system defines the senses in which local government is a sphere of government, with its original, constitutionally-enshrined powers and functions. In other words, it is not a third level of government crudely subordinate to provincial and national government. It is not a function of provincial or national government. But, on the other hand, it is not completely independent either. It is interrelated with provincial and national government in one overall system of co-operative governance, in which the more each sphere co-operates with the other two, the stronger it can become.

Fundamentally, the new system gives expression to the notion in the Constitution of developmental local government. This means that local government is not just an important site for the delivery of services, but it is crucial for the economic and social development of people. By working effectively with the other two spheres of government and a range of public and civil society organisations and the private sector, local government also has to contribute to economic growth, job creation and social development. Over time, through appropriate negotiations and securing further funding, our municipality will take on increasing responsibilities for service delivery and development. This is, in different forms, happening in the world over.

Key to fulfilling this development role is the requirement in the new system for all municipalities to adopt IDP's (Integrated Development Plans).

Essentially, an IDP sets out our vision, needs, priorities, goals and strategies of council to develop the municipality during its term of office, as part of a long-term vision and plan for development. In terms of the law, the community of a municipality must have a say in both the content of the IDP and the process by which it is drafted. The IDP provides the framework for determining the budget of a community. It is closely linked to the performance management system of a municipality in terms of which a municipality's progress is judged, especially by the residents. The IDP is not only a plan. It is also a strategic instrument, a management tool, and a method of running the municipality. The IDP provides a framework for all the activities of a municipality. It is also meant, over time, to be an important site of effecting co-operative governance in practice.

The municipality have to use its resources and annually allocate funds in the budget, as appropriate, to develop a culture of community participation. The municipality have to contribute to building the capacity of the local community to participate in municipal affairs and the councillors and staff to foster community participation. In establishing structures and processes for community participation, the special needs of women, the disabled, the illiterate and other disadvantaged groups have to be taken into account. In terms of the Municipal Structures Act, a municipality's executive has to give an annual report on the extent to which the local community has been involved in municipal affairs. The executive must "ensure that regard is given to public views and report on the effect of consultation on the decisions of the council."

Z I Dumzela
Mayor

TREASURER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendix D and E. The overall operating results for the period ended 30 June 2005 are as follow:

	2005	2004	Variance	Budget 2005	Variance Act / Budg
INCOME					
Opening Surplus	14,730,758	12,561,517			
Operating Income for the Year	49,863,690	36,221,346	37.66%	47,069,809	5.93%
Sundry Transfers	5,240,616	-			
Closing Deficit	-	-			
	69,835,064	48,782,863			
EXPENDITURE					
Opening Deficit	-	-			
Operating Expenditure for the Year	42,377,114	29,729,314	42.54%	47,011,498	(9.85%)
Sundry Transfers	-	4,322,791			
Closing Surplus	27,457,950	14,730,758			
	69,835,064	48,782,863			

The increase in operating income by 37.66% consists of an increase in the Equitable Share allocation of 23.56% and a contribution of R 3 483 880 by the Water Service Authority for services rendered. An increase of 10.26% in electricity sales were also experienced. The increase in operating expenditure by 42.54% includes a substantial increase in Salaries of 17.04%.

1.1 RATE AND GENERAL SERVICES

Income	38,176,437	27,616,022	38.24%	35,266,574	8.25%
Expenditure	31,860,572	21,583,817	47.61%	35,234,875	(9.57%)
Surplus / (Deficit)	6,315,865	6,032,205		31,699	
Surplus / (Deficit) as % of Total Income	16.54%	21.84%			

1.2 HOUSING SERVICES

Income	148,251	128,726	15.16%	148,251	0
Expenditure	109,992	106,456	3.32%	148,251	(25.80%)
Surplus / (Deficit)	38,259	22,270		-	
Surplus / (Deficit) as % of Total Income	25.80%	17.30%			

1.3 TRADING SERVICES

Income	11,539,002	8,476,598	36.12%	11,654,155	(0.98%)
Expenditure	10,406,550	8,039,041	29.45%	11,628,372	(10.50%)
Surplus / (Deficit)	1,132,452	437,557		25,783	
Surplus / (Deficit) as % of Total Income	9.81%	5.16%			

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on assets incurred during the year amounted to R 21 180 924; 23.69% less than the previous year's expenditure of R 27 068 504. The actual expenditure is 90.26% of that was budgeted for (R 22 881 864) and consists of the following:

Infrastructure Assets	Electricity	128,893
	Roads, Streets & Storm Water	11,081,630
	Sewerage & Solid Waste	3,208,577
	Water	748,044
Community Assets	Buildings	3,747,847

Other Assets	Buildings	649,497
	Office Equipment	92,412
	Furniture & Fittings	69,214
	Motor Vehicles	617,466
	Plant & Equipment	837,344
		<u>21,180,924</u>

Detail of these assets are reflected in council's assets register.

A complete analysis of capital expenditure (actual) per department, classification or service is included in appendix C.

Resources used to finance the fixed assets were as follow:

Consolidated Municipal Infrastructure Projects (CMIP)	15,469,960
Trust & Reserve Funds	459,553
Operating Expenditure	5,251,411
	<u>21,180,924</u>

More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

R 15 909 834 of the budgeted **R 58 933 641** (26.99%) was spent on housing projects.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2005 amounted to **R 549 903** as set out in appendix B. During this period no loans were taken up and repayments to the amount of **R 78 699** were done.

Investments and cash on 30 June 2005 amounts to **R 70 912 922** (R 45 451 175 in 2004).

More information regarding loans and investments is disclosed in notes (4 and 6) and appendix B to the financial statements.

4. FUNDS AND RESERVES

The movement regarding statutory funds, reserves and trust funds is given in Appendix A.

The following contributions were made:

Statutory funds	Revolving Fund	75,000
Reserves	Working Capital	130,000
	Leave Gratuity	163,700
	Disaster	30,000

The following Trust Funds were received:

Surveying / Land Audit	550,600
Municipal Support Programme	510,000
Municipal Finance Management	250,000
Rossouw Agricultural Project	987,259
People's Housing	78,250
Herschel People's Housing	4,480,341
Drought Relief	14,000,000
Hillside Housing	8,023,670
Municipal Infrastructure Grant	2,985,000
LED Project for disabled people	100,000

5 POST BALANCE SHEET EVENTS

As from the 1 July 2003 Senqu municipality has acted as Interim Water Service Provider for Ukhahlamba district municipality - the Water Service Authority. An agreement as to the transfer of Assets and Liabilities have not yet been reached which would also influence the Assets and Liabilities of Senqu municipality.

6 APPRECIATION

I would like to thank the Mayor, Speaker, the Chairperson of the Finance Standing Committee, the members of the Executive Committee, other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the personnel of the Finance Department for their loyalty and commitment in preparing the financial accounts of our municipality.

C R Venter
Manager: Financial Services

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1. These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its *Code of Accounting Practice (1997)* and *Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended)*.
- 1.2. The financial statements are prepared on historical cost basis, adjusted for Fixed Assets as more fully detailed in Accounting Policy - Note 3. The accounting policies are consistent with those applied in the previous year; except if otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis as stated:
 - > Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - > Expenditure is accrued in the year it is incurred.

2 CONSOLIDATION

The balance sheet includes the Rates and General Services, Housing Services, Trading Services and different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

3 FIXED ASSETS

- 3.1. Fixed assets are stated:
 - > at historical cost, or
 - > at valuation, where assets have been acquired by grant or donation.

while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

- 3.2. Depreciation.

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is the amount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

 - > Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - > Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3. All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4. Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 INVENTORY

No stock is kept, but purchases are debited directly to the applicable expense account.

5 FUNDS AND RESERVES

- 5.1. Statutory Funds
 - > The prescribed 7.5% was contributed to the Revolving Fund.
 - > A Housing Development Fund was established and is maintained in terms of the Housing Act 107 of 1997.

5.2. Trust Funds
> All Trust Funds were received from either the National, Provincial Government and District Municipality and will only be utilized for the purpose it was received for.

5.3. Reserves
> Council has not yet compiled and accounting policy on reserves transferred from the previous Transitional Councils.

6 PROVISIONS

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

7 SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of Trading Services - Water and Electricity - are transferred to Rate and General Services to alleviate the tax burden of rate payers.

8 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1997).

9 LEASED ASSETS

Fixed assets held under finance leases are capitalized. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

10 INVESTMENTS

Investments are shown at the lower cost or market value if a permanent decline in the value occurred.

11 DEFERRED CHARGES REPRESENTS

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

10.2. Assets written off before the loans financing them are fully repaid.

12 INCOME RECOGNITION

11.1. Electricity and Water Billings.
Meters are read and billed monthly.

11.2. Assessment Rates.
Senqu Municipality applies a differential site rating system. In terms of this system the assessment rates are levied on the land value of property, and rebates are granted according to use which a particular property is put.

BALANCE SHEET AT 30 JUNE 2005

	Note	2005	2004
CAPITAL EMPLOYED			
FUNDS AND RESERVES		7,955,516	7,624,714
Statutory Funds	1	5,205,792	4,853,783
Reserves	2	2,749,724	2,770,931
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	23	27,457,950	14,730,758
		35,413,466	22,355,472
TRUST FUNDS	3	31,798,180	19,057,610
LONG-TERM LIABILITIES	4	471,204	559,088
CONSUMER DEPOSITS	5	279,218	263,444
		67,962,068	42,235,614
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	1,608,811	1,863,641
LONG-TERM INVESTMENTS	7	10,562,397	9,683,378
LONG-TERM DEBTORS	8	366,105	687,269
DEFERRED CHARGES	11	-	-
Net Current Assets / (Liabilities)		55,424,755	30,001,326
CURRENT ASSETS		65,070,022	44,641,507
Accounts Receivable / Debtors	10	4,398,333	8,525,387
Cash and Bank	14	2,438,395	3,646,619
Short-term Investments	7	57,912,130	32,166,178
Short-term Portion of Long-term Debtors	8	321,164	303,323
CURRENT LIABILITIES		9,645,267	14,640,181
Provisions	12	722,130	2,471,508
Accounts Payable / Creditors	13	8,844,438	12,099,159
Loans: Short-term Portion	4	78,699	69,514
Bank Overdraft	14	-	-
		67,962,068	42,235,614

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

30/06/2004 Actual Income R	30/06/2004 Actual Expenditure R	30/06/2004 Surplus / (Deficit) R		30/06/2005 Actual Income R	30/06/2005 Actual Expenditure R	30/06/2005 Surplus / (Deficit) R	30/06/2005 Budgeted Surplus/(Deficit) R
27,616,022	21,583,817	6,032,205	RATE & GENERAL SERVICES	38,176,437	31,860,572	6,315,865	31,699
21,652,752	17,041,720	4,611,032	Community Services	29,444,650	23,583,314	5,861,336	31,699
553,621	420,086	133,535	Subidized Services	301,819	253,447	48,372	-
5,409,649	4,122,011	1,287,638	Economic Services	8,429,968	8,023,811	406,157	-
128,726	106,456	22,270	HOUSING SERVICES	148,251	109,992	38,259	-
8,476,598	8,039,041	437,557	TRADING SERVICES	11,539,002	10,406,550	1,132,452	26,612
<u>36,221,346</u>	<u>29,729,314</u>	<u>6,492,032</u>	TOTAL	<u>49,863,690</u>	<u>42,377,114</u>	<u>7,486,576</u>	<u>58,311</u>
		(4,322,791)	Appropriations for this year - refer to Note 23			5,240,616	
		2,169,241	Net Surplus / (Deficit) for the year.			12,727,192	
		12,561,517	Accumulated Surplus / (Deficit) at beginning of the year.			14,730,758	
		<u>14,730,758</u>	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			<u>27,457,950</u>	

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2005

	Note	2005	2004
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES:			
Cash Generated by Operations	24	25,911,573	7,695,726
Investment Income		3,818,814	-
(Increase) / Decrease in Working Capital	25	1,191,430	2,755,046
Less: External interest paid		(79,658)	
Cash Contributions from the Public and State		15,809,211	-
Net Proceeds on Disposal of Fixed Assets		25,000	-
Investment in Fixed Assets		(21,180,924)	-
		<u>25,495,446</u>	<u>10,450,772</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in Long-term Loans	26	(78,699)	(69,514)
Increase / (Decrease) in Short-term Loans	27	-	-
(Increase) / Decrease in Cash Investments	28	(26,624,971)	(11,633,569)
(Increase) / Decrease in Cash	29	1,208,224	1,252,311
Net cash (generated) / utilized		<u>(25,495,446)</u>	<u>(10,450,772)</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
1 STATUTORY FUNDS		
Revolving Fund	5,205,792	4,847,452
Housing Development	-	6,331
Total Statutory Funds	5,205,792	4,853,783
(Refer to Appendix A for more detail)		
2 RESERVES		
Working Capital Reserve	1,662,655	1,457,312
Leave Reserve	520,265	338,368
Repairs & Maintenance	109,462	104,081
Reserve Fund	346,678	794,472
Disaster	110,664	76,698
Total Reserves	2,749,724	2,770,931
(Refer to Appendix A for more detail)		
3 TRUST FUNDS		
Surveying / Land Audit	524,381	-
Structure Plan	-	81,665
Settlement Development	-	11,573
LED (Lady Grey)	570,147	604,916
Town Scheme Planning	-	36,501
People's Housing (Lady Grey)	6,646,470	6,832,982
Municipal Finance Management	166,952	-
Municipal Support Programme	521,493	-
Additional IGG	781,781	743,350
Disabled Project BE	217,492	106,800
Hillside Housing	1,190,450	-
Drought Relief Water	14,301,583	-
Pilot Housing	488,950	498,138
IDP	-	34,357
Municipal Infrastructure Grant	2,990,424	-
General Valuation	20,077	255,492
Implementation Ownership	458,483	446,098
Traffic Test Station (Sterkspruit)	118,603	162,773
Spatial Development Plan	149,416	172,071
Sport Facilities (Lady Grey)	-	987,013
Rossouw Agricultural Project	553,330	-
Municipal Systems Improvement Grant	330,769	319,730
Herschel People's Housing	580,227	4,220,907
Equitable Share Projects	1,187,152	3,543,244
Total Trust Funds	31,798,180	19,057,610
(Refer to Appendix A for more detail)		

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
4 LONG TERM LIABILITIES		
Development Bank of South Africa	549,903	628,602
Sub-total	549,903	628,602
Less: Current portion transferred to current liabilities	78,699	69,514
Development Bank of South Africa	78,699	69,514
Total External Loans	471,204	559,088
 (Refer to Appendix B for more detail on long-term liabilities)		
Development Bank of South Africa		
These loans bear interest at rates from 10.00% to 18.00% per annum and are repayable over periods of between 1 - 15 years.		
5 CONSUMER DEPOSITS - SERVICES		
Electricity and Water	279,218	263,444
Guarantees held in lieu of Electricity and Water Deposits	-	-
6 FIXED ASSETS		
Fixed assets at the beginning of the year.	82,163,599	59,305,406
Capital expenditure during the year.	21,180,924	27,068,504
Less: Assets written off, transferred or disposed of during the year.	8,054,517	4,210,311
Total fixed assets	95,290,006	82,163,599
Less: Loans redeemed and other capital receipts	93,681,195	80,299,958
Net fixed assets	1,608,811	1,863,641
 (Refer to Appendix C and section 2 of the Treasurer's Report for more details on fixed assets)		
7 INVESTMENTS		
Listed	-	-
Stock	-	-
Unlisted	68,474,527	41,849,556
Call deposits	19,889,047	13,921,526
Short-term deposits	38,023,083	18,244,652
Long-term deposits	10,562,397	9,683,378
Total Investments	68,474,527	41,849,556
Market value of listed investments and managements valuation of unlisted investments.		
Listed investments	-	-
Unlisted investments	68,474,527	41,849,556
Profit / (Loss) on investment transactions.	-	-
Average rate of return on investments (Net)	5.17%	6.80%

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

No investments have been written off during the year.

No investments have been pledged as security for any funding facilities of the council.

8 LONG-TERM DEBTORS

	2005	2004
	687,269	990,592
Less: Short-term portion of long-term debtors transferred to current assets.	321,164	303,323
Total Long-term Debtors	366,105	687,269

9 INVENTORY

Inventory represents consumable store, raw materials, work in progress and finished goods.

Total Inventory	-	-
------------------------	---	---

10 DEBTORS

Consumer debtors	3,954,928	4,835,334
Payments made in advance	672,000	816,154
Current debtors (other)	3,148,307	6,339,373
	7,775,235	11,990,861
Less: Provision for bad debts	3,376,902	3,465,474
Total Debtors	4,398,333	8,525,387

CONSUMER DEBTORS

	Gross Balance	Provision for Bad Debts	Net Balance
As at 30 June 2005			
Service debtors	3,798,580	2,560,611	1,237,969
Rates	1,014,764	935,296	79,468
Electricity	930,341	196,908	733,433
Water	601,113	478,961	122,152
Sewerage / Sanitation	615,382	462,134	153,248
Refuse removal	636,980	487,312	149,668
Other	156,348	144,292	12,056
Total	3,954,928	2,704,903	1,250,025
As at 30 June 2004			
Service debtors	-	-	-
Rates	-	-	-
Electricity	-	-	-
Water	-	-	-
Sewerage / Sanitation	-	-	-
Refuse removal	-	-	-
Other	-	-	-
Total	-	-	-

2005

2004

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
<u>Rates: Ageing</u>		
Current (0 - 30 days)	19,923	-
31 - 60 days	30,785	-
61 - 90 days	28,761	-
91 - 120 days	27,807	-
120 + days	907,488	-
	1,014,764	-
<u>Electricity: Ageing</u>		
Current (0 - 30 days)	570,569	-
31 - 60 days	116,645	-
61 - 90 days	46,219	-
91 - 120 days	31,946	-
120 + days	164,962	-
	930,341	-
<u>Water: Ageing</u>		
Current (0 - 30 days)	84,172	-
31 - 60 days	17,248	-
61 - 90 days	20,733	-
91 - 120 days	22,082	-
120 + days	456,878	-
	601,113	-
<u>Sewerage / Sanitation: Ageing</u>		
Current (0 - 30 days)	104,920	-
31 - 60 days	29,079	-
61 - 90 days	19,249	-
91 - 120 days	18,775	-
120 + days	443,359	-
	615,382	-
<u>Refuse removal: Ageing</u>		
Current (0 - 30 days)	94,771	-
31 - 60 days	30,778	-
61 - 90 days	24,119	-
91 - 120 days	22,821	-
120 + days	464,491	-
	636,980	-
<u>Other: Ageing</u>		
Current (0 - 30 days)	15,711	-
31 - 60 days	19,913	-
61 - 90 days	907	-
91 - 120 days	21,766	-
120 + days	98,051	-
	156,348	-
11 DEFERRED CHARGES		
Preliminary Expenses	-	-
Issue Expenses	-	-
Commission	-	-
Assets Written Off	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004	
12 PROVISIONS			
Audit Fees	722,130	773,560	
Enviromental Health Officer Contribution	-	400,000	
Trade	-	1,297,948	
Total Provisions	722,130	2,471,508	
13 CREDITORS			
Trade creditors	894,863	6,554,034	
Creditors (consumers)	88	144	
Payments received in advance	7,054,569	4,812,585	
Other creditors	894,918	732,396	
Total Creditors	8,844,438	12,099,159	
14 BANK, CASH AND OVERDRAFT BALANCES			
The Municipality has the following bank accounts: -			
Current Account (Primary Bank Account)			
Standard Bank - Lady Grey Branch - Account Number 28 063 130 8			
Cash book balance at beginning of year -	161,373	-	
Cash book balance at end of year -	2,072,237	-	
Bank Statement balance at beginning of year -	121,576	-	
Bank Statement balance at end of year -	2,263,378	-	
Current Account			
Standard Bank - Lady Grey Branch - Account Number 28 063 500 1			
Cash book balance at beginning of year -	3,484,346	-	
Cash book balance at end of year -	364,958	-	
Bank Statement balance at beginning of year -	3,489,389	-	
Bank Statement balance at end of year -	364,958	-	
15 PROPERTY RATES			
	Valuation	Actual	
Residential	39,438,753	526,922	593,626
Commercial	12,348,921	185,234	185,234
Industrial	2,901,850	-	43,527
Government	21,640,968	176,313	176,313
Municipal	5,813,517	-	2,375
Other	11,216,640	-	-
	93,360,649	888,469	1,001,075

Valuations on land and improvements are performed every three years. It is unknown when the last general valuation has been performed. The current rates are between R 0.01 to R 0.0638.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
16 <u>SERVICE CHARGES</u>		
Sale of electricity	5,377,625	
Sale of water	1,438,227	
Refuse removal	2,245,842	
Sewerage and sanitation charges	1,814,116	
Total Service Charges	10,875,810	-
17 <u>GOVERNMENT GRANTS AND SUBSIDIES</u>		
Equitable share	26,568,480	-
Provincial Local Economic Development projects	770,822	-
National Local Economic Development projects	570,147	-
Provincial Health Subsidies	301,819	-
Municipal Infrastructure Grant	2,990,424	-
Total Government Grants and Subsidies	31,201,692	-
17.1. <i>Equitable Share.</i>		
In terms of the Constitution this grant is mainly used to subsidise the provision of basis services to indigent community members.		
17.2. <i>Provincial Local Economic Development projects.</i>		
Balance unspent at beginning of year	106,800	-
Current year receipts	1,125,152	-
Conditions met - transferred to revenue	(461,130)	-
Conditions still to be met	770,822	-
17.3. <i>National Local Economic Development projects.</i>		
Balance unspent at beginning of year	604,916	-
Current year receipts	28,027	-
Conditions met - transferred to revenue	(62,796)	-
Conditions still to be met	570,147	-
17.4. <i>Provincial Health Subsidy.</i>		
Balance unspent at beginning of year	-	-
Current year receipts - included in Primary health care vote	301,819	-
Conditions met - transferred to revenue	(301,819)	-
Conditions still to be met	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.		
17.5. <i>Municipal Infrastructure Grant.</i>		
Balance unspent at beginning of year	-	-
Current year receipts -	2,990,424	-
Conditions met - transferred to revenue	-	-
Conditions still to be met	2,990,424	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
18 OTHER INCOME		
Rentals	328,469	-
Traffic	678,029	-
Other	3,093,703	-
Total Other Income	4,100,201	-
19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	10,634,951	-
Employee related costs - Contributions for UIF, pensions and medical aids	1,627,377	-
Travel, motor car, accomodation, subsistence and other allowances	641,908	-
Housing benefits and allowances	72,334	-
Overtime and Standby payments	220,622	-
Performance bonus	352,413	-
Annual bonus	535,127	-
Total Employee Related Costs	14,084,732	-

There were no advances to employees. Loans to employees are set out in note 8.

Remuneration of the Municipal Manager

Annual Remuneration	383,572	-
Performance Bonuses	88,915	-
Travelling Allowance	109,632	-
Contributions to UIF, Medical and Pension Funds	74,399	-
Total	656,518	-

Remuneration of the Chief Finance Officer

Annual Remuneration	276,403	-
Performance Bonuses	65,928	-
Travelling Allowance	149,123	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	491,454	-

Remuneration of other Individual Managers

<u>30 June 2005</u>	<u>Technical Services</u>	<u>Corporate & Support Services</u>	<u>Community & Social Services</u>
Annual Remuneration	327,110	273,239	327,110
Performance Bonuses	65,821	65,928	65,821
Travelling Allowance	81,777	154,976	81,777
Contributions to UIF, Medical and Pension Funds	-	-	-
Total	474,708	494,143	474,708

30 June 2004

	<u>Technical Services</u>	<u>Corporate & Support Services</u>	<u>Community & Social Services</u>
Annual Remuneration	-	-	-
Performance Bonuses	-	-	-
Travelling Allowance	-	-	-
Contributions to UIF, Medical and Pension Funds	-	-	-
Total	-	-	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
20 REMUNERATION OF COUNCILLORS		
Mayor	223,607	218,976
Speaker	169,914	160,848
Executive Committee Members	366,761	-
Councillors	1,100,400	1,563,588
Councillors' pension and medical aid contributions	192,356	-
Total Councillors' Remuneration	2,053,038	1,943,412
The Mayor and Speaker are full-time.		
21 AUDIT FEES		
Opening balance	773,560	-
Current year audit fee	365,065	773,560
Amount paid in respect of current year	-	-
Amount paid in respect of previous years	(416,495)	-
Balance unpaid (included in provisions)	722,130	773,560
22 FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	3,818,814	2,551,809
Interest paid	(79,658)	(69,514)
	3,739,156	2,482,295
Capital charges debited to operating:		
Interest: Internal	48,036	55,913
External	79,658	89,516
Redemption: Internal	176,130	188,512
External	78,699	69,514
	382,523	403,455
23 APPROPRIATIONS		
Appropriation Account		
Accumulated Surplus / (Deficit) at beginning of the year	14,730,758	12,561,517
Operating Surplus / (Deficit) for the year	7,486,576	6,492,032
Appropriations for the year	5,240,616	(4,322,791)
Prior Year Adjustments	5,240,616	(4,322,791)
Accumulated Surplus / (Deficit) at the end of the year	27,457,950	14,730,758
Operating Account		
Capital Expenditure	5,251,411	4,373,997
Contributions to:	398,700	717,461
Bad Debts Provision	-	370,000
Provisions & Reserves	323,700	272,558
Revolving Fund	75,000	74,903
	5,650,111	5,091,458

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
24 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the year	7,486,576	6,492,032
Adjustment in respect of Previous year's Operating Transactions	5,240,616	(4,322,791)
Appropriations charged against income	5,650,111	5,337,973
Bad Debts Provision	-	370,000
Fixed Assets	5,251,411	4,620,512
Provisions & Reserves	323,700	272,558
Revolving Fund	75,000	74,903
Capital charges	382,523	188,512
Interest: External	79,658	-
Internal	48,036	-
Redemption: External	78,699	188,512
Internal	176,130	-
Deferred charges written off	-	-
Investment income (Operating Account)	(3,818,814)	-
Non-operating income:	32,108,225	-
From Reserve and Trust Funds	32,108,225	-
Non-operating expenditure:	(21,137,664)	-
Expenditure charged against Reserves	(21,137,664)	-
	<u>25,911,573</u>	<u>7,695,726</u>
25 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Stock	-	-
(Increase) / Decrease in Debtors and Long-term Debtors	4,430,377	(715,527)
Increase / (Decrease) in Creditors and Consumer Deposits	(3,238,947)	3,470,573
	<u>1,191,430</u>	<u>2,755,046</u>
26 INCREASE / (DECREASE) IN LONG-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	78,699	69,514
	<u>(78,699)</u>	<u>(69,514)</u>
27 INCREASE / (DECREASE) IN SHORT-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	-	-
	<u>-</u>	<u>-</u>
28 (INCREASE) / DECREASE IN INVESTMENTS		
Balance at the beginning of the year	41,849,556	30,215,987
Less: Balance at the end of the year	68,474,527	41,849,556
	<u>(26,624,971)</u>	<u>(11,633,569)</u>
29 (INCREASE) / DECREASE IN CASH ON HAND		
Balance at the beginning of the year	3,646,619	4,898,930
Less: Balance at the end of the year	2,438,395	3,646,619
	<u>1,208,224</u>	<u>1,252,311</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2005

	2005	2004
30 <u>CONTINGENT LIABILITIES</u>		
An final agreement to transfer all the Water and Sanitation Assets and Liabilities has not yet been reached with the WSA.		
31 <u>CAPITAL COMMITMENTS</u>		
Commitments in respect of capital expenditure		
Approved and contracted for	7,054,569	6,021,369
Approved but not yet contracted for	-	-
	<u>7,054,569</u>	<u>6,021,369</u>
This expenditure will be financed from		
Internal Sources	378,359	1,208,784
External Sources	6,676,210	4,812,585
	<u>7,054,569</u>	<u>6,021,369</u>

32 REVOLVING FUND

An amount of R 1 058 908 is outstanding to borrowing services in respect of Revolving Fund.

(See Appendices A and B for more detail)

APPENDIX A

ACCUMULATED STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance as at 30 / 06 / 2004	Contributions during the Year	Interest on Investment	Other Income	Expenditure during the Year	Balance as at 30 / 06 / 2005
	R	R	R	R	R	R
STATUTORY FUNDS						
Revolving	4,847,452	75,000	258,340	25,000	-	5,205,792
Housing Development	6,331	-	327	-	6,658	-
	4,853,783	75,000	258,667	25,000	6,658	5,205,792
RESERVES						
Working Capital Reserve	1,457,312	130,000	75,343	-	-	1,662,655
Leave Reserve	338,368	163,700	18,197	-	-	520,265
Repairs & Maintenance	104,081	-	5,381	-	-	109,462
Reserve Fund	794,472	-	17,809	143,105	608,708	346,678
Disaster	76,698	30,000	3,966	-	-	110,664
	2,770,931	323,700	120,696	143,105	608,708	2,749,724
TRUST FUNDS						
Surveying / Land Audit	-	-	21,350	550,600	47,569	524,381
Structure Plan	81,665	-	4,222	-	85,887	-
Settlement Development	11,573	-	598	-	12,171	-
LED (Lady Grey)	604,916	-	28,027	-	62,796	570,147
Town Scheme Planning	36,501	-	1,887	-	38,388	-
People's Housing (Lady Grey)	6,832,982	-	432,940	78,250	697,702	6,646,470
Municipal Finance Management	-	-	8,207	250,000	91,255	166,952
Municipal Support Programme	-	-	11,719	510,000	226	521,493
Additional IGG	743,350	-	38,431	-	-	781,781
Disabled Project BE	106,800	-	10,692	100,000	-	217,492
Hillside Housing	-	-	72,807	8,023,670	6,906,027	1,190,450
Drought Relief Water	-	-	301,583	14,000,000	-	14,301,583
Pilot Housing	498,138	-	24,036	-	33,224	488,950
IDP	34,357	-	-	-	34,357	-
Municipal Infrastructure Grant	-	-	5,424	2,985,000	-	2,990,424
General Valuation	255,492	-	13,209	-	248,624	20,077
Implementation Ownership	446,098	-	22,538	-	10,153	458,483
Traffic Test Station (Sterkspruit)	162,773	-	5,830	-	50,000	118,603
Spatial Development Plan	172,071	-	7,345	-	30,000	149,416
Sport Facilities (Lady Grey)	987,013	-	-	-	987,013	-
Rossouw Agricultural Project	-	-	27,201	987,259	461,130	553,330
Municipal Systems Improvement	319,730	-	16,260	-	5,221	330,769
Herschel People's Housing	4,220,907	-	185,084	4,480,341	8,306,105	580,227
Equitable Share Projects	3,543,244	-	58,358	-	2,414,450	1,187,152
	19,057,610	-	1,297,748	31,965,120	20,522,298	31,798,180