

MATATIELE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 29, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr D.C. Van Zyl
Acting Municipal Manager

31 August 2006

Date

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MATATIELE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net assets		63,253,238	61,847,137
Housing Development Fund	1	732,473	732,472
Capital replacement reserve		1,084,318	579,622
Capitalisation reserve		3,381,900	4,360,339
Government grant reserve		21,393,151	18,165,032
Donations and public contribution reserves		-	-
Self-insurance reserve		-	-
Revaluation reserve		17,853,563	17,567,807
Accumulated Surplus/(Deficit)		18,807,834	20,441,865
Non-current liabilities		3,769,726	2,126,804
Long-term liabilities	2	1,652,881	2,126,804
Non-current provisions	3	2,116,845	-
Current liabilities		9,852,753	7,277,151
Consumer deposits	4	397,229	423,892
Provisions	5	161,919	180,873
Creditors	6	3,006,414	1,463,640
Unspent conditional grants and rece	7	5,269,903	4,348,256
Taxes	8	535,815	441,581
Short-term loans	9	-	-
Bank overdraft	18	-	-
Current portion of long-term liabilities	2	481,472	418,909
Total Net Assets and Liabilities		<u>76,875,717</u>	<u>71,251,092</u>
ASSETS			
Non-current assets		63,792,811	59,753,424
Property, plant and equipment	10	59,800,437	57,366,289
Investment property	11	1,297,000	-
Investments	12	2,648,640	2,332,484
Long-term receivables	13	46,734	54,651
Current assets		13,082,906	11,497,668
Inventory	14	288,869	223,300
Consumer debtors	15	5,016,411	5,338,656
Other debtors	16	1,990,452	1,847,396
Unpaid conditional grants and receipt	7	874,312	215,968
Taxes	8	134,950	179,775
Current portion of long-term debtors	13	-	-
Call investment deposits	17	4,450,000	50,000
Bank balances and cash	18	327,911	3,642,573
Total Assets		<u>76,875,717</u>	<u>71,251,092</u>

MATATIELE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2006

	Note	Actual 2006 R	2005 R
REVENUE			
Property rates	19	8,277,778	8,247,145
Property rates - penalties imposed and collection charges		700,370	494,746
Service charges	20	13,178,061	10,644,731
Regional Services Levies – turnover		-	-
Regional Services Levies - remuneration		-	-
Rental of facilities and equipment		343,548	336,009
Interest earned - external investments		627,164	993,684
Interest earned - outstanding debtors		42,333	27,385
Dividends received		-	-
Fines		151,083	172,489
Licences and permits		873,635	710,046
Income for agency services		-	1,655,510
Government grants and subsidies	21	11,758,899	9,340,928
Other income	22	262,052	987,633
Public contributions, donated and contributed property, plant and equipment		-	-
Gains on disposal of property, plant and equipment		331,850	-
Total Revenue		36,546,772	33,610,307
EXPENDITURE			
Employee related costs	23	9,579,748	8,976,671
Remuneration of Councillors	24	1,994,935	314,885
Bad debts		1,501,147	-
Collection costs		-	-
Depreciation		3,500,525	3,155,245
Repairs and maintenance		3,776,323	3,595,530
Interest paid	25	328,413	216,076
Bulk purchases	26	5,586,337	5,399,574
Contracted services		-	-
Grants and subsidies paid	27	824,813	1,004,001
General expenses	28	6,741,607	6,926,417
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		33,833,849	29,588,399
SURPLUS/(DEFICIT) FOR THE YEAR		2,712,923	4,021,908
Share of surplus/(deficit) of associate accounted for under the equity method	29	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		2,712,923	4,021,908
Refer to Appendix E(1) for explanation of variances			

MATATIELE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	Pre-GAMAP	Housing Development	Capital	Capitalisation	Government	Donations and	Self-	Revaluation	Accumulated	Total
	Reserves and Funds	Fund	Replacement Reserve	Reserve	Grant Reserve	Public Contribution Reserve	Insurance Reserve	Reserve	Surplus/(Deficit)	
	R	R	R	R	R	R	R	R	R	R
2005										
Balance at 30 June 2004	14,674,413	-	-	-	-	-	-	-	3,697,641	18,372,054
2005										
Correction of error (Note 30)	-	-	-	-	-	-	-	-	-	-
Implementation of GAMAP (Note 31)	(14,674,413)	732,473	5,151,320	8,576,163	22,963,569	-	-	19,992,681	(4,308,353)	38,433,440
Offsetting of backlog depreciation	-	-	-	(2,752,304)	(5,030,529)	-	-	(1,975,929)	9,758,762	-
Change in accounting policy	-	-	-	-	-	-	-	-	-	-
Restated balance	-	732,473	5,151,320	5,823,859	17,933,040	-	-	18,016,752	9,148,050	56,805,493
Net surplus/(deficit) for the year	-	-	-	-	-	-	-	-	4,021,908	4,021,908
Correction of error (Note 30)	-	-	-	(731,777)	-	-	-	35,158	1,747,336	1,050,717
Finance charges on leased assets (Note 31.11)	-	-	(1,195,852)	-	-	-	-	-	(30,981)	(30,981)
Transfer to CRR	-	-	(3,375,846)	-	-	-	-	-	1,195,852	-
Property, plant and equipment purchased	-	-	-	-	-	-	-	-	3,375,846	-
Capital grants used to purchase PPE	-	-	-	-	1,662,113	-	-	-	-1,662,113	-
Offsetting of depreciation	-	-	-	(731,743)	(1,430,121)	-	-	(484,103)	2,645,967	-
Balance at 30 June 2005	-	732,473	579,622	4,360,339	18,165,032	-	-	17,567,807	20,441,865	61,847,137
2006										
Correction of error	-	-	-	-	-	-	-	-	-	-
Adjustment in Valuations (Note 31)	-	-	-	-	-	-	-	814,030	(4,007)	810,023
Change in accounting policy (See Note 31)	-	-	-	-	-	-	-	-	(2,116,845)	(2,116,845)
Restated balance	-	732,473	579,622	4,360,339	18,165,032	-	-	18,381,837	18,321,013	60,540,315
Net surplus/(deficit) for the year	-	-	-	-	-	-	-	-	2,712,923	2,712,923
Transfer to/from CRR	-	-	2,282,848	-	-	-	-	-	(2,282,848)	-
Property, plant and equipment purchased	-	-	(1,778,152)	-	-	-	-	-	1,778,152	-
Capital grants used to purchase PPE	-	-	-	-	4,643,499	-	-	-	(4,643,499)	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	(978,439)	(1,415,380)	-	-	(528,274)	2,922,093	-
Balance at 30 June 2006	-	732,473	1,084,318	3,381,900	21,393,151	-	-	17,853,563	18,807,834	63,253,238

MATATIELE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	33	7,580,317	4,885,443
Interest received		669,497	1,021,069
Interest paid		(328,413)	(216,076)
NET CASH FROM OPERATING ACTIVITIES		7,921,401	5,690,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,421,650)	(5,037,959)
Transfer to Investment Properties		1,297,000	-
Proceeds on disposal of fixed assets		331,850	-
Increase in investment properties		(1,297,000)	-
(Increase)/decrease in non-current loans		7,917	27,909
Increase in non-current investments		(316,157)	(300,904)
(Increase)/Decrease in call investment deposits		(4,400,000)	7,763,643
NET CASH FROM INVESTING ACTIVITIES		(10,798,040)	2,452,689
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(411,360)	(4,899,512)
Increase in consumer deposits		(26,663)	(91,763)
Decrease/(increase) in short-term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		(438,023)	(4,991,275)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,314,662)	3,151,850
Cash and cash equivalents at the beginning of the year		3,642,573	490,723
Cash and cash equivalents at the end of the year		327,911	3,642,573
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,314,662)	3,151,850

ACCOUNTING POLICY NOTES

1. BASIS OF PRESENTATION

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

* General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and

* General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and

The Standard comprise of the following:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4 - The Effects of Changes in Foreign Exchange Rates
GAMAP 6 - Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7 - Accounting for Investments in Associates
GAMAP 8 - Financial Reporting of Interests in Joint Ventures
GAMAP 9 - Revenue
GAMAP 12 - Inventories
GAMAP17 - Property, Plant and Equipment
GAMAP 19 - Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7.11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

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

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements are prepared on the going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and is then transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any surplus on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance. The total interest earned on all the CRR investments of the municipality is transferred to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.

- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
- The Council determines the annual contribution to the CRR.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

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

5.3 Government Grant Reserve

When items of property, plant and equipment are financed 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 and GAMAP 9. 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 policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

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

5.4 Public Contributions and Donations 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 Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve 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 Public Contributions and Donations Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

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

5.5 Self Insurance Reserve

- The Council does not operate a Self Insurance Reserve.

5.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

6.1 PPE is stated:

- At cost less accumulated depreciation, or
- At fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

6.2 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

6.3 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

6.4 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R 1 500 per item of PPE.

6.5 Depreciation and impairment losses

6.5.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20 - 30	Other Vehicles	5
Water	15 - 20	Office Equipment	3 - 7
Sewerage	15 - 20	Furniture and Fittings	7 - 10
Housing	30	Watercraft	15
		Bins and Containers	5
<u>Community</u>		Specialised Plant and Equipment	10 - 15
Improvements	30	Other Plant and Equipment	2 - 5
Recreational Facilities	20 - 30	Landfill Sites	15
Security	5		
<u>Investment Properties</u>	30		

6.5.2 Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

6.5.3 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

6.5.4 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

6.6 Disposal and retirement of assets

- Assets are written off on disposal or retirement.
- 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.

7. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

8. INTANGIBLE ASSETS

Intangible assets are treated in accordance with the provisions of International Accounting Standard (IAS) 38. In accordance with these provisions intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of the Municipality are amortised according to the straight line method.

9. INVESTMENTS

9.1 Financial Instruments

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

Where investments 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.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2 Investment in Associate

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.3 Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

9.4 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost.

Jointly Controlled Operations

The Municipality recognises the assets that it controls, the liabilities and expenses that it incurs as well as its share in the revenue that it earned from the sale or provision of goods or services by the joint venture.

Jointly Controlled Assets

The Municipality's share of the jointly controlled assets and liabilities is recognised in the statement of financial position and is classified according to their nature. Revenue from the sale or use of the Municipality's share of the output of the jointly controlled assets, and its share of the expenses incurred is recognised in the statement of financial performance.

Jointly Controlled Entities

Interests in jointly controlled entities are stated at cost.

10. INVENTORIES

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value.

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

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

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

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. The provision for bad debts is based on all debtors older than 90 days.

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

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

13. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

14. VALUE ADDED TAX

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

15. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other municipal services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

15.1 Revenue from Exchange Transactions

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on an annual basis based on the municipality's Tariff Policy.

Refuse charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

Income in respect of housing rental and instalments are accrued monthly in advance.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

15.2 Revenue from non-exchange transactions

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. A Differential Rating system is applied. In terms of this system assessment rates are levied on the land and improvements value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

Collection charges are recognized when such amounts are legally enforceable.

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued.

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

16. 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 recognised.

17. PROVISIONS

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

17.1 Employee Benefits

17.1.1 Pension / Retirement Fund

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

17.1.2 Medical Aid: Continued Members

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%.

17.1.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

17.1.4 Provision for Bonuses, Performance Bonuses and Long Service Bonuses

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

17.2 Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

18. FINANCIAL RISK MANAGEMENT

The Municipality's activities expose it to a variety of financial risks: market risk (including Currency risk and interest rate risk), credit risk and liquidity risk.

18.1 Currency Risk

The Municipality does not purchase any items in foreign currency.

18.2 Credit Risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the Municipality to incur a financial loss.

The Council monitors receivable balances on an ongoing basis. An appropriate level of provision is maintained.

18.3 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Municipality's liabilities are backed by appropriate assets and it has liquid resources. The Council monitors the cash projections and by ensuring that adequate borrowing facilities is available to meet cash requirements.

18.4 Interest Rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

19. LEASES

19.1 Lessee Accounting

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset as described in paragraph 6 are transferred to the Municipality.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the lease term or any other basis which is representative of the time pattern of the lessees benefit.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. 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.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

19.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

20. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

21. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of less than one year are subject to an insignificant risk of change in value.

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 based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

22. 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 No.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.

23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 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.

24. 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.

25. ROUNDING

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

	2006 R	2005 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	732,473	732,473
Unappropriated Surplus	<u>732,473</u>	<u>732,473</u>

An amount of R 680 212 is ringfenced in the investments for the cash-portion of the Housing Development Fund (See Note 12)

2 LONG-TERM LIABILITIES

Annuity Loans	977,596	1,144,627
Capitalised Lease Liability	1,156,757	1,401,086
Sub-total	<u>2,134,353</u>	<u>2,545,713</u>
Less : Current portion transferred to current liabilities	(481,472)	(418,909)
Financial Lease	-277,368	-252,248
Annuity Loans	<u>-204,104</u>	<u>-166,663</u>
Total External Loans	<u><u>1,652,881</u></u>	<u><u>2,126,804</u></u>

The capitalised lease liability is secured over the item of Infrastructure leased.

3 NON-CURRENT PROVISIONS

3.1 Post Retirement Benefits and Long Service Awards

Medical Aid Contributions	1,710,246	
Long Service Award	406,599	
Total	<u><u>2,116,845</u></u>	

	2006	2005
	Medical aid	Long service
Balance 1 July 2005	-	-
Contribution - First time implementation - See Note 31.10 below	1,710,246	406,599
Balance 30 June 2006	<u><u>1,710,246</u></u>	<u><u>406,599</u></u>

The municipality valued non-current provisions on 30 June 2006 for the first time, which valuations were done ARCH Actuarial Consulting, Mill Street, Cape Town.

4 CONSUMER DEPOSITS

Electricity	397,229	423,892
Total Consumer Deposits	<u><u>397,229</u></u>	<u><u>423,892</u></u>

5 PROVISIONS

Bonus	161,919	180,873
Total Provisions	<u><u>161,919</u></u>	<u><u>180,873</u></u>

The movement in current provisions are reconciled as follows: -

30 June 2006

Balance at beginning of year		180,873
Transfers		
Contributions to provision		(18,954)
Interest on Investments		
Expenditure incurred		
Balance at end of year		<u><u>161,919</u></u>

30 June 2005

Balance at beginning of year		164,423
Transfer from non-current		
Contributions to provision		23,935
Expenditure incurred		(7,485)
Balance at end of year		<u><u>180,873</u></u>

6 CREDITORS

	2006 R	2005 R
Trade creditors	729,717	579,192
Payments received in advance	-	-
Insurance Claims	71,051	
Deposits		177,283
Suspense	122,560	
Sisonke District Municipality	1,137,283	-
Deposits: Other	226,532	-
Leave reserve	701,749	707,165
Other creditors	17,522	-
Total Creditors	<u><u>3,006,414</u></u>	<u><u>1,463,640</u></u>

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

7.1 Conditional Grants from other spheres of Government

Unspent Grants	5,269,903	4,348,256
Less: Unpaid Grants	874,312	215,968
Total Conditional Grants and Receipts	<u><u>4,395,591</u></u>	<u><u>4,132,288</u></u>

See Note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring fenced investment until utilized

8 VAT

	R	R
VAT payable	<u><u>535,815</u></u>	<u><u>441,681</u></u>
VAT receivable	<u><u>134,950</u></u>	<u><u>179,775</u></u>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

9 SHORT-TERM LOANS

The Municipality has no short term loans

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2006

Reconciliation of Carrying Value	Land and	Infra-	Community	Heritage	Other	Housing	Leased	Total
	Buildings	structure				Develop.	infrastruc-	
	R	R				Fund	ture	
Carrying values at 1 July 2005	14,309,746	16,034,585	16,813,645	-	10,208,412	-	-	57,366,288
Cost	13,953,374	27,022,283	20,562,359	-	15,223,625	-	-	76,761,641
Correction of error (note 30)	360,427	11	(3,657)	-	(132,840)	-	-	193,941
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(4,055)	(10,987,709)	(3,715,157)	-	(4,882,373)	-	-	(19,589,294)
- Cost	(4,055)	(10,987,709)	(3,715,157)	-	(4,882,373)	-	-	(19,589,294)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	1,519,066	547,686	-	4,902,236	-	-	6,968,988
Assets transferred and not recorded	(1,300,990)	(11)	(12,342)	-	(97,347)	-	-	(1,410,690)
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(936)	(1,536,701)	(941,583)	-	(644,929)	-	-	(3,124,149)
- based on cost	(936)	(1,536,701)	(953,920)	-	(1,008,967)	-	-	(3,500,524)
- Backlog on previously not recorded	-	-	12,337	-	364,038	-	-	376,375
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Non-Capital	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
	13,007,820	16,016,939	16,407,306	-	14,368,372	-	-	59,800,437
Carrying values at 30 June 2006	13,007,820	16,016,939	16,407,306	-	14,368,372	-	-	59,800,437
Cost	13,012,811	28,541,349	21,064,046	-	19,895,674	-	-	82,513,880
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(4,991)	(12,524,410)	(4,656,740)	-	(5,527,302)	-	-	(22,713,443)
- Cost	(4,991)	(12,524,410)	(4,656,740)	-	(5,527,302)	-	-	(22,713,443)
- Revaluation	-	-	-	-	-	-	-	-

10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2005

Reconciliation of Carrying Value	Land and	Infra-	Community	Heritage	Other	Housing	Leased	Total
	Buildings	structure				Develop.	infrastruc-	
	R	R				Fund	ture	
Carrying values at 1 July 2004	13,719,991	14,782,816	15,796,900	-	10,989,926	-	-	55,289,633
Cost	13,723,110	24,448,652	18,608,791	-	14,942,929	-	-	71,723,682
Correction of error (note 32)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(3,119)	(9,666,036)	(2,811,891)	-	(3,953,003)	-	-	(16,434,049)
- Cost	(3,119)	(9,666,036)	(2,811,891)	-	(3,953,003)	-	-	(16,434,049)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	230,264	2,573,431	1,953,568	-	280,696	-	-	5,037,959
Capital under Construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(936)	(1,321,673)	(903,266)	-	(929,370)	-	-	(3,155,245)
- based on cost	(936)	(1,321,673)	(903,266)	-	(929,370)	-	-	(3,155,245)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Non-Capital	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
	13,949,319	16,034,674	16,847,202	-	10,341,252	-	-	57,172,347
Carrying values at 30 June 2005	13,949,319	16,034,674	16,847,202	-	10,341,252	-	-	57,172,347
Cost	13,953,374	27,022,283	20,562,359	-	15,223,625	-	-	76,761,641
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(4,055)	(10,987,709)	(3,715,157)	-	(4,882,373)	-	-	(19,589,294)
- Cost	(4,055)	(10,987,709)	(3,715,157)	-	(4,882,373)	-	-	(19,589,294)
- Revaluation	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The leased property, plant and equipment is secured as set out in Note 2.

Land to the value of R 331 850 was sold during the financial year. The land sold was not included in the Property, Plant and Equipment register during the implementation of GAMAP.

The Municipality adjusted purchase dates of certain properties, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

	2006 R	2005 R
11 INVESTMENT PROPERTY		
Cost	1,386,740	-
Less: Accumulated Depreciation	<u>(89,740)</u>	<u>-</u>
Total Investment Properties	<u>1,297,000</u>	<u>-</u>

The Municipality only identified Investment Properties during the 2005/2006 financial year. The value of Investment Properties was included under Property, Plant and Equipment in the prior year.

Revenue to the amount of R 95 924 was earned from the Investment Properties.

12 INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>2,648,640</u>	<u>2,332,484</u>
Total Investments	<u>2,648,640</u>	<u>2,332,484</u>

An amount of R 680 212 is ringfenced in the investments for the cash-portion of the Housing Development Fund (See Note 1)

13 LONG-TERM RECEIVABLES		
Housing Loan	46,734	54,651
Total	<u>46,734</u>	<u>54,651</u>

HOUSING SELLING SCHEME LOANS

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. Receipts are being credited directly to the capital owing. No short-term portion can reliably be calculated due to the limited payments being made by the lenders. Provision for bad debts are included in Note

14 INVENTORY		
Stock represents consumable stores	<u>288,869</u>	<u>223,300</u>
Total Inventory	<u>288,869</u>	<u>223,300</u>

15 CONSUMER DEBTORS		
Rates	4,098,798	6,017,885
Refuse	1,396,996	-
Electricity	1,695,467	-
Housing Rentals	5,526	-
Total : Consumer Debtors	<u>7,196,787</u>	<u>6,017,885</u>
Less : Provision for bad debts	<u>(2,180,376)</u>	<u>(679,229)</u>
Total	<u>5,016,411</u>	<u>5,338,656</u>

	2006 R	2005 R
16. OTHER DEBTORS		
Government subsidies - Health	488,388	509,181
Sundry Debtors - District Municipality	-	405,554
Insurance claims	-	5,601
Miscellaneous	<u>1,502,064</u>	<u>927,060</u>
Other Debtors	<u>1,990,452</u>	<u>1,847,396</u>
Government grants	874,312	215,968
Total Other Debtors	<u>2,864,764</u>	<u>2,063,364</u>

17 CALL INVESTMENT DEPOSITS		
Aanvraagdeposito's/Call deposits	4,450,000	50,000
Other Deposits	<u>-</u>	<u>-</u>

18 BANK, CASH AND OVERDRAFT BALANCES
 The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Matatiele - Account Number 060435224

Cash book balance at beginning of year	3,641,623	490,723
Cash book balance at end of year	<u>326,661</u>	<u>3,641,623</u>

Bank statement balance at beginning of year - (overdrawn)	1,860,506	894,736
Bank statement balance at end of year - (overdrawn)	<u>477,278</u>	<u>1,860,506</u>

Cash Floats to cashiers	<u>1,250</u>	<u>950</u>
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19 PROPERTY RATES		
Actual		
Rateable Land	8,277,778	8,247,145
State	<u>-</u>	<u>-</u>
Total Assessment Rates	<u>8,277,778</u>	<u>8,247,145</u>

Valuations

	July 2005 R000's	July 2004 R000's
Land - Matatiele	63,029	62,466
Land - Cedarville	2,752	2,764
Buildings - Matatiele	225,660	223,473
Buildings - Cedarville	15,334	15,348
Non-Rateable Land - Matatiele	6,894	6,418
Non-Rateable Land - Cedarville	452	452
Non-Rateable Buildings - Matatiele	9,415	8,625
Non-Rateable Buildings - Cedarville	1,115	1,115
Total Property Valuations	<u>324,651</u>	<u>320,661</u>

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 1997(Cedarville-1995).The basic rate was 8,00 c per Rand on land and 2,039 c on Buildings, in Matatiele and 9,44 c per Rand on Land and 2,774 c on Buildings in Cedarville. Rebates were granted as follows; Residential - 35 % Agricultural - 60 % (Matatiele), 95 % (Cedarville) The State receives a rebate of 20 % on their properties.

	2006	2005
	R	R
20 SERVICE CHARGES		
Sale of electricity	11,519,693	9,246,793
Refuse removal	1,658,369	1,397,938
Total Service Charges	<u>13,178,061</u>	<u>10,644,731</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	4,035,246	-
Subsidy : Museum	40,017	-
Subsidy : Health	1,726,019	-
Subsidy : Roads	10,050	-
Grant- IDP Fund	61,921	-
Grant - Harry Gwala Electricity Area 1	247,056	-
Grant - Buy Back Centre	2,355	-
Grant -Housing - Cedarville 200 sites Area A	2,360,969	-
Grant - Swimming Pool Upgrade	13,089	-
Grant - Solid Waste Site	488,597	-
Grant - Cemetery Sites	792,086	-
Grant - Implementation Property Rates Act	91,041	-
Grant - Tyre Recycling Centre	68,719	-
Grant - Free Basic Electricity	160,607	-
Grant - Free Basic Services	70,281	-
Grant - Finance Management	568,773	-
Grant - Interdepartmental Monitoring	44,212	-
Grant - Capacity BuildingCAPACITY BUILDING	24,144	-
Grant - Grants in Aid	171,525	-
Grant - Community development Workers	2,165	-
Grant - Access to Landfill Site	670,630	-
Grant - Transformation Fund	109,400	-
Total Government Grant and Subsidies	<u>11,758,899</u>	<u>-</u>

No comparison figures available due to the the first time full implementation of GRAP.

21.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive the basic charge on refuse, 50kwh electricity per month and up to 100% rates rebate free which is funded from this grant

21.2 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	1,237,631	-
Conditions met - transferred to revenue	1,726,019	-
Conditions met - transferred to other debtors (see note 16)	<u>(488,389)</u>	<u>-</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy

GOVERNMENT GRANTS AND SUBSIDIES
21 (continued)

21.3	PROJECTS	OPENING BALANCE 1 JULY 2005	RECEIVED	PAYMENTS - TRF TO REVENUE	CLOSING BALANCE 30 JUNE 2006
	Grants - Cedarville Unspent	-2,750			-2,750
	Grant- IDP Fund	-271,350	-50,000	61,921	-259,429
	Grant - Indigent Support	0			0
	Grant - Lotto Matatiele Sportsfields	-338,861			-338,861
	Grant - Road Show	-19,954			-19,954
	Grant - Harry Gwala Electricity Area 1	-200,395		247,056	46,661
	Grant - Harry Gwala Drain	0			0
	Grant - Land Use Management	-87,710	-80,000		-167,710
	Grant - Buy Back Centre	-67,672		2,355	-65,317
	Grant -Housing - Cedarville 200 sites Area A	115,806	-2,338,565	2,360,969	138,210
	Grant - Swimming Pool Upgrade	-519,634		13,089	-506,545
	Grant - Solid Waste Site	100,162	-340,760	488,597	247,999
	Grant - Cemetery Sites	0	-350,644	792,086	441,442
	Grant - Implementation Property Rates Act	-239,652	-165,000	91,041	-313,611
	Grant - Master Lease Program	-1,000,000			-1,000,000
	Grant - FBE Survey	-45,000			-45,000
	Grant - Tennis Courts	-82,990			-82,990
	Grant - Upgrade Mountain Dam Line	-82,147			-82,147
	Grant - Tyre Recycling Centre	-100,000		68,719	-31,281
	Grant - Library Opening	-1,979			-1,979
	Grant - Free Basic Electricity	-232,281		160,606	-71,675
	Grant - Free Basic Services	-210,817		70,281	-140,536
	Grant - Electricity NER Funding	-82,552			-82,552
	Grant - Finance Management	-243,567	-409,998	568,773	-84,792
	Grant - Interdepartmental Monitoring	-42,456	-40,000	44,212	-38,244
	Grant - Capacity Building	-98,737	-50,000	24,144	-124,593
	Grant - Grants in Aid	-171,525		171,525	0
	Grant - Community development Workers		-36,000	2,165	-33,835
	Grant - Access to Landfill Site		-907,819	670,630	-237,189
	Grant - Transformation Fund	-206,229		109,400	-96,829
	Grants - MIG		-1,343,900		-1,343,900
	Grant - MFMA		-100,000		-100,000
	TOTAL GRANT ALLOCATIONS	-4,132,288	-6,212,685	5,947,567	-4,397,406

21.4 Changes in levels of government grants

Due to the redemarcation into the Eastern Cape and the additional related functions and area expansion significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22 OTHER INCOME

Other income represents sundry income such as certificates, cemetery charges and photocopies	262,052	987,633
Total Other Income	262,052	987,633

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	6,602,954	5,847,343
Employee related costs - Contributions for UIF, pensions and medical aids	1,585,265	1,575,126
Travel, motor car, accommodation, subsistence and other allowances	587,835	1,453,397
Housing benefits and allowances	43,094	87,619
Overtime Payments	149,896	145,054
Bonus	519,690	-
Staff Leave	88,119	-
Provision - Bonus	2,895	-
Less : Employee Cost allocated elsewhere		(131,868)

Total Employee Related Costs	9,579,748	8,976,671
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Remuneration of the Municipal Manager

Annual Remuneration	480,671	438,000
Performance Bonuses	80,000	78,000
Car Allowance	89,598	100,000
Contributions to UIF, Medical and Pension funds	70,440	116,332
Total	720,709	732,332

Remuneration of the Chief Finance Officer

Annual Remuneration	395,862	360,000
Performance Bonuses	74,000	74,000
Car Allowance	104,364	107,604
Contributions to UIF, Medical and Pension funds	65,340	102,600
Total	639,566	644,204

**Remuneration of Corporate Services Director
 30 June 2006**

	2006	2005
	R	R
Annual Remuneration	225,221	220,000
Performance Bonuses	33,000	33,000
Car Allowance	116,400	116,400
Medical and pension funds	62,136	70,600
Total	436,757	440,000

24 REMUNERATION OF COUNCILLORS

	2006	2005
	R	R
Executive Mayor	253,643	196,632
Councillors' allowance	1286207	118,253
Councillors' contributions	185,457	-
Medical Fund Contributions	170,826	-
Allowances - Housing, Travelling and others	98,802	-
Total Councillors' Remuneration	1,994,935	314,885

In-kind Benefits

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

The remuneration of Councillors increased substantially due to the redemarcation into the Eastern Cape with an increase of the number of Councillors from 6 to 55 for a period of 4 months.

	2006	2005
	R	R
25 INTEREST PAID		
Long-term liabilities	328,413	216,076
Total Interest on External Borrowings	<u>328,413</u>	<u>216,076</u>
26 BULK PURCHASES		
Electricity	<u>5,586,337</u>	<u>5,399,574</u>
Total Bulk Purchases	<u>5,586,337</u>	<u>5,399,574</u>
27 GRANTS AND SUBSIDIES PAID		
Free Basic Services	<u>824,813</u>	<u>1,004,001</u>
Total Grants and Subsidies	<u>824,813</u>	<u>1,004,001</u>
28 GENERAL EXPENSES		
General Expenses	<u>6,741,607</u>	<u>6,926,417</u>
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees and consulting fees.		
29 SURPLUS OF ASSOCIATE		
The municipality has got no shares in associates	<u>-</u>	<u>-</u>
30 CORRECTION OF ERROR		
During the year ended 30 June 2004, the provisions for bad debts on rates and electricity were overstated and reversed.	-	
The comparative amount has been restated as follows: -		
Reversal of overstated provision for bad debts.	-	1,025,681
Asset adjustments made to previous year's balances due to Asset Register update.		
Reduction in Asset Values at Cost or Revaluation		(363,395)
Reduction in Accumulated Depreciation at Cost or Revaluation		388,431
Adjustment to offsetting of depreciation on Capitalisation Reserve opening balance		731,777
Adjustment to offsetting of depreciation on Revaluation Reserve opening balance		(35,158)
Net effect on surplus/(deficit) for the year	<u>-</u>	<u>1,747,336</u>
Capitalisation Reserve		
Adjustment to offsetting of depreciation on Capitalisation Reserve opening balance		<u>(731,777)</u>
Total		<u>(731,777)</u>

31 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

	2004 R
31.1 Statutory Funds	
Balance previously reported: -	
Capital Development Fund	9,220,490
Loan Redemption Fund	840,591
Public improvement Fund	3,592,795
Housing operating Fund	732,473
Total	<u>14,186,349</u>
Implementation of GAMAP	
Transferred to the Capital Replacement Reserve	5,151,320
Transferred to the Capitalisation Reserve	8,576,163
Transferred to the Housing Development Fund	732,473
Transferred to Accumulated Surplus/(Deficit) (see 30.8 below)	(273,607)
Total	<u>14,186,349</u>
31.2 Loans Redeemed and Other Capital Receipts	
Balance previously reported	<u>104,484,302</u>
Implementation of GAMAP	
Transferred to Government Grant Reserve	22,963,569
Assets transferred to C-Municipalities	68,132,982
Transferred to Revaluation Reserve	19,992,661
Transferred to Donations and Public Contribution Reserve	-
Transferred to Accumulated Surplus/(Deficit) (see 30.8 below)	(6,604,930)
Total	<u>104,484,302</u>
31.3 Provisions and Reserves	
Balance previously reported	
Audit Fees	382,047
Valuations	100,378
Computer replacement	5,639
Total	<u>488,064</u>
Implementation of GAMAP	
Transferred to Accumulated Surplus/(Deficit) (see 30.8 below)	<u>488,064</u>
31.4 Property, plant and equipment	
Balance previously reported	-
Implementation of GAMAP	
Assets	
infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 30.8 below)	18,516,169
Total	<u>18,516,169</u>
31.5 Accumulated Depreciation	
Balance previously reported	-
Implementation of GAMAP	
Backlog depreciation: Land and buildings	(3,119)
Backlog depreciation: Infrastructure	(9,666,036)
Backlog depreciation: Community	(2,811,891)
Backlog depreciation: Other	(3,953,003)
Total (debited to Accumulated Surplus/(Deficit)) (see 30.8 below)	<u>(16,434,049)</u>
31.6 Accumulated Surplus/(Deficit)	
Implementation of GAMAP	
Excessive provisions and reserves no longer permitted (see 30.3 above)	488,064
Transferred from statutory funds (see 30.1 above)	(273,607)
Transferred from Loans Redeemed and Other Capital Receipts (see 30.2 above)	(6,604,930)
Fair value of Property, Plant and Equipment previously not recorded (see 30.4 above)	18,516,169
Backlog depreciation (see 30.5 above)	(16,434,049)
Total	<u>(4,308,353)</u>
31.7 Property, plant and equipment	R
Assets	
Adjustment in revaluations credited to Revaluation Reserve	814,030
Adjustment in Valuations credited to Accumulated Surplus (See 31.9 below)	(290,642)
Fair value of Property, Plant and Equipment previously not recorded (see 30.4 above)	-
Total	<u>523,388</u>
31.8 Accumulated Depreciation	
Adjustments in Valuations	286,635
Fair value of Property, Plant and Equipment previously not recorded (see 30.4 above)	-
Total (debited to Accumulated Surplus/(Deficit)) (see 31.9 below)	<u>286,635</u>
31.9 Accumulated Surplus/(Deficit)	
Fair value of Property, Plant and Equipment previously not recorded (see 31.7 above)	(290,642)
Backlog depreciation (see 31.8 above)	286,635
Total	<u>(4,007)</u>
31.10 Post Retirement Benefits and long Service Awards implemented the first time and valued at 30 June 2006	
Medical Aid Contributions	1,710,246
Long Service Award	406,599
Total debited against Accumulated Surplus. (See note 3 above)	<u>2,116,845</u>
31.11 Finance Charges	
Finance lease previously expensed as operating lease: Difference in depreciation and interest debited to Accumulated Surplus	(30,981)
Backlog depreciation on leased asset never accounted for before.	-
Total debited against Accumulated Surplus. (See note 3 above)	<u>-30,981</u>

32 CASH GENERATED BY OPERATIONS

Surplus for the year	2,712,923	4,021,908
Adjustment for:-		
Depreciation	3,500,525	3,155,245
Gain on disposal of property, plant and equipment	(331,850)	-
Contribution to provisions - non-current	-	-
Contribution to provisions - current	(18,954)	16,449
Contribution to bad debt provision	-	-
Equity accounted share of associate's surplus	-	-
Investment income	(669,497)	(1,021,069)
Interest paid	328,413	216,076
Operating surplus before working capital changes:	5,521,561	6,388,609
(Increase)/Decrease in inventories	(65,569)	29,586
(Increase)/decrease in debtors	322,245	(862,348)
(Increase)/decrease in other debtors	(143,056)	(540,145)
(Decrease)/increase in conditional grants and receipts	263,303	(154,190)
Increase in creditors	1,542,774	(670,052)
Decrease in provisions	-	-
(Increase)/decrease in VAT	139,059	693,974
Cash generated by/(utilised in) operations	7,580,317	4,885,443

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

	2006	2005
	R	R
Bank balances and cash	3,642,573	490,723
Bank overdraft	-	-
Total cash and cash equivalents	3,642,573	490,723

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2006	2005
	R	R
Long-term liabilities (see Note 2)	2,134,353	2,545,713
Used to finance property, plant and equipment - at cost	2,134,353	2,545,713
Sub-total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities (see note 17)	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

There were no unauthorised-, fruitless- or wasteful expenditure during the year.

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2006	2005
	R	R

36.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	14,000	5,000
Amount paid - current year	(14,000)	(5,000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

36.2 Audit fees

Opening balance	-	-
Current year audit fee	288,554	274,376
Amount paid - current year	(288,554)	(274,376)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

36.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	1,126,359	1,055,419
Amount paid - current year	(1,126,359)	(1,055,419)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

36.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	1,701,616	1,813,165
Amount paid - current year	(1,701,616)	(1,813,165)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

R R

**37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
 MANAGEMENT ACT (continued)**

37.1 Councillor's arrear consumer accounts

There were no Councillors who were in arrears for more than 90 days during the year.

37.2 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality complied with the provisions of the Municipal Finance Management Act.

38 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Other

- Approved but not yet contracted for

Infrastructure

Community

Other

Total

2006 R 2005 R

12,525,774	-
12,525,774	-
-	-
1,124,036	-
82,552	-
1,041,484	-
-	-
13,649,810	-
-	-
-	-
13,649,810	-
-	-
13,649,810	-

This expenditure will be financed from:

- External Loans
- Capital Replacement Reserve
- Government Grants
- Own resources
- District Council Grants

39 RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

An amount of R1 199 069 (R1 250 645 - 2004/05) was contributed by Council in respect of Councillors' and employees' retirement funding. These contributions have been expensed.

40 FINANCIAL RISK MANAGEMENT

The Municipality's activities expose it to a variety of financial risks: market risk (including Currency risk and interest rate risk), credit risk and liquidity risk.

Currency Risk

The Municipality does not purchase any items in foreign currency.

Credit Risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the

Municipality to incur a financial loss.

The Council monitors receivable balances on an ongoing basis. An appropriate level of provision is maintained.

Liquidity Risk

associated with financial instruments.

The Municipality's liabilities are backed by appropriate assets and it has liquid resources. The Council monitors the cash projections and by ensuring that adequate borrowing facilities is available to meet cash requirements.

Interest Rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

41 EVENTS AFTER THE REPORTING DATE

There are no subsequent events to be reported.

This financial statements has been prepared by the Acting Municipal Manager after the sudden passing away of the Municipal Manager on 31 July 2006.

**APPENDIX A
MATATIELE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/05	Received during the period Correction	Redeemed written off during the period	Balance at 30/06/06	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS			-	-	-	-	-	-
Total long-term loans			-	-	-	-	-	-
ANNUITY LOAN								
DBSA @ 16,72%		06/2009	394,858	-	76,512	318,346	401,757	-
DBSA @ 17,55%		12/2010	749,769	-	90,519	659,250	602,635	-
Total annuity loans			1,144,627	-	167,031	977,596	1,004,392	-
LEASE LIABILITY								
BANKFIN @ 10,5%		TBD	1,201,200	-	194,426	1,006,774	1,034,366	-
NASHUA @ 11,5%				199,886	49,903	149,983	115,567	-
Total Lease Liabilities			1,201,200	199,886	244,329	1,156,757	1,149,933	-
TOTAL EXTERNAL LOANS			2,345,827	199,886	411,360	2,134,353	2,154,325	-

APPENDIX B
MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation				Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/Transfers	Disposals		Closing Balance
Land and Buildings											
Buildings	18,717	-	-	-	18,717	4,055	936	-	-	4,991	13,726
Land	13,934,657	-	(940,563)	-	12,994,094	-	-	-	-	-	12,994,094
	13,953,374	-	(940,563)	-	13,012,811	4,055	936	-	-	4,991	13,007,820
Infrastructure											
Electricity	3,723,301	-	-	-	3,723,301	361,850	173,948	-	-	535,798	3,187,503
Refuse Dump	274,052	-	-	-	274,052	111,143	18,270	-	-	129,413	144,639
Roads	21,748,959	1,519,066	-	-	23,268,025	10,375,311	1,260,664	-	-	11,635,975	11,632,050
Water	1,275,971	-	-	-	1,275,971	139,405	83,819	-	-	223,224	1,052,747
	27,022,283	1,519,066	-	-	28,541,349	10,987,709	1,536,701	-	-	12,524,410	16,016,939
Community Assets											
Buildings	19,286,201	488,597	-	-	19,774,798	3,219,734	644,089	-	-	3,863,823	15,910,975
Recreation Facilities	77,491	57,089	(44,000)	-	90,580	20,778	3,929	(11,917)	-	12,790	77,790
Security Measures	1,198,667	2,000	(1,999)	-	1,198,668	474,645	305,902	(420)	-	780,127	418,541
	20,562,359	547,686	(45,999)	-	21,064,046	3,715,157	953,920	(12,337)	-	4,656,740	16,407,306
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	61,538,016	2,066,752	(986,562)	-	62,618,206	14,706,921	2,491,557	(12,337)	-	17,186,141	45,432,065

APPENDIX B
MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost				Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/Transfers	Disposals		Closing Balance
Total brought forward	61,538,016	2,066,752	(986,562)	-	62,618,206	14,706,921	2,491,557	(12,337)	-	17,186,141	45,432,065
Housing Rental Stock											
Housing Rental 1	-	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)											
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-	-
Other Assets											
Buildings	10,394,126	3,685,540	(968)	-	14,078,698	2,254,727	356,396	1,115	-	2,612,238	11,466,460
Computer Equipment	1,309,165	212,123	(54,663)	-	1,466,625	867,514	186,869	(43,419)	-	1,010,964	455,661
Emergency Equipment	179,179	296,957	(48,901)	-	427,235	160,947	18,095	(35,519)	-	143,523	283,712
Furniture & Fittings	1,201,628	360,113	(302,167)	-	1,259,574	318,126	117,582	(129,687)	-	306,021	953,553
Intangible		155,571			155,571						155,571
Medical Equipment	52,971	2,902	(2,902)	-	52,971	23,655	14,859	(1,052)	-	37,462	15,509
Motor Vehicles	368,856	-	-	-	368,856	274,037	22,714		-	296,751	72,105
Office Equipment	421,075	141,484	204,817	-	767,376	245,570	139,004	61,140	-	445,714	321,662
Plant & Equipment	1,195,057	236,246	(227,185)	-	1,204,118	670,091	135,858	(185,568)	-	620,381	583,737
Tools and Equipment	101,568	77,992	(64,910)	-	114,650	67,706	17,590	(31,048)	-	54,248	60,402
	15,223,625	5,168,928	(496,879)	-	19,895,674	4,882,373	1,008,967	(364,038)	-	5,527,302	14,368,372
Total	76,761,641	7,235,680	(1,483,441)	-	82,513,880	19,589,294	3,500,524	(376,375)	-	22,713,443	59,800,437

Assets previously not recorded with a carrying value of R 814 028 are included under corrections/transfers.
Investment properties with a carrying value of R 1 297 000 were transferred to Investment Properties.

APPENDIX C
MATATIELE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 June 2006

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	
Executive & Council	553,353	53,828	(38,775)	-	568,406	226,321	75,735	(23,571)	-	278,485	289,921
Finance & Admin	30,347,521	1,594,228	(895,246)	-	31,046,503	5,304,522	1,087,141	(26,963)	-	6,364,700	24,681,803
Planning & Development	826,410	91,592	(91,593)	-	826,409	122,373	43,558	(30,990)	-	134,941	691,468
Health	3,993,217	39,516	(39,522)	-	3,993,211	361,178	190,941	(6,261)	-	545,858	3,447,353
Community & Social Services	3,615,505	86,280	(86,280)	-	3,615,505	412,767	140,232	(35,698)	-	517,301	3,098,204
Housing	-	2,360,969	-	-	2,360,969	-	6,558	-	-	6,558	2,354,411
Public Safety	1,059,574	213,168	(213,471)	-	1,059,271	596,251	102,636	(196,577)	-	502,310	556,961
Sport & Recreation	1,512,719	107,009	(93,921)	-	1,525,807	81,107	18,232	(35,733)	-	63,606	1,462,201
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	527,059	1,227,945	-	-	1,755,004	133,886	25,407	-	-	159,293	1,595,711
Road Transport	20,608,608	1,007,492	(10,380)	-	21,605,720	8,684,874	1,138,794	(8,356)	-	9,815,312	11,790,408
Water	-	-	-	-	-	-	-	-	-	-	-
Electricity	13,717,675	453,653	(14,253)	-	14,157,075	3,666,015	671,290	(12,226)	-	4,325,079	9,831,996
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL	76,761,641	7,235,680	(1,483,441)	-	82,513,880	19,589,294	3,500,524	(376,375)	-	22,713,443	59,800,437

Assets previously not recorded with a carrying value of R 814 028 are included under corrections/transfers.
Investment properties with a carrying value of R 1 297 000 were transferred to Investment Properties.

APPENDIX D
MATATIELE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 June 2006

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)
R	R	R		R	R	R
-	2,602,928	(2,602,928)	Executive & Council	173,676	5,152,090	(4,978,414)
19,010,543	8,556,454	10,454,089	Finance & Admin	14,707,926	8,557,309	6,150,617
498,332	543,016	(44,684)	Planning & Development	-	-	-
1,282,796	1,641,827	(359,030)	Health	1,726,019	1,907,770	(181,751)
119,180	654,514	(535,334)	Community & Social Services	899,599	711,555	188,044
-	-	-	Housing	2,360,969	6,558	2,354,411
880,126	1,559,782	(679,656)	Public Safety	1,015,801	1,665,560	(649,758)
36,776	371,835	(335,059)	Sport & Recreation	51,824	480,691	(428,867)
-	-	-	Environmental Protection	-	-	-
1,904,938	2,387,733	(482,795)	Waste Management	2,809,745	3,104,416	(294,671)
29,136	3,417,005	(3,387,870)	Road Transport	685,096	3,716,842	(3,031,747)
-	-	-	Water	-	-	-
9,848,480	9,883,525	(35,045)	Electricity	12,116,118	8,531,059	3,585,060
-	-	-	Other	-	-	-
33,610,307	31,618,619	1,991,688	Sub Total	36,546,772	33,833,849	2,712,923
-	(2,030,220)	2,030,220	Less Inter-Dep Charges	-	-	-
33,610,307	29,588,399	4,021,908	Total	36,546,772	33,833,849	2,712,923
		-	Add: Share of Associate			-
		4,021,908				2,712,923

APPENDIX E(1)
MATATIELE MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

REVENUE	2006 Actual (R)	2006 Budget (R)	2006 Variance (R)	2006 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	8,277,778	9,300,000	(1,022,222)	-10.99%	
Property rates - penalties imposed and collection charges	700,370	-	700,370	0.00%	
Service charges	13,178,061	12,060,339	1,117,722	9.27%	
Regional Services Levies - turnover	-	-	-	0.00%	
Regional Services Levies - remuneration	-	-	-	0.00%	
Rental of facilities and equipment	343,548	533,198	(189,650)	-35.57%	
Interest earned - external investments	627,164	500,000	127,164	25.43%	
Interest earned - outstanding debtors	42,333	481,190	(438,857)	-91.20%	
Dividends received	-	-	-	0.00%	
Fines	151,083	442,500	(291,417)	-65.86%	
Licences and permits	873,635	869,825	3,810	0.44%	
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	11,758,899	5,474,787	6,284,112	114.78%	Capital Grants included in revenue.
Other income	262,052	937,527	(675,475)	-72.05%	
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	331,850	-	331,850	0.00%	
Total Revenue	36,546,772	30,599,366	5,947,406	19.44%	
EXPENDITURE					
Executive & Council	5,152,090	3,542,317	1,609,773	45.44%	Increase in allowances due to re-demarcation
Finance & Admin	8,557,309	7,581,352	975,957	12.87%	
Planning & Development	-	-	-	0.00%	
Health	1,907,770	1,407,492	500,278	35.54%	Unbudgeted depreciation R 190 941, Underbudget on salaries
Community & Social Services	711,555	707,924	3,631	0.51%	
Housing	6,558	-	6,558	0.00%	Unbudgeted Depreciation
Public Safety	1,665,560	1,750,846	(85,286)	-4.87%	
Sport & Recreation	480,691	570,221	(89,530)	-15.70%	Underspent
Environmental Protection	-	-	-	0.00%	
Waste Management	3,104,416	2,578,300	526,116	20.41%	Underspent
Road Transport	3,716,842	3,745,753	(28,911)	-0.77%	
Water	-	-	-	0.00%	
Electricity	8,531,059	8,468,743	62,316	0.74%	
Other	-	-	-	0.00%	
Less : Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	33,833,849	30,352,948	3,480,901	11.47%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	2,712,923	246,418	2,466,505	1000.94%	

APPENDIX E(2)
MATATIELE MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	53,828	-	53,828		53,828		
Finance & Admin	1,594,228	-	1,594,228	116,034	1,478,194	1273.93%	
Planning & Development	91,592	-91,593	(1)	-	(1)	0.00%	
Health	39,516	-	39,516	-	39,516	0.00%	
Community & Social Services	86,280	-86,280	-	4,802,697	(4,802,697)		
Housing	2,360,969	-	2,360,969	46,834,986	(44,474,017)	-94.96%	
Public Safety	213,168	-	213,168	-	213,168	0.00%	
Sport & Recreation	107,009	-93,921	13,088	(1,408,479)	1,421,567	-100.93%	
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	1,227,945	-	1,227,945	-	1,227,945	0.00%	
Road Transport	1,007,492	-10,380	997,112	1,176,091	(178,979)	-15%	
Water	-	-	-	-	-	0.00%	
Electricity	453,653	-	453,653	(982,438)	1,436,091	-146.18%	
Other	-	-	-	-	-	0.00%	
Total	7,235,680	(282,174)	6,953,506	50,538,891	(43,585,385)	9	

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

2005 - 2006

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld					Reason for delay/with holding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance	
		March	June	Sept	Dec	March	March	June	Sept	Dec	March	March	June	Sept				Dec
NEW VALUATION ROLL	TLG			165,000						70,100								Yes
RURAL LUMS	TLG			80,000														Yes
IDP REVIEW	TLG			50,000				741	12,862		48,318							Yes
FBS SURVEY	SISONKE DISTRICT MUNICIPALITY																	Yes
FINANCE MANAGEMENT	NATIONAL TREASURY SISONKE DISTRICT MUNICIPALITY		250,000	100,000	59,998			9,095	39,024	169,474	39,780							Yes
CAPACITY BUILDING/PMS	DTLGA			40,000						26,000	18,212							Yes
INTER DEP / WEB REPORTING	NATIONAL TREASURY					290,674		9,885	38,161	41,870	41,944							Yes
EQUITABLE SHARE ELECTRICITY	NATIONAL TREASURY					662,780		69,323	109,269	110,398	75,619							Yes
EQUITABLE SHARE REFUSE	NER																	Yes
HARRY GWALA ELEC AREA I																		Yes
BUY BACK CENTRE								1,890			465							Yes
CEDARVILLE 200 SITES, AREA A	HOUSING		125,806	981,491	861,171	370,096			981,492	861,071	370,096							Yes
SWIMMING POOL UPGRADE									13,089									Yes
SOLID WASTE SITE			10,830	65,772	13,954	250,204			98,064	382,896	7,637							Yes
CEMETARY SITES						68,061					782,806							Yes
UPGRADE MOUNTAIN DAM LINE										15,687	26,739							Yes
TYRE RE CYCLING CENTRE	NER																	Yes
ELECTRICITY NER FUNDING						801,562					452,530							Yes
ACCESS RD TO LANDFILL SITE																		Yes
		0	386,636	1,532,263	935,123	2,443,377	0	90,935	1,316,105	1,677,496	1,864,146							