

INKWANCA MUNICIPALITY

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INKWANCA MUNICIPALITY
GENERAL INFORMATION

MEMBERS OF THE COUNCIL

M E YEKANI
K G TYHALA
J. C. AUCAMP
P. PARKER
N. P. MAKALIMA
N. T. FOLOSE

Mayor

GRADING OF LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor General

BANKERS

Standard Bank
P. O. Box 14
Molteno
5500

REGISTERED OFFICE

39 Smith Street	P. O. Box 1	
Molteno	Molteno	Telephone : 045 967 0021
5500	5500	Fax: 045 967 0467

ACCOUNTING OFFICER

N. A. NCUBE

INKWANCA MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 22 were approved by the
Municipal Manager onand presented to and approved by Council
on

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MUNICIPAL MANAGER: INKWANCA MUNICIPALITY
Dip. Advanced Public Administration (Univ. of Stellenbosch)
STD (Univ of Transkei)
AWS (Univ. of Stellenbosch)

(Accounting Officer)

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT

1. OPERATING RESULTS

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

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual - Budget %
Income:					
Opening surplus/(deficit)	821,304	-1,403,860			
Operating income for the year	13,611,706	15,205,482	12	11,884,491	22
	14,433,010	13,801,623		11,884,491	
Expenditure					
Operating expenditure for the year	11,466,157	12,991,027	13	11,884,492	9
Contributions to approved funds					
Sundry Transfers	2,762,588	2,153,016	(22)		
Closing surplus/(deficit)	(1,403,861)	-1,342,419		(1)	
	12,824,884	13,801,623		11,884,491	
Significant variances:	Income: The results on Economic Services decreased by R1,136,129. which is 66% compared to 2004				
	Expenditure: Over budgeted				

1.1 Rates and General Services

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual - Budget %
Income	9,188,164	11,047,265	20	5,325,135	52
Expenditure	8,077,817	8,987,888	11	5,892,532	34
Surplus/(deficit)	1,110,347	2,059,377	85	(567,397)	128
Surplus/(deficit) as % of total income	12	19			
Significant variances:	Income: Assessment Rate increased by R394,726 which is 45% compared to 2004				
	Expenditure: under budgeted				

The following is a summary of the operating results of the local authority's Trading Services:

Electricity Service

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual - Budget %
Income	1,763,288	1,979,628	12	2,557,677	(29)
Expenditure	1,926,272	2,260,937	17	2,369,454	(5)
Surplus/(deficit)	(162,984)	(281,309)		188,223	
Surplus/(deficit) as % total income	-9.24%	-14.21%		7.36%	
Significant variances:	Income: revenue decreased and over budgeted				
	Expenditure: increased which resulted to a deficit.				

Water Service

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual - Budget %
Income	2,660,254	2,178,590	(18)	1,228,557	44
Expenditure	1,336,027	1,588,954	19	1,200,217	24
Surplus/(deficit)	1,324,227	589,636		28,340	
Surplus/(deficit) as % total income	49.78%	27.07%		2.31%	
Significant variances: Income: increased by R378,815 which 20% compared to 2004 Expenditure: Variance not considered significant					

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R6,596,950

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2005 amounted to R1,029,274

Cash resources and short-term deposits at 30 June 2005 amounted to R274,743 (2004 - R208,476)

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B to the financial statements.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors and to the municipal staff for their assistance and support during the year.

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MUNICIPAL MANAGER: INKWANCA MUNICIPALITY

Dip. Advanced Public Administration (Univ. of Stellenbosch)

STD (Univ of Transkei)

AWS (Univ. of Stellenbosch)

(Accounting Officer)

INKWANCA MUNICIPALITY
ACCOUNTING POLICIES

1. Basis of preparation

- 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 and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the 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 Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, 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 (based on the market price at date of acquisition), 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 useful 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 financial statements is tantamount 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 operating 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.

INKWANCA MUNICIPALITY
ACCOUNTING POLICIES (continued)

- * 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.
- 3.5 A detailed GAMAP compliant assets register has been prepared.

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

4.2 Other funds and reserves

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

5. Provisions

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

6. Retirement benefits

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

INKWANCA MUNICIPALITY
ACCOUNTING POLICIES (continued)

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

7. Surpluses and deficits

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

8. Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June 1990).

10. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

11. Income recognition

11.1 Electricity and water billings

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

11.2 Assessment rates

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

11.3 Other income

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

INKWANCA MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		2,777,046	2,904,424
Statutory funds	1	2,775,222	2,892,927
Reserves	2	1,824	11,497
ACCUMULATED SURPLUS		(1,342,419)	(1,403,861)
		1,434,627	1,500,563
TRUST FUNDS	3	618,954	1,455,348
LONG TERM LIABILITIES	4	420,699	272,859
CONSUMER DEPOSITS: SERVICES	5	139,174	114,024
		2,613,454	3,342,794
EMPLOYMENT OF CAPITAL			
TRUST FUNDS INVESTMENTS	3	41,298	605,115
FIXED ASSETS	6	3,409,759	3,009,859
LONG-TERM DEBTORS		3,451,056	3,614,974
NET CURRENT ASSETS		(837,602)	(272,180)
CURRENT ASSETS		4,179,762	1,739,466
Accounts receivable	8	4,111,209	1,464,723
Cash resources		63,078	55,776
Short-term deposits		5,474	218,967
Short-term portion of long-term debtors			
CURRENT LIABILITIES		5,017,364	2,011,646
Accounts payable	9	4,259,962	1,405,551
Bank overdraft			
Short-term portion of long-term liabilities	4	170,062	95,394
Provisions	10	587,340	510,701
		2,613,455	3,342,794

INKWANCA MUNICIPALITY
INCOME STATEMENT 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)	2006 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
9,188,164	8,077,817	1,110,347	RATES AND GENERAL SERVICES	11,047,265	8,987,888	2,059,377	(263,943)
4,499,737	4,538,219	(38,482)	Rates & Corporate services	5,599,685	4,096,688	1,502,997	1,202,788
1,416,118	1,575,373	(159,255)	Community/Subsidised services	1,834,848	2,675,587	(840,739)	(1,099,334)
3,272,309	1,964,226	1,308,083	Development /Economic services	3,612,732	2,215,613	1,397,119	(367,397)
	126,041	(126,041)	HOUSING SERVICES		153,248	(153,248)	(121,244)
4,423,542	3,262,299	1,161,243	TRADING SERVICES	4,158,218	3,849,891	308,327	385,187
<u>13,611,706</u>	<u>11,466,157</u>	2,145,549	TOTAL	<u>15,205,482</u>	<u>12,991,027</u>	2,214,456	<u>(1)</u>
		(4,370,714)	Appropriations for the year (refer note 16)			(2,153,016)	
		<u>(2,225,165)</u>	NET SURPLUS (DEFICIT) FOR THE YEAR			61,440	
		821,304	Accumulated surplus/(deficit) beginning of the year			(1,403,860)	
		<u>(1,403,861)</u>	ACCUMULATED SURPLUS END OF THE YEAR			<u>(1,342,419)</u>	

INKWANCA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
1. STATUTORY FUNDS		
Revolving Fund	2,775,222	2,892,927
The revolving fund is represented by an investment at standard bank of R3,650.12 and internal loans of R 990443 resulting in an underfunding of R1,781128.88 at 30 June 2006		
2. RESERVES		
Leave Reserve Fund	1,824	11,497
The leave reserve fund is represented by an investment at standard bank of R 1,824 at 30 June 2006.		
3. Conditional Grants		
Spatial Development	6,714	150,407
Integrated Development Plan Fund	1,178	7,127
Resort Development	4,119	14,021
Town Planning Scheme	3,673	18,499
Town Register	1,352	27,653
Land Ownership	1,521	67,685
Structure Plan	2,656	27,656
Masakhe Housing	(15)	9,980
Survey of Masakhe	1,702	25,994
Rapid Land Development	-	-
Sterkstroom Zoning Map	3,127	52,426
Valuations	3,147	3,031
Community Gardens	1,228	50,938
Bulk Water Supply	1,069	15,928
800 Houses	1,398	9,829
Nomonde Hall	-	-
CMIP	1,811	5,655
Nkululeko Development	1,233	69,287
MSP	1,488	5,944
Disaster Fund	1,449	7,892
Survey 158 Dennekruijn	1,163	7,957
Cemetery Investigation	1,285	27,208
Total Trust Funds Investments	41,298	605,115
- Advances to Operating Account	577,657	850,233
Total Trust Funds	618,954	1,455,348
Invested as follows:		
- Standard Bank short-term investments	41,298	605,116
- Standard Bank current accounts	-	-
- Advances to Operating Account	577,657	850,233
	618,955	1,455,349
(Refer to Appendix A for more detail)		
4. LONG-TERM LIABILITIES		
Wesbank DDL3689A	160,518	223,156
Wesbank DDL36725K	160,524	223,121
Wesbank D45519X	180,561	-
Toyota T54306H	126,361	-
Toyota T54306B	126,361	-
Less :Deferred Finance Charges	(163,564)	(78,024)
	590,761	368,253
Short Term Portion	(170,062)	(95,394)
	420,699	272,859
A	The two Wesbank loans are in respect of instalment sale agreements entered into for the purchase of two 2003 Isuzu NPR 400 trucks.	
	- Monthly instalments: R5,445.17 each	
	- Contract rate: Prime plus .884%	
	- Commencement rate: 12% linked	
	- Commencement date: 18 November 2003	
	- Termination date: 17 November 2008	
	Secured by two Isuzu Trucks with a book value of R160 500 each	
B	The Wesbank loan are in respect of instalment sale agreements entered into for the purchase of 1.8 Opel Zafira	
	- Monthly instalments: R3,576.67	
	- Contract rate: Prime plus 1.313%	
	- Commencement rate: 11.38% linked	
	- Commencement date: 01 September 2005	
	- Termination date: 25 July 2010	
	Secured by Opel Zafira with a book value of R180 500	
C	The two Toyota loans are in respect of instalment sale agreements entered into for the purchase of two Toyota Hilux 2.0 bakkies.	
	- Monthly instalments: R2,503.18 each	
	- Contract rate: Prime plus .866%	
	- Commencement rate: 10.854% linked	
	- Commencement date: 01 September 2005	
	- Termination date: 01 August 2010	
	Secured by two Toyota Hilux 2.0 Bakkies with a book value of R126 300 each	
(Refer to Appendix B for more detail)		
5. CONSUMER DEPOSITS:SERVICES		
Electricity and Water	139,174	114,024

INKWANCA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continued)

	2006 R	2005 R
6. FIXED ASSETS		
Fixed assets at the beginning of the year	58,558,285	51,961,335
Write off during the year	(160,554)	
Capital expenditure during the year	5,844,195	6,596,950
Total fixed assets	64,241,925	58,558,285
Less: Loans redeemed and other capital receipts	60,832,167	55,548,426
	<u>3,409,760</u>	<u>3,009,859</u>
8. ACCOUNTS RECEIVABLE		
A Current debtors (consumers)	19,113,682	13,701,386
Less: Provision for bad debts	15,002,473	12,391,450
	4,111,209	1,309,936
Other debtors:	-	154,787
MSP Project	-	-
Community gardens	-	154,787
Vuna awards	-	-
SARS VAT	-	-
Community services	-	-
	<u>4,111,209</u>	<u>1,464,723</u>
Consumer debtors are aged as follows:		
30 days	896,995	564,812
60 days	587,796	366,065
90 days	512,939	378,729
120 days	350,962	362,917
150 days	499,596	330,941
180 days	16,265,394	11,697,922
	<u>19,113,682</u>	<u>13,701,386</u>
Additional provision for bad debts has been provided for in this year as the existing provision is not considered adequate.		
B Inkwanca Bank Account no: 28066661061 @ STD Bank Molteno	61,739	34,905
Inkwanca Revenue Account no: 2280670893 @ STD Bank Molteno	1,340	20,871
	<u>63,079</u>	<u>55,776</u>
9. ACCOUNTS PAYABLE		
Trade Creditors	4,259,962	1,405,551
10. PROVISIONS		
Leave	587,340	323,901
Audit Fees	-	186,800
	<u>587,340</u>	<u>510,701</u>
11. ASSESSMENT RATES		
Site valuations at 1 July 2005		
- Residential	34,799,700	15,727,895
- Commercial	6,258,250	4,029,590
- Government	10,848,000	5,532,130
- Municipal	888,800	702,110
- Churches Exempt	1,292,200	556,170
	<u>54,086,950</u>	<u>26,547,895</u>
Income from rates	1,920,900	863,125
Assessment rates:		
- Residential properties 2 cents in a rand		
- Commercial properties 3.5 cents in a rand		
- Government 5.3 cents in a rand		
Rebates of 20% are granted on state-owned properties.		
Number of residential properties		
Number of industrial, agricultural & other properties		

INKWANCA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continued)

12. COUNCILLOR'S REMUNERATION

	2006 R	2005 R
Mayor's allowance:	97,441	100,428
Salary	69,315	71,754
Travelling allowance	17,331	12,900
Telephone allowance	7,745	12,900
Personal allowance	3,050	2,874
Councillor's allowances:	247,736	247,613
Salaries	140,560	146,040
Pensions	15,600	15,485
Travelling allowances	29,664	25,800
Telephone allowances	38,200	33,750
Personal allowances	15,600	14,370
Medical aid	8,112	12,168
	<u>345,177</u>	<u>348,041</u>
Municipal Manager:	370,413	346,180
Salaries	220,540	206,112
Travelling allowance	110,094	102,892
Sustenance allowance	10,700	10,000
Public Office allowance	10,700	10,000
Bonus	18,378	17,176
Chief Financial Officer:	259,877	242,876
Salaries	161,424	150,864
Travelling allowance	78,581	73,440
Telephone allowances	6,420	6,000
Bonus	13,452	12,572
Manager :Technical services	259,877	242,876
Salaries	161,424	150,864
Travelling allowance	78,581	73,440
Telephone allowances	6,420	6,000
Bonus	13,452	12,572
Manager : Community Services	259,877	242,876
Salaries	161,424	150,864
Travelling allowance	78,581	73,440
Telephone allowances	6,420	6,000
Bonus	13,452	12,572

13. AUDITOR'S REMUNERATION

Audit fees	125,489	104,000
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14. FINANCE TRANSACTIONS

Total external interest earned or paid:		
- Interest earned		
- Interest paid	46,915	58,370
Capital charges debited to operating account:		
- Interest paid on external loans	46,915	58,370
- Interest paid on internal loans	35,381	36,976
- Redemption of external loans	161,019	76,872
- Redemption of internal loans	92,250	89,775
	<u>335,565</u>	<u>261,993</u>

15. APPROPRIATIONS

Appropriation account		
Accumulated surplus at the beginning of the year	(1,403,861)	821,304
Operating surplus for the year	2,214,456	2,145,549
	810,595	2,966,853
Less: Appropriations for the year:	(2,153,016)	(4,370,714)
- Provision for leave	251,942	163,831
- Contribution to Revolving Fund	56,913	(35,130)
- Prior year adjustments	(428,544)	(162,415)
- Provision for bad debts	(2,033,328)	(4,337,000)
Accumulated surplus (deficit): end of year	<u>(1,342,421)</u>	<u>(1,403,861)</u>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continued)

	2006 R	2005 R
16. APPROPRIATIONS (continued)		
Operating account		
Capital expenditure	135,523	213,254
Contributions to:		
- Revolving Fund	56,913	35,130
	<u>192,436</u>	<u>248,384</u>
PRIOR YEAR ADJUSTMENTS		
Project Accounts	69,748	
Fund Accounts	(32,805)	
Loans Redeemed	81,291	
Long term debts	36,742	
Creditors		
African Bank	(582,996)	
Suspense	(522)	
Underprovision for leave reserve		
Water over-billed 2003		(122,220)
Old service charges written off		
Audit (overprovision)/under 2003		(40,195)
	<u>(428,544)</u>	<u>(162,415)</u>
17. CASH GENERATED BY OPERATIONS		
Surplus for the year	2,214,456	2,145,550
Appropriations charged against income:	192,436	213,254
- Fixed assets	135,523	213,254
- Revolving Fund	56,913	
Capital charges:	335,565	257,146
Interest paid:		
- to internal funds	35,381	36,976
- on external loans	46,915	49,103
Redemption:		
- of internal advances	92,250	89,775
- of external loans	161,019	81,292
- Audit fees paid out of Reserves		(40,195)
Grants and subsidies received from the state	(2,661,577)	(3,556,293)
	<u>80,880</u>	<u>(980,538)</u>
18. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / decrease in debtors	(2,646,486)	(2,022,507)
Increase / (decrease) in creditors	(2,854,411)	(201,946)
	<u>(5,500,898)</u>	<u>(2,224,453)</u>
19. (DECREASE)/ INCREASE IN LONG-TERM LIABILITIES		
Loans raised		
Loans repaid	(161,019)	(76,872)
	<u>(161,019)</u>	<u>(76,872)</u>
20. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS	213,493	(10,491)
21. DECREASE / (INCREASE) IN CASH ON HAND		
Cash balance at the beginning of the year	-122,283	(122,283)
Add: Bank overdraft at end of year	-63,078	(55,776)
	<u>-185,361</u>	<u>(178,059)</u>

INKWANCA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (Continued)

	2006 R	2005 R	
22. RETIREMENT BENEFITS			
Inkwanca Municipality and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.			
The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.			
Full actuarial valuations are performed at least every three years.			
23. OUTSTANDING ADVANCES TO BORROWING SERVICES			
Internal advances	990,443	1,082,692	
(Refer to Appendix B for more detail)			
24.a LEASE COMMITMENTS			
Commitments in respect of rental agreements:	<1 Year	2-5 Years	TOTAL
(a) Axial -Plessey Vending Machine for 7 years started 22 Oct 99 to 30 Oct 2006,Monthly rental of R3489 subject to inflation	16,040		16,040
(b) Fintech- Xerox Photocopier for 5 years started 31 Oct 2003 to 1Oct 2008,Monthly rental of R620 escalate by 10%	8,991	11,988	20,980
© Gestetner-Photocopier for 5 years started 03 Nov 2003 to 31 October 2008,Monthly rental of R1446.56 escalate by 0%	17,359	23,145	40,505
(d) Office World -Telephone mainntenne and Management system commenced 11Nov 2003 to 31 Oct 2006 Monthly rental of R 1559.24	6,237		6,237
	48,627	35,134	83,761
24.b CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure:			
- Approved and contracted for	9,152,000		17,417,875
- Approved but not yet contracted for	3,170,000		3,325,000
	12,322,000		20,742,875
This expenditure will be financed from:			
- Internal sources			90,000
- External sources	12,322,000		20,652,875
	12,322,000		20,742,875
25. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS			
None			
26. POST BALANCE SHEET EVENTS			
None			
27. GOING CONCERN			
Inkwanca municipality depend heavily on government assistance grant to carry out its powers and functions as long the Government assistance grant is received.Inkwanca Municipality will continue with it operations			

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

	NOTES	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES		5,169,641	6,845,398
Cash generated by operations	17	80,880	(980,538)
(Increase)/Decrease in working capital	18	(5,500,898)	(2,224,453)
		(5,420,018)	(3,204,991)
Add: movements on trust funds			167,233
Add: Interest received			
Less: External interest paid		(46,915)	(49,103)
Cash available from operations		(5,466,933)	(3,086,861)
Cash contributions from the public and the State		10,636,574	9,932,259
 CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(5,844,195)	(6,596,950)
NETT CASH FLOW		<u>(674,554)</u>	<u>248,448</u>
 CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease)/increase in long-term liabilities	19	147,840	(76,872)
Decrease / (increase) in cash on deposits	5	(233,835)	16,975
Decrease / (increase) in external cash investments	20	213,493	(10,491)
NETT CASH UTILISED		<u>(547,057)</u>	<u>178,060</u>

INKWANCA MUNICIPALITY

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 30 June 2005 R	Contributions during year R	Interest on Investments R	Advances to Operating Account R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2006 R
STATUTORY FUNDS							
Revolving Fund	2,892,927	56,913	35,381	210,000			2,775,222
Loan Redemption Fund							
	<u>2,892,927</u>	<u>56,913</u>	<u>35,381</u>	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>2,775,222</u>
RESERVES							
Leave Reserve Fund	11,497		327		10,000		1,824
	<u>11,497</u>	<u>-</u>	<u>327</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>1,824</u>
TRUST FUNDS							
Spatial Development	150,407	2,410	497		146,600		6,714
Integrated Development Plan Fund	7,127		50.95		6000		1,178
Resort Development	14,021	10,098			20,000		4,119
Town Planning Scheme	18,499		174		15,000		3,673
Town Register	27,653	641	58		27,000		1,352
Land Ownership	67,685		1,336		67,500		1,521
Structure Plan	27,656	20,000	641		45,641		2,656
Masakhe Housing	9,980	500			10,495		(15)
Survey of Masakhe	25,994		708		25,000		1,702
Sterkstroom Zoning Map	52,426	50,000	701		100,000		3,127
Valuations	3,031		116				3,147
Community Gardens	50,938	351,000			400,710		1,228
Bulk Water Supply	15,928	14,000	141		29,000		1,069
800 Houses	9,829		69		8,500		1,398
Sportsfield Fund							-
Job Creation							-
Nomonde Hall	0						-
CMIP	5,655	1,290,972			1,294,816		1,811
Nkululeko Development	69,287	66,000	946		135,000		1,233
MSP	5,944	44			4,500		1,488
Disaster Fund	7,892		57		6,500		1,449
Survey 158 Dennekruijn	7,957	70,000	706		77,500		1,163
Cemetery Investigation	27,208	55,000	577		81,500		1,285
	<u>605,117</u>	<u>1,930,665</u>	<u>6,778</u>	<u>-</u>	<u>2,501,262</u>	<u>-</u>	<u>41,298</u>

APPENDIX A

INKWANCA MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

	Instalment	Rate	Termination	Balance at 30 June 2005 R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2006 R
EXTERNAL LOANS							
Wesbank DDL3689A	5,384	12% linked	17/11/2008	223,156		62,638	160,518
Wesbank DDL3675K	5,384	12% linked	17/11/2008	223,121		62,597	160,524
Toyota T54306H	2,503	10.85%	01/07/2010		150,191	23,830	126,361
Toyota T54306B	2,503	10.85%	01/07/2010		150,191	23,830	126,361
Wesbank D45519X	3,577	11.38%	01/07/2010		214,600	34,040	180,561
				<u>446,277</u>	<u>514,982</u>	<u>206,934</u>	<u>754,325</u>
INTERNAL LOANS							
Revolving Fund				<u>1,082,693</u>		<u>92,250</u>	<u>990,443</u>
INTERNAL ADVANCES							
Farm - Schoeman	57,197.73	4%	01/06/2021	671,172		30,655	640,517
Electrical Transformer	11,820.40	4%	30/06/2008	32,803		10,508	22,295
Sewerage Scheme 1	16,667	0%	31/12/2011	116,667		16,667	100,000
Sewerage Scheme 2	26,012	5%	01/06/2012	150,518		18,487	132,031
Sewerage Scheme 3	15,933	0%	01/06/2012	111,533		15,933	95,600
				<u>1,082,693</u>		<u>92,250</u>	<u>990,443</u>

APPENDIX B

INKWANCA MUNICIPALITY

ANALYSIS OF FIXED ASSETS

2005 Expenditure		Balance at 30 June 2005	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2006
R		R	R	R	R
6,596,949	RATES AND GENERAL SERVICES	58,558,285	5,844,194	160,554	64,241,925
25,746	Community Assets	2,355,102	-		2,355,102
25,746	Land and Buildings	2,090,001			2,090,001
	Resort Development	213,288			213,288
	Koos Ras Game Reserve	51,813			51,813
4,730,327	Infrastructure Assets	42,427,655	5,413,989		47,841,644
	Sewerage	11,629,636			11,629,636
4,321,000	Water	15,056,787	2,400,000		17,456,787
409,327	Electricity	5,679,239	3,013,990		8,693,229
	Streets and Stormwater	10,061,993			10,061,993
234,276	Other Assets	2,751,143	430,205	160,554	3,020,794
175,914	Furniture and Fittings	307,247	21,533	131,332	197,448
	Land and Buildings	886,944			886,944
	Tractors	208,286			208,286
	Motor Vehicles	648,910	399,900	29,222	1,019,588
	Graders	319,241			319,241
58,362	Computers	380,515	8,772		389,287
1,606,600	Housing Services	11,024,385			11,024,385
6,596,949	TOTAL FIXED ASSETS	58,558,285	5,844,195	160,554	64,241,925
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	55,548,426	5,444,295	160,554	60,832,167
	Loans redeemed and advances repaid	5,869,985			5,869,985
	Contributions from operating income	3,734,247	135,523	160,554	3,709,216
	Grants and subsidies	45,944,194	5,308,772		51,252,966
	Public contributions				
	NET FIXED ASSETS	3,009,859	399,901	-	3,409,759

APPENDIX C

INKWANCA MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual R		2006 Actual R	2006 Budget R Revised
	INCOME		
3,556,293	Grants and subsidies	2,661,577	5,230,000
10,055,413	Operating income	12,543,905	6,654,492
1,376,218	Refuse Removal	1,732,654	1,051,766
863,125	Assessment Rates	1,920,900	520,000
2,366,925	Sanitation/ Sewerage	2,964,934	380,000
73,082	Rent	67,503	41,820
1,763,288	Electricity Sales	1,979,628	2,117,108
2,146,961	Water Sales	2,178,590	379,918
9,894	Income from Traffic	73,195	45,500
1,455,920	Income from other Sources	1,626,502	2,118,380
<u>13,611,706</u>	Total income	<u>15,205,482</u>	<u>11,884,491</u>
	EXPENDITURE		
5,734,174	Salaries, wages and allowances	7,441,211	5,747,513
2,644,436	General expenditure	2,577,415	2,106,923
1,014,772	Repairs and maintenance	953,160	1,291,452
257,188	Capital charges	203,622	45,098
69,308	Contributions to fixed assets	213,254	384,500
	Contributions to funds		400,690
534,675	Bulk: Water	341,607	340,197
1,211,606	Bulk: Electricity Purchases	1,260,758	1,568,119
<u>11,466,159</u>	Total expenditure	<u>12,991,027</u>	<u>11,884,492</u>

APPENDIX D

INKWANCA MUNICIPALITY

DETAILED INCOME STATEMENT 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)	2006 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
9,188,165	8,077,817	1,110,348	RATES AND GENERAL SERVICES	11,047,265	8,987,888	2,059,377	(263,943)
4,499,737	4,538,219	-38,482	Rates & Corporate services	5,599,685	4,096,688	1,502,997	1,202,788
936,207	121,277	814,930	Assessment Rates & Estates	1,988,404	166,655	1,821,749	1,731,834
1,262,654	1,239,064	23,590	Executive & Council	1,479,415	1,479,415	-	-
2,300,876	1,852,436	448,440	Budget & Treasurer	2,131,866	1,328,711	803,155	644,776
	1,325,442	(1,325,442)	Administration		1,121,907	(1,121,907)	(1,173,822)
1,416,118	1,575,373	(159,255)	Community/Subsidised services	1,834,848	2,675,587	(840,739)	(1,099,334)
6,860		6,860	Cemetery	5,232		5,232	(2,428)
	6,549	(6,549)	Clinic, Creche, Aged centre		30,452	(30,452)	(141,417)
281	142,611	(142,330)	Library Service	40	163,301	(163,261)	(155,877)
22,865	247,210	(224,345)	Parks, Recreation and Halls	23,727	933,588	(909,861)	(778,244)
1,376,218	1,175,624	200,594	Cleansing	1,732,654	1,500,932	231,722	-
9,894	3,379	6,516	Traffic Services	73,194	47,314	25,880	(21,368)
3,272,309	1,964,226	1,308,083	Development /Economic services	3,612,732	2,215,613	1,397,119	(367,397)
2,366,925	1,152,131	1,214,794	Sewerage	2,964,934	1,232,422	1,732,512	(70,000)
905,384	812,095	93,289	Public works	647,798	983,192	(335,393)	(297,397)
	126,041	(126,041)	HOUSING SERVICES		153,248	(153,248)	(121,244)
	126,041	(126,041)	Selling and letting schemes		153,248	(153,248)	(121,244)
4,423,542	3,262,299	1,161,243	TRADING SERVICES	4,158,218	3,849,891	308,327	385,187
1,763,288	1,926,272	(162,984)	Electricity supply	1,979,628	2,260,937	(281,309)	105,670
2,660,254	1,336,027	1,324,227	Water supply	2,178,590	1,588,954	589,636	279,517
13,611,707	11,466,157	2,145,550	TOTAL	15,205,482	12,991,027	2,214,456	-
		(4,370,714)	Appropriations for the year (refer to note 16)			(2,153,016)	
		(2,225,164)	NET DEFICIT FOR THE YEAR			61,440	
		821,304	Accumulated surplus / (deficit) beginning of the year			(1,403,860)	
		(1,403,860)	ACCUMULATED SURPLUS END OF THE YEAR			(1,342,419)	

APPENDIX E

**INKWANCA MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION**

GENERAL STATISTICS

Population	34,697
Site valuations at 1 July 2005	
- Residential	34,799,700
- Commercial	6,258,250
- Government	10,848,000
- Municipal	888,800
- Churches Exempt	1,292,200
	<u>54,086,950</u>

Assessment rates:

- Residential properties 2 cents in a rand
 - Commercial properties 3.5 cents in a rand
 - Government 5.3 cents in a rand
- Rebates of 20% are granted on state-owned properties.

Number of residential properties	3,059
Number of industrial, agricultural & other properties	1,267
Number of employees of local authority	104

ELECTRICITY STATISTICS

Number of users	1,108
Units bought/generated	5,730,576
Units sold	5,103,913
Units lost in distribution	626,663
Units lost in distribution as a percentage	10.94
Cost per unit sold	0.413
Income per unit sold	0.303

WATER STATISTICS

No of users (metered)	2,792
No of users (unmetered)	2,829
Units bought/purified	480,628
Units sold (metered users)	260,769
Units lost in distribution	unknown
Units lost in distribution as a percentage	unknown
Cost per unit sold	1.47
Income per unit sold	2.43