

EMALAHLENI MUNICIPALITY

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EMALAHLENI MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF EMALAHLENI MUNICIPALITY

	Ward		Ward
Mayor :		N Lali	
Councillor:	1	S Doni	9
Councillor:	1	P Kwanini	9
Councillor:	2	N Ziduli	10
Councillor:	2	K Nkasela	10
Councillor:	3	B Mntuyedwa	11
Councillor:	3	SK Fudumele	12
Councillor:	4	KM Bontshi	13
Councillor:	4	P Mapete	14
Councillor:	5	P Matakata	14
Councillor:	5	V Jordaan	15
Councillor:	6	S Liwani	15
Councillor:	7	DS Kalolo	16
Councillor:	7	P Nobaza	16
Councillor:	8	L Mooi	16
Councillor:	8	N Nyukwana	16
		Councillor: L Gatyeni	
		Councillor: L Ngcongca	
		Councillor: N Ndamane	
		Councillor: B Twala	
		Councillor: A Yawa	
		Councillor: Z Dyonase	
		Councillor: F Mthandeki	
		Councillor: M Godla	
		Councillor: N Dlikilili	
		Councillor: M Limba	
		Councillor: S Mnyuko	
		Councillor: M Mbili	
		Councillor: M Ndlondlwana	
		Councillor: N Moyo	

GRADING OF LOCAL AUTHORITY

Grade 3

AUDITORS

Auditor General

BANKERS

Standard Bank - Queenstown

REGISTERED OFFICE

37 Indwe Road
LADY FRERE
5410

Telephone : 047 - 878 0020

ACTING MUNICIPAL MANAGER

Mr N J Kwepile

FINANCIAL MANAGER

Post vacant

EMALAHLENI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 8 to 24 were approved by the
Acting Municipal Manager on and presented to and approved by Council
on

.....
ACTING MUNICIPAL MANAGER: EMALAHLENI MUNICIPALITY
(Accounting Officer)

BLUE CRANE ROUTE MUNICIPALITY
FOREWORD

I have pleasure in presenting the Annual Financial Statements which are subject to audit, for the year ended 30 June 2004.

The major challenge to the Blue Crane Route Municipality is to meet the needs and requirements of those in the previously disadvantaged areas whilst at the same time ensuring that the infrastructure in the established areas is not neglected.

This I believe can only be achieved through hard work by Councillors and Officials, tolerance of our community and ensured payment of municipal services.

I am proud to report that we have managed to reverse the trend in negative operating results by showing a net surplus for the year. This has been achieved despite the difficult economic climate in the province and the country. It is our objective and we remain committed to achieve a level of service delivery which is satisfactory to all our citizens and at the same time to ensure financial viability.

I wish to express my appreciation to the Councillors, the Municipal Manager and his staff for their support, co-operation and hard work during the past year.

.....
M. C. MJADU
MAYOR: BLUE CRANE ROUTE MUNICIPALITY

EMALAHLENI 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.

EMALAHLENI 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.

4. Inventory

Inventory is valued at the lower of cost or net realisable value.

5. Funds and reserves

5.1 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.

5.2 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.

6. 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.

7. 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.

EMALAHLENI 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.

8. Surpluses and deficits

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

9. 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. Leased assets

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

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

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

11. 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.

12. Deferred charges

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

13. Income recognition

13.1 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.

EMALAHLENI MUNICIPALITY
ACCOUNTING POLICIES (continued)

13.2 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.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

13.3 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.

14.Provision for bad debts

14.1 Trade Debtors

A provision for bad debts has been provided for at year end for all trade balances where recoverability is in doubt.

EMALAHLENI 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 2006 are as follows:

	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %	Actual 2005 R	Budget 2005 R	Variance Actual - Budget %
Income:						
Opening surplus	48,620,962			32,696,146		
Sundry Transfers	(17,355,851)			2,088,685		
Operating income for the year	34,201,476	49,822,666	(31.35)	33,442,651	30,687,550	8.98
	65,466,587	49,822,666		68,227,482	30,687,550	
Expenditure						
Operating expenditure for the year	(23,199,972)	(49,822,666)	(53.43)	(19,606,520)	30,687,550	(163.89)
Contributions to approved funds						
Closing surplus	(42,266,616)			(48,620,963)		
	-	-		-	-	

Reasons for significant variances

Income & expenditure over-budgeted for the 2006 year.

Increase in expenditure largely attributable to increases in salaries and wages

1.1 Rates and General Services

	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %	Actual 2005 R	Budget 2005 R	Variance Actual - Budget %
Income	25,867,941	25,408,300	1.81	29,844,032	22,612,350	31.98
Expenditure	(15,995,960)	(22,846,400)	(29.98)	(15,487,228)	(20,840,250)	(25.69)
Surplus/(deficit)	9,871,980	2,561,900		14,356,804	1,772,100	
Surplus/(deficit) as % of total income	38.16	10.08		48.11	7.84	

Reasons for significant variances

Income & expenditure over-budgeted for the 2006 year.

1.2 Housing Services

	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %	Actual 2005 R	Budget 2005 R	Variance Actual - Budget %
Income	-	-				
Expenditure	(352,737)	(341,800)	3.20	(307,498)	(297,200)	3.47
Surplus/(deficit)	(352,737)	(341,800)		(307,498)	(297,200)	
Surplus/(deficit) as % of total income						

Reasons for significant variances

No significant variances

EMALAHLENI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT (Continued)

1.3 Trading Services

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

Electricity Service

	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %	Actual 2005 R	Budget 2005 R	Variance Actual - Budget %
Income	2,348,500	2,285,000	2.78	2,238,477	4,988,700	(55.13)
Expenditure	(2,695,685)	(3,157,800)	(14.63)	(2,344,129)	(3,855,300)	(39.20)
Surplus/(deficit)	(347,185)	(872,800)		(105,652)	1,133,400	
Surplus/(deficit) as % total income	(14.78)	(38.20)		(4.72)	22.72	

Reasons for significant variances

Income under-budgeted for the 2006 year.

Water Service

	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %	Actual 2005 R	Budget 2005 R	Variance Actual - Budget %
Income	1,752,583	4,273,195	(58.99)	1,360,142	920,500	47.76
Expenditure	(1,400,479)	(5,620,495)	(75.08)	(1,467,665)	(2,300,000)	(36.19)
Surplus/(deficit)	352,103	(1,347,300)		(107,523)	(1,379,500)	
Surplus/(deficit) as % total income	20.09	(31.53)		(7.91)	(149.86)	

Reasons for significant variances

Income & expenditure over-budgeted for the 2006 year.

EMALAHLENI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT (Continued)

2. CAPITAL EXPENDITURE AND FINANCING

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 2006 amounted to R142,374 (217,758 in 2005) as set out in appendix B.

Long term investments at 30 June 2006 amounted to R34,228,002 (R19,988,810 in 2005)

Short term investments and cash on hand at 30 June 2006 amounted to R3,072,354 (R2,585,969 in 2005).

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

4. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in the notes (1-3) and appendix A to the financial statements.

6. POST BALANCE SHEET EVENTS

Nil

EMALAHLENI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT (Continued)

7. 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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ACTING MUNICIPAL MANAGER: EMALAHLENI MUNICIPALITY

(Accounting Officer)

EMALAHLENI MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		4,957,023	4,557,362
Statutory funds	1	4,196,308	3,967,894
Reserves	2	760,715	589,468
ACCUMULATED SURPLUS		42,266,616	48,620,962
		47,223,639	53,178,324
TRUST FUNDS	3	11,076,179	3,514,655
LONG TERM LIABILITIES	4	66,990	220,758
CONSUMER DEPOSITS: SERVICES	5	77,022	71,522
		58,443,832	56,985,259
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	270,306	526,885
INVESTMENTS	7	34,228,002	19,988,810
LONG-TERM DEBTORS	8	82,167	442,809
		34,580,475	20,958,504
NET CURRENT ASSETS		23,863,359	36,026,755
CURRENT ASSETS		30,216,848	50,999,326
Accounts receivable	9	22,967,001	27,795,586
Cash resources	7	4,074,816	20,449,353
Short-term investments	7	3,072,354	2,585,969
Short-term portion of long-term debtors		102,677	168,418
CURRENT LIABILITIES		6,353,489	14,972,571
Accounts payable	11	6,278,105	14,204,005
Bank overdraft			256,880
Provisions	12		481,786
Short-term portion of long-term liabilities	4	75,384	29,900
		58,443,832	56,985,259

EMALAHLENI 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
29,844,031	15,487,227	14,356,804	RATES AND GENERAL SERVICES	30,100,393	18,751,070	11,349,323	2,561,900
26,784,008	12,953,099	13,830,909	Community services	25,867,941	15,995,960	9,871,980	4,628,700
		-	Subsidised services	-	-	-	-
3,060,023	2,534,128	525,895	Economic services	4,232,453	2,755,110	1,477,343	(2,066,800)
-	307,498	(307,498)	HOUSING SERVICES	-	352,737	(352,737)	(341,800)
3,598,619	3,811,794	(213,175)	TRADING SERVICES	4,101,083	4,096,164	4,919	(2,220,100)
<u>33,442,650</u>	<u>19,606,519</u>	<u>13,836,131</u>	TOTAL	<u>34,201,476</u>	<u>23,199,972</u>	<u>11,001,505</u>	<u>-</u>
		2,088,685	Prior year adjustments (Note 18)			17,355,851	
		<u>15,924,816</u>	NET SURPLUS (DEFICIT) FOR THE YEAR			<u>(6,354,346)</u>	
		32,696,146	Accumulated SURPLUS beginning of the year			48,620,963	
		<u>48,620,962</u>	ACCUMULATED SURPLUS END OF THE YEAR			<u>42,266,616</u>	

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES		(1,132,732)	16,616,208
Cash utilised in operations	20	(10,309,259)	17,441,316
Investment income	17	938,645	1,945,975
Increase in working capital	21	(18,954,435)	83,513
		<u>(28,325,049)</u>	<u>19,470,804</u>
Less: External interest paid	17	(30,974)	
Cash utilised in operations		<u>(28,356,023)</u>	19,470,804
Net proceeds on disposal of fixed assets			1,000
Cash contributions from the public and the State		27,223,291	<u>(2,855,596)</u>
 CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets	6	(183,965)	
 NETT CASH FLOW		<u><u>(1,316,697)</u></u>	<u><u>16,616,208</u></u>
 CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease) in long-term liabilities	22	(75,384)	(172,961)
Increase in cash investments	24	(14,725,577)	106,894
(Increase)/ decrease in cash on hand	23	16,117,658	(16,550,141)
 NETT CASH UTILISED		<u><u>1,316,697</u></u>	<u><u>(16,616,208)</u></u>

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
1. STATUTORY FUNDS		
Revolving Fund	3,372,835	3,172,268
Capital Funds: Indwe TRC	553,055	534,352
Capital Funds: Wodehouse TRC	270,418	261,274
	<u>4,196,308</u>	<u>3,967,894</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
2. RESERVES		
Leave Reserve	477,604	315,931
Working Capital	177,350	171,353
Electricity Maintenance	10,307	9,958
Capital Reserve	95,454	92,227
	<u>760,715</u>	<u>589,469</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
3. TRUST FUNDS	<u>11,076,179</u>	<u>3,514,655</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
4. LONG-TERM LIABILITIES		
Development Bank Of South Africa	142,374	250,658
	<u>142,374</u>	<u>250,658</u>
Less: Short-term portion transferred to current liabilities	75,384	(29,900)
	<u>66,990</u>	<u>220,758</u>
(Refer to Appendix B for more detail)		
5. CONSUMER DEPOSITS:SERVICES		
Electricity and Water	<u>77,022</u>	<u>71,522</u>
6. FIXED ASSETS		
Fixed assets at the beginning of the year	66,096,461	45,547,856
Capital expenditure during the year	183,965	66,096,461
Less: Assets written off,transferred or disposed during the year	-	(45,547,856)
Total fixed assets	<u>66,280,427</u>	<u>66,096,461</u>
Less: Loans redeemed and other capital receipts	66,010,121	(65,569,576)
	<u>270,306</u>	<u>526,885</u>
7. INVESTMENTS AND CURRENT BANK ACCOUNTS		
Long term investments		
Sanlam		
- Operating Account Funds (Keyman Insurance)	439,411	
Stanlib	33,788,591	
- Statutory Funds	4,196,308	
- Reserves	760,715	
- Trust Funds	8,003,825	
- Operating Account Funds	20,827,742	
	<u>34,228,002</u>	19,988,810
Short term trust call and current accounts		
Standard Bank		
- Trust Funds	3,072,354	2,585,969
	<u>37,300,356</u>	<u>22,574,779</u>
Management's valuation of unlisted investments	<u>37,300,356</u>	<u>22,574,779</u>

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

Operating account current bank accounts		
Standard Bank		
- Emalahleni Revenue Account	798,899	
- Lady Frere Revenue Account	2,262,879	
First National Bank		
- Indwe	1,013,038	
	<u>4,074,816</u>	
8. LONG-TERM DEBTORS		
Managers - Car Loans	184,844	611,227
Less: Short-term portion transferred to current assets	(102,677)	(168,418)
	<u>82,167</u>	<u>442,809</u>
9. ACCOUNTS RECEIVABLE		
Service Debtors	34,614,436	27,216,252
Less: Provision for bad debts	(17,307,218)	(1,500,000)
	<u>17,307,218</u>	<u>25,716,252</u>
Other Debtors	5,659,783	2,079,334
- Capital Projects	5,040,436	
- VAT Refunds	460,928	
- Study Loans	5,580	
- Other Debtors	152,454	
- Cashiers Float	385	
	<u>22,967,001</u>	<u>27,795,586</u>
10. INVENTORY		
There was no inventory on hand at year end.		
11. ACCOUNTS PAYABLE		
Trade Creditors	283,177	
VAT Suspense - Projects	2,383,368	
VAT Suspense - Service Debtors	3,611,560	
	<u>6,278,105</u>	<u>14,204,005</u>
12. PROVISIONS		
Audit fees		481,786
	<u>-</u>	<u>481,786</u>
13. ASSESSMENT RATES		
Site valuations as at 1 July 2003: Residential, commercial, state and municipal	<u>86,084,372</u>	<u>86,084,372</u>
Actual income	<u>1,174,340</u>	<u>1,016,510</u>
The last general valuation came into effect on 1 July 2003. The rate was 12 cents per rand on land and improvements. (More information concerning rate levies are contained in Appendix F)		
14. COUNCILLOR'S REMUNERATION		
Mayor	211,387	
Salary	125,801	
Housing	38,307	
Telephone	12,704	
Travel	31,450	
Professional allowance	3,125	
Councillors	1,235,633	
Salaries	754,731	
Telephone	209,212	
Travel	188,683	
Personal	83,008	
	<u>1,447,020</u>	<u>1,436,538</u>

(The salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.)

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

15. MANAGERS REMUNERATION

Acting Municipal Manager & Corporate Services	420,433
Financial Manager (4 months)	187,006
Community Services Manager	402,133
Infrastructure Manager	402,133
IPED Manager	402,133
	<u>1,813,839</u>

16. AUDITOR'S REMUNERATION

Audit fees	<u>1,307,681</u>	<u>100,000</u>
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17. FINANCE TRANSACTIONS

Total external interest earned or paid:		
- Interest earned	<u>938,645</u>	<u>1,945,975</u>

- Interest paid	<u>30,974</u>	
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Capital charges debited to operating account:

- Interest paid on external loans	30,974	198,338
- Interest paid on internal loans	13,299	243,864
- Redemption of external loans	75,384	172,961
- Redemption of internal loans	148,297	67,816
	<u>267,954</u>	<u>682,979</u>

18. APPROPRIATIONS

Appropriation account

Accumulated surplus at the beginning of the year	48,620,962	32,696,146
Operating surplus for the year	<u>11,001,505</u>	<u>13,836,131</u>
	59,622,466	46,532,277

Appropriations for the year:

- Prior year adjustments (non cashflow)	(17,355,851)	2,088,685
- Provision for bad debts i.r.o. prior years	(1,548,633)	2,088,685
	<u>(15,807,218)</u>	
	42,266,616	<u>48,620,962</u>

Note: Prior year adjustments consist primarily of dormant and unsubstantiated accounts, suspense accounts and incorrect control accounts brought forward from prior years and adjusted during the current year, all of which have no effect on cash flow.

19. APPROPRIATIONS (continued)

Operating account

Capital expenditure	71,064	581,640
Contributions to:		
- Revolving Fund	76,238	74,036
- Provision For Audit Fees		100,000
- Leave Reserve	150,616	159,485
- Bad Debts Provision	15,807,218	500,000
	<u>16,105,136</u>	<u>1,415,161</u>

20. CASH GENERATED BY OPERATIONS

Surplus for the year	11,001,505	13,836,131
Adjustments in respect of :		
- Previous years' operating transactions		2,088,685
Appropriations charged against income:	221,680	833,521
- Revolving Fund	71,064	74,036
- Provision For Audit Fees		100,000
- Leave Reserve	150,616	159,485
- Bad Debts Provision		500,000
Investment income (operating account)	(938,645)	
Capital charges debited to operating account	267,954	682,979
Grants and subsidies received from the State	(20,861,753)	
Non-operating expenditure debited to funds and reserves	-	
	<u>(10,309,259)</u>	<u>17,441,316</u>

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

21. DECREASE/(INCREASE) IN WORKING CAPITAL		
(Increase) / decrease in accounts receivable, long-term debtors	(10,552,250)	5,886,210
Increase / (decrease) in accounts payable, consumer deposits	(7,920,399)	(5,802,698)
Increase / (decrease) in provisions	(481,786)	
	<u>(18,954,435)</u>	<u>83,512</u>
22. (DECREASE)/ INCREASE IN LONG-TERM LIABILITIES		
Loans repaid	<u>(75,384)</u>	<u>(172,961)</u>
23. DECREASE / (INCREASE) IN CASH ON HAND		
Cash balance at the beginning of the year	20,192,474	3,642,333
Less: Cash balance at the end of the year	<u>4,074,816</u>	<u>20,192,474</u>
	<u>16,117,658</u>	<u>(16,550,141)</u>
24. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS		
Nett (increase) decrease	<u>(14,725,577)</u>	<u>106,894</u>
25. RETIREMENT BENEFITS		
The Emalahleni Municipality and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund and the Cape Joint Retirement Fund.		
26. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
None		
27. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure	<u>95,523,300</u>	
This expenditure will be financed from:		
- Internal sources	610,200	
- External sources	<u>94,913,100</u>	
	<u>95,523,300</u>	

EMALAHLENI MUNICIPALITY								
STATUTORY FUNDS, RESERVES AND TRUST FUNDS								
	Balance at 30-Jun-05 R	Contributions during year R	Interest on Investments R	Other Income R	Written off R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30-Jun-06 R
STATUTORY FUNDS								
Revolving Fund	3,172,268	76,238	171,913			47,584		3,372,835
Cap Funds: Indwe TRC	534,352		26,718	-		8,015		553,055
Cap Funds: Wodehouse TRC	261,274		13,064	-		3,920		270,418
	<u>3,967,894</u>	<u>76,238</u>	<u>211,695</u>	<u>-</u>	<u>-</u>	<u>59,519</u>	<u>-</u>	<u>4,196,308</u>
RESERVES								
Leave Reserve	315,931	150,616	15,796	-		4,739		477,604
Working Capital	171,353		8,568	-		2,571		177,350
Electricity Maintenance	9,958		498	-		149		10,307
Capital Reserve	92,227		4,611	-		1,384		95,454
	<u>589,469</u>	<u>150,616</u>	<u>29,473</u>	<u>-</u>	<u>-</u>	<u>8,843</u>	<u>-</u>	<u>760,715</u>
TRUST FUNDS								
Town Establishment	6,773		339	-		102		7,010
Upgrading Services	34,086		1,706	-		511		35,281
Upgrading Streets	14,103		705	-		212		14,596
Town Scheme Planning	60,638		3,032	-		910		62,760
Structure Plan	49,627		2,481	-		744		51,364
Sewerage Ponds	852,497		42,625	-		12,787		882,335
Settlement Development				-				
Pilot Housing	117,355		5,868	-		1,761		121,462
LED (Poultry)	290,807		14,540	-		4,362		300,985
Layout Plan	38,060		1,903	-		571		39,392
Interim Transitional	385,875		19,252	-		6,616		398,511
I D P	167,004		8,350	-		2,505		172,849
513 Houses & Services	663,769					663,769		-
Property Valuation Fund	834,061		44,349	-		6,428		871,982
Clean Up Campaign		83,835	3,144	-		943		86,036
Care Givers Emalahleni		612,000	12,750	-		105,825		518,925
HIV/AIDS Chris Hani DM		10,000	292	-		88		10,204
MSP 05/06		1,087,000	19,583	(112,902)		196,646		797,035
LGSETA		122,146	3,053	-		916		124,283
NER Funds		141,000	4,035	-		34,598		110,437
IDP Emalahleni		150,000	3,116	-		67,830		85,286
Training Ward Committees DPLG		300,000	1,380	-		189,987		111,393
Dordrecht Munnifarm		20,520	746	-		5,834		15,432
Transitional Grant		25,353	1,268	-		381		26,240
TRC Funds Ukhahlamba Dis		1,356,324	54,458	-		65,675		1,345,107
Financial Management Grant		250,000	6,250	-		1,875		254,375
MSIG 05/06		734,000	12,657	-		231,503		515,154
Imbizo		157,800	3,018	-		37,987		122,831
Emalahleni Projects		963,148	48,157	-		14,447		996,858
Council Chaimbers (REDZ)		1,000,000	50,000	-		15,000		1,035,000
Livestock Marketing Cost		453,466	22,674	-		6,802		469,338
LED Cost		1,443,505	72,160	-		21,947		1,493,718
				-				
	<u>3,514,655</u>	<u>8,910,097</u>	<u>463,891</u>	<u>(112,902)</u>	<u>-</u>	<u>1,699,562</u>	<u>-</u>	<u>11,076,179</u>
APPENDIX A								

EMALAHLENI MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

			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						
	Interest Rate	Redeemable				
Development Bank of Southern Africa	17.60%	2010	169,996		39,451	130,545
Development Bank of Southern Africa	15.90%	2006	25,744		19,614	6,130
Development Bank of Southern Africa	16.17%	2006	10,880		8,065	2,815
Development Bank of Southern Africa	16.75%	2006	11,138		8,254	2,884
			<u>217,758</u>	<u>-</u>	<u>75,384</u>	<u>142,374</u>
INTERNAL ADVANCES						
Revolving Fund			276,227		148,297	127,930
			<u>276,227</u>	<u>-</u>	<u>148,297</u>	<u>127,930</u>

APPENDIX B

EMALAHLENI MUNICIPALITY

ANALYSIS OF FIXED ASSETS

2005 Expenditure		2006 Budget	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	R
60,651,602	RATES AND GENERAL SERVICES	-	60,651,602	183,965		60,835,567
60,651,602	Community Services	-	60,651,602	183,965		60,835,567
51,938,388	Corporate Services		51,938,388	55,612		51,994,000
4,499,364	Economical and Social Development		4,499,364	124,424		4,499,364
136,880	Financial Services		136,880	3,929		261,304
4,076,970	Planning and Environmental Affairs		4,076,970			4,080,899
	HOUSING SERVICES		-			-
-	Housing administration					
5,444,859	TRADING SERVICES	-	5,444,859	-		5,444,859
71,320	Water		71,320			71,320
510,320	Bulk Water		510,320			510,320
	Waste Water					-
4,683,219	Electricity		4,683,219			4,683,219
180,000	Infrastructure		180,000			180,000
	Solid Waste					
66,096,461	TOTAL FIXED ASSETS	-	66,096,461	183,965		66,280,426
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		65,569,575	440,546		66,010,121
	Loans redeemed and advances repaid		5,151,286	256,580		5,407,866
	Contributions from operating income		4,826,684	71,064		4,897,748
	Grants and subsidies		55,591,605	112,902		55,704,507
	NET FIXED ASSETS		526,885	(256,581)		270,305

APPENDIX C

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

2005 Actual R		2006 Actual R	2006 Budget R
INCOME			
21,075,744	Grants and subsidies	20,861,753	12,698,154
12,366,907	Operating income	13,339,723	37,124,512
1,016,510	Assessment Rates	1,174,340	3,012,345
11,350,397	Tariffs, Service charges etc.	12,165,383	
<u>33,442,651</u>	Total income	<u>34,201,476</u>	<u>49,822,666</u>
EXPENDITURE			
8,975,913	Salaries, wages and allowances	10,604,630	22,711,330
6,457,282	General expenditure	8,653,426	22,733,719
1,462,156	Repairs and maintenance	1,739,206	3,631,623
798,463	Capital charges	267,954	2,850,188
188,883	Contributions to fixed assets	71,064	832,542
287,284	Contributions to funds	76,238	386,260
1,436,539	Council Costs	1,787,453	
<u>19,606,520</u>	Total expenditure	<u>23,199,972</u>	<u>53,145,662</u>
	Less: Amounts charged out		3,322,996
<u>19,606,520</u>	Net expenditure	<u>23,199,972</u>	<u>49,822,666</u>

APPENDIX D

EMALAHLENI 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
29,844,033	15,487,228	14,356,805	RATES AND GENERAL SERVICES	30,100,393	18,751,070	11,349,323	2,561,900
26,784,009	12,953,100	13,830,909	Community services	25,867,941	15,995,960	9,871,980	4,628,700
-	1,771,253	(1,771,253)	Council		1,787,453	(1,787,453)	(2,539,400)
8,293,920	4,968,016	3,325,904	Administration	1,752,042	6,921,580	(5,169,538)	(5,986,100)
1,199	385,179	(383,980)	Administration Building		782,486	(782,486)	
77,988	140,233	(62,245)	Estates	81,526	71,773	9,753	(1,598,800)
100,928	11,915	89,013	Traffic	122,630	73,859	48,772	
27,477	110,372	(82,895)	Cemetery	29,743	114,798	(85,055)	(389,300)
1,016,510	74,036	942,474	Assessment Rates	1,174,340	76,238	1,098,102	900,000
4,195	155,527	(151,332)	Libraries	1,259	149,515	(148,255)	(250,700)
17,144,641	2,768,843	14,375,798	Treasury	22,579,374	3,618,932	18,960,442	19,911,900
54,374	381,163	(326,789)	Community / Town Halls	85,712	358,271	(272,558)	(399,900)
-	1,348,216	(1,348,216)	Maintenance			-	(1,678,700)
-	257,689	(257,689)	Streets & Storm Water		851,228	(851,228)	(1,418,100)
62,777	428,130	(365,353)	Parks & Public Places Resorts	41,314	351,450	(310,136)	(592,100)
-	152,528	(152,528)	Streetlighting		43,046	(43,046)	(385,000)
			IP & ED		795,331	(795,331)	(945,100)
-	-	-	Subsidised services	-	-	-	-
-	-	-	Ambulance Services			-	-
-	-	-	Primary Health Care Services			-	-
3,060,024	2,534,128	525,896	Economic services	4,232,453	2,755,110	1,477,343	(2,066,800)
1,095,163	1,232,476	(137,313)	Refuse removal services	1,962,350	1,248,421	713,930	(921,600)
1,964,861	1,301,652	663,209	Sewerage and sanitation services	2,270,102	1,506,689	763,413	(1,145,200)
-	307,498	(307,498)	HOUSING SERVICES		352,737	(352,737)	(341,800)
-	307,498	(307,498)	Housing Administration		352,737	(352,737)	(341,800)
3,598,618	3,811,794	(213,176)	TRADING SERVICES	4,101,083	4,096,164	4,919	(2,220,100)
2,238,476	2,344,129	(105,653)	Electricity supply	2,348,500	2,695,685	(347,185)	(872,800)
1,360,142	1,467,665	(107,523)	Water supply	1,752,583	1,400,479	352,103	(1,347,300)
33,442,651	19,606,520	13,836,132	TOTAL	34,201,476	23,199,972	11,001,505	-
		2,088,685	Adjustments i.r.o. previous years (Note 18)			(17,355,851)	
		15,924,817	NETT SURPLUS FOR THE YEAR			(6,354,346)	
		32,696,146	Accumulated deficit beginning of the year			48,620,963	
		48,620,963	ACCUMULATED SURPLUS AT END OF THE YEAR			42,266,616	

APPENDIX E

APPENDIX F

STATISTICAL INFORMATION

A) General Statistics

(i)	Population	115,936
(ii)	Valuation of taxable property	83,443,012
(iii)	Valuation of non taxable property	2,641,360
(iv)	Date of valuation	2003
(v)	Valuation of residential & Commercial property	86,084,372
(vi)	Number of residential & commercial properties	7,991
(vii)	Assessment rates: Cents in the rand	0.12
(viii)	Number of employees of the local authority	110

B) Electricity Statistics

(i)	Units bought/generated	n/a
(ii)	Units sold	1,513,798
(iii)	Units lost in distribution	n/a
(iv)	Units lost in distribution (%)	n/a

C) Water Statistics

(i)	Units bought/generated	1,308,034
(ii)	Units sold	1,254,407
(iii)	Units lost in distribution	53,627
(iv)	Units lost in distribution (%)	4.10%

N/A Information is not available due to the data becoming corrupted at time of preparation of AFS