

SENQU 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 27, in terms of Section 126 (1) of the Municipal Finance Management Act, Act No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 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.

M M Yawa
Municipal Manager

Date

INDEX

1. GENERAL INFORMATION	Page 1
2. APPROVAL OF FINANCIAL STATEMENTS	Page 2
3. FOREWORD	Page 3
4. REPORT OF THE AUDITOR-GENERAL	Page
5. TREASURER'S REPORT	Page 4
6. ACCOUNTING POLICIES	Page 7
7. BALANCE SHEET	Page 9
8. INCOME STATEMENT	Page 10
9. CASH FLOW STATEMENT	Page 11
10. NOTES TO THE FINANCIAL STATEMENTS	Page 12
11. APPENDICES	
A. STATUTORY FUNDS, TRUST FUNDS AND RESERVES	Page 22
B. EXTERNAL LOANS AND INTERNAL ADVANCES	Page 23
C. ANALYSIS OF FIXED ASSETS	Page 24
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006	Page 25
E. DETAILED INCOME STATEMENT OF THE YEAR ENDED 30 JUNE 2006	Page 26
F. STATISTICAL INFORMATION	Page 27

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Mr Z I Dumzela	Mayor / Chairperson of Executive Committee
Mr D D Mqungquthu	Speaker
Mr M M Mafilika	Member Executive Committee / Chairperson Housing & Estate Services
Mr V V Mbulawa	Member Executive Committee / Chairperson Corporate & Support Services
Ms N Kuse	Member Executive Committee / Chairperson Budget & Treasury Services
Ms G N Mbonyana	Member Executive Committee / Chairperson Community & Social Services
Ms P August	Member Executive Committee / Chairperson Technical & Engineering Services

Ms M N Ngendane	Ms G S Mvunyiswa
Ms A P Kwinana	Ms M Stanley
Mr M W Mpelwane	Mr J Konstable
Ms B Juju	Ms I Elia
Ms N G Beje	Mr J J Lamane
Mr S S Ndzongana	Ms E N Mbobo
Ms N Nombula	Mr M P Bingwa
Ms L M Tokwe	Ms N A Mkhontwana
Mr M G Moeletsi	Mr L Booï
Ms G N Parkies	Ms N C Mraji
Ms N M Kwinana	Ms A H Sobhuza
Mr M G Ncise	Mr X Ganamfana
Mr A M Mateisi	

AUDITORS

The Auditor-General

BANKERS

Standard Bank
LADY GREY

REGISTERED OFFICE

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

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 - 27 were approved by the Municipal Manager on the **18th August 2006**.

MUNICIPAL MANAGER
M M YAWA

CHIEF FINANCIAL OFFICER
C R VENTER

FOREWORD

The Constitution of the Republic of South Africa, 1996: Chapter 7; Section 152 states that the objects of Local Government are:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment;
- To encourage the involvement of communities and community organisations in the matters of Local Government;
- To make policy; and
- To levy property rates, fees and taxes.

As reflected within the IDP (Integrated Development Plan), Senqu Municipality has been tasked with: eradicating the unequal development legacy of the past; making developmental local government an operational reality; and fostering co-operative governance practices between the three spheres of government. Of primary importance, has been to ensure that all members of the community receive a basic level of services.

Our attempts and ongoing focus to achieve this have been translated within the 2005 / 2006 IDP Review and will continue to be reflected within IDP documents in future (reflecting required adaption and change in line with changed conditions and circumstances).

In respect of this, the 2005 / 2006 financial year has brought with it many challenges and opportunities for growth and development. The following priority issues were identified for the 2005 / 2006 financial year:

- Institutional Capacity Building
- Institutional Restructuring
- Water and Sanitation
- Addressing HIV / AIDS
- Stimulating the economy with special emphasis on agriculture
- Roads and Storm Water
- Electricity Provision
- Housing Provision and the Acquisition of Land

Within each of these areas, specific strategic objectives were created within the applicable departments, in order to ensure that there was progress towards achieving these priority issues.

The Annual Report for 2004 / 2005 is presented as a public document, which in essence highlights our strategic objectives and provides an expose of how our organisation has actually performed within this period. Through this process of transparency our communities and our various role players will be able to assess our degree of success and organisational worth, after examining our ability to meet stated objectives.

Z I Dumzela
Mayor

TREASURER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendix D and E. The overall operating results for the period ended 30 June 2006 are as follow:

	2006	2005	Variance	Budget 2006	Variance Act / Budg
INCOME					
Opening Surplus	27,457,950	14,730,758			
Operating Income for the Year	56,600,900	49,863,690	13.51%	56,438,909	0.29%
Sundry Transfers	335,694	5,240,616			
Closing Deficit	-	-			
	84,394,544	69,835,064			
EXPENDITURE					
Opening Deficit	-	-			
Operating Expenditure for the Year	50,454,319	42,377,114	19.06%	56,438,909	(10.60%)
Sundry Transfers	-	-			
Closing Surplus	33,940,225	27,457,950			
	84,394,544	69,835,064			

The increase in operating income by 13.51% is mainly due to the contribution from council own surplus and reserve funds. The increase in operating expenditure by 19.06% includes a substantial increase in Salaries of 15.37%.

1.1 RATE AND GENERAL SERVICES

Income	43,816,756	38,176,437	14.77%	43,285,708	1.23%
Expenditure	38,041,261	31,860,572	19.40%	43,285,708	(12.12%)
Surplus / (Deficit)	5,775,495	6,315,865		-	
Surplus / (Deficit) as % of Total Income	13.18%	16.54%			

1.2 HOUSING SERVICES

Income	152,219	148,251	2.68%	152,219	0
Expenditure	150,788	109,992	37.09%	152,219	(0.94%)
Surplus / (Deficit)	1,431	38,259		-	
Surplus / (Deficit) as % of Total Income	0.94%	25.80%			

1.3 TRADING SERVICES

Income	12,631,925	11,539,002	9.47%	13,000,982	(2.84%)
Expenditure	12,262,270	10,406,550	17.83%	13,000,982	(5.68%)
Surplus / (Deficit)	369,655	1,132,452		-	
Surplus / (Deficit) as % of Total Income	2.93%	9.81%			

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on assets incurred during the year amounted to R 13 745 773; 35.10% less than the previous year's expenditure of R 21 180 924. The actual expenditure is 61.05% of that was budgeted for (R 22 514 917) and consists of the following:

Infrastructure Assets	Electricity	484,277
	Roads, Streets & Storm Water	4,922,412
	Sewerage & Solid Waste	1,401,760
Community Assets	Buildings	2,898,364

Other Assets	Buildings	515,651
	Office Equipment	165,136
	Furniture & Fittings	84,866
	Bins & Containers	18,625
	Motor Vehicles	512,089
	Plant & Equipment	2,742,593
		<u>13,745,773</u>

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

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

Resources used to finance the fixed assets were as follow:

Grants & Subsidies - Municipal Infrastructure Grant	7,606,658
Revenue	6,139,115
	<u>13,745,773</u>

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

R 23 523 460 of the budgeted R 33 150 036 (70.96%) was spent on housing projects.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2006 amounted to R 465 156 as set out in appendix B. During this period no loans were taken up and repayments to the amount of R 84 747 were done.

Investments and cash on 30 June 2006 amounts to R 55 325 950 (R 70 912 922 in 2005).

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

4. FUNDS AND RESERVES

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

The following contributions were made:

Statutory funds	Revolving Fund	66,635
Reserves	Working Capital	-
	Leave Gratuity	102,763
	Disaster	15,000

The following Trust Funds were received:

Surveying / Land Audit	355,600
DEAT Brickmaking	300,000
People's Housing (Lady Grey)	8,257,540
Municipal Finance Management	250,000
Hillside Housing	11,883,398
Drought Relief Water	1,672,347
Municipal Infrastructure Grant	4,723,202
Herschel People's Housing	4,347,571

5 POST BALANCE SHEET EVENTS

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

6 APPRECIATION

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

C R Venter
Chief Financial Officer
17 August 2006

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

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

2 CONSOLIDATION

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

3 FIXED ASSETS

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

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

- 3.2. Depreciation.

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

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

4 INVENTORY

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

5 FUNDS AND RESERVES

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

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

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

6 PROVISIONS

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

7 SURPLUSES AND DEFICITS

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

8 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

9 LEASED ASSETS

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

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

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

10 INVESTMENTS

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

11 DEFERRED CHARGES REPRESENTS

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

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

12 INCOME RECOGNITION

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

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

BALANCE SHEET AT 30 JUNE 2006

	Note	2006	2005
CAPITAL EMPLOYED			
FUNDS AND RESERVES		7,785,625	7,955,516
Statutory Funds	1	5,841,168	5,205,792
Reserves	2	1,944,457	2,749,724
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	23	33,940,225	27,457,950
		41,725,850	35,413,466
TRUST FUNDS	3	15,784,796	31,798,180
LONG-TERM LIABILITIES	4	387,417	471,204
CONSUMER DEPOSITS	5	290,372	279,218
		58,188,435	67,962,068
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	465,156	1,608,811
LONG-TERM INVESTMENTS	7	10,643,785	10,562,397
LONG-TERM DEBTORS	8	105,292	366,105
DEFERRED CHARGES	11	-	-
Net Current Assets / (Liabilities)		46,974,202	55,424,755
CURRENT ASSETS		49,960,211	65,070,022
Accounts Receivable / Debtors	10	5,075,113	4,398,333
Cash and Bank	14	3,463,013	2,438,395
Short-term Investments	7	41,219,152	57,912,130
Short-term Portion of Long-term Debtors	8	202,933	321,164
CURRENT LIABILITIES		2,986,009	9,645,267
Provisions	12	477,625	722,130
Accounts Payable / Creditors	13	2,430,645	8,844,438
Loans: Short-term Portion	4	77,739	78,699
Bank Overdraft	14	-	-
		58,188,435	67,962,068

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

30/06/2005 Actual Income R	30/06/2005 Actual Expenditure R	30/06/2005 Surplus / (Deficit) R		30/06/2006 Actual Income R	30/06/2006 Actual Expenditure R	30/06/2006 Surplus / (Deficit) R	30/06/2006 Budgeted Surplus/(Deficit) R
38,176,437	31,860,572	6,315,865	RATE & GENERAL SERVICES	43,816,756	38,041,261	5,775,495	-
29,444,650	23,583,314	5,861,336	Community Services	34,016,680	28,923,549	5,093,131	-
301,819	253,447	48,372	Subsidized Services	745,352	323,025	422,327	-
8,429,968	8,023,811	406,157	Economic Services	9,054,724	8,794,687	260,037	-
148,251	109,992	38,259	HOUSING SERVICES	152,219	150,788	1,431	-
11,539,002	10,406,550	1,132,452	TRADING SERVICES	12,631,925	12,262,270	369,655	-
<u>49,863,690</u>	<u>42,377,114</u>	<u>7,486,576</u>	TOTAL	<u>56,600,900</u>	<u>50,454,319</u>	<u>6,146,581</u>	<u>-</u>
		5,240,616	Appropriations for this year - refer to Note 23			335,694	
		12,727,192	Net Surplus / (Deficit) for the year.			6,482,275	
		14,730,758	Accumulated Surplus / (Deficit) at beginning of the year.			27,457,950	
		<u>27,457,950</u>	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			<u>33,940,225</u>	

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006

	Note	2006	2005
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES:			
Cash Generated by Operations	24	(18,381,124)	25,911,573
Investment Income		3,976,807	3,818,814
(Increase) / Decrease in Working Capital	25	(6,700,375)	1,191,430
Less: External interest paid		(73,619)	(79,658)
Cash Contributions from the Public and State		19,284,856	15,809,211
Net Proceeds on Disposal of Fixed Assets		137,003	25,000
Investment in Fixed Assets		(13,745,773)	(21,180,924)
		<u>(15,502,225)</u>	<u>25,495,446</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in Long-term Loans	26	(84,747)	(78,699)
Increase / (Decrease) in Short-term Loans	27	-	-
(Increase) / Decrease in Cash Investments	28	16,611,590	(26,624,971)
(Increase) / Decrease in Cash	29	(1,024,618)	1,208,224
Net cash (generated) / utilized		<u>15,502,225</u>	<u>(25,495,446)</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
1 STATUTORY FUNDS		
Revolving Fund	5,841,168	5,205,792
Total Statutory Funds	5,841,168	5,205,792
(Refer to Appendix A for more detail)		
2 RESERVES		
Working Capital Reserve	1,141,398	1,662,655
Leave Reserve	669,195	520,265
Repairs & Maintenance	-	109,462
Reserve Fund	-	346,678
Disaster	133,864	110,664
Total Reserves	1,944,457	2,749,724
(Refer to Appendix A for more detail)		
3 TRUST FUNDS		
Surveying / Land Audit	478,020	524,381
DEAT Brickmaking	300,000	-
LED (Lady Grey)	443,058	570,147
People's Housing (Lady Grey)	2,739,467	6,646,470
Municipal Finance Management	258,119	166,952
Municipal Support Programme	536,309	521,493
Additional IGG	-	781,781
Disabled Project BE	127,783	217,492
Hillside Housing	3,262,488	1,190,450
Drought Relief Water	2,406,926	14,301,583
Pilot Housing	143,518	488,950
Municipal Infrastructure Grant	(443,057)	2,990,424
General Valuation	-	20,077
Implementation Ownership	492,249	458,483
Traffic Test Station (Sterkspruit)	127,392	118,603
Spatial Development Plan	-	149,416
Rossouw Agricultural Project	469,163	553,330
Municipal Systems Improvement Grant	143,787	330,769
Herschel People's Housing	3,784,106	580,227
Equitable Share Projects	515,468	1,187,152
Total Trust Funds	15,784,796	31,798,180
(Refer to Appendix A for more detail)		
4 LONG TERM LIABILITIES		
Development Bank of South Africa	465,156	549,903
Sub-total	465,156	549,903
Less: Current portion transferred to current liabilities	77,739	78,699
Development Bank of South Africa	77,739	78,699
Total External Loans	387,417	471,204

(Refer to Appendix B for more detail on long-term liabilities)

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
Development Bank of South Africa		
The loan bears interest at 13.08% per annum and is repayable over a period of 15 years.		
5 CONSUMER DEPOSITS - SERVICES		
Electricity and Water	290,372	279,218
Interest paid	-	-
Total Consumer Deposits	290,372	279,218
No interest on Consumer Deposits is paid on refund.		
Guarantees held in lieu of Electricity and Water Deposits	-	-
6 FIXED ASSETS		
Fixed assets at the beginning of the year.	95,290,006	82,163,599
Capital expenditure during the year.	13,745,773	21,180,924
Less: Assets written off, transferred or disposed of during the year.	182,147	8,054,517
Total fixed assets	108,853,632	95,290,006
Less: Loans redeemed and other capital receipts	108,388,476	93,681,195
Net fixed assets	465,156	1,608,811
(Refer to Appendix C and section 2 of the Treasurer's Report for more details on fixed assets)		
7 INVESTMENTS		
Listed	-	-
Stock	-	-
Unlisted	51,862,937	68,474,527
Call deposits	7,430,481	19,889,047
Short-term deposits	33,788,671	38,023,083
Long-term deposits	10,643,785	10,562,397
Total Investments	51,862,937	68,474,527
Market value of listed investments and managements valuation of unlisted investments.		
Listed investments	-	-
Unlisted investments	51,862,937	68,474,527
Profit / (Loss) on investment transactions.	-	-
Average rate of return on investments (Net)	7.41%	5.17%
Investments held at the former New Republican Bank amounting R 630 494 were written off during this financial year.		
No investments have been pledged as security for any funding facilities of the council.		
8 LONG-TERM DEBTORS		
Motor Vehicle and Housing loans	308,225	687,269
Less: Short-term portion of long-term debtors transferred to current assets.	202,933	321,164
Total Long-term Debtors	105,292	366,105

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

		2006	2005
9 INVENTORY			
Inventory represents consumable store, raw materials, work in progress and finished goods.		-	-
Total Inventory		<u>-</u>	<u>-</u>
10 DEBTORS			
Consumer debtors		3,642,569	3,954,928
Payments made in advance		144,064	672,000
Current debtors (other)		3,640,754	3,148,307
		<u>7,427,387</u>	<u>7,775,235</u>
Less: Provision for bad debts		2,352,274	3,376,902
Total Debtors		<u>5,075,113</u>	<u>4,398,333</u>
CONSUMER DEBTORS	Gross Balance	Provision for Bad Debts	Net Balance
As at 30 June 2006			
Service debtors	3,496,986	2,241,070	1,255,916
Rates	959,840	858,696	101,144
Electricity	736,984	104,835	632,149
Water	623,937	445,273	178,664
Sewerage / Sanitation	552,505	407,696	144,809
Refuse removal	623,720	424,570	199,150
Other	145,583	111,204	34,379
Total	<u>3,642,569</u>	<u>2,352,274</u>	<u>1,290,295</u>
As at 30 June 2005			
Service debtors	3,798,580.00	2,560,611	1,237,969
Rates	1,014,764	935,296	79,468
Electricity	930,341	196,908	733,433
Water	601,113	478,961	122,152
Sewerage / Sanitation	615,382	462,134	153,248
Refuse removal	636,980	487,312	149,668
Other	156,348	144,292	12,056
Total	<u>3,954,928</u>	<u>2,704,903</u>	<u>1,250,025</u>
<i>Rates: Ageing</i>			
Current (0 - 30 days)		24,632	19,923
31 - 60 days		40,139	30,785
61 - 90 days		36,373	28,761
91 - 120 days		39,420	27,807
120 + days		819,276	907,488
		<u>959,840</u>	<u>1,014,764</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
<u>Electricity: Ageing</u>		
Current (0 - 30 days)	559,627	570,569
31 - 60 days	64,087	116,645
61 - 90 days	8,435	46,219
91 - 120 days	11,202	31,946
120 + days	93,633	164,962
	736,984	930,341
<u>Water: Ageing</u>		
Current (0 - 30 days)	97,273	84,172
31 - 60 days	67,112	17,248
61 - 90 days	14,279	20,733
91 - 120 days	18,692	22,082
120 + days	426,581	456,878
	623,937	601,113
<u>Sewerage / Sanitation: Ageing</u>		
Current (0 - 30 days)	100,993	104,920
31 - 60 days	31,595	29,079
61 - 90 days	12,221	19,249
91 - 120 days	16,999	18,775
120 + days	390,697	443,359
	552,505	615,382
<u>Refuse removal: Ageing</u>		
Current (0 - 30 days)	99,165	94,771
31 - 60 days	89,438	30,778
61 - 90 days	10,548	24,119
91 - 120 days	23,117	22,821
120 + days	401,452	464,491
	623,720	636,980
<u>Other: Ageing</u>		
Current (0 - 30 days)	14,372	15,711
31 - 60 days	10,797	19,913
61 - 90 days	8,754	907
91 - 120 days	9,153	21,766
120 + days	102,507	98,051
	145,583	156,348
11 DEFERRED CHARGES		
Preliminary Expenses	-	-
	-	-
12 PROVISIONS		
Audit Fees	477,625	722,130
Performance bonus	-	-
Total Provisions	477,625	722,130

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
13 CREDITORS		
Trade creditors	1,998,498	894,863
Creditors (consumers)	455	88
Retentions	-	-
Staff Leave	-	-
Payments received in advance	66	7,054,569
Other creditors	431,626	894,918
Total Creditors	2,430,645	8,844,438

14 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8

Cash book balance at beginning of year -	2,072,237	161,373
Cash book balance at end of year -	3,411,566	2,072,237
Bank Statement balance at beginning of year -	2,263,378	121,576
Bank Statement balance at end of year -	3,355,451	2,263,378

Current Account

Standard Bank - Lady Grey Branch - Account Number 28 063 500 1

Cash book balance at beginning of year -	364,958	3,484,346
Cash book balance at end of year -	50,247	364,958
Bank Statement balance at beginning of year -	364,958	3,489,389
Bank Statement balance at end of year -	50,247	364,958

Cashier's Float

Balance at beginning of year -	1,200	1,200
Balance at end of year -	1,200	1,200

TOTAL BANK AND CASH

3,463,013	2,438,395
------------------	------------------

The Cashier's Float of R 1 200 was not disclosed in the 2004 / 05 Financial Statements. The error was corrected.

15 PROPERTY RATES

	Valuation		Actual
Residential Property	86,536,060	1,298,041	526,922
Commercial Property	21,637,500	324,562	185,234
Industrial Property	-	-	-
Public Benefits Organisations	5,494,000	-	-
Agricultural Purposes	-	-	-
State - National / Provincial Services	29,424,500	353,094	176,313
Municipal Property	25,597,520	-	-
Vacant Property	7,579,650	113,695	-
	176,269,230	2,089,392	888,469

Valuations on land and improvements are performed every four years. The last General Valuation was performed during 2004, approved on 27 January 2005 and implemented on 1 July 2005. The current assessment rate tariff is R 0.015 or 1.5%.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
16 SERVICE CHARGES		
Sale of electricity	5,859,751	5,377,625
Sale of water	1,598,754	1,438,227
Refuse removal	2,465,068	2,245,842
Sewerage and sanitation charges	2,048,102	1,814,116
Total Service Charges	11,971,675	10,875,810
17 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	23,692,758	26,568,480
Provincial Local Economic Development projects	300,000	770,822
National Local Economic Development projects	-	570,147
Provincial Health Subsidies	745,352	301,819
Municipal Infrastructure Grant	4,723,202	2,990,424
Total Government Grants and Subsidies	29,461,312	31,201,692
<i>17.1. Equitable Share.</i>		
In terms of the Constitution this grant is mainly used to subsidise the provision of basis services to indigent community members.		
<i>17.2. Provincial Local Economic Development projects.</i>		
Balance unspent at beginning of year	770,822	106,800
Current year receipts	341,182	1,125,152
Conditions met - transferred to revenue	(215,059)	(461,130)
Conditions still to be met	896,945	770,822
<i>17.3. National Local Economic Development projects.</i>		
Balance unspent at beginning of year	570,147	604,916
Current year receipts	30,566	28,027
Conditions met - transferred to revenue	(157,655)	(62,796)
Conditions still to be met	443,058	570,147
<i>17.4. Provincial Health Subsidy.</i>		
Balance unspent at beginning of year	-	-
Current year receipts - included in Primary health care vote	745,352	301,819
Conditions met - transferred to revenue	(745,352)	(301,819)
Conditions still to be met	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.		
<i>17.5. Municipal Infrastructure Grant.</i>		
Balance unspent at beginning of year	2,990,424	-
Current year receipts -	4,723,202	2,990,424
Conditions met - transferred to revenue	(8,156,683)	-
Conditions still to be met	(443,057)	2,990,424

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
18 OTHER INCOME		
Rentals	3,234,906	328,469
Traffic	899,342	678,029
Other	3,751,715	3,093,703
Total Other Income	7,885,963	4,100,201

19 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	12,079,069	10,634,951
Employee related costs - Contributions for UIF, pensions and medical aids	1,906,195	1,627,377
Travel, motor car, accomodation, subsistence and other allowances	710,393	641,908
Housing benefits and allowances	78,489	72,334
Overtime and Standby payments	250,989	220,622
Performance bonus	453,211	352,413
Annual bonus	770,600	535,127
Total Employee Related Costs	16,248,946	14,084,732

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

Remuneration of the Municipal Manager

Annual Remuneration	400,553	383,572
Performance Bonuses	111,143	88,915
Travelling Allowance	111,144	109,632
Contributions to UIF, Medical and Pension Funds	74,583	74,399
Total	697,423	656,518

Remuneration of the Chief Finance Officer

Annual Remuneration	295,281	276,403
Performance Bonuses	88,758	65,928
Travelling Allowance	159,679	149,123
Contributions to UIF, Medical and Pension Funds	-	-
Total	543,718	491,454

Remuneration of other Individual Managers

<u>30 June 2006</u>	<u>Technical Services</u>	<u>Corporate & Support Services</u>	<u>Community & Social Services</u>
Annual Remuneration	351,732	296,890	351,732
Performance Bonuses	82,276	88,758	82,276
Travelling Allowance	82,276	160,829	82,276
Contributions to UIF, Medical and Pension Funds	-	-	-
Total	516,284	546,477	516,284

30 June 2005

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
20 REMUNERATION OF COUNCILLORS		
Mayor	258,190	223,607
Speaker	197,591	169,914
Executive Committee Members	441,285	366,761
Councillors	1,278,789	1,100,400
Councillors' pension and medical aid contributions	106,120	192,356
Total Councillors' Remuneration	2,281,975	2,053,038
<i>In-kind Benefits</i>		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council		
The Mayor's private residence is rented by the Council to serve as a Mayoral Residence.		
The Mayor has use of a Council owned vehicle for official duties.		
21 AUDIT FEES		
Opening balance	722,130	773,560
Current year audit fee	477,625	365,065
Amount paid in respect of current year	-	-
Amount paid in respect of previous years	(350,466)	(416,495)
Provision provided not utilized	(371,664)	-
Balance unpaid (included in provisions)	477,625	722,130
22 FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	3,976,807	3,818,814
Interest paid	(73,619)	(79,658)
	3,903,188	3,739,156
Capital charges debited to operating:		
Interest:		
Interna	21,302	48,036
Externa	73,619	79,658
Redemption:		
Internal	1,058,908	176,130
Externa	84,747	78,699
	1,238,576	382,523
23 APPROPRIATIONS		
Appropriation Account		
Accumulated Surplus / (Deficit) at beginning of the year	27,457,950	14,730,758
Operating Surplus / (Deficit) for the year	6,146,581	7,486,576
Appropriations for the year	335,694	5,240,616
Prior Year Adjustments	335,694	5,240,616
Accumulated Surplus / (Deficit) at the end of the year	33,940,225	27,457,950
Operating Account		
Capital Expenditure	6,139,115	5,251,411
Contributions to:	184,398	398,700
Provisions & Reserves	117,763	323,700
Revolving Fund	66,635	75,000
	6,323,513	5,650,111

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006

	2006	2005
24 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the year	6,146,581	7,486,576
Adjustment in respect of Previous year's Operating Transactions	335,694	5,240,616
Appropriations charged against income	6,323,512	5,650,111
Fixed Assets	6,139,114	5,251,411
Provisions & Reserves	117,763	323,700
Revolving Fund	66,635	75,000
Capital charges	1,238,576	382,523
Interest: Externa	73,619	79,658
Interna	21,302	48,036
Redemption: External	84,747	78,699
Interna	1,058,908	176,130
Deferred charges written off	-	-
Investment income (Operating Account)	(3,929,282)	(3,818,814)
Non-operating income:	19,284,856	32,108,225
From Reserve and Trust Funds	19,284,856	32,108,225
Non-operating expenditure:	(47,781,061)	(21,137,664)
Expenditure charged against Reserves	(47,781,061)	(21,137,664)
	(18,381,124)	25,911,573
25 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Stock	-	-
(Increase) / Decrease in Debtors and Long-term Debtors	(297,736)	4,430,377
Increase / (Decrease) in Creditors and Consumer Deposits	(6,402,639)	(3,238,947)
	(6,700,375)	1,191,430
26 INCREASE / (DECREASE) IN LONG-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	84,747	78,699
	(84,747)	(78,699)
27 INCREASE / (DECREASE) IN SHORT-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	-	-
	-	-
28 (INCREASE) / DECREASE IN INVESTMENTS		
Balance at the beginning of the year	68,474,527	41,849,556
Less: Balance at the end of the year	51,862,937	68,474,527
	16,611,590	(26,624,971)
29 (INCREASE) / DECREASE IN CASH ON HAND		
Balance at the beginning of the year	2,438,395	3,646,619
Less: Balance at the end of the year	3,463,013	2,438,395
	(1,024,618)	1,208,224