

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 JUNE 2006**

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

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## **QAUKENI LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

**For the year ended 30 JUNE 2005**

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### **GENERAL INFORMATION**

**For the year ended 30 June 2006**

#### **MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor W Ngozi	Chairperson of the Executive Committee
Councillor JN Sabona	Chairperson of the Corporate Services Committee
Councillor NF Mtsotso	Chairperson of the Community and Protection Services Committee
Councillor T Cezula	Chairperson of the Ethics Committee
Councillor B Nongoma	Chairperson of the Housing, Land & Traditional Affairs Committee
Councillor N Jam-Jam	Chairperson of the Special Programmes & Youth Committee
Councillor D Nogoni (deceased 06/06)	Chairperson of the Social Development Committee
Councillor G Maxhayi	Chairperson of the Budget & Treasury Committee
Councillor N Gagai	Chairperson of the Rules Committee
Councillor D Mjokovana	Chairperson of the LED, Planning & Development Committee

#### **GRADE OF LOCAL AUTHORITY**

Grade 3

#### **AUDITORS**

Auditor-General

#### **BANKERS**

Meeg Bank  
Standard Bank  
First National Bank

#### **REGISTERED OFFICE**

135 Main Street  
FLAGSTAFF  
4810

P.O. Box 14  
FLAGSTAFF  
4810

Telephone: 039 – 252 0131  
Fascimile: 039 – 252 0699

#### **ACTING MUNICIPAL MANAGER**

EL Cezula

#### **ACTING CHIEF FINANCIAL OFFICER**

RN Davids

## QAUKENI LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

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#### GENERAL INFORMATION (continued)

For the year ended 30 June 2006

#### MEMBERS OF THE QAUKENI LOCAL COUNCIL

<b>Ward</b>	<b>Councillor</b>
Speaker	B Nkani
Party representative	JN Sabona
Party representative	GS Sigcau
Party representative	NF Mtsotso
Party representative	T Cezula
Party representative	N Gagai
Party representative	NE Mjojeli
Party representative	SA Kango
Party representative	ZN Mbewu
Party representative	B Joyi
Party representative	N Sigcau
Party representative	L Sapo
Party representative	M Mfolozi
Party representative	V Gwegwe
Party representative	GS Sigcau
Party representative	JF Cingo
Party representative	P Mdingi
Party representative	N Myakela
Party representative	S Mpongoma
Party representative	AS Ruleni
Party representative	N Mnqinelwa
Party representative	NC Ngxokile
Party representative	MN Nkani
Party representative	A Mtshengu
Party representative	N Gexu
Party representative	T Sibunge
Ward 1	D Mjokovana
Ward 2	N Nonkuba
Ward 3	N Mjobo
Ward 4	N Jiki
Ward 5	B Mvulana
Ward 6	P Dutshwa
Ward 7	MG Maxhayi
Ward 8	B Khotsholo
Ward 9	CM Mkumla
Ward 10	ST Mzobotshe
Ward 11	B Goya
Ward 12	B Nongoma
Ward 13	M Tenyane
Ward 14	SL Maqutywa
Ward 15	X Dingi
Ward 16	HN Mkhombe
Ward 17	ZE Mveku

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GENERAL INFORMATION (continued)

**QAUKENI LOCAL MUNICIPALITY**

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**For the year ended 30 June 2006**

**MEMBERS OF THE QAUKENI LOCAL COUNCIL**

**Ward**

Ward 18  
Ward 19  
Ward 20  
Ward 21  
Ward 22  
Ward 23  
Ward 24  
Ward 25  
Ward 26  
Ward 27  
Mayor

**Councillor**

N Zathi  
B Thabalaza  
P Ngxamile  
N Mjaji  
D Twatshuka  
S Nkwakhwa  
F Magaya  
B Pesa  
M Mhlanga  
D Nogoni (deceased 06/06)  
W Ngozi

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 JUNE 2005**

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**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 2 to 25 were approved by the Municipal Manager on the 30<sup>th</sup> August 2006.

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**ACTING MUNICIPAL MANAGER**  
(Accounting Officer)  
30 August 2006

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**ACTING CHIEF FINANCE OFFICER**  
30 August 2006

## **QAUKENI LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

**For the year ended 30 JUNE 2006**

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#### **FOREWORD**

**For the year ended 30 June 2006**

It is a pleasure to present on behalf of the council these financial statements within the timeframe prescribed by statutes. Dedication, hardwork and selflessness have once more proved themselves to be a winner, as without these this council would not have been able to achieve this milestone. Timeous production of annual financial statements does not only show effective stewardship of municipal finances, it also shows an elevation in the municipality's ability to maintain an effective, efficient and transparent systems of financial and risk management and internal control.

Notwithstanding our ability to produce annual financial statements within record time, capacity constrains and the ability of the municipality to generate own revenue remain a major concern. The municipality has recently embarked on a recruitment drive to fill all senior management positions which are currently vacant. Filling these vacant positions with individuals who have adequate skills and proper understanding of our environment coupled with intensive capacity building programs to elevate the standard of current personnel we believe would assist the municipality

We have spent an amount of R17 million on new roads infrastructure this has not only improved access to most of our villages but has resulted in a provision of 2 000 temporary jobs over an eight month period. Our Local Economic Development initiatives have widened and we have managed to forge partnerships with the Umsobomvu Youth Fund that has agreed to assist the municipality with the development of entrepreneurial skills for the youth in the Qaukeni Municipality jurisdiction. The upgrading of taxi and bus ranks is in its final stages of completion and progressing well as planned with the project envisaged to be completed towards the end of the ensuing financial year. A number of projects relating to rehabilitation of roads infrastructure overlaps to the next financial year, we have to date spent approximately R1,7 million in this regard.

Municipal priorities for the ensuing year include making visible strides towards growing the municipality's revenue base by employing intensive revenue management strategies, improve co-ordination amongst ourselves, the District Municipality and Provincial Government and also intensify capacity building programmes for our personnel as we believe these are key to improving service delivery to our respective constituents.

On behalf of the Council I would like to express a profound word of appreciation for the support we receive from our communities and other relevant stakeholders. In conclusion I would like to express my appreciation to the Executive Committee, the Council and the Acting Municipal Manager and his entire team for their support, commitment and hard work.

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**W Ngozi**  
**Mayor and Chairperson of the**  
**Executive Committee**

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

### TREASURER'S REPORT For the year ended 30 June 2006

#### 1. REVIEW OF OPERATING RESULTS

Tabulated here below are the highlights of the operating results in respect of the year ended 30 June 2006. Detailed operating results are presented on Appendices D and E. The reported budget figures represent the revised budget figures.

<b>INCOME</b>	<b>Budget 2006</b>	<b>Actual 2006</b>	<b>Variance Budget / Actual</b>	<b>Actual 2005</b>
Grants and Subsidies				
➤ Central Government	43 050 212	40 860 258	2 189 954	40 860 258
➤ Provincial Government	2 874 000	6 187 017	(3 313 017)	6 187 017
➤ Other	-	27 450	(27 450)	27 450
Operating Income				
➤ Assessment Rates	1 920 000	1 926 117	(6 117)	1 926 117
➤ Refuse Removal	483 847	330 449	153 398	330 449
➤ Other Income	1 265 549	3 459 194	(2 193 645)	3 459 194
➤ Transfer from reserves	21 712 558	-	21 712 558	-
	71 306 166	52 790 484	18 515 682	52 790 484
<b>EXPENDITURE</b>				
Salaries, wages and allowances	22 053 265	16 833 156	5 220 109	16 833 156
General Expenses	15 899 526	14 148 731	1 750 795	14 148 731
Bad debts	-	4 075 931	(4 075 931)	4 075 931
Repairs and Maintenance	4 142 552	2 269 576	1 872 976	2 269 576
Contributions to Fixed Assets	28 137 166	2 851 531	25 285 635	2 851 531
	70 232 509	40 178 925	30 053 584	40 178 925
Surplus / (deficit)	1 073 657	12 611 560	(11 537 902)	12 611 560



# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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### TREASURER'S REPORT (continued) For the year ended 30 June 2006

#### 1. REVIEW OF OPERATING RESULTS (continued)

##### 1.1 Commentary on the operating results

###### Revenue

Actual rates and general services income is better than budget by some R1 073 657. Other income is better than budget by R 2 193 645. The majority of this positive deviation is attributable to additional interest received than previously anticipated. This is due to an existence of surplus funds that have been invested.

###### Operational expenditure

Total budgeted operational expenditure amounted to R42 095 343 (2005: R35 141 650) and the capital expenditure budgeted amount to R28 137 166 (2005: R16 436 500) resulting in a total expenditure budget of R 70 232 509 (2005: R51 578 150). Actual operational expenditure is R37 327 394 (2005: R38 209 070) and actual capital expenditure is R 2 851 531 (2005: R4 549 845) with a total actual expenditure of R40 178 925 (2005: R42 758 915).

A total of 89% of the operational budget was spent. Operation expenditure for the prior year exceeded the budget by 9%, amongst other expenditure items legal fees were under budgeted.

## QAUKENI LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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#### TREASURER'S REPORT (continued) For the year ended 30 June 2006

#### 2. CAPITAL EXPENDITURE AND FINANCING

Total fixed asset additions during the year amounted to R2 851 531 (2005: R4 549 845). They are made up as follows:

Capital expenditure category	Budget 2006	Actual 2006	Variance Budget / Actual	Actual 2005
Land & Buildings	5 000 000	305 537	4 694 463	305 537
Furniture and Fittings	326 500	403 996	(77 496)	403 996
Plant and Equipment	40 000	-	40 000	-
Motor Vehicles	500 000	349 257	150 743	349 257
Tools and Equipment	252 166	7 127	245 039	7 127
Office equipment	326 500	-	326 500	-
Sports Fields & Recreation Centres	300 000	-	300 000	-
Community Centres	4 500 000	342 059	4 157 941	342 059
Local Economic Development	5 750 000	-	5 750 000	-
Computer equipment	567 000	65 000	502 000	65 000
Land Fill Sites	300 000	-	300 000	-
Upgrading of Taxi and Bus Ranks	4 000 000	765 012	3 234 988	765 012
Cemetery	100 000	-	100 000	-
Various Projects	3 150 000	-	3 150 000	-
Road Construction – Access Roads	3 000 000	613 543	2 386 457	613 543
Road signs	25 000	-	25 000	-
	<b>28 137 166</b>	<b>2 851 531</b>	<b>25 285 635</b>	<b>2 851 531</b>

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 JUNE 2006**

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**For the year ended 30 June 2006**

**2. CAPITAL EXPENDITURE AND FINANCING (continued)**

Resources used to finance fixed assets were as follows:

<b>Contributions from:</b>	<b>Budget 2006</b>	<b>Actual 2006</b>	<b>Variance Budget / Actual</b>	<b>Actual 2005</b>
Revenue Contributions	16 882 300	8 129 741	8 752 559	8 129 741
Grants and subsidies	11 254 866	5 317 022	5 937 844	5 317 022
	-	-	-	-

**2.1 Commentary on capital expenditure and financing**

In the current financial year, we spent 10% (2005: 28%) of the total capital budget of R28 137 166. Upgrading Lusikisiki and Flagstaff taxi and bus ranks commenced towards the end of the financial year whereas this project was expected to be nearing completion towards the end of the period as a result overall capital expenditure for the current year has decreased when compared to prior year.

**3. EXTERNAL LOANS, INVESTMENTS AND CASH**

The municipality has no external loans.

**4. POST BALANCE SHEET EVENTS**

No material events have occurred since the balance sheet date.

**5. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, the Executive committee of the Council, the Council, the Municipal Manager for the support they have given me and to the staff of the Finance Department and the local representatives of the Auditor-General for their assistance and support during the year.

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**RN Davids  
Acting Chief Financial Officer  
30 August 2006**

## **QAUKENI LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

**For the year ended 30 JUNE 2006**

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#### **ACCOUNTING POLICIES**

**For the year ended 30 June 2006**

##### **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 the Report on Published Annual Financial Statements (Second edition – January 1996 as amended).
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 5. 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:
- Income is accrued when measured and available to finance operations.  
Certain direct income is accrued when received, such as fines and certain licenses.
  - Expenditure is accrued in the year it is incurred.

##### **2. REVENUE**

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at approved monthly flat rates. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognized as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

##### **3. PROJECT FUNDS**

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

##### **4. ACCUMULATED SURPLUS**

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

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#### **ACCOUNTING POLICIES**

**For the year ended 30 June 2006**

## QAUKENI LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2006

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#### 5. FIXED ASSETS

5.1 Fixed assets are stated at cost or valuation where assets have been acquired by grant or donation, while they are in existence and fit for use.

5.2 Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however certain structural differences do exist. Through this "provision" assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts.

5.3 Fixed assets are financed from different sources of funding which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

5.4 All net proceeds from the sale of fixed assets are credited to the revolving fund.

#### 6. INVESTMENTS

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

#### 7. RETIREMENT BENEFITS

It is the policy of the council to provide retirement benefits for its personnel. Contributions to retirement benefits are charged against income as incurred.

#### 8. PROVISIONS

Provisions are recognized when the municipality has a present or a constructive obligation as a result of past events and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**BALANCE SHEET**  
As at 30 JUNE 2006

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2006

2005

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 JUNE 2006**

	Notes	R	R
<b>CAPITAL EMPLOYED</b>			
STATUTORY FUNDS	1	-	-
ACCUMULATED SURPLUS		<u>48 622 625</u>	<u>48 622 625</u>
		48 622 625	48 622 625
TRUST FUNDS	2	(597)	(597)
PROJECT FUNDS	3	2 293 830	2 293 830
		<u><b>50 915 858</b></u>	<u><b>50 915 858</b></u>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	4	-	-
NET CURRENT ASSETS		<u>50 915 858</u>	<u>50 915 858</u>
CURRENT ASSETS		61 221 254	61 221 254
Debtors	5	<u>12 208 319</u>	<u>12 208 319</u>
Short-term investments	6	47 468 875	47 468 875
Bank and cash	7	<u>1 544 060</u>	<u>1 544 060</u>
CURRENT LIABILITIES		10 305 396	10 305 396
Provisions	8	<u>1 340 095</u>	<u>1 340 095</u>
Creditors	9	8 965 301	8 965 301
Bank overdraft		-	-
		<u><b>50 915 858</b></u>	<u><b>50 915 858</b></u>

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 JUNE 2006**

**INCOME STATEMENT  
For the year ended 30 June 2006**

2005 Actual income R	2005 Actual expenditure R	2005 Surplus/ deficit R		2006 Actual income R	2006 Actual Expenditure R	2006 Surplus/ deficit R	2006 Budget Surplus/deficit R
<b>RATES &amp;</b>							
<b>52 790 484</b>	<b>40 178 925</b>	<b>12 611 560</b>	<b>GENERAL SERVICES</b>	<b>52 790 484</b>	<b>40 178 925</b>	<b>12 611 560</b>	<b>1 073 657</b>
52 460 035	36 553 975	15 906 061	Community services	52 460 035	36 553 975	15 906 061	4 502 920
330 449	3 624 950	(3 294 501)	Economic Services	330 449	3 624 950	(3 294 501)	(3 429 263)
<b>52 790 484    40 178 925    12 611 560 TOTAL</b>				<b>52 790 484    40 178 925    12 611 560</b>			
		-	Appropriations for the year			-	
		<b>12 611 560</b>	<b>Net surplus for the year</b>			<b>12 611 560</b>	
		35 377 579	Accumulated surplus at the beginning of the year			35 377 579	
		633 486	Prior year adjustment (Note 12)			633 486	
		36 011 065	Restated accumulated surplus at the beginning of the year			36 011 065	
		<b>48 622 625</b>	<b>ACCUMULATED SURPLUS AT THE END OF THE YEAR</b>			<b>48 622 625</b>	

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 JUNE 2006**

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**STATEMENT OF CHANGES IN FUNDS**  
**For the year ended 30 June 2006**

	<b>Note</b>	<b>Funds</b>	<b>Accumulated surplus</b>	<b>Total</b>
Balance at 01 July 2004		3 175 915	21 400 016	24 575 931
Surplus for the year		-	13 977 563	13 977 563
Balance at 01 July 2005		3 175 915	35 377 579	38 553 494
Prior year adjustment	12	3 295 700	633 486	3 929 186
Restated opening balance – 01 July 2005		6 471 615	36 011 065	42 482 680
Surplus for the year		-	12 611 560	12 611 560
Advances and interest received		10 416 807	-	10 416 807
Withdrawals		(14 595 189)	-	(14 595 189)
Balance at 30 June 2006		2 293 233	48 622 625	50 915 858



# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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### CASH FLOW STATEMENT For the year ended 30 June 2006

	Note	2006	2005
		R	R
<b>CASH FROM OPERATING ACTIVITIES</b>			
Cash generated by operations	13	13 781 235	19 065 781
Interest received		1 682 110	3 320 115
Decrease/(increase) in working capital	14	3 432 775	(6 759 335)
<b>Cash generated from operations</b>		<u>18 896 120</u>	<u>15 626 561</u>
Interest paid		(254)	(14 551)
<b>Net cash from operating activities</b>		<u>18 895 866</u>	<u>15 612 010</u>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets		(2 851 531)	(4 549 845)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in statutory funds, trust funds and project funds		(4 178 382)	(429 232)
<b>Net increase in cash and cash equivalents</b>		<u>11 865 953</u>	<u>10 632 933</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>37 146 982</u>	<u>26 514 049</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>49 012 935</u></u>	<u><u>37 146 982</u></u>

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

	2006 R	2005 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	-	108 914
Employers Levy Fund	-	702
(Refer to appendix A for more details)	<u>-</u>	<u>109 616</u>
<b>2. TRUST FUNDS</b>		
Pilot Housing Fund	<u>(597)</u>	<u>123 888</u>
<b>3. PROJECT FUNDS</b>		
Natis Fund	585 239	2 512 538
Tourism Fund	378 645	365 440
Disbursement Fund	16 070	15 826
503 Housing Fund	(1 490 637)	825 848
Traffic testing fund	<u>2 804 513</u>	<u>2 518 459</u>
	<u>2 293 830</u>	<u>6 238 111</u>
<b>4. FIXED ASSETS</b>		
Fixed assets at the beginning of year	10 595 232	7 512 165
Capital expenditure during the year	2 851 531	4 549 845
Disposals	-	(1 466 777)
<b>Total fixed assets</b>	<u>13 446 763</u>	<u>10 595 233</u>
Less: Contributions from revenue contributions	(8 129 741)	(8 129 741)
Contributions from grants and subsidies	<u>(5 317 022)</u>	<u>(2 465 491)</u>
<b>Net fixed assets</b>	<u>-</u>	<u>-</u>

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# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

	2006 R	2005 R
<b>5. DEBTORS</b>		
<b>Customer debtors</b>		
Rates and refuse	6 952 543	5 192 297
Provision for bad debts	<u>(5 944 309)</u>	<u>(4 423 113)</u>
	<u>1 008 234</u>	<u>769 184</u>
<b>Sundry debtors</b>		
VAT	6 492 134	5 009 357
Other debtors	1 122 753	2 246 015
	<u>7 614 887</u>	<u>7 255 372</u>
<b>O.R. Tambo District Municipality</b>		
This amount relates to water, sanitation and sewerage debtors which were transferred to the O.R. Tambo District Municipality	5 121 711	5 171 251
Provision for bad debts	<u>(1 536 513)</u>	<u>-</u>
	<u>3 585 198</u>	<u>5 171 251</u>
	<u>12 208 319</u>	<u>13 195 807</u>
<b>6. SHORT – TERM INVESTMENTS</b>		
<b>Unlisted</b>		
Equitable Share	173 448	163 218
Revolving Fund	-	108 914
Employer's Levy	-	702
Disbursement Fund	16 071	15 826
Pilot Housing Fund	(597)	123 887
Traffic Testing Fund	2 804 513	2 518 459
Natis Fund	585 239	2 512 538
Tourism Fund	378 645	365 440
Intergrated Development Plan	28 672	28 672
Lusikisiki council members – account no. 1	2 723 679	2 574 716
Lusikisiki council members – account no. 2	1 598 307	1 497 016
Stanlib income account	11 465 082	10 727 776
Municipal investment account	26 603 736	11 058 579
Standard bank call	763 024	1 351 956
First National Bank Fixed Deposit – Account No.2	122 525	115 929
503 Low Cost Housing account	20 283	48 607
First National Bank Fixed Deposit – Account No.1	176 883	165 880
First National Bank 32 Day Notice Deposit	9 364	8 956
	<u>47 468 875</u>	<u>33 387 071</u>

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

	2006 R	2005 R
<b>7. BANK AND CASH</b>		
Bank balances and cash	<u>1 544 060</u>	<u>4 753 391</u>
<b>8. PROVISIONS</b>		
Audit fees	710 469	320 000
Accounting fees	110 000	110 000
Service Bonus (13 <sup>th</sup> cheque)	311 102	-
Leave pay	208 524	-
	<u>1 340 095</u>	<u>430 000</u>
<b>9. CREDITORS</b>		
Trade creditors	1 326 419	1 761 487
Sundry creditors	7 612 944	5 668 622
Payroll creditors	25 938	-
	<u>8 965 301</u>	<u>7 430 109</u>
<b>10. AUDITORS' REMUNERATION</b>		
Audit fees – current year provision	<u>390 469</u>	<u>320 000</u>
<b>11. COUNCILLORS' ALLOWANCES</b>		
Mayors' allowances	371 985	251 730
Councillors' allowances	3 482 052	3 026 404
Council pension contributions	341 018	351 245
	<u>4 195 055</u>	<u>3 629 379</u>

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2006

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2006

	2006 R	2005 R
<b>12. PRIOR YEAR ADJUSTMENT</b>		
<b>12.1</b> Traffic Testing and 503 Housing Fund Accounts were erroneously written off in the past while the corresponding investment bank accounts remained intact. This entry reverses the prior year write off.		(3 295 700)
<b>12.2</b> In prior years, a number of cheque and investment bank accounts were not recorded in prior years' financial statements. This correcting entry recognizes and accounts for these previously omitted account balances.		1 759 202
<b>12.3</b> A number of invalid system generated cheques were previously recorded and accounted for as valid cheques. These are now being reversed.		2 111 468
<b>12.4</b> Sundry debtors balances previously omitted, now being recognized.		58,516
		<u>633 486</u>
Where relevant, comparative figures have been restated.		
<b>13. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	12 611 560	15 593 519
Adjustment for:		
Prior year adjustment	-	633 486
Appropriations for the year	-	(1 615 956)
Prior year overstatement of accumulated surplus	-	3 210 451
Capital expenditure	2 851 531	4 549 845
Interest paid	254	14 551
Interest received	(1 682 110)	(3 320 115)
	<u>13 781 235</u>	<u>19 065 781</u>
<b>14. DECREASE / (INCREASE) IN WORKING CAPITAL</b>		
Decrease /(increase) in debtors	987 488	(6 652 998)
Increase / (decrease) in creditors	1 535 192	(536 337)
Increase in provisions	910 095	430 000
	<u>3 432 775</u>	<u>(6 759 335)</u>

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

#### APPENDIX A: STATUTORY FUNDS, TRUST FUNDS AND PROJECT FUNDS

	Balance at 30 June 2005	Contributions during the year	Interest on investments	Prior year adjustment	Expenditure during the year	Balance at 30 June 2006
<b>STATUTORY FUNDS</b>						
Revolving Fund	108 914	-	-	-	(108 914)	-
Employers Levy Fund	702	-	-	-	(702)	-
TOTAL	109 616	-	-	-	(109 616)	-
<b>TRUST FUNDS</b>						
Pilot Housing Fund	123 888	-	-	-	(124 485)	(597)
TOTAL	123 888	-	-	-	(124 485)	(597)
<b>PROJECT FUNDS</b>						
Natis Fund	2 512 538	4 395 650	49 899	-	(6 372 848)	585 239
Tourism Fund	365 440	-	13 205	-	-	378 645
Disbursement Fund	15 826	-	244	-	-	16 070
503 Housing Fund	48 607	3 057 728	16 001	777 241	(5 390 214)	(1 490 637)
Traffic Testing Fund	-	2 766 824	117 256	2 518 459	(2 598 026)	2 804 513
TOTAL	2 942 411	10 220 202	196 605	3 295 700	(14 361 088)	2 293 830
GRAND TOTAL	3 175 915	10 220 202	196 605	3 295 700	(14 595 179)	2 293 233

**QAUKENI LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2006**

**APPENDIX C: ANALYSIS OF FIXED ASSETS**

Expenditure	Budget 2006 R	Redeemed,			Balance at 30 June 2006 R
		Balance at 30 June 2005 R	Expenditure during year R	transferred, written off R	
<b>4 549 845 Rates and General Services</b>	<b>28 137 166</b>	<b>10 595 232</b>	<b>2 851 531</b>	<b>-</b>	<b>13 446 763</b>
<b>4 549 845 Community services</b>	<b>28 137 166</b>	<b>10 595 232</b>	<b>2 851 531</b>	<b>-</b>	<b>13 446 763</b>
498 869 Land & Buildings	5 000 000	1 143 845	305 537	-	1 449 382
212 130 Furniture and Fittings	326 500	945 508	403 996	-	1 349 504
3 058 563 Plant and Equipment	40 000	3 390 068	-	-	3 390 068
376 725 Motor vehicles	500 000	2 241 579	349 257	-	2 590 836
- Electrical Infrastructure	-	3 406	-	-	3 406
- General Improvements	-	561 442	-	-	561 442
- Tools and Equipment	252 166	57 224	7 127	-	64 351
- Administration Infrastructure	-	737 671	-	-	737 671
403 558 Office equipment	326 500	532 191	-	-	532 191
- Mayoral Gown	-	1 382	-	-	1 382
- Sports Fields & Recreation Centres	300 000	-	-	-	-
- Community Centres	4 500 000	-	342 059	-	342 059
- Local Economic Development	5 750 000	-	-	-	-
- Computer Equipment	567 000	-	65 000	-	65 000
- Land Fill Sites	300 000	-	-	-	-
- Upgrading of Taxi and Bus Ranks	4 000 000	-	765 012	-	765 012
- Township Development	-	976 711	-	-	976 711
- Cemetery	100 000	-	-	-	-
- Various Projects	3 150 000	-	-	-	-
- Road Construction – Access Roads	3 000 000	-	613 543	-	613 543
- Road Signs	25 000	4 205	-	-	4 205
<b>4 549 845 TOTAL FIXED ASSETS</b>	<b>28 137 166</b>	<b>10 595 232</b>	<b>2 851 531</b>	<b>-</b>	<b>13 446 763</b>
<b>4 549 845 LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>28 137 166</b>	<b>10 595 232</b>	<b>2 851 531</b>	<b>-</b>	<b>13 446 763</b>
3 647 418 Revenue Contributions	16 882 300	8 129 741	-	-	8 129 741
902 427 Grants and Subsidies	11 254 866	2 465 491	2 851 531	-	5 317 022
<b>- NET FIXED ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**QAUKENI LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**For the year ended 30 June 2006**

**APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE**

Actual 2005 R	<b>INCOME</b>	Actual 2006 R	Budget 2006 R
49 440 418	<b>Government Grants &amp; Subsidies:</b>	47 074 725	45 924 212
41 573 815	Central Government	40 860 258	43 050 212
7 866 603	Provincial Government	6 187 017	2 874 000
-	Other	27 450	-
8 912 016	<b>Operating Income:</b>	5 715 760	3 367 406
1 924 663	Assessment Rates	1 926 117	1 920 000
207 011	Refuse	330 449	483 847
6 780 342	Other Income	3 459 194	1 265 549
-	Transfer from reserves	-	21 712 558
<u>58 352 434</u>	<b>TOTAL INCOME</b>	<u>52 790 484</u>	<u>71 306 166</u>

Actual 2005 R	<b>EXPENDITURE</b>	Actual 2006 R	Budget 2006 R
38 209 070	Total Operational Expenditure:	37 327 394	42 095 343
12 982 770	Salaries, Wages and Allowances	16 833 156	22 053 265
19 059 860	General Expenses	14 148 731	15 899 526
4 423 113	Bad Debts	4 075 931	-
1 743 327	Repairs and Maintenance	2 269 576	4 142 552
<u>4 549 845</u>	Contributions to fixed assets	<u>2 851 531</u>	<u>28 137 166</u>
42 758 915	<b>GROSS EXPENDITURE</b>	40 178 925	70 232 509
<u>42 758 915</u>	<b>NET EXPENDITURE</b>	<u>40 178 925</u>	<u>70 232 509</u>
<b>15 593 519</b>	<b>NET SURPLUS</b>	<b>12 611 560</b>	<b>1 073 657</b>



**QAUKENI LOCAL MUNICIPALITY**

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**APPENDIX E: DETAILED INCOME STATEMENT**

2005	2005	2005		2006	2006	2006	2006
Actual income R	Actual expenditure R	Surplus/ (deficit) R		Actual income R	Actual expenditure R	Surplus/ (deficit) R	Budget surplus /(deficit) R
<b>58 352 434</b>	<b>42 758 915</b>	<b>15 593 519</b>	<b>RATES &amp; GENERAL SERVICES</b>	<b>52 790 484</b>	<b>40 178 925</b>	<b>12 611 560</b>	<b>1 073 657</b>
<b>58 145 423</b>	<b>41 974 353</b>	<b>16 171 070</b>	<b>Community services</b>	<b>52 460 035</b>	<b>36 553 975</b>	<b>15 906 061</b>	<b>4 502 920</b>
1 924 663	-	1 924 663	Assessment rates	1 926 117	-	1926 117	1 920 000
-	-	-	Council	-	4 666 192	(4 666 192)	(5 209 574)
-	-	-	Office of the mayor	-	1 892 916	(1 892 916)	(2 611 632)
-	-	-	Municipal manager	-	2 898 043	(2 898 043)	(7 504 922)
-	-	-	Administration	-	3 993 425	(3 993 425)	(6 609 517)
56 220 760	41 974 353	14 246 407	Finance	50 533 919	8 032 868	42 501 050	55 758 188
-	-	-	Human resources	-	1 784 960	(1 784 960)	(1 722 072)
-	-	-	Local economic development	-	3 442 012	(3 442 012)	(6 236 364)
-	-	-	Land and housing	-	300 969	(300 969)	(365 857)
-	-	-	Community safety	-	4 308 542	(4 308 542)	(1 904 951)
-	-	-	Parks, cemetery and pound	-	376 041	(376 041)	(2 087 889)
-	-	-	Infrastructural development	-	4 858 006	(4 858 006)	(18 922 490)
<b>207 011</b>	<b>784 562</b>	<b>(577 551)</b>	<b>Economic services</b>	<b>330 449</b>	<b>3 624 950</b>	<b>(3 294 501)</b>	<b>(3 429 263)</b>
207 011	784 562	(577 551)	Refuse removal	330 449	3 624 950	(3 294 501)	(3 429 263)
<b>58 352 434</b>	<b>42 758 915</b>	<b>15 593 519</b>	<b>TOTAL</b>	<b>52 790 484</b>	<b>40 178 925</b>	<b>12 611 560</b>	<b>1 073 657</b>

(1 615 956) Appropriations for the year  
(refer to note 13)

**13 977 563 Net surplus for the year** **12 611 560**

21 400 016	Accumulated surplus at the beginning of the year	35 377 579
-	Prior year adjustment (Note 12)	663 486
-	Restated accumulated surplus at the beginning of the year	36 011 065

**ACCUMULATED SURPLUS AT THE END**  
**35 377 579 OF THE YEAR** **48 622 625**

# QAUKENI LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

#### APPENDIX F: STATISTICAL INFORMATION

##### GENERAL STATISTICS

##### 1. Population

Age group	Age group as percentage of total	Total Population	Males	Females
0 – 4	14%	35 588	17 809	17 779
5 – 14	32%	82 696	41 047	41 649
15 – 34	30%	77 542	34 601	42 941
35 – 64	18%	45 280	17 023	28 257
65	6%	14 269	4 789	9 480
	<b>100%</b>	<b>255 375</b>	<b>115 269</b>	<b>140 106</b>

##### 2. Assessment rates

##### 2.1 Property valuation and assessment rates

	Valuation as at July 2005 R	Actual income 2005 R
State	17 146 145	325 777
Residential	43 761 749	831 473
Commercial	57 238 763	1 087 537
	<b>118 146 657</b>	<b>2 244 787</b>

General Valuation 1991

Interim valuation 2005

The basic assessment rate is 1.9 cents per rand..

## QAUKENI LOCAL MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2006

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#### NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2006

##### GENERAL STATISTICS

##### 2. Population

##### 2.2 Number of properties

	Total number of properties	Non valued	Non rated	Net rateable number of sites
Residential property	1 323	190	21	1 112
Commercial property	57	2	-	55
<b>Total</b>	<b>1 380</b>	<b>192</b>	<b>21</b>	<b>1 167</b>