

Ukhahlamba District Municipality



Financial Statements

2005 - 2006

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UKHAHLAMBA DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30-Jun-06

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 22, in terms of Section 126(1) of the Municipal Finance Management Act and which I

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 14 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.

REV M.N. Pietersen
Municipal Manager

Date: 31-08-06

**UKHAHLAMBA DISTRICT MUNICIPALITY
TREASURY REPORT
FOR THE YEAR ENDING
30-Jun-06**

1. OPERATING RESULTS

Details of the operating results are included per appendices D and E1.

Effective budget control resulted in expenditure being incurred within amounts budgeted for.

The deficit for the 2005/2006 financial year, before appropriations amounted to R 32 628 223 (2004/2005: R 10 363 589.00)

The operating results for the financial year ended 30 June 2006 are summarised as follows:

1.1 Overall Operating Results

Income	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Revised Budget 2006 R	Variance Actual Budget %
Opening Surplus	28,958,367	(32,466,659)	-212%		
Appropriations at beginning of the year	13,871,881	4,384,155	-68%		
Operating Income for the year	107,364,174	125,674,084	17%	182,054,265	
	150,194,422	97,591,580	-35%		

Expenditure	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Revised Budget 2006 R	Variance Actual Budget %
Operating Expenditure for the year	117,727,763	155,805,843	32%	181,915,222	
Sundry Transfers				139,048	
Closing Surplus	32,466,659	(58,214,263)	-279%		

**UKHAHLAMBA DISTRICT MUNICIPALITY
TREASURY REPORT
FOR THE YEAR ENDING
30-Jun-06**

2. CAPITAL EXPENDITURE AND FINANCING

Expenditure on fixed assets incurred during the 2005/2006 financial year amounted to R3 137 743 (2004/2005: R1 071 280.00.)

A detailed analysis of fixed assets is included per Appendix B & C.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

Ukhahlamba District Municipality has external loans amounting to R9 238 549 as detailed in Appendix A to the financial statements. (2005: R nil)

Investments as at 30 June 2006 amounted to R28 356 006 (2005: R48 831 077.)

4. FUNDS AND RESERVES

Detailed information regarding Funds and Reserves is reflected in Note 1 to the financial statements.

5. WORD OF THANKS

I am grateful to the Executive Mayor and members of the Mayoral Committee, the Municipal Manager and Departmental Heads for the support they have given me as well as my personnel.

A special word of appreciation to Staff of the Finance Department for their support and their contributions in the compilation of the Financial Statements.

.....
P. Steyn
Chief Financial Officer (Acting)
31 August 2006

**UKHAHLAMBA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006**

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net assets		58,216,568	32,468,964
Capital replacement reserve	1	2,305	2,305
Accumulated Surplus/(Deficit)		58,214,263	32,466,659
Non-current liabilities		9,238,549	-
Long-term liabilities	2	9,238,549	-
Current liabilities		121,038,584	247,066,677
Provisions	3	1,198,233	14,978
Creditors	4	21,624,112	77,532,332
Unspent conditional grants and receipts	5	90,971,299	112,027,660
Bank overdraft	10b	7,244,940	57,491,707
Total Net Assets and Liabilities		<u>188,493,701</u>	<u>279,535,641</u>
ASSETS			
Non-current assets		176,635,099	275,797,848
Property, plant and equipment	7	12,352,699	11,403,130
Investments	8	28,356,006	48,830,077
Long-term receivables	9	135,926,394	215,564,641
Current assets		11,858,602	3,737,793
Inventory	10a	556,974	504,767
VAT	6	11,300,073	3,231,471
Bank balances and cash	10b	1,555	1,555
Total Assets		<u>188,493,701</u>	<u>279,535,641</u>

**UKHAHLAMBA DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005 R
REVENUE			
Service charges	10	12,931,246	12,045,681
Regional Services Levies – turnover		5,979,083	7,276,053
Regional Services Levies – remuneration		531,836	-
Interest earned - external investments		369,016	441,161
Interest earned - outstanding debtors		41,394	151,862
Fines		154,280	
Income for agency services		1,430,465	
Government grants and subsidies	11	96,815,361	78,311,510
Other income	12	6,241,822	285,792
Total Revenue		124,494,503	98,512,059
EXPENDITURE			
Employee related costs	13	60,965,646	53,340,493
Remuneration of Councillors	14	2,297,496	2,497,472
Bad debts		102,051	
Depreciation		2,188,174	
Repairs and maintenance		32,052,143	211,448
Interest paid	15	972,739	921,088
Bulk purchases	16	-	1,620,739
Contracted services		2,371,180	1,981,560
Grants and subsidies paid	17	36,635,324	27,766,414
General expenses		17,041,509	20,536,434
Total Expenditure		154,626,262	108,875,648
SURPLUS/(DEFICIT) FOR THE YEAR		-30,131,759	-10,363,589

Refer to Appendix E(1) for the comparison with the approved budget

**UKHAHLAMBA DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006**

	<u>Pre-GAMAP Reserves and Funds</u> R	<u>Housing Develop. Fund</u> R	<u>Capital Replacement Reserve</u> R	<u>Capitalisation Reserve</u> R	<u>Government Grant Reserve</u> R	<u>Donations and Public Contribution Reserve</u> R	<u>Self- Insurance Reserve</u> R	<u>COID Reserve</u> R	<u>Revaluation Reserve</u> R	<u>Accumulated Surplus/ (Deficit)</u> R	<u>Total</u> R
2005											
Balance at 1 July 2004	2,471,056									28,958,367	31,429,423
Implementation of GAMAP (Note 18)	-2,471,056		2,305		-					13,871,881	11,403,130
Change in accounting policy										-	
Restated balance			2,305							42,830,248	42,832,553
Surplus/(deficit) for the year										-10,363,589	-10,363,589
Transfer to CRR											
PPE purchased											
Capital grants used to purchase PPE											
Donated/contributed PPE											
Contribution to Insurance Reserve											
Insurance claims processed											
Transfer to Housing Development Fund											
Offsetting of depreciation											
Balance at 30 June 2005			2,305							32,466,659	32,468,964
2006											
Correction of error										-	
Change in accounting policy										-4,384,155	-4,384,155
Restated balance			2,305							28,082,504	28,084,809
Surplus/(deficit) for the year										30,131,759	30,131,759
Transfer to CRR											
PPE purchased											
Capital grants used to purchase PPE											
Donated/contributed PPE											
Contribution to Insurance Reserve											
Insurance claims processed											
Transfer to Housing Development Fund											
Asset disposals											
Offsetting of depreciation											
Balance at 30 June 2006			2,305							58,214,263	58,216,568

UKHAHLAMBA DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		71,886,763	422,676,082
Cash paid to suppliers and employees		105,359,531	<u>-256,661,442</u>
Cash generated from/(utilised in) operations	19	33,472,768	166,014,640
Dividends received			
Interest received		410,410	593,023
Interest paid		-972,739	-921,088
NET CASH FROM OPERATING ACTIVITIES		<u>32,910,439</u>	<u>165,686,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-3,137,743	-11,112,927
Increase in non-current investments		20,474,071	22,466,423
NET CASH FROM INVESTING ACTIVITIES		<u>17,336,328</u>	<u>11,353,496</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		-	-212,453,233
NET CASH FROM FINANCING ACTIVITIES		<u>-</u>	<u>-212,453,233</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>50,246,767</u>	<u>-35,413,162</u>
Cash and cash equivalents at the beginning of the year		-57,490,152	-22,076,990
Cash and cash equivalents at the end of the year	20	-7,243,385	-57,490,152

UKHAHLAMBA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements are prepared in accordance with and comply with Standards of Generally Accepted Municipal Accounting Practice and are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and investment properties.

Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Land and buildings (excluding investment properties) are stated at fair value, which is the depreciated replacement value less accumulated depreciation since the date of revaluation and are revalued every four years by an independent valuer.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in net assets. Decreases that offset previous increases of the same assets are charged against the revaluation reserve; all other decreased are charged to the statement of financial performance. Each year the difference between depreciation based on the revalued carrying amount of the assets (depreciation charged to the statement of financial performance) and depreciation based on the asset's original cost is transferred from revaluation and other reserves to accumulated surplus.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

Buildings	25 years
Other assets	5 years

Land is not depreciated as it is deemed to have an indefinite life.

Heritage assets are not depreciated due to the uncertainty pertaining to their useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognised).

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to accumulated surplus.

UKHAHLAMBA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Investments

Investments are stated at cost, less impairment adjustments. Where investments have been impaired, the impairment is recognised in the Statement of financial performance as an expense in the period in which it was identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount on the date of disposal is recognised as revenue or an expense in the Statement of financial performance.

Government Grants

Government grants are recognised as revenue when all conditions associated with the grant have been met. Where the grants have been received but the conditions have not been met, a liability is raised to the extent that the conditions are still to be met.

Inventories

Consumable stores are stated at the lower of cost or net realisable value. Cost is determined by the first-in-first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completions and selling expenses.

Land held for resale is valued at the lower of cost or net realisable value determined on a weighted average basis.

Housing units held for resale are stated at the lower of cost or net realisable value determined on a weighted average basis. Direct costs are accumulated for each separately identifiable unit. Costs also include a portion of overhead costs.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment is established if there is objective evidence that the municipality will not collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of 12 months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

UKHAHLAMBA DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Provisions

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect management's current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to Council.

Revenue recognition

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time-proportion basis.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly/monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and the provisional estimates are recognised as revenue when invoiced. Adjustments to provisional estimates are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue or a negative adjustment to revenue in the invoicing period.

Revenue arising from the application of tariff charges is recognised when the relevant service is rendered.

Revenue from sale of goods is recognised when the risk is passed to the consumer. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale and not when the prepaid electricity is consumed.

Revenue from regional services levies is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data is accrued. Estimates are reviewed regularly to ensure that the data is reliable.

Segmental information

Segmental information on revenue and expenses, as well as property, plant and equipment, is set out in Appendices C and D based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

UKHAHLAMBA DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
1 CAPITAL REPLACEMENT RESERVE		
Capital Replacement Reserve	2,305	2,305
	<hr/>	<hr/>
2 LONG-TERM LIABILITIES		
DBSA Loans	9,238,549	0
Capitalised Lease Liability	-	0
Sub-total	9,238,549	0
	<hr/>	<hr/>
Less : Current portion transferred to current liabilities	-	0
Local Registered Stock Loans	<div style="border: 1px solid black; width: 60px; height: 30px; margin: 0 auto;"></div>	<div style="border: 1px solid black; width: 60px; height: 30px; margin: 0 auto;"></div>
Annuity Loans		
Capitalised Lease Liability		
Government Loans : Other		
	<hr/>	<hr/>
3 Total External Loans	9,238,549	0
	<hr/> <hr/>	<hr/> <hr/>
Refer to Appendix A for more detail on long-term liabilities		
Performance bonus	-	-
Staff leave pay provision	1,198,233	14,978
	<hr/>	<hr/>
Total Provisions	1,198,233	14,978
	<hr/> <hr/>	<hr/> <hr/>
The movement in current provisions are reconciled as follows: -		
	Staff Leave Pay	Current portion
	Provision	Long Service
30th June 2006		
Balance at beginning of year	14,978	
Transfer from non-current		
Contributions to provision	1,183,255	
Expenditure incurred		
	<hr/>	<hr/>
Balance at end of year	1,198,233	0
	<hr/> <hr/>	<hr/> <hr/>
30th June 2005		
Balance at beginning of year	1,397,939	
Transfer from non-current		
Contributions to provision	1,951	
Expenditure incurred	(1,384,912)	
	<hr/>	<hr/>
Balance at end of year	14,978	-
	<hr/> <hr/>	<hr/> <hr/>
4 CREDITORS		
Trade creditors	-	-
Payments received in advance	-	-
Retentions	-	-
Staff leave	-	-
Other creditors	21,624,112	77,532,332
	<hr/>	<hr/>
Total Creditors	21,624,112	77,532,332
	<hr/> <hr/>	<hr/> <hr/>
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>7.1 Conditional Grants from other spheres of Government</i>		
Projects	90,971,299	112,027,660
	<div style="border: 1px solid black; width: 60px; height: 15px; margin: 0 auto;"></div>	<div style="border: 1px solid black; width: 60px; height: 15px; margin: 0 auto;"></div>
	<hr/>	<hr/>
Total Conditional Grants and Receipts	90,971,299	112,027,660
	<hr/> <hr/>	<hr/> <hr/>
6 VAT		
VAT receivable	11,300,073.00	3,231,471.00
	<hr/> <hr/>	<hr/> <hr/>

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

UKHAHLAMBA DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006
R

2005
R

7 PROPERTY, PLANT AND EQUIPMENT

30th June 2006

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	4,500,000	-	-	-	6,903,130	-	-	11,403,130
Cost	4,500,000	-	-	-	6,903,130	-	-	11,403,130
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	3,137,743	-	-	3,137,743
Capital under Construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	180,000	-	-	-	2,008,174	-	-	2,188,174
- based on cost	180,000	-	-	-	2,008,174	-	-	2,188,174
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	4,320,000	-	-	-	8,032,699	-	-	12,352,699
Cost	4,500,000	-	-	-	10,040,873	-	-	14,540,873
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	180,000	-	-	-	2,008,174	-	-	2,188,174
- Cost	180,000	-	-	-	2,008,174	-	-	2,188,174
- Revaluation	-	-	-	-	-	-	-	-

30th June 2005

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2004	4,500,000	-	-	-	5,941,776	-	-	10,441,776
Cost	4,500,000	-	-	-	5,941,776	-	-	10,441,776
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	1,071,280	-	-	1,071,280
Capital under construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	109,926	-	-	109,926
Cost/revaluation	-	-	-	-	109,926	-	-	109,926
Accumulated depreciation	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2005	4,500,000	-	-	-	6,903,130	-	-	11,403,130
Cost	4,500,000	-	-	-	6,903,130	-	-	11,403,130
Correction of error (note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-

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

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007.

UKHAHLAMBA DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
8 INVESTMENTS		
Financial Instruments		
Investments	28,356,006	48,830,077
Total Cash Investments	<u>28,356,006</u>	<u>48,830,077</u>
Total Investments	<u><u>28,356,006</u></u>	<u><u>48,830,077</u></u>
9 LONG-TERM RECEIVABLES		
Staff Loans	26,165,198	85,257,368
Car loans	407,983	1,309,245
Other Debtors	109,353,213	128,998,028
Total Receivables	<u>135,926,394</u>	<u>215,564,641</u>
10.a INVENTORY		
Consumable stores – at cost	556,974	504,767
Total Inventory	<u>556,974</u>	<u>504,767</u>
10.b		
Cash book balance at beginning of year – overdrawn	<u>57,491,707</u>	<u>22,078,545</u>
Cash book balance at end of year - overdrawn	<u>7,244,940</u>	<u>57,491,707</u>
Bank statement balance at beginning of year - (overdrawn)	<u>12,840,591</u>	<u>7,730,825</u>
Bank statement balance at end of year - (overdrawn)	<u>2,108,798</u>	<u>12,840,591</u>
Current Account (Primary Bank Account)-overdrawn	<u>7,244,940</u>	<u>57,491,707</u>
Petty Cash	<u>1,555</u>	<u>1,555</u>
11 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	43,899,661	45,280,653
Other Grants Received	52,915,700	33,030,857
Total Government Grant and Subsidies	<u>96,815,361</u>	<u>78,311,510</u>
11.1 Equitable Share		
11.2 Other Grants Received		
Balance unspent at beginning of year	112,027,660	-
Current year receipts	21,056,361	112,027,660
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 7)	<u>90,971,299</u>	<u>112,027,660</u>
12 OTHER INCOME		
Sale of housing	-	-
Other income	6,241,822	285,792
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 36)	-	-
Total Other Income	<u>6,241,822</u>	<u>285,792</u>
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	45,786,692	40,477,308
Employee related costs - Contributions for UIF, pensions and medical aids	8,752,542	7,384,073
Travel, motor car, accommodation, subsistence and other allowances	3,271,229	2,515,133
Overtime payments	3,155,183	2,963,979
Total Employee Related Costs	<u>60,965,646</u>	<u>53,340,493</u>
Remuneration of the Municipal Manager		
Annual Remuneration	492,911	468,807
Performance Bonuses	31,482	29,700
Car Allowance	225,714	204,000
Contributions to UIF, Medical and Pension Funds	97,999	94,147
Total	<u>848,106</u>	<u>796,654</u>
Remuneration of the Chief Finance Officer		
Annual Remuneration	429,040	408,953
Performance Bonuses	30,000	27,500
Car Allowance	141,905	129,714
Contributions to UIF, Medical and Pension Funds	89,807	87,488
Total	<u>690,752</u>	<u>653,655</u>

UKHAHLAMBA DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
Remuneration of Individual Executive Directors		
	<u>Technical</u>	<u>Corporate</u>
	<u>Services</u>	<u>Services</u>
	R	R
30-Jun-06		
Annual Remuneration	424,011	397,694
Performance Bonuses	28,500	29,478
Car Allowance	155,985	141,951
Medical and pension funds	97,195	40,771
Total	<u><u>705,691</u></u>	<u><u>609,894</u></u>
13 EMPLOYEE RELATED COSTS (continued)		
30-Jun-05		
Annual Remuneration	409,526	304,691
Performance Bonuses	27,500	17,706
Car Allowance	134,160	93,071
Medical and pension funds	91,453	37,436
Total	<u><u>662,639</u></u>	<u><u>452,904</u></u>
14 REMUNERATION OF COUNCILLORS		
Executive Mayor	334,138	190,314
Councillors	1,825,698	2,168,499
Councillors' pension contribution	137,660	138,659
Total Councillors' Remuneration	<u><u>2,297,496</u></u>	<u><u>2,497,472</u></u>
15 INTEREST PAID		
Long-term liabilities	46,324	-
Bank overdrafts	926,415	921,088
Total Interest on External Borrowings	<u><u>972,739</u></u>	<u><u>921,088</u></u>
16 BULK PURCHASES		
Water	-	1,620,739
Total Bulk Purchases	<u><u>-</u></u>	<u><u>1,620,739</u></u>
17 GRANTS AND SUBSIDIES PAID		
Grants & Subsidies Paid	36,635,324	27,766,414
Total Grants and Subsidies	<u><u>36,635,324</u></u>	<u><u>27,766,414</u></u>
18 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -		
18.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund		2,471,056
Land Trust Fund		-
Parking Development Fund		-
Total		<u><u>2,471,056</u></u>
Implementation of GAMAP		
Transferred to the Capital Replacement Reserve		2,305
Transferred to the Capitalisation Reserve		2,468,751
Transferred to Accumulated Surplus/(Deficit) (see 31.8 below)		-
Total		<u><u>2,471,056</u></u>
18.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported		<u><u>11,403,130</u></u>
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 31.8 below)		-
Total		<u><u>11,403,130</u></u>

UKHAHLAMBA DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
18.8 Accumulated Surplus/(Deficit)		
Implementation of GAMAP		
Adjustments to inventory (see 31.4 above)		
Excessive provisions and reserves no longer permitted (see 31.3 above)		
Non-current provisions previously not recognised (see 31.5 above)		
Transferred from statutory funds (see 31.1 above)		2,468,751
Transferred from Loans Redeemed and Other Capital Receipts (see 31.2 above)		11,403,130
Total		13,871,881
19 CASH GENERATED BY OPERATIONS		
Surplus for the year	34,986,153	-158,836,973
Adjustment for:-		
Depreciation	2,188,174	-
Investment income	-410,410	-593,023
Interest paid	972,739	921,088
Operating surplus before working capital changes:	37,736,656	-158,508,908
(Increase)/decrease in inventories	-52,207	-701,298
(Increase)/decrease in debtors		
(Increase)/decrease in other debtors	79,638,247	203,877,271
(Decrease)/increase in conditional grants and receipts	-21,056,361	112,027,660
Increase in creditors	-55,908,220	13,934,347
Decrease in provisions	1,183,255	-1,382,961
(Decrease)/Increase in VAT	-8,068,602	-3,231,471
Cash generated by/(utilised in) operations	33,472,768	166,014,640
20 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash	1,555	1,555
Call investment deposits		
Bank overdraft	-7,244,940	-57,491,707
Total cash and cash equivalents	-7,243,385	-57,490,152
21 VAT:		
VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.		
22 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).		

APPENDIX A
UKHAHLAMBA DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 6/30/2004	Received during the period	Redeemed written off during the period	Balance at 6/30/2005
LONG-TERM LOANS						
DBSA Loan -Building (R7,4 mil)	1	30/09/2024	-	7,873,663	58,984	7,814,679
DBSA Loan -Sanitation (R1,5 mil)	2	31/03/2008	-	1,423,870	-	1,423,870
Total long-term loans			-	9,297,533	58,984	9,238,549
TOTAL EXTERNAL LOANS			-	9,297,533	58,984	9,238,549

Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
R	R
4,500,000	2,900,000
1,377,546	-
5,877,546	2,900,000
5,877,546	2,900,000

**APPENDIX B
UKHAHLAMBA DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
Land and Buildings									
Land	-	-	-	-	-	-	-	-	-
Buildings	4,500,000	-	-	-	4,500,000	-	180,000	-	180,000
	4,500,000	-	-	-	4,500,000	-	180,000	-	180,000
Infrastructure									
Drains	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purif	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Community Assets									
Parks & Gardens	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Heritage Assets									
Historical Buildings	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total carried forward	4,500,000	-	-	-	4,500,000	-	180,000	-	180,000

* Includes correction of error referred to in Note 32.

**APPENDIX B
UKHAHLAMBA DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006**

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
Total brought forward	4,500,000	-	-	-	4,500,000	-	180,000	-	180,000
Housing Rental Stock									
Housing Rental 1	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)									
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other Assets									
Landfill sites	-	-	-	-	-	-	-	-	-
Office Equipment	768,103	-	-	-	768,103	-	153,621	-	153,621
Furniture & Fittings	3,065,061	2,821,484	-	-	5,886,545	-	1,177,309	-	1,177,309
Bins and Containers	-	-	-	-	-	-	-	-	-
Emergency Equipment	43,996	-	-	-	43,996	-	8,799	-	8,799
Motor vehicles	1,446,066	-	-	-	1,446,066	-	289,213	-	289,213
Fire engines	66,197	-	-	-	66,197	-	13,239	-	13,239
Refuse tankers	-	-	-	-	-	-	-	-	-
Computer equipment	1,513,707	316,259	-	-	1,829,966	-	365,993	-	365,993
Councillors Regalia	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-
	6,903,130	3,137,743	-	-	10,040,873	-	2,008,174	-	2,008,174
Total	11,403,130	3,137,743	-	-	14,540,873	-	2,188,174	-	2,188,174

APPENDIX C
UKHAHLAMBA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDING
30-Jun-06

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Executive & Council	971,958	31,010			1,002,968	-	200,594		200,594	802,374
Finance & Admin	6,086,031	333,028			6,419,059	-	563,812		563,812	5,855,247
Planning & Development	2,479,729	30,174			2,509,903	-	501,980		501,980	2,007,923
Health	1,865,412	102,584			1,967,996	-	393,599		393,599	1,574,397
Community & Social Services	-	144,422			144,422	-	28,884		28,884	115,538
Housing	-				-	-	-		-	-
Public Safety	-				-	-	-		-	-
Sport & Recreation	-				-	-	-		-	-
Environmental Protection	-				-	-	-		-	-
Waste Management	-	2,208,500			2,208,500	-	441,700		441,700	1,766,800
Road Transport	-				-	-	-		-	-
Water	-	288,025			288,025	-	57,605		57,605	230,420
Electricity	-				-	-	-		-	-
Other	-				-	-	-		-	-
TOTAL	11,403,130	3,137,743	-	-	14,540,873	-	2,188,174	-	2,188,174	12,352,699

APPENDIX D
UKHAHLAMBA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
FOR THE YEAR ENDING
30-Jun-06

2005	2005	2005		2006	2006	2006
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
2,515,301	6,722,468	(4,207,167)	Executive & Council	719,733	5,836,223	(5,116,490)
12,904,758	14,353,363	(1,448,605)	Finance & Admin	10,210,236	13,745,886	(3,535,650)
26,273,442	17,967,591	8,305,851	Planning & Development	3,634,394	7,034,712	(3,400,318)
0	1,890,676	(1,890,676)	Health	11,739,701	10,099,565	1,640,136
32,362,208	38,402,049	(6,039,841)	Community & Social Services	1,557,437	10,461,579	(8,904,142)
		0	Housing	0	0	0
		0	Public Safety	0	0	0
		0	Sport & Recreation	0	0	0
		0	Environmental Protection	0	0	0
16,141,729	14,845,885	1,295,844	Waste Management	12,298,614	11,922,987	375,627
		0	Road Transport	20,757,080	31,436,943	(10,679,863)
17,166,718	23,545,731	(6,379,013)	Water	39,895,221	41,208,508	(1,313,287)
		0	Electricity	0	0	0
		0	Other	24,861,668	24,059,440	802,228
<u>107,364,156</u>	<u>117,727,763</u>	<u>(10,363,607)</u>	Sub Total	<u>125,674,084</u>	<u>155,805,843</u>	<u>(30,131,759)</u>
			Less Inter-Dep Charges			
<u>107,364,156</u>	<u>117,727,763</u>	<u>(10,363,607)</u>	Total	<u>125,674,084</u>	<u>155,805,843</u>	<u>(30,131,759)</u>
		<u>(10,363,607)</u>	Add: Share of Associate			<u>(30,131,759)</u>

APPENDIX E(1)

UKHAHLAMBA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

REVENUE	2006 Actual (R)	2006 Budget (R)	2006 Variance (R)	2006 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates			-		<i>(Explanations to be recorded)</i>
Property rates - penalties imposed and collection charges			-		
Service charges	12,931,246	10,625,800	2,305,446	22	
Regional Services Levies - turnover	5,979,083	4,500,000	1,479,083	33	
Regional Services Levies - remuneration	531,836	3,500,000	-2,968,164	-85	
Rental of facilities and equipment		2,400	-2,400	-100	
Interest earned - external investments	369,016	930,000	-560,984	-60	
Interest earned - outstanding debtors	41,394		41,394		
Dividends received			-		
Fines	154,280		154,280		
Licences and permits			-		
Income for agency services	1,430,465	2,430,465	-1,000,000	-41	
Government grants and subsidies	96,815,361	141,047,938	-44,232,577	-31	
Other income	6,241,822	19,017,662	-12,775,840	-67	
Public contributions, donated/contributed PPE			-		
Gains on disposal of property, plant and equipment			-		
Total Revenue	124,494,503	182,054,265	-57,559,762	-32	
EXPENDITURE					
Employee Cost - Wages & Salaries	54,510,600	51,964,159	2,546,441	5	
Employee Cost - Social Contributions	8,752,542	11,430,128	-2,677,586	-23	
Employee Related Costs			-		
Remuneration of councillors			-		
Bad Debts	102,051	200,000	-97,949	-49	
Collection costs			-		
Depreciation	2,188,174	120,000	2,068,174	1,723	
Repairs & Maintenance	32,052,143	35,723,711	-3,671,568	-10	
Interest on external borrowings	972,739	1,360,707	-387,968	-29	
Bulk purchases			-		
Contract services	2,371,180		2,371,180		
Grants & subsidies paid	36,635,324	40,413,289	-3,777,965	-9	
General expenses - other	17,041,509	40,703,228	-23,661,719	-58	
Contributions to/from provisions			-		
Interest on internal borrowings			-		
Loss on disposal of property, plant & equipment			-		
Total Expenditure	154,626,262	181,915,222	-27,288,960	-15	
NET SURPLUS/(DEFICIT) FOR THE YEAR	-30,131,759	139,043	-30,270,802		

APPENDIX E(2)

UKHAHLAMBA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Under</u> <u>Construction</u>	<u>2006</u> <u>Total</u> <u>Additions</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Variance</u>	<u>2006</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council	31,010	-	31,010	380,300	-349,290	-92	
Finance & Admin	333,028	-	333,028	330,000	3,028	1	
Planning & Development	30,174	-	30,174	60,000	-29,826	-50	
Health	102,584	-	102,584	1,282,556	-1,179,972	-92	
Community & Social Services	144,422	-	144,422	3,626,200	-3,481,778	-96	
Housing	-	-	-	-	-		
Public Safety	-	-	-	-	-		
Sport & Recreation	-	-	-	-	-		
Environmental Protection	-	-	-	-	-		
Waste Management	2,208,500	-	2,208,500	1,807,500	401,000	22	
Road Transport	-	-	-	-	-		
Water	288,025	-	288,025	478,000	-189,975	-40	
Electricity	-	-	-	-	-		
Other	-	-	-	-	-		
TOTAL	3,137,743	-	3,137,743	7,964,556	-4,826,813	-346	

APPENDIX F

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

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance	
		March	June	Sept	Dec	March	March	June	Sept	Dec	March	March	June	Sept	Dec	March				
																				Yes / No