

# **METSWEDING DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2006**



# METSWEDING DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2006

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# **METSWEDING DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS: GENERAL INFORMATION for the year ended 30 June 2006**

### **EXECUTIVE MAYOR**

Councillor M.O. Maila (until 28 February 2006)  
Councillor A. Mlondobozi (w.e.f. 1 March 2006)

### **SPEAKER OF THE COUNCIL**

Councillor R. Sibanyoni

### **MEMBERS OF THE MAYORAL COMMITTEE**

Councillor A. Mlondobozi (until 28 February 2006)  
Councillor P.M. Mohotlane (until 28 February 2006)  
Councillor O.A. Nkabinde (until 28 February 2006)  
Councillor S.J. Mabona (w.e.f. 1 March 2006)  
Councillor J.M. Masango (w.e.f. March 2006)  
Councillor R.N. Seoketsa (w.e.f. March 2006)

### **MEMBERS OF THE METSWEDING DISTRICT MUNICIPALITY**

Councillor J.R. Boot (until 28 February 2006)  
Councillor V.S. Botha (w.e.f. March 2006)  
Councillor M.M. Chaba (w.e.f. March 2006)  
Councillor H.A.M. Khan (w.e.f. March 2006)  
Councillor C. Knox (w.e.f. March 2006)  
Councillor S.P. Mabena (w.e.f. March 2006)  
Councillor C.R. Mokgawa (until 28 February 2006)  
Councillor P.M. Moloi (w.e.f. March 2006)  
Councillor D. Motaung (until 28 February 2006)  
Councillor E.N. Myataza (until 28 February 2006)  
Councillor N.E. Ntshabeleng (w.e.f. March 2006)  
Councillor R.G.P. Opperman (until 28 February 2006)  
Councillor P. Pitseng (w.e.f. March 2006)  
Councillor P.J.F. Roos (until 28 February 2006)  
Councillor T.J. Rossouw  
Councillor P.J.A. van der Merwe (w.e.f. March 2006)

### **MUNICIPAL MANAGER**

Mr. C.A. Chikane

### **CHIEF FINANCIAL OFFICER**

Mr. E.V. Sweeney



# **METSWEDING DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS: GENERAL INFORMATION for the year ended 30 June 2006**

### **GRADING OF THE LOCAL AUTHORITY**

Grade 4 for the purpose of the remuneration of councillors and grade 8 for the purpose of remuneration of officials.

### **AUDITORS**

Auditor – General

### **BANKERS**

ABSA Bank Limited

### **REGISTERED OFFICE**

Lazarus Building  
43 Lanham Street  
Bronkhorstspuit

### **POSTAL ADDRESS**

Private Bag X10579  
Bronkhorstspuit  
1020

### **CONTACT DETAILS**

Tel: (013) 932 5121/3/4  
Fax: (013) 932 1796

## **APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 9 to 21 were approved by the Municipal Manager on 19 September 2006.

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Mr. C.A. Chikane  
MUNICIPAL MANAGER  
19 September 2006

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Mr. E.V. Sweeney  
CHIEF FINANCIAL OFFICER  
19 September 2006



**METSWEDING DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS: REPORT OF THE  
AUDITOR-GENERAL  
for the year ended 30 June 2006**



# **METSWEDING DISTRICT MUNICIPALITY**

## **REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2006**

The Metsweding District Municipality was established as a cross-boundary category C municipality on 5 December 2000 by the Members of the Executive Councils (MEC's) responsible for local government in the Gauteng and Mpumalanga provinces, per notice 6767 of 2000 as published in the provincial gazette extraordinary no. 141 of 01 October 2000, in terms of Section 12 of the Municipal Structures Act, Act No. 117 of 1998. The Local Municipalities of Kungwini and Nokeng tsa Taamane were established as category B municipalities within the jurisdiction of Metsweding.

The year ended 30 June 2006 has been the fifth year of operations for the Metsweding District Municipality. Revenue from Regional Services Council levies has increased by 0.69%. Management is of the opinion that the increase in revenue from Regional Services Councils levies has reached a plateau. Interest received has decreased by 8.51% mainly due to a reduction in interest rates. Interest received will not be sustained on the same levels, due to an envisaged outflow of cash to fund increased development aid activities, as well as a substantial drop in rates. Grants and subsidies have increased by 33.69%. During the 2003/04 financial year the Gauteng Department of Health appointed the Metsweding District Municipality as the appointed agent of the Department to provide Emergency Medical Services (Ambulance Services). The Service is funded in total by the Gauteng Health Department. For the year under review the service operated at a deficit of R422,402 compared to the prior year deficit of R618,652.

Regional services have increased by 28.57%. Capital Transfers to Local B Municipalities have increased by 48.04% mainly due to an increase in grant funding from the Municipal Infrastructure Grant, as well as additional spending of own reserves. Operational Transfers to Local B Municipalities have increased by 65.60% mainly due to an increase in humanitarian relief, specifically emergency sanitation services.

With the establishment of the municipality, an agency agreement was reached between the Metsweding District Municipality and the Kungwini Local Municipality whereby Kungwini administered certain corporate functions for Metsweding. The agreement was terminated during the year under review.

During the year under review local government elections were held and twelve new councillors were elected to office, whilst three councillors had the honour to return w.e.f. March 2006.



# METSWEDING DISTRICT MUNICIPALITY

## REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2006

### 1. KEY FINANCIAL INDICATORS: FINANCIAL STATISTICS

#### Balance sheet ratios and financial statements ratios

	2006	2005
Surplus/(Deficit) before appropriations	(R7,951,444)	(R 3,834,333)
Surplus at the end of the year	(R14,792,067)	R 21,875,002
Salaries and wages as % of Total expenses	29,58%	32,42%
Councillor remuneration as % of Total expenses	2,78%	3,68%
General Expenses as % of Total expenses	13,58%	20,19%
Repairs & Maintenance as % of Total expenses	0,26%	0,33%
Depreciation as % of Total expenses	0,75%	0,95%
Contributions as % of Total expenses	-%	2,72%
Regional services as % of Total expenses	18,97%	5,52%
Transfers to Municipalities - Capital as % of Total expenses	33,60%	32,46%
Transfers to Municipalities - Opex as % of Total expenses	0,31%	0,64%
Current ratio	1,6:1	1,8:1
Levy debtors days	34 days	53 days

### 2. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.



# METSWEDING DISTRICT MUNICIPALITY

## REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2006

### 3. RECONCILIATION OF BUDGET TO ACTUAL

	2006 R	2005 R
<b>3.1 Operating budget</b>		
<b>Budgeted surplus/(deficit) before appropriations</b>	<b>(8,199,028)</b>	<b>(7,321,138)</b>
Revenue variances	(3,966,452)	(12,758,989)
Expense variance - Regional services	8,747,537	6,146,765
Expense variance - Development aid - Transfers	(7,533,019)	8,117,786
Expense variance - Operating expenses	2,999,518	1,981,243
Expense variances – Depreciation	(26,223)	276,792
Expense variances - General expenses	804,304	827,574
Expense variances - Repairs and maintenance	(19,948)	299,953
Expense variances - Salaries, wages and allowances	2,131,385	1,597,936
Expense variances – Contributions	110,000	(1,139,827)
Expense variances - Capital charges	-	618,000
Expense variances – Loss with disposal / write-off of fixed assets	-	(499,185)
Expense variances - Other expenses	-	-
<b>Actual surplus/(deficit) before appropriations</b>	<b>(7,951,444)</b>	<b>(3,834,333)</b>

#### Reasons for variances:

- Negative Revenue variance – Mainly due to a plateau reached with the collection of Regional Services Council levies and grant income not utilised, therefore deferred to future years.
- Positive Expense variance of Regional services deferred to the next budget.
- Negative Expense variance of Development aid – Transfers to Local B Municipalities moved forward in execution due to the increase in the municipal infrastructure grant.
- Expense variance - Operating expenses
  - Negative Expense variances of Depreciation due to higher than anticipated spending on the Capital Budget.
  - Positive Expense variances of General expenses due to savings.
  - Negative Expense variances of Repairs and maintenance due to the increased lifespan of assets.
  - Positive Expense variances of Salaries, wages and allowances due to unfilled vacancies.
  - Negative Expense variances of Contributions due to a reduction in the bad debt provision.





# METSWEDING DISTRICT MUNICIPALITY

## REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2006

### 3.2 Capital budget

	Land & Buildings	Office furniture	Office equipment	Other furniture and equipment	Motor vehicles	Computer and computer equipment
<b>Budgeted Capital Expenses</b>	<b>1,100,000</b>	<b>70,000</b>	<b>9,000</b>	<b>15,000</b>	<b>0</b>	<b>150,000</b>
<b>Actual Expenses</b>	<b>-</b>	<b>71,749</b>	<b>79,227</b>	<b>3,175</b>	<b>393,900</b>	<b>237,422</b>
<b>Variiances</b>	<b>1,100,000</b>	<b>(1,749)</b>	<b>(70,227)</b>	<b>11,825</b>	<b>(393,900)</b>	<b>(87,422)</b>

#### Reasons for variances:

- Positive Expense variances on land & buildings because of a decision not to acquire any additional land & buildings due to the uncertainty regarding the municipality's future at the time
- Negative Expense variances on office furniture & office equipment due to an increase in demand not known at the time of the budget.
- Negative Expense variances on office furniture & office equipment due to an increase in demand not known at the time of the budget.
- Positive Expense variances on other furniture & office equipment due to a reduction in demand not known at the time of the budget
- Negative Expense variances on motor vehicles due to the replacement of a stolen vehicle by the insurers.
- Negative variances on computer and computer equipment due to an increase in demand not known at the time of the budget.

### 4. FINANCIAL FORECAST FOR THE FORTHCOMING YEAR

	Budget 2007	Actual 2006
<b>A summary of the 2007 operating budget is as follows:</b>		
Revenue	39,534,938	52,615,548
Regional functions	(9,238,210)	(3,543,107)
Transfers to Local B Municipalities – Capital	(1,137,338)	(28,646,801)
Transfers to Local B Municipalities – Operational	-	(855,118)
Operating expenses	(31,018,404)	(27,521,966)
Capital costs	-	-
Contributions	(1,000)	-
Councillor remuneration	(1,942,918)	(1,686,930)
Depreciation	(670,000)	(516,223)
General expenses	(8,072,326)	(7,989,972)
Repairs and maintenance	(247,000)	(185,948)
Salaries, wages and allowances	(20,084,160)	(17,142,893)
Loss with disposal / write-off of fixed assets	(1,000)	-
Surplus/(Deficit) before budgeted appropriations	(1,859,014)	(7,951,444)
Appropriation of non distributable reserves to off-set depreciation	500,000	448,271
Appropriation of distributable reserves	1,497,644	-
Prior year appropriations	-	538,385
Transfer to Asset Financing Fund	(125,500)	118,147
Surplus/(Deficit) for the year	<u>13,130</u>	<u>(7,082,935)</u>



# METSWEDING DISTRICT MUNICIPALITY

## REPORT OF THE MUNICIPAL MANAGER for the year ended 30 June 2006

	<b>Budget 2007</b>	<b>Actual 2006</b>
<b>A summary of the 2006 capital budget is as follows:</b>		
Community services	<b>1,302,000</b>	<b>785,473</b>
Subsidised services	-	-
Trading services	-	-
	<b><u>1,344,000</u></b>	<b><u>1,632,083</u></b>

### 5. INTER – GOVERNMENTAL TRANSFERS FOR THE YEAR ENDED 30 JUNE 2006

Inter - governmental transfer	Opening balance	Received	Expensed	Used to finance fixed assets	Closing balance	Purpose
Equitable Share	-	1,570,155	1,570,155	-	-	Unconditional
Gauteng – MSP	1,649,284	-	13,872	-	1,635,412	Institutional Support
National – LGTF	16,649	-	-	1,667	14,982	Establishment Costs
Gauteng – ITP	-	485,850	485,850	-	-	Integrated Transport Plan
Gauteng – LED	195,930	-	33,907	-	162,023	Local Economic Development
National – MIG	77,823	19,592,911	19,670,734	-	-	Infrastructure
City of Tshwane – PR/R11	105,938	-	-	-	105,938	Infrastructure – Pedestrian Bridge
Gauteng – HIV/Aids	1,113,461	3,312,000	1,939,212	-	2,486,249	HIV/Aids prevention
Gauteng – LED	2,700,000	-	613,462	-	2,086,538	Local Economic Development
Gauteng – LED	8,301,005	-	864,640	-	7,436,365	Local Economic Development
Gauteng – WW/S45	92,449	-	-	-	92,449	Infrastructure
National – Building for Sport & Recreation	1,331,206	-	808,252	-	522,954	Infrastructure – Sport Complex
National – MSIG	3,242,969	1,000,000	2,806,175	-	1,436,794	Municipal Systems Improvement
Gauteng – Capacity Building	965,829	-	-	-	965,829	Institutional Support – Master Plans
Gauteng – M3 Roads	-	1,137,338	-	-	1,137,338	Infrastructure – Roads
National – MFM	-	250,000	15,227	-	234,773	Financial Management
National – CMIP Capacity Building	7,333	-	-	-	7,333	Institutional Support – Infrastructure
Gauteng – Capacity Building	423,508	-	111,875	-	311,633	Institutional Support – Capacity Building
Gauteng – Railway Study	280,000	-	192,851	-	87,149	Railway Study
Gauteng – EMS	(2,012,500)	8,196,822	8,322,572	-	(2,138,250)	Emergency Medical Services Agency



# METSWEDING DISTRICT MUNICIPALITY

## BALANCE SHEET

as at 30 June 2006

	NOTES	2006 R	2005 R
<b>CAPITAL EMPLOYED</b>			
STATUTORY FUNDS	1	1,438,532	1,408,512
NON DISTRIBUTABLE RESERVES	2	796,781	1,486,837
DISTRIBUTABLE RESERVES		14,792,067	21,875,002
Unappropriated surplus		14,792,067	21,875,002
		17,027,380	24,770,351
<b>EMPLOYMENT OF CAPITAL</b>			
PROPERTY, PLANT AND EQUIPMENT	3	2,111,352	2,567,580
NET CURRENT ASSETS		14,916,028	22,202,771
CURRENT ASSETS		41,281,529	49,914,174
Levy debtors	4	203,389	538,968
Other debtors	5	3,483,788	3,362,357
Cash and cash equivalents	6	37,594,352	46,012,849
CURRENT LIABILITIES		26,365,501	27,711,403
Provisions	7	3,324,385	4,152,079
Creditors	8	4,324,689	3,063,273
Deferred income	9	18,716,427	20,496,051
		17,027,380	24,770,351



# METSWEDING DISTRICT MUNICIPALITY

## INCOME STATEMENT for the year ended 30 June 2006

	NOTES	2006 R	2005 R
<b>(DEFICIT)/SURPLUS FROM ORDINARY ACTIVITIES</b>			
Regional services		(7,951,444)	(3,834,333)
<b>NET (DEFICIT)/SURPLUS FOR THE YEAR</b>	<b>10</b>	<b>(7,951,444)</b>	<b>(3,834,333)</b>
<b>NET (DEFICIT)/SURPLUS BEFORE APPROPRIATIONS</b>		<b>(7,951,444)</b>	<b>(3,834,333)</b>
<b>UNAPPROPRIATED SURPLUS AT BEGINNING OF THE YEAR</b>		<b>21,875,002</b>	<b>21,003,600</b>
<b>APPROPRIATIONS:</b>			
Prior year appropriations	<b>11</b>	<b>538,385</b>	<b>4,443,392</b>
Transfer to Asset Financing Fund	<b>12</b>	<b>(118,147)</b>	<b>(115,113)</b>
Transfer from Non-Distributable Reserves	<b>13</b>	<b>448,271</b>	<b>377,456</b>
<b>UNAPPROPRIATED SURPLUS AT END OF THE YEAR</b>		<b>14,792,067</b>	<b>21,875,002</b>



# METSWEDING DISTRICT MUNICIPALITY

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

	NOTES	2006 R	2005 R
<b>CASH FLOW UTILISED IN OPERATING ACTIVITIES</b>			
Cash receipts from levy payments, government and other sources		48,438,104	51,294,697
Cash paid to suppliers and employees		(59,617,048)	(54,894,946)
Cash utilised from in operations	14	(11,178,944)	(3,600,249)
Interest received		3,141,853	3,409,356
<b>NET CASH UTILISED IN OPERATING ACTIVITIES</b>		<b>(8,037,091)</b>	<b>(190,893)</b>
<b>CASH FLOWS UTILISED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(785,473)	(1,632,083)
Proceeds on disposal of fixed assets		8,500	9,500
<b>NET CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(776,973)</b>	<b>(1,622,583)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Other capital receipts		395,567	417,583
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>395,567</b>	<b>417,583</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENT</b>	15	<b>(8,418,497)</b>	<b>(1,395,893)</b>



# METSWEDING DISTRICT MUNICIPALITY

## ACCOUNTING POLICIES for the year ended 30 June 2006

### 1. BASIS OF PRESENTATION

- 1.1 These annual financial statements have been prepared so as to conform to Generally Accepted Municipal Accounting Practice.
- 1.2 The annual financial statements have been prepared on the historical cost basis.

### 2. PROPERTY, PLANT AND EQUIPMENT

- 2.1 Property, plant and equipment is stated at cost less accumulated depreciation.
- 2.2 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 2.3 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives.

*Community assets*

Cemeteries	30 years
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*Other assets*

Office furniture	7 years
Office equipment	3 years
Other furniture and equipment	3 to 5 years
Motor vehicles	5 years
Computer and computer equipment	3 to 5 years

### 3. RETIREMENT BENEFITS

- 3.1 The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The municipality associates with defined contribution funds, under the protection of the Registrar of Pension Funds.



# **METSWEDING DISTRICT MUNICIPALITY**

## **ACCOUNTING POLICIES for the year ended 30 June 2006**

### **4. REVENUE RECOGNITION**

- 4.1 Revenue from levies is recognised when the legal entitlement to this revenue arises. This entitlement arises on the payment due date as reflected on the RSC4 declaration, alternatively upon receipt when no RSC4 declaration is made whilst it is certain that the economic benefits have flown to the municipality. If no RSC4 declaration was made, revenue so recognised is proportionately split between Regional Establishment Levies (82.48%) and Regional Services Levies (17.52%). Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid levies is recognised on a time basis.
- 4.2 Interest is recognised on the time basis that takes into account the effective yield on assets.
- 4.3 Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are classified as capital receipts and credited to non-distributable reserves. These amounts are released to the income statement over the estimated life of the item of property, plant and equipment acquired.
- 4.4 Amounts received from government and donors for the purpose of operating expenses are classified as deferred income. These amounts are released to the income statement when the corresponding expenses are incurred.

### **5. SEGMENTAL INFORMATION**

- 5.1 The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditures. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

### **6. INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT**

- 6.1 In order to finance the provision of items of property, plant and equipment, amounts are set aside from unappropriated surpluses in the Asset Financing Fund (AFF). A total contribution, based on 1% of the revenue from RSC levies received during the previous financial year is made towards the Asset Financing Fund.



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>1. STATUTORY FUNDS</b>		
Asset Financing Fund	<u>1,438,532</u>	<u>1,408,512</u>

Movements in funds are reconciled as follows:

### *Asset Financing Fund*

<b>Balance at the beginning of the year</b>	1,408,512	1,697,899
Contributions charged to income	118,146	115,113
Cash utilised to finance property, plant and equipment	<u>(88,126)</u>	<u>(404,500)</u>
<b>Balance at the end of the year</b>	<u>1,438,532</u>	<u>1,408,512</u>

The purpose of the Asset Financing Fund is to set aside cash to finance fixed asset additions from internal sources. The contribution to the AFF is based on the Integrated Development Plan financing requirements. When cash is used to finance property, plant and equipment a corresponding amount is transferred to a non-distributable reserve. (See note 2).

## 2. NON – DISTRIBUTABLE RESERVES

Capital Receipts	630,111	936,633
Transfers from Asset Financing Fund	<u>166,670</u>	<u>550,204</u>
	<u>796,781</u>	<u>1,486,837</u>

### **Movements**

Capital receipts	395,567	417,583
Used to finance property, plant and equipment	<u>395,567</u>	<u>417,583</u>
Unutilised	-	-
Transfers from Asset Financing Fund used to finance property, plant and equipment	<u>88,126</u>	<u>404,500</u>
<b>Net movements</b>	<u>483,693</u>	<u>822,083</u>

Movements can be reconciled as follows:

### **Capital Receipts (used to finance property, plant and equipment)**

<b>Balance at beginning of year</b>	936,633	850,243
Used to finance current year additions	395,567	417,583
Transfer to income statement to offset depreciation charge	(354,144)	(285,738)
Disposal of fixed assets	(347,945)	(147,122)
Accumulated depreciation of fixed assets disposed	-	101,667
<b>Balance at end of year</b>	<u>630,111</u>	<u>936,633</u>





# METSWEDING DISTRICT MUNICIPALITY

## NOTES TO ANNUAL THE FINANCIAL STATEMENTS

### for the year ended 30 June 2006

These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly, these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. The balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed of.

	2006 R	2005 R
<b>Transfers from Asset Financing Fund</b>		
<b>Balance at beginning of year</b>	550,204	237,422
Used to finance current year additions	88,126	404,500
Transfer to income statement to offset depreciation charge	(94,127)	(91,718)
Disposal of fixed assets	(377,533)	-
<b>Balance at end of year</b>	<u>166,670</u>	<u>550,204</u>

These amounts represent property, plant and equipment financed by the Asset Financing Fund. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge and avoid duplication in expenses.

### 3. PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated Depreciation R	Net Book Value R
<b>30 June 2006</b>			
<b>OWNED PROPERTY, PLANT AND EQUIPMENT</b>			
Community	-	-	-
Other	<u>3,456,273</u>	<u>1,344,921</u>	<u>2,111,352</u>
	<u>3,456,273</u>	<u>1,344,921</u>	<u>2,111,352</u>
<b>30 June 2005</b>			

### OWNED PROPERTY, PLANT AND EQUIPMENT

Community	-	-	-
Other	<u>3,469,200</u>	<u>(901,620)</u>	<u>2,567,580</u>
	<u>3,469,200</u>	<u>(901,620)</u>	<u>2,567,580</u>

Refer to Appendix A and B for more detail on property, plant and equipment.



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>4. LEVY DEBTORS</b>		
Levy debtors	830,102	1,359,695
Less: Provision for bad debts	<u>(626,713)</u>	<u>(820,727)</u>
	<u>203,389</u>	<u>538,968</u>

### Bad Debt Provision

The bad debt provision is calculated by recognising all debtors as doubtful, less accruals.

### 5. OTHER DEBTORS

Float account - Emerging contractors	400,000	400,000
Eastern Gauteng Services Council - Distribution account	7,754,333	7,754,333
Less: Provision for bad debts	<u>(8,154,333)</u>	<u>(8,154,333)</u>
VAT receivable	1,300,922	1,094,985
Sundry debtors	<u>2,182,866</u>	<u>2,267,372</u>
	<u>3,483,788</u>	<u>3,362,357</u>



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current account	37,594,352	46,012,849
Call account	-	-
	<u>37,594,352</u>	<u>46,012,849</u>
<b>7. PROVISIONS</b>		
Development aid – Transfers to Local B Municipalities	1,829,017	3,018,227
Leave pay	1,495,368	1,133,852
	<u>3,324,385</u>	<u>4,152,079</u>
Movements in Leave Pay Provision		
<b>Balance at the beginning of the year</b>	1,133,852	486,542
Contributions charged to income	813,462	866,582
Leave paid out to employees	(451,946)	(219,272)
<b>Balance at the end of the year</b>	<u>1,495,368</u>	<u>1,133,852</u>
<b>8. CREDITORS</b>		
Accruals	2,269,698	642,600
Retention creditors	1,699,624	1,076,808
RSC Levies – unallocated credits	154,261	242,498
Ekurhuleni Metropolitan Municipality	-	900,261
Sundry creditors	201,106	201,106
	<u>4,324,689</u>	<u>3,063,273</u>
<b>9. DEFERRED INCOME</b>		
Operating grants received not yet expensed	<u>18,716,427</u>	<u>20,496,051</u>



# METSWEDING DISTRICT MUNICIPALITY

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

	2006	2005
	R	R
<b>10. NET DEFICIT FOR THE YEAR</b>		
The following has been taken into account in determining the net deficit for the year:		
<b>Contribution to provisions</b>		
Leave pay	813,462	866,582
Bad debt provision	<u>(194,014)</u>	<u>1,249,827</u>
	<u>619,448</u>	<u>2,116,409</u>
<b>Councillors remuneration</b>		
Executive Mayor's allowance	329,337	329,659
Speaker of the Council's allowance	228,626	213,727
Councillors' allowances	332,185	326,499
Members of the Mayoral Committee's allowances	666,591	668,721
Councillors' pension contribution	<u>130,191</u>	<u>148,371</u>
	<u>1,686,930</u>	<u>1,686,977</u>
<b>Depreciation</b>		
Community	-	-
Other	<u>516,223</u>	<u>438,208</u>
	<u>516,223</u>	<u>438,208</u>
<b>Interest received</b>		
Banking institutions	3,141,491	3,267,095
Levies	<u>362</u>	<u>142,261</u>
	<u>3,141,853</u>	<u>3,409,356</u>
<b>Operating lease charges</b>	<u>51,695</u>	<u>52,810</u>
<b>Audit fees</b>	<u>12,507</u>	<u>128,571</u>
<b>Revenue</b>		
District municipality levies	11,896,447	11,814,665
Government, Provincial and other grants and subsidies	29,021,388	19,245,165
- Inter-government grants	29,021,388	19,245,165
- Other	-	-
Interest received	3,141,853	3,409,356
Ambulance fees	138,489	87,099
Ambulance agency fee	8,322,571	7,429,750
Other income	<u>94,800</u>	<u>41,886</u>
	<u>52,615,548</u>	<u>42,027,921</u>



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>11. PRIOR YEAR APPROPRIATIONS</b>		
Prior year appropriations		
- Retention credit reversed	7,504	14,798
- Provision for completed development aid projects reversed	317,504	9,578
- Suspense credit reversed	-	7,769
- Levy debtors' credit balances appropriated as revenue	149,710	4,411,247
- Levy debtor's bad debt provision appropriated	63,667	-
	<u>538,385</u>	<u>4,443,392</u>
<b>12. TRANSFER TO ASSET FINANCING FUND</b>		
Contributions	<u>118,147</u>	<u>115,113</u>
The total contribution is based 1% of the revenue from RSC levies received during the previous financial year.		
<b>13. TRANSFERS FROM NON-DISTRIBUTABLE RESERVES</b>		
Transfer from capital receipts to offset depreciation charges (See note.2)	354,144	285,738
Transfer from Asset Financing Fund to offset depreciation charges (See note.2)	94,127	91,718
	<u>448,271</u>	<u>377,456</u>



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>14. CASH GENERATED UTILISED IN OPERATIONS</b>		
Net deficit for the year	(7,951,444)	(3,834,333)
Adjustments for:		
Previous year's appropriations (See note.11)	538,385	4,443,392
Depreciation	516,222	438,208
Profit on disposal of property, plant and equipment	(8,500)	(9,500)
Loss on disposal of property, plant and equipment	-	499,185
Interest received	<u>(3,141,853)</u>	<u>(3,409,356)</u>
Operating deficit before working capital changes:	<u>(10,047,190)</u>	<u>(1,872,404)</u>
Decrease in levy debtors	335,579	1,379,986
(Increase)/Decrease in other debtors	(121,431)	4,903,483
Decrease in provisions	(827,694)	(5,239,126)
Increase/(Decrease) in creditors	1,261,416	(4,732,074)
Increase in deferred income	(1,779,624)	1,958,771
Decrease in deferred expenditure	-	1,115
	<u>(11,178,944)</u>	<u>3,600,249</u>
<b>15. NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Balance at the end of the year	37,594,352	46,012,849
Balance at the beginning of the year	<u>46,012,849</u>	<u>47,408,742</u>
	<u>(8,418,497)</u>	<u>(1,395,893)</u>

### 16. RETIREMENT BENEFIT INFORMATION

All councillors and employees belong to 4 defined contribution retirement funds administered individually, under the statutory protection of the Registrar of Pension Funds.

Council contributed an amount of R2,099,976 (R1,902,454: 2005) in respect of councillor and employees retirement fund. These contributions have been expensed.



# METSWEDING DISTRICT MUNICIPALITY

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

	2006 R	2005 R
<b>17. FUNDAMENTAL ERRORS &amp; CHANGES IN ACCOUNTING POLICY</b>		
<p>A change in the accounting policy regarding revenue recognition of RSC levies was effected during the 2004/05 financial year. The effect thereof was that prior year RSC levy debtors with credit balances were appropriated as revenue to the amount of R5,028,821. The following appropriations of prior years were made (See Note 13):</p>		
Charged to income statement		
- Appropriations of accumulated surplus	-	(4,411,247)
Other debtors – VAT receivable	-	(617,574)
Creditors - Levy debtors with credit balances	-	5,028,821
	-	-



## METSWEDING DISTRICT MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
for the year ended 30 June 2006

	COST			ACCUMULATED DEPRECIATION				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Current year	Disposals	Closing balance
<b>Other assets</b>								
Land	999,105	-	-	999,105	-	-	-	-
Office furniture	474,121	71,749	-	545,870	219,642	65,129	-	284,771
Office equipment	143,663	79,227	-	222,890	39,429	50,376	-	89,805
Other furniture and equipment	192,739	3,175	-	195,914	68,339	46,301	-	114,640
Motor vehicles	1,095,122	393,900	(798,400)	690,622	369,942	184,080	72,922	481,100
Computers and computer equipment	564,450	237,422	-	801,872	204,268	170,337	-	374,605
<b>Total</b>	<b>3,469,200</b>	<b>785,473</b>	<b>(798,400)</b>	<b>3,456,273</b>	<b>901,620</b>	<b>516,223</b>	<b>72,922</b>	<b>1,344,921</b>

	BOOK VALUE	
	Opening balance	Closing balance
<b>Other assets</b>		
Land	999,105	999,105
Office furniture	254,479	261,098
Office equipment	104,234	133,085
Other furniture and equipment	124,400	81,275
Motor vehicles	725,180	209,522
Computers and computer equipment	360,182	427,267
<b>Total</b>	<b>2,567,580</b>	<b>2,111,352</b>





METSWEDING DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

for the year ended 30 June 2006

2005 Expenditure Net book value R		Balance at 01/07/2005 Net book value R	2006 Expenditure Net book value R	2006 Disposals Net book value R	Balance at 30/06/2006 Net book value R
	<b>REGIONAL SERVICES</b>				
	<b>Community services</b>				
1,193,875	Administration	2,567,580	269,250	(725,478)	2,111,352
<u>1,193,875</u>	<b>TOTAL</b>	<u>2,567,580</u>	<u>269,250</u>	<u>(725,478)</u>	<u>2,111,352</u>



## METSWEDING DISTRICT MUNICIPALITY

ANALYSIS OF OPERATING REVENUE AND EXPENSES  
for the year ended 30 June 2006

2005 R		2006 R	2006 R
Actual		Actual	Budget
<b>REVENUE</b>			
11,814,665	RSC levies	11,896,447	13,000,000
19,245,165	Government, Provincial and other grants and subsidies	29,021,388	32,228,000
3,409,356	Interest received	3,141,853	2,500,000
7,429,750	Provincial agency fee – emergency medical services	8,322,571	8,767,000
128,985	Other income	233,289	87,000
<b>42,027,921</b>		<b>52,615,548</b>	<b>56,582,000</b>
<b>EXPENSES</b>			
2,530,749	Regional functions	3,543,107	12,290,644
14,886,284	Transfers to Local B municipalities – capital	28,646,801	21,768,900
294,170	Transfers to Local B municipalities – operational	855,118	200,000
28,151,051	Operating expenses	27,521,966	30,521,484
438,208	- Depreciation	516,223	490,000
9,258,226	- General and other expenses	7,989,972	8,794,276
151,047	- Repairs and maintenance	185,948	166,000
14,867,581	- Salaries, wages and allowances	17,142,893	19,160,902
1,686,977	- Councillor remuneration	1,686,930	1,800,306
-	- Capital charges	-	-
1,249,827	- Contributions	-	110,000
499,185	- Loss with disposal/writing-off of fixed assets	-	-
<b>45,862,254</b>		<b>60,566,992</b>	<b>64,781,028</b>
<b>(3,834,333)</b>	<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(7,951,444)</b>	<b>(8,199,028)</b>
<b>21,003,600</b>	<b>UNAPPROPRIATED SURPLUS AT BEGINNING OF THE YEAR</b>	<b>21,875,002</b>	<b>-</b>
<b>APPROPRIATIONS:</b>			
4,443,392	Prior year appropriations	538,385	8,000,000
(115,113)	Transfer to Asset Financing Fund	(118,147)	(120,000)
377,456	Transfer from Non-Distributable Reserves	448,271	331,000
<b>21,875,002</b>	<b>UNAPPROPRIATED SURPLUS AT END OF THE YEAR</b>	<b>14,792,067</b>	<b>11,972</b>



## METSWEDING DISTRICT MUNICIPALITY

SEGMENTAL INCOME STATEMENT  
for the year ended 30 June 2006

2005 R	2005 R	2005 R		2006 R	2006 R	2006 R
Actual income	Actual expenditure	Surplus / (deficit)		Actual income	Actual expenditure	Surplus / (deficit)
<b>REGIONAL SERVICES</b>						
<b>34,511,072</b>	<b>-37,233,226</b>	<b>-2,722,154</b>	<b>Community Services</b>	<b>44,154,488</b>	<b>-51,683,530</b>	<b>-7,529,042</b>
11,814,665	-	11,814,665	<i>Administration</i>			
19,245,165	-	19,245,165	RSC levies	11,896,447	-	11,896,447
			Government and Provincial grants and subsidies	29,021,388	-	29,021,388
3,409,356	-	3,409,356	Interest received	3,141,853	-	3,141,853
41,886	-	41,886	Other income	94,800	-	94,800
-	-2,530,749	-2,530,749	Regional functions	-	-3,543,107	-3,543,107
-	-14,886,284	-14,886,284	Transfers to Local B municipalities – capital	-	-28,646,801	-28,646,801
-	-294,170	-294,170	Transfers to Local B municipalities – operational	-	-855,118	-855,118
-	-19,522,023	-19,522,023	Operating expenses (Section 12(6)(c))	-	-18,638,504	-18,638,504
-	-438,208	-438,208	- Depreciation	-	-516,223	-516,223
-	-8,563,509	-8,563,509	- General and other expenses	-	-7,123,530	-7,123,530
-	-143,355	-143,355	- Repairs and maintenance	-	-177,676	-177,676
-	-7,434,489	-7,434,489	- Salaries, wages and allowances	-	-9,134,145	-9,134,145
-	-1,686,977	-1,686,977	- Councillor remuneration	-	-1,686,930	-1,686,930
-	-1,249,827	-1,249,827	- Contributions	-	-	-
-	-5,658	-5,658	- Loss with write-off of fixed assets	-	-	-
-	<b>-493,527</b>	<b>-493,527</b>	<b>Subsidised Services</b>	-	-	-
-	-493,527	-493,527	<i>Cemeteries</i>			
-	-	-	Operating expenses (Section 12(6)(c))	-	-	-
-	-493,527	-493,527	- Depreciation	-	-	-
-	-	-	- Loss with write-off of cemetery	-	-	-
<b>EMERGENCY MEDICAL SERVICES</b>						
<b>7,516,849</b>	<b>-8,135,501</b>	<b>-618,652</b>	<b>Ambulance Services</b>	<b>8,461,060</b>	<b>-8,883,462</b>	<b>-422,402</b>
7,429,750	-	7,429,750	Provincial agency fee	8,322,571	-	8,322,571
87,099	-	87,099	Ambulance fees	138,489	-	138,489
-	-8,135,501	-8,135,501	Operating expenses	-	-8,883,462	-8,883,462
-	-694,717	-694,717	- General and other expenses	-	-866,442	-866,442
-	-7,692	-7,692	- Repairs and maintenance	-	-8,272	-8,272
-	-7,433,092	-7,433,092	- Salaries, wages and allowances	-	-8,008,748	-8,666,442
-	-	-	- Contributions	-	-	-
<b>42,027,921</b>	<b>-45,862,254</b>	<b>-3,834,333</b>	<b>TOTAL</b>	<b>52,615,548</b>	<b>-60,566,992</b>	<b>-7,951,444</b>



METSWEDING DISTRICT MUNICIPALITY

STATISTICAL INFORMATION  
for the year ended 30 June 2006

A. GENERAL STATISTICS

1. Population (approximate)	119,539	119,539
	2006	2005
	R	R
2. RSC levies: Establishment levies	8,337,458	7,825,844
Services levies	3,558,989	3,988,821
	<u>11,896,447</u>	<u>11,814,665</u>
3. RSC levies: Establishment levy (incl. 14% VAT)	0,15162%	0,15162%
Services levy (incl. 14% VAT)	0,37962%	0,37962%
4. Number of employees at Metsweding District Municipality		
Active employees.	111	104

