

MATATIELE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 36, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

C.T.L.N. KHOHLOKOANE
Municipal Manager

Date

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MATATIELE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		85 578 990	63 254 607
Housing Development Fund	1	734 044	732 473
Capital replacement reserve		3 500 000	1 084 318
Capitalisation reserve		3 143 133	3 381 900
Government grant reserve		46 949 016	21 393 151
Revaluation reserve		17 330 976	17 853 563
Accumulated Surplus/(Deficit)		13 921 820	18 809 203
Non-current liabilities		3 315 904	3 769 726
Long-term liabilities	2	1 114 234	1 652 881
Non-current provisions	3	2 201 670	2 116 845
Current liabilities		41 014 813	9 852 753
Consumer deposits	4	346 020	397 229
Provisions	5	379 398	161 919
Creditors	6	6 412 225	3 006 414
Unspent conditional grants and receipts	7	32 782 990	5 269 903
Taxes	8	553 254	535 815
Short-term loans	9	-	-
Bank overdraft	19	-	-
Current portion of long-term liabilities	2	540 927	481 472
Total Net Assets and Liabilities		129 909 707	76 877 086
ASSETS			
Non-current assets		87 782 197	63 794 180
Property, plant and equipment	10	82 808 178	59 420 186
Investment property	11	1 293 011	1 297 000
Intangible Assets	12	638 922	381 620
Investments	13	3 042 086	2 648 640
Long-term receivables	14	-	46 734
Current assets		42 127 510	13 082 906
Inventory	15	343 594	288 869
Consumer debtors	16	2 214 047	5 016 411
Other debtors	17	2 085 750	1 990 452
Unpaid conditional grants and receipts	7	-	874 312
Taxes	8	2 762 187	134 950
Current portion of long-term debtors	14	-	-
Call investment deposits	18	34 539 745	4 450 000
Bank balances and cash	19	182 186	327 911
Total Assets		129 909 707	76 877 086

MATATIELE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2007

	Note	Actual	
		2007 R	2006 R
REVENUE			
Property rates	20	9 651 223	8 277 778
Property rates - penalties imposed and collection charges		159 623	700 370
Service charges	21	14 667 807	13 178 061
Regional Services Levies – turnover		-	-
Regional Services Levies - remuneration		-	-
Rental of facilities and equipment		1 198 672	343 548
Interest earned - external investments		2 019 502	627 164
Interest earned - outstanding debtors		720 293	42 333
Dividends received		-	-
Fines		118 598	151 083
Licences and permits		949 519	873 635
Income for agency services		-	-
Government grants and subsidies	22	48 949 270	11 758 899
Other income	23	310 666	262 052
Public contributions, donated and contributed property, plant and equipment	10	784 213	-
Gains on disposal of property, plant and equipment		30 177	331 850
Total Revenue		79 559 563	36 546 772
EXPENDITURE			
Employee related costs	24	12 460 062	9 579 748
Remuneration of Councillors	25	9 616 079	1 994 935
Bad debts		6 456 750	1 501 147
Collection costs		-	-
Depreciation	10	3 679 550	3 500 525
Repairs and maintenance		3 720 399	3 776 323
Interest paid	26	273 124	328 413
Bulk purchases	27	6 567 817	5 586 337
Contracted services		4 748 511	-
Grants and subsidies paid	28	356 487	824 813
Operating Grant Expenditure	22	2 434 751	-
General expenses	29	6 921 651	6 741 607
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		57 235 180	33 833 849
SURPLUS/(DEFICIT) FOR THE YEAR		22 324 383	2 712 923
Share of surplus/(deficit) of associate accounted for under the equity method	30	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		22 324 383	2 712 923
Refer to Appendix E(1) for explanation of variances			

MATATIELE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	<u>Pre-GAMAP</u>	<u>Housing</u>	<u>Capital</u>	<u>Capitalisation</u>	<u>Government</u>	<u>Revaluation</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Reserves and Funds</u> R	<u>Developmen t Fund</u> R	<u>Replacement Reserve</u> R	<u>Reserve</u> R	<u>Grant Reserve</u> R	<u>Reserve</u> R	<u>Surplus/ (Deficit)</u> R	R
2005								
Balance at 30 June 2005	-	732 473	579 622	4 360 339	18 165 032	17 567 807	20 441 865	61 847 137
2006								
Correction of error	-	-	-	-	-	-	-	-
Adjustment in Valuations (Note 32)	-	-	-	-	-	814 030	(4 007)	810 023
Change in accounting policy (See Note 32)	-	-	-	-	-	-	(2 116 845)	(2 116 845)
Restated balance	-	732 473	579 622	4 360 339	18 165 032	18 381 837	18 321 013	60 540 315
Net surplus/(deficit) for the year	-	-	-	-	-	-	2 712 923	2 712 923
Transfer to/from CRR	-	-	2 282 848	-	-	-	(2 282 848)	-
Property, plant and equipment purchased	-	-	(1 778 152)	-	-	-	1 778 152	-
Capital grants used to purchase PPE	-	-	-	-	4 643 499	-	(4 643 499)	-
Transfer to Housing Development Fund	-	-	-	-	0	-	-	-
Asset disposals	-	-	-	-	-	-	0	-
Offsetting of depreciation	-	-	-	(978 439)	(1 415 380)	(528 274)	2 922 093	-
Balance at 30 June 2006	-	732 473	1 084 318	3 381 900	21 393 151	17 853 563	18 807 834	63 253 238
2006								
Correction of error (Note 31)	-	-	-	-	-	-	1 369	1 369
Change in accounting policy	-	-	-	-	-	-	-	-
Restated balance	-	732 473	1 084 318	3 381 900	21 393 151	17 853 563	18 809 203	63 254 607
Net surplus/(deficit) for the year	-	-	-	-	-	-	22 324 383	22 324 383
Transfer to/from CRR	-	-	2 710 602	-	-	-	(2 710 602)	-
Property, plant and equipment purchased	-	-	(294 920)	-	-	-	294 920	-
Capital grants used to purchase PPE	-	-	-	-	26 307 777	-	(26 307 777)	-
Transfer to Housing Development Fund	-	1 572	-	-	-	-	(1 572)	-
Change in funding sources	-	-	-	-	843 022	1 051	(844 073)	-
Asset disposals	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	(238 767)	(1 594 933)	(523 638)	2 357 338	-
Balance at 30 June 2007	-	734 044	3 500 000	3 143 133	46 949 016	17 330 976	13 921 820	85 578 990

1. Summary of significant accounting policies for the year ended 30 June 2007

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements. ¹	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 3 (Accounting Policies, Changes of Accounting Estimates and Errors):

- *Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies. [Paragraphs 14, 19 and 30-31]*
-

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 142 (Non-current Assets held for Sale and Discontinued Operations):

- *Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]*

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 109 (Construction Contracts) in its entirety.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 140 (Business Combinations) in its entirety.

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segements).

1.5 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.6 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa) read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.7 Reserves

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
- The Council determines the annual contribution to the CRR.

1.7.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.4 Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions and Donations Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

When an item of property, plant and equipment financed from Public Contributions is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are revalued every four years. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

1.8 Financial Instruments

Financial instruments carried in the Statement of Financial Position include cash and cash equivalents, investments, accounts receivable, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when it is extinguished, i.e. when the contractual right is discharged, cancelled or expires.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

1.9 Leases

1.9.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 105 (Leases) with regards to the recognition of operating lease payments / receipts on a straight line basis if the amount is recognised on the basis of the cash flows in the lease agreement. [SAICA Circular 12/06 paragraphs 8-11 and paragraphs 33, 34, 50, 51 of AC 105]

1.9.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use of sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.13 Employee Benefits

(a) Pension obligations

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated bi-annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to the Statement of Financial Performance over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 116 (Employee Benefits) with regards to defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48-119, 120A(c) – (q))

1.14 Trade Payables (Creditors)

Trade payables and other receivables are originally carried at fair value and subsequently remeasured at amortised cost using the effective interest method

1.15 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the basic salary of the employee.

1.16 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

1.15 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.16 Property Plant and Equipment

Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed every four years when the municipal valuation roll is updated.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a Revaluation Reserve in the Statement of Changes in Net Assets. Decreases that offset previous increases of the same asset are charged against the Revaluation Reserve directly in the Statement of Changes in Net Assets; all other decreases are charged to the Statement of Financial Performance. Each year the difference between depreciation based on the revalued carrying amount of the asset is charged to the Statement of Financial Performance and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the Accumulated Surplus/ (Deficit).

Depreciation on revalued land and buildings is charged to the Statement of Financial Performance. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the Revaluation Reserve is transferred directly to the accumulated surplus / deficit.

Accounting Policy for Matatiele Municipality

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

All other property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R 1 500 per item of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and buildings under construction over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

	Years		Years
1 Infrastructure		2 Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill sites	15

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/(Deficit) directly in the Statement of Changes in Net Assets.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

1.17 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost. Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 135 (Investment Property):

- *The entire standard to the extent that property is accounted for in terms of GAMAP 17.*
- *Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised investment property in terms of this standard. [Paragraphs 79(e)(i) – (iii)]*

1.18 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 129 (Intangible Assets):

- *The entire standards except for the recognition, measurement and disclosure of the computer software and website costs (AC 432) and all other costs were expensed.*

1.19 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication

exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

1.20 Financial Assets

The Municipality classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the Statement of Financial Position. They arise when the Municipality provides money for goods or services directly to a debtor with no intention of trading the receivable and are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment.

1.21 Inventories

Inventories consist of consumables and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 12 (Inventories):

- *The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.*
- *The entire standard to the extent that it relates to water stock that was not purchased by the municipality.*

1.22 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Bylaw. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.23 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.24 Revenue Recognition

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been done. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 9 (Revenue):

- *Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]*

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

1.25 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

	2007 R	2006 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	734 044	732 473
Unappropriated Surplus	<u>734 044</u>	<u>732 473</u>

An amount of R 681 784 (2006 = R 680 212) is ringfenced in the investments for the cash-portion of the Housing Development Fund (See Note 12)

2 LONG-TERM LIABILITIES

Annuity Loans	781 262	977 596
Capitalised Lease Liability	<u>873 897</u>	<u>1 156 757</u>
Sub-total	1 655 160	2 134 353
Less : Current portion transferred to current liabilities	(540 926)	(481 472)
Financial Lease	<u>-321 730</u>	<u>-277 368</u>
Annuity Loans	<u>-219 196</u>	<u>-204 104</u>
Total External Loans	<u>1 114 234</u>	<u>1 652 881</u>

The capitalised lease liability is secured over the item of infrastructure leased.

The future payments on the leases are as follows:

	Within 1 Year	Rest of period.
Interest Payments	89 156	53 835
Redemption	<u>321 730</u>	<u>523 648</u>
	<u>410 886</u>	<u>577 483</u>

More information on Appendix "A"

3 NON-CURRENT PROVISIONS

3.1 Post Retirement Benefits and Long Service Awards

Medical Aid Contributions	1 721 855	1 710 246
Long Service Award	<u>479 815</u>	<u>406 599</u>
Total	<u>2 201 670</u>	<u>2 116 845</u>

	2007	2007
	Medical Aid	Long Service
Balance 1 July 2006	1 710 246	406 599
Contribution for the year	112 956	93 942
	<u>1 823 202</u>	<u>500 541</u>
Less: Transfer to current portion to current provisions (Note 5)	<u>(101 347)</u>	<u>(20 726)</u>
Balance 30 June 2007	<u>1 721 855</u>	<u>479 815</u>

The municipality valued non-current provisions on 30 June 2006 for the first time, which valuations were done by ARCH Actuarial Consulting, Mill Street, Cape Town.

Other defined benefit plan information

Provision for Post Employment Health Care Benefits

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	29
Continuation members (e.g. retirees, widows)	10
Total	<u>39</u>

The liability in respect of past service has been estimated to be as follows:

	2007	2006
In-service members	802 873	753 131
Continuation members	<u>1 020 329</u>	<u>957 115</u>
Total	<u>1 823 202</u>	<u>1 710 246</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;	6
Global Health	24
SAMWU Medical Aid, and	9
Total	<u>39</u>

The Future-service Cost for the ensuing year is estimated to be R 83,683, whereas the Interest- Cost for the next year is estimated to be R 145,856.

Present value of fund obligations	1 823 202	1 710 246
Fair value of plan assets	<u>-</u>	<u>-</u>
	<u>1 823 202</u>	<u>1 710 246</u>

Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	<u>1 823 202</u>	<u>1 710 246</u>
Net liability / (asset)	<u>1 823 202</u>	<u>1 710 246</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 710 246	1 604 288
Current service cost	77 483	72 683
Interest Cost	136 820	128 343
Benefits Paid	<u>(101 347)</u>	<u>(95 068)</u>
Total expenses	112 956	105 958
Actuarial (gains) / losses	-	-
Present value of fund obligation at the end of the year	<u>1 823 202</u>	<u>1 710 246</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	101 347	95 068
Contributions : employee -	-	-
Past service costs -	-	-
Actuarial (gains) / losses -	-	-
Benefits paid	<u>(101 347)</u>	<u>(95 068)</u>
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Key assumptions used:

Discount rate
Health Care Cost Inflation Rate
Net Effective Discount Rate

8.0%	8.0%
6.0%	6.0%
1.9%	1.9%

Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 290 employees were eligible for Long Service Bonuses.
The Future-service Cost for the ensuing year is estimated to be R 88,712, whereas the Interest- Cost for the next year is estimated to be R 40,043.

Present value of fund obligations

Fair value of plan assets -
Unrecognised past service cost -
Unrecognised actuarial gains / (losses) -
Present value of unfunded obligations
Net liability / (asset)

500 541	406 599
-	-
-	-
-	-
500 541	406 599
500 541	406 599

Reconciliation of present value of fund obligation

Present value of fund obligation at the beginning of the year
Current service cost
Interest Cost
Benefits Paid
Total expenses
Actuarial (gains) / losses
Present value of fund obligation at the end of the year

406 599	330 288
82 140	66 724
32 528	26 423
(20 726)	(16 836)
93 942	76 311
-	-
500 541	406 599

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year
Expected return on plan assets -
Contributions : employer
Contributions : employee
Past service costs
Actuarial (gains) / losses
Benefits paid
Fair value of plan assets at the end of the year

-	-
20 726	16 836
-	-
-	-
-	-
(20 726)	(16 836)
-	-

Key assumptions used:

Discount rate
General Salary Inflation (long-term)
Net Effective Discount Rate applied to salary-related Long Service Bonuses

8.0%	8.0%
6.0%	6.0%
1.9%	1.9%

4 CONSUMER DEPOSITS

Electricity

346 020 397 229

Total Consumer Deposits

346 020 397 229

5 PROVISIONS

Bonus
Current portion of non-current post-retirement medical contributions (Note 3)
Current portion of non-current long-service awards (Note 3)

257 325 161 919
101 347
20 726

Total Provisions

379 398 161 919

The movement in current provisions are reconciled as follows: -

Balance at beginning of year
Transfer from non-current
Contributions to provision
Interest on Investments
Expenditure incurred

161 919 180 873
122 073
95 406 (18 954)

Balance at end of year

379 398 161 919

6 CREDITORS

Trade creditors
Payments received in advance
Insurance Claims
Suspense
Sisonke District Municipality
Alfred Nzo District Municipality
Deposits: Other
Leave reserve
Other creditors

4 226 470 729 717
593 481
15 329 71 051
160 810 122 560
1 137 283
245 766
260 679 226 532
863 869 701 749
45 821 17 522

Total Creditors

6 412 225 3 006 414

Creditors being paid within 30 days are being recognised net of discounts.

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

7.1 Conditional Grants from other spheres of Government

Unspent Grants
Less: Unpaid Grants
Total Conditional Grants and Receipts

32 782 990 5 269 903
(0) 874 312
32 782 990 4 395 591

See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised

8 VAT

VAT payable

553 254 535 815

VAT receivable

2 762 187 134 950

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

9 SHORT-TERM LOANS

The Municipality has no short term loans

	2007	2006
	R	R
11 INVESTMENT PROPERTY		
Cost	1 386 740	1 386 740
Less: Accumulated Depreciation	(93 729)	(89 740)
Total Investment Properties	1 293 011	1 297 000

The Municipality only identified Investment Properties during the 2005/2006 financial year. The value of Investment Properties was included under Property, Plant and Equipment in the prior year. The fair value of Investment Properties is estimated at R 1 297 000.

Revenue to the amount of R 112 195 was earned from the Investment Properties, which is a return of 8,65%.

12 INTANGIBLE ASSETS

Cost	1 412 604	1 050 590
Balance 1 July 2006	1 050 590	
Transferred from Property, Plant and Equipment - At cost (Note 31)	-	1 050 590
Aquisitions for the year - At cost	362 014	
Less: Accumulated Amortisation	(773 682)	(668 970)
Balance 1 July 2006	(668 970)	
Transferred from Property, Plant and Equipment (Note 31)		(668 970)
Accumulated Amortisation for the year	(104 712)	
Total Intangible Assets	638 922	381 620

The Municipality transferred Intangible Assets (Computer Software) from Property, Plant and Equipment. The cost and accumulated amortisation were restated for the 2006 financial year.- Note 31

13 INVESTMENTS

Financial Instruments

Fixed Deposits	3 042 086	2 648 640
Total Investments	3 042 086	2 648 640

An amount of R 681 784 (2006 = R 680 212) is ringfenced in the investments (Fixed deposits and call-accounts) for the cash-portion of the Housing Development Fund (See Note 1)

An amount of R 3 500 000 (2006 = R 1 084 318) is ringfenced in the investments (Fixed deposits and call-accounts) for the Capital Replacement Reserve

14 LONG-TERM RECEIVABLES

Housing Loan		46 734
Total	-	46 734

HOUSING SELLING SCHEME LOANS

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. Receipts are being credited directly to the capital owing. No short-term portion can reliably be calculated due to the limited payments being made by the lenders. Provision for bad debts are included in Note

15 INVENTORY

Consumable Stores	340 925	286 200
Medallions	2 669	2 669
Total Inventory	343 594	288 869

16 CONSUMER DEBTORS

Rates	5 017 043	4 098 798
Refuse	2 281 026	1 396 996
Electricity	1 398 215	1 695 467
Housing Rentals	47 100	5 526
Total : Consumer Debtors	8 743 384	7 196 787
Less : Provision for bad debts	(6 529 337)	(2 180 376)
Total	2 214 047	5 016 411

17 OTHER DEBTORS

Government subsidies - Health	446 685	488 388
Miscellaneous	3 746 854	1 502 064
Other Debtors	4 193 539	1 990 452
Less : Provision for bad debts	(2 107 789)	
Total	2 085 750	1 990 452

18 CALL INVESTMENT DEPOSITS

Aanvraagdeposito's/Call deposits	34 539 745	4 450 000
Other Deposits	-	-

19 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Matatiele - Account Number 060435224

Cash book balance at beginning of year	326 661	3 641 623
Cash book balance at end of year	180 936	326 661

Bank statement balance at beginning of year - (overdrawn)	477 278	1 860 506
Bank statement balance at end of year - (overdrawn)	561 589	477 278

<i>Cash Floats to cashiers</i>	1 250	1 250
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First National Bank - Matatiele - Account Number 62108495187

Cash book balance at beginning of year	-	-
Cash book balance at end of year	(302 516)	-

Bank statement balance at beginning of year - (overdrawn)	-	-
Bank statement balance at end of year - (overdrawn)	898 778	-

20 PROPERTY RATES

Actual

Rateable Land
Total Assessment Rates

9 651 223 8 277 778
9 651 223 8 277 778

Valuations

Land - Matatiele
 Land - Cedarville
 Buildings - Matatiele
 Buildings - Cedarville
 Non-Rateable Land - Matatiele
 Non-Rateable Land - Cedarville
 Non-Rateable Buildings - Matatiele
 Non-Rateable Buildings - Cedarville
Total Property Valuations

July 2006 **July 2005**
R000's **R000's**
 63 931 63 029
 2 752 2 752
 232 306 225 660
 16 030 15 334
 7 926 6 894
 452 452
 9 488 9 415
 1 115 1 115
334 000 324 651

21 SERVICE CHARGES

Sale of electricity
 Refuse removal
Total Service Charges

12 468 066 11 519 693
 2 199 740 1 658 369
14 667 807 13 178 061

22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share
 Subsidy : Health
 Subsidy : Museum
 Subsidy : Roads
 Grant - Cedarville
 Grant- IDP Fund
 Grant - Consumer Awareness
 Grant - Harry Gwala Electricity Area 1
 Grant - Buy Back Centre
 Grant -Housing - Cedarville 200 sites Area A
 Grant - Swimming Pool Upgrade
 Grant - Solid Waste Site
 Grant - Cemetery Sites
 Grant - Implementation Property Rates Act
 Grant - Tennis Courts
 Grant - Tyre Recycling Centre
 Grant - Library Opening
 Grant - Free Basic Electricity
 Grant - Free Basic Services
 Grant - Finance Management
 Grant - Interdepartmental Monitoring
 Grant - Capacity Building
 Grant - Grants in Aid
 Grant - Community development Workers
 Grant - Access to Landfill Site
 Grant - Transformation Fund
 Grants - MIG
 Umzimvubu Projects
 MDF ICT Grant
 MDF Financial Statements Grant
 MDF Asset Register Grant
 MDF FBS Database Grant
 MSIG New Valuation Roll
 FMG (Dora 06/07)
 MSIG Valuation Roll Update
 MDF By-Laws Grant
 MDF Establishment of Ward Comm Grant
 MSIG Ward Comm Grant
 Umzimvubu Incorporation Subsidy
 Equitable Share FBS Refuse
 Equitable Share FBS Electricity
Total Government Grant and Subsidies

17 399 529 4 035 246
 1 782 393 42 222
 48 505 1 726 019
 10 050 10 050
 1 900
 129 858 61 921
 913
 34 468 247 056
 21 701 2 355
 12 441 125 2 360 969
 13 089
 1 753 288 488 597
 56 348 792 086
 313 611 91 041
 82 990
 18 300 68 719
 1 979
 71 675 160 607
 70 281
 84 792 568 773
 38 244 44 212
 24 144
 171 525
 13 347 2 165
 681 433 670 630
 47 201 109 400
 8 921 856
 2 058 864
 397 876
 200 000
 90 713
 60 000
 65 090
 500 000
 194 555
 35 088
 240 000
 50 000
 749 521
 308 655
 43 402
48 949 270 11 761 104

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive the basic charge on refuse, 50kwh electricity per month and up to 100% rates rebate free . which is funded from this grant.

22.2 Provincial Health Subsidies

Balance unspent at beginning of year
 Current year receipts - included in public health vote
 Conditions met - transferred to revenue
 Conditions met - transferred to other debtors (see note 17)

488 388 -
 (1 824 096) 1 237 631
 1 782 393 1 726 019
446 685 (488 388)

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy

	2007 R	2006 R
23 OTHER INCOME		
Other income represents sundry income such as certificates, cemetery charges and photocopies	310 666	262 052
Total Other Income	<u>310 666</u>	<u>262 052</u>
24 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	8 537 170	6 602 954
Employee related costs - Contributions for UIF, pensions and medical aids	1 745 626	1 585 265
Travel, motor car, accommodation, subsistence and other allowances	547 009	614 026
Housing benefits and allowances	109 913	43 094
Overtime Payments	306 558	149 896
Bonus	475 519	519 690
Staff Leave	435 963	88 119
Contribution to provision - Bonus (Note 5)	95 406	2 895
Contribution to provision -Long Service Awards (Note 3)	93 942	
Contribution to provision - Post Retirement Medical (Note 3)	112 956	
Total Employee Related Costs	<u>12 460 062</u>	<u>9 605 939</u>
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
Remuneration of the Municipal Manager		
Annual Remuneration	355 234	480 671
Performance Bonuses	6 667	80 000
Car Allowance	7 967	89 598
Contributions to UIF, Medical and Pension funds	11 472	70 440
Total	<u>381 340</u>	<u>720 709</u>
The municipal manager passed away during the financial year and remuneration only reflects a portion of the year.		
Remuneration of the Chief Finance Officer		
Annual Remuneration	432 380	395 862
Performance Bonuses	61 800	74 000
Car Allowance	95 400	104 364
Contributions to UIF, Medical and Pension funds	119 044	65 340
Total	<u>708 624</u>	<u>639 566</u>
Remuneration of Corporate Services Director 30 June 2007		
Annual Remuneration	432 380	225 221
Performance Bonuses	61 800	33 000
Car Allowance	95 400	116 400
Medical and pension funds	119 044	62 136
Total	<u>708 624</u>	<u>436 757</u>
25 REMUNERATION OF COUNCILLORS		
Mayor	272 915	253 643
Councillors' allowance	6 425 145	1 286 207
Councillors' contributions	733 004	185 457
Medical Fund Contributions	426 198	170 826
Allowances - Housing, Travelling and others	1 758 817	98 802
Total Councillors' Remuneration	<u>9 616 079</u>	<u>1 994 935</u>
In-kind Benefits		
The Mayor, Speaker and four Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The remuneration of Councillors increased substantially due to the redemarcation into the Eastern Cape with an increase of the number of Councillors from 5 to 48.		
26 INTEREST PAID		
Long-term liabilities	273 076	328 413
Overdraft Facilities	48	
Total Interest on External Borrowings	<u>273 124</u>	<u>328 413</u>
27 BULK PURCHASES		
Electricity	6 567 817	5 586 337
Total Bulk Purchases	<u>6 567 817</u>	<u>5 586 337</u>
28 GRANTS AND SUBSIDIES PAID		
Free Basic Services	356 487	824 813
Total Grants and Subsidies	<u>356 487</u>	<u>824 813</u>
29 GENERAL EXPENSES		
General Expenses	6 921 651	6 741 607
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
30 SURPLUS OF ASSOCIATE		
The municipality has got no shares in associates	<u>-</u>	<u>-</u>

31 CORRECTION OF ERROR IN ACCORDANCE WITH GRAP 3

During the year ended 30 June 2006, Intangible Assets were treated as Property, Plant and Equipment.

The comparative amount has been restated as follows: -

31.1 Intangible Assets

Transfer from Property, Plant and Equipment - Note 12

Transfer from Accumulated Depreciation - Note 12

Nett increase in Intangible Assets - Note 12

R R

1 050 590
(668 970)
381 620

31.2 Property, Plant and Equipment

Transfer to Intangible Assets - Note 12

Accumulated Depreciation - Transfer to Accumulated Amortisation - Intangible Assets - Note 12

Nett decrease in Property, Plant and Equipment - Note 10

(1 050 590)
668 970
(381 620)

31.3 Asset adjustments made to previous year's balances due to Asset Register update.

Increase in Property, Plant and Equipment - At cost - Note 10

Increase in Accumulated Depreciation - Note 10

Nett increase in Property, Plant and Equipment - Note 10

1 492
(123)
1 369

31.4 Accumulated Surplus

Asset adjustments made to previous year's balances due to Asset Register update - Note 31.3

Net effect on surplus/deficit

1 369
1 369

32 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP/GRAF

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP in accordance with GRAP 3

32.1 Property, plant and equipment

Assets

Adjustment in revaluations credited to Revaluation Reserve - GAMAP 17

Adjustment in Valuations credited to Accumulated Surplus (See 32.3 below)

Total

814 030
-290 642
523 388

32.2 Accumulated Depreciation - GAMAP 17

Adjustments in Valuations

Total (debited to Accumulated Surplus/(Deficit)) (see 32.3 below)

286 635
286 635

32.3 Accumulated Surplus/(Deficit)

Adjustment in Valuations credited to Accumulated Surplus (See 32.1 above)

Adjustments in depreciation on Valuations - (See 32.2 above)

Total

-290 642
286 635
(4 007)

32.4 Post Retirement Benefits and long Service Awards implemented the first time and valued at 30 June 2006 in accordance with IAS 19

Medical Aid Contributions

Long Service Award

Total debited against Accumulated Surplus. (See note 3 above)

1 710 246
406 599
2 116 845

33 CASH GENERATED BY OPERATIONS

Surplus for the year

Adjustment for:-

Depreciation

Gain on disposal of property, plant and equipment

Asset written off

Contribution to provisions - non-current

Contribution to provisions – current

Contributed Property, Plant and Equipment

Investment income

Interest paid

Operating surplus before working capital changes:

(Increase)/Decrease in inventories

(Increase)/decrease in debtors

(Increase)/decrease in other debtors

(Decrease)/increase in unspent conditional grants and receipts

(Decrease)/increase in unpaid conditional grants and receipts

Increase in creditors

(Increase)/decrease in VAT

22 324 383 2 712 923
3 679 550 3 500 525
(30 177) (331 850)
(1 366)
206 898 -
95 406 (18 954)
(784 213) -
(2 739 795) (669 497)
273 124 328 413
23 023 810 5 521 561
(54 725) (65 569)
2 802 364 322 245
(95 298) (143 056)
27 513 087 263 303
874 312
3 405 810 1 542 774
(2 609 799) 139 059

Cash generated by/(utilised in) operations

54 859 561 7 580 317

34 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

Bank overdraft

Total cash and cash equivalents

37 764 017 7 426 552
- -
37 764 017 7 426 552

35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	1 655 160	2 134 353
Used to finance property, plant and equipment – at cost	1 655 160	2 134 353
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

There were no unauthorised-, fruitless- or wasteful expenditure during the year.

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

37.1 Contributions to organized local government

Julle bydrae aan SALGA

Opening balance	-	-
Council subscriptions	49 456	14 000
Amount paid - current year	(49 456)	(14 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

37.2 Audit fees

Opening balance	-	-
Current year audit fee	771 054	288 554
Amount paid - current year	(771 054)	(288 554)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

37.3 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.

37.4 PAYE and UIF

Opening balance	-	-
Current year payroll deductions	2 040 908	1 126 359
Amount paid - current year	(2 040 908)	(1 126 359)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

37.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	2 605 820	1 701 616
Amount paid - current year	(2 605 820)	(1 701 616)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

37.6 Councillor's arrear consumer accounts

Four Municipal Councillors owes the Matatiele Local Municipality a combined amount of R7,161 and nineteen Municipal staff members owes the Matatiele Local Municipality a combined amount of R39,425

37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act:

The Municipality complied with the provisions of the Municipal Finance Management Act.

38 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	61 501 303	12 525 774
Infrastructure	14 952 472	12 525 774
Community	29 851 211	-
Other	16 697 620	-
- Approved but not yet contracted for	24 559 071	1 124 036
Infrastructure	24 559 071	82 552
Community	-	1 041 484
Other	-	-
Total	86 060 374	13 649 810

This expenditure will be financed from:

- External Loans	23 800 000	-
- Capital Replacement Reserve	759 071	-
- Government Grants	61 501 303	13 649 810
- Own resources	-	-
- District Council Grants	-	-
	86 060 374	13 649 810

39 RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Natal Joint Municipal Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

An amount of R1 883 982 (R1 199 069 - 2005/06) was contributed by Council in respect of Councillors' and employees' retirement funding. These contributions have been expensed.

40 FINANCIAL RISK MANAGEMENT

Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

(b) Interest rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of B+ are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

41 EVENTS AFTER THE REPORTING DATE

6 Councillors were removed from office and replaced during July 2007. However as a result of a High Court ruling, the 6 removed councillors were reinstated.

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2006					
Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	13 007 820	16 016 939	16 407 306	13 988 121	59 420 186
Cost	13 012 811	28 541 349	21 064 046	19 895 674	82 513 880
Correction of error (note 31)	-	-	-	(1 049 098)	(1 049 098)
Revaluation	-	-	-	-	-
Accumulated depreciator	(4 991)	(12 524 410)	(4 656 740)	(4 858 455)	(22 044 596)
- Cost	(4 991)	(12 524 410)	(4 656 740)	(5 527 302)	(22 713 443)
Correction of error (note 31)	-	-	-	668 847	668 847
- Revaluation	-	-	-	-	-
Acquisitions	13 660 481	10 391 527	1 965 858	222 819	26 240 685
Donated vehicles and equipment - At cost	-	-	-	784 213	784 213
Transfers	-	-	-	-	-
At Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Depreciation	(936)	(1 575 069)	(854 301)	(1 139 179)	(3 569 485)
- based on cost	(936)	(1 575 069)	(854 301)	(1 139 179)	(3 569 485)
- Backlog on previously not recorded	-	-	-	-	-
Carrying value of disposals	(66 055)	-	-	(1 366)	(67 421)
Cost/revaluation	(66 055)	-	-	(3 845)	(69 900)
Accumulated depreciation	-	-	-	2 479	2 479
Impairment losses	-	-	-	-	-
Correction of Error	-	-	-	-	-
At cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	26 601 310	24 833 397	17 518 863	13 854 608	82 808 178
Carrying values at 30 June 2006	26 601 310	24 833 397	17 518 863	13 854 608	82 808 178
Cost	26 607 237	38 932 876	23 029 904	19 849 763	108 419 780
Revaluation	-	-	-	-	-
Accumulated depreciation	(5 927)	(14 099 479)	(5 511 041)	(5 995 155)	(25 611 602)
- Cost	(5 927)	(14 099 479)	(5 511 041)	(5 995 155)	(25 611 602)
- Revaluation	-	-	-	-	-

10. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2006					
Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	14 309 746	16 034 585	16 813 545	10 208 412	57 366 288
Cost	13 953 374	27 022 283	20 562 359	15 223 625	76 761 641
Correction of error (note 32)	360 427	11	(33 657)	(132 840)	193 941
Revaluation	-	-	-	-	-
Accumulated depreciator	(4 055)	(10 987 709)	(3 715 157)	(4 882 373)	(19 589 294)
- Cost	(4 055)	(10 987 709)	(3 715 157)	(4 882 373)	(19 589 294)
- Revaluation	-	-	-	-	-
Acquisitions	-	1 519 066	547 686	4 902 236	6 968 988
Assets transferred and not recorded	(1 300 990)	(11)	(12 342)	(97 347)	(1 410 690)
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	(936)	(1 536 701)	(941 583)	(644 929)	(3 124 149)
- based on cost	(936)	(1 536 701)	(953 920)	(1 008 967)	(3 500 524)
- Backlog on previously not recorded	-	-	12 337	364 038	376 375
Carrying value of disposals	-	-	-	-	-
Cost/revaluation	-	-	-	-	-
Non-Capital	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Correction of error	-	-	-	-	-
	13 007 820	16 016 939	16 407 306	14 368 372	59 800 437
Carrying values at 30 June 2006	13 007 820	16 016 939	16 407 306	14 368 372	59 800 437
Cost	13 012 811	28 541 349	21 064 046	19 895 674	82 513 880
Revaluation	-	-	-	-	-
Accumulated depreciation	(4 991)	(12 524 410)	(4 656 740)	(5 527 302)	(22 713 443)
- Cost	(4 991)	(12 524 410)	(4 656 740)	(5 527 302)	(22 713 443)
- Revaluation	-	-	-	-	-

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

The leased property, plant and equipment is secured as set out in Note 2.

The Alfred Nzo District Municipality donated vehicles and equipment to the value of R 784 213 to the municipality during the year.

The Municipality adjusted purchase dates of certain properties, with opening balances and adjustments during the year.

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 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

GOVERNMENT GRANTS AND SUBSIDIES
22 (continued)

22.3	PROJECTS	OPENING BALANCE	RECEIVED	PAYMENTS -
		1 JULY 2006		TRF TO REVENUE
	Grants - Cedarville Unspent	2 750		-1 900
	Grant- IDP Fund	259 429		-129 858
	Grant - Lotto Matatiele Sportsfields	338 861		
	Grant - Consumer Awareness	19 954		-913
	Grant - Harry Gwala Electricity Area 1	-46 661	82 552	-34 468
	Grant - Land Use Management	167 710		
	Grant - Buy Back Centre	65 317		-21 701
	Grant -Housing - Cedarville 200 sites Area A	-138 210	28 376 897	-12 441 125
	Grant - Swimming Pool Upgrade	506 545		
	Grant - Solid Waste Site	-247 999	2 001 287	-1 753 288
	Grant - Cemetery Sites	-441 442	497 790	-56 348
	Grant - Implementation Property Rates Act	313 611		-313 611
	Grant - Master Lease Program	1 000 000		
	Grant - FBE Survey	45 000		
	Grant - Tennis Courts	82 990		-82 990
	Grant - Upgrade Mountain Dam Line	82 147	188 202	
	Grant - Tyre Recycling Centre	31 281		-18 300
	Grant - Library Opening	1 979		-1 979
	Grant - Free Basic Electricity	71 675		-71 675
	Grant - Free Basic Services	140 536		
	Grant - Electricity NER Funding	82 552	-82 552	
	Grant - Finance Management	84 792		-84 792
	Grant - Interdepartmental Monitoring	38 244		-38 244
	Grant - Capacity Building	124 593	164 598	
	Grant - Community development Workers	32 019		-13 347
	Grant - Access to Landfill Site	237 189	444 244	-681 433
	Grant - Transformation Fund	96 829		-47 201
	Grants - MIG	1 343 900	8 792 276	-8 921 856
	Grant - MFMA	100 000		
	Umzimvubu Projects	0	12 379 171	-2 058 864
	MDF ICT Grant	0	1 029 296	-397 876
	MDF Financial Statements Grant	0	200 000	-200 000
	MDF Policies Grant	0	102 465	
	MDF Asset Register Grant	0	256 136	-90 713
	MDF FBS Database Grant	0	60 000	-60 000
	KZN IDP Support	0	50 000	
	KZN MPMS	0	50 000	
	KZN Development & Capacity Building	0	150 000	
	MSIG New Valuation Roll	0	244 000	-65 090
	FMG (Dora 06/07)	0	500 000	-500 000
	MSIG Valuation Roll Update	0	250 000	-194 555
	MDF By-Laws Grant	0	51 022	-35 088
	MDF Performance Management Grant	0	71 240	
	MDF Establishment of Ward Comm Grant	0	240 000	-240 000
	MSIG Ward Comm Grant	0	50 000	-50 000
	Umzimvubu Incorporation Subsidy	0	749 521	-749 521
	Equitable Share FBS Refuse	0	907 374	-308 655
	Equitable Share FBS Electricity	0	290 674	-43 402
	Health Subsidy	0	1 782 393	-1 782 393
	Subsidy: Roads	0	10 050	-10 050
	Subsidy Museum	0	48 505	-48 505
	Equitable Share	0	17 399 529	-17 399 529
		4 395 591	77 336 669	-48 949 271

22.4 Changes in levels of government grants

Due to the redemarcation into the Eastern Cape and the additional related functions and area expansion s in the level of government grant funding are expected over the forthcoming 3 financial years.

CLOSING
BALANCE
30 JUNE 2007
850
129 571
338 861
19 041
1 422
167 710
43 616
15 797 562
506 545
0
0
0
1 000 000
45 000
0
270 349
12 981
0
0
140 536
0
0
0
289 191
18 672
0
49 628
1 214 320
100 000
10 320 307
631 421
0
102 465
165 422
0
50 000
50 000
150 000
178 910
0
55 445
15 934
71 240
0
0
0
598 719
247 271
0
0
0
0
32 782 990

Maryna moet joernaal trek vir dit.
Verander dan inkomste toedeling in my TB vanaf Alg Inkomste ne Grants

-26 695

significant changes

MATATIELE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	33	54 859 561	7 580 317
Interest received		2 739 795	669 497
Interest paid		(273 124)	(328 413)
NET CASH FROM OPERATING ACTIVITIES		57 326 232	7 921 401
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(26 602 699)	(6 421 650)
Transfer to Investment Properties			1 297 000
Proceeds on disposal of fixed assets		97 601	331 850
Increase in Investment Properties			(1 297 000)
(Increase)/decrease in non-current loans		46 734	7 917
Increase in non-current investments		(393 446)	(316 157)
(Increase)/Decrease in call investment deposits			
NET CASH FROM INVESTING ACTIVITIES		(26 851 810)	(6 398 040)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(479 193)	(411 360)
Increase in consumer deposits		(51 210)	(26 663)
NET CASH FROM FINANCING ACTIVITIES		(530 403)	(438 023)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29 944 019	1 085 338
Cash and cash equivalents at the beginning of the year		4 777 911	3 692 573
Cash and cash equivalents at the end of the year		34 721 931	4 777 911
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		29 944 020	1 085 338

The 2006 comparative balances were restated in order to provide for Cash and Cash Equivalents to include investments up to 90 days.

APPENDIX B (1)
MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 200

	Cost/Revaluation				Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/Transfers	Disposals		Closing Balance
Land and Buildings											
Buildings	18 717	-	-	-	18 717	4 991	936	-	-	5 927	12 790
Land	12 994 094	13 660 481	-	66 055	26 588 520	-	-	-	-	-	26 588 520
	13 012 811	13 660 481	-	66 055	26 607 237	4 991	936	-	-	5 927	26 601 310
Infrastructure											
Electricity	3 723 301	-	-	-	3 723 301	535 798	173 948	-	-	709 746	3 013 555
Refuse Dump	274 052	1 753 288	-	-	2 027 340	129 413	28 011	-	-	157 424	1 869 916
Roads	23 268 025	8 638 239	-	-	31 906 264	11 635 975	1 289 291	-	-	12 925 266	18 980 998
Water	1 275 971	-	-	-	1 275 971	223 224	83 819	-	-	307 043	968 928
	28 541 349	10 391 527	-	-	38 932 876	12 524 410	1 575 069	-	-	14 099 479	24 833 397
Community Assets											
Buildings	19 774 798	1 959 908	-	-	21 734 706	3 863 823	671 945	-	-	4 535 768	17 198 938
Recreation Facilities	90 580	-	-	-	90 580	12 790	4 529	-	-	17 319	73 261
Security Measures	1 198 668	5 950	-	-	1 204 618	780 127	177 827	-	-	957 954	246 664
	21 064 046	1 965 858	-	-	23 029 904	4 656 740	854 301	-	-	5 511 041	17 518 863
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	62 618 206	26 017 866	-	66 055	88 570 017	17 186 141	2 430 306	-	-	19 616 447	68 953 570

APPENDIX B (2)
MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 200

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Corrections/ Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/ Transfers	Disposals	Closing Balance	
Total brought forward	62 618 206	26 017 866	-	66 055	88 570 017	17 186 141	2 430 306	-	-	19 616 447	68 953 570
Housing Rental Stock											
Housing Rental 1	-	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)											
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Other Assets											
Buildings	14 078 698	17 850	-	-	14 096 548	2 254 727	466 270	357 511	-	3 078 508	11 018 040
Computer Equipment	1 466 625	178 336	(818 240)	-	826 721	867 514	148 386	(521 105)	-	494 795	331 926
Emergency Equipment	427 235	-	-	-	427 235	160 947	63 238	(17 424)	-	206 761	220 474
Furniture & Fittings	1 259 574	99 882	1 492	2 085	1 358 863	318 126	129 586	(11 795)	1 251	434 666	924 197
Intangible	155 571	-	(155 571)	-	-	-	-	-	-	-	-
Medical Equipment	52 971	71	-	-	53 042	23 655	9 320	13 807	-	46 782	6 260
Motor Vehicles	368 856	420 805	-	-	789 661	274 037	59 753	22 714	-	356 504	433 157
Office Equipment	767 376	60 785	(343 471)	1 760	482 930	245 570	77 252	44 417	1 228	366 011	116 919
Plant & Equipment	1 204 118	222 894	-	-	1 427 012	670 091	109 461	(49 710)	-	729 842	697 170
Tools and Equipment	114 650	6 409	266 691	-	387 750	67 706	75 913	137 667	-	281 286	106 464
	19 895 674	1 007 032	(1 049 099)	3 845	19 849 762	4 882 373	1 139 179	(23 918)	2 479	5 995 155	13 854 607
Total	82 513 880	27 024 898	(1 049 099)	69 900	108 419 779	22 068 514	3 569 485	(23 918)	2 479	25 611 602	82 808 177

Intangible Assets of R 1 050 590 (at cost) and R 668 970 (accumulated amortisation) were transferred to Intangible Assets by Umzimvubu Local Municipality and the World Bank donated vehicles and equipment to the value of R 784 213 to the municipality during the year.

APPENDIX C
MATATIELE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 June 2007

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	Opening Balance	Additions	Corrections/Transfers	Disposals	Closing Balance	
Executive & Council	568 406	59 853	(5 764)	-	622 495	278 485	75 742	(3 555)	-	350 672	271 823
Finance & Admin	31 046 503	2 716 880	(1 041 884)	(67 155)	32 654 344	6 364 700	999 793	(661 079)	(1 100)	6 702 314	25 952 030
Planning & Development	826 409	47 798	1 492	-	875 699	134 941	44 554	311	-	179 806	695 893
Health	3 993 211	-	-	-	3 993 211	545 858	183 351	-	-	729 209	3 264 002
Community & Social Services	3 615 505	8 374	1 742	(2 745)	3 622 876	517 301	137 538	180	(1 380)	653 639	2 969 237
Housing	2 360 969	12 441 125	-	-	14 802 094	6 558	78 699	-	-	85 257	14 716 837
Public Safety	1 059 271	59 985	-	-	1 119 256	502 310	80 690	-	-	583 000	536 256
Sport & Recreation	1 525 807	-	-	-	1 525 807	63 606	18 832	-	-	82 438	1 443 369
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	1 755 004	1 809 636	-	-	3 564 640	159 293	113 651	-	-	272 944	3 291 696
Road Transport	21 605 720	9 846 778	(4 684)	-	31 447 814	9 815 312	1 114 173	(4 685)	-	10 924 800	20 523 014
Water	-	-	-	-	-	-	-	-	-	-	-
Electricity	14 157 075	34 468	-	-	14 191 543	4 325 079	722 460	(16)	-	5 047 523	9 144 020
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL	82 513 880	27 024 897	(1 049 098)	(69 900)	108 419 779	22 713 443	3 569 483	(668 844)	(2 480)	25 611 602	82 808 177

Intangible Assets of R 1 050 590 (at cost) and R 668 970 (accumulated amortisation) were transferred to Intangible Assets.

Umzimvubu Local Municipality and the World Bank donated vehicles and equipment to the value of R 784 213 to the municipality during the year.

APPENDIX D
MATATIELE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 June 2007

2006	2006	2006		2007	2007	2007
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
173 676	5 152 090	(4 978 414)	Executive & Council	326 000	13 741 077	(13 415 077)
14 707 926	8 557 309	6 150 617	Finance & Admin	36 976 221	19 096 061	17 880 160
-	-	-	Planning & Development	53 349	183 615	(130 266)
1 726 019	1 907 770	(181 751)	Health	1 782 393	1 953 766	(171 373)
899 599	711 555	188 044	Community & Social Services	136 671	810 162	(673 492)
2 360 969	6 558	2 354 411	Housing	12 442 697	78 699	12 363 998
1 015 801	1 665 560	(649 758)	Public Safety	112 385	1 393 351	(1 280 966)
51 824	480 691	(428 867)	Sport & Recreation	21 535	405 491	(383 956)
-	-	-	Environmental Protection	-	-	-
2 809 745	3 104 416	(294 671)	Waste Management	4 318 031	2 608 363	1 709 668
685 096	3 716 842	(3 031 747)	Road Transport	10 770 500	7 114 858	3 655 642
-	-	-	Water	-	-	-
12 116 118	8 531 059	3 585 060	Electricity	12 619 779	9 849 736	2 770 044
-	-	-	Other	-	-	-
36 546 772	33 833 849	2 712 923	Sub Total	79 559 563	57 235 180	22 324 383
-	-	-	Less Inter-Dep Charges	-	-	-
36 546 772	33 833 849	2 712 923	Total	79 559 563	57 235 180	22 324 383
		-	Add: Share of Associate			-
		2 712 923				22 324 383

APPENDIX E(1)
MATATIELE MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

REVENUE	2007 Actual (R)	2007 Budget (R)	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	9 651 223	9 420 000	231 223	2.45%	
Property rates - penalties imposed and collection charges	159 623	174 290	(14 667)	-8.42%	
Service charges	14 667 807	12 512 567	2 155 240	17.22%	Higher anticipated domestic electricity pp sales.
Regional Services Levies - turnover	-	-	-	0.00%	
Regional Services Levies - remuneration	-	-	-	0.00%	
Rental of facilities and equipment	1 198 672	2 150 880	(952 208)	-44.27%	Public Halls were not leased out as expected, new vehicles budgeted for were not aquired due to lack of funding.
Interest earned - external investments	2 019 502	1 100 000	919 502	83.59%	Funding for housing projectswere received in advance and were invested.
Interest earned - outstanding debtors	720 293	731 326	(11 033)	-1.51%	
Dividends received	-	-	-	0.00%	
Fines	118 598	65 000	53 598	82.46%	Traffic fines higher than expected due to higher productivity.
Licences and permits	949 519	936 000	13 519	1.44%	
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	48 949 270	53 198 179	(4 248 909)	-7.99%	
Other income	310 666	442 891	(132 225)	-29.86%	Demands for sundry services like driveway enterences declined.
Donated/Contributed Proerty, Plant and Equipment	784 213				
Change in Fair Value	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	30 177	200 000	(169 823)	-84.91%	Residensial erwen were not serviced and therefore not sold.
Total Revenue	79 559 563	80 931 133	(2 155 784)	-2.66%	
EXPENDITURE					
Executive & Council	13 741 077	17 897 831	(4 156 754)	-23.22%	
Finance & Admin	19 096 061	17 996 408	1 099 653	6.11%	
Planning & Development	183 615	360 733	(177 118)	-49.10%	Department not fully functional yet.
Health	1 953 766	-	1 953 766	0.00%	
Community & Social Services	810 162	1 268 542	(458 380)	-36.13%	Vacant posts not filled.
Housing	78 699	-	78 699	0.00%	
Public Safety	1 393 351	1 855 881	(462 530)	-24.92%	Vacant posts not filled.
Sport & Recreation	405 491	731 020	(325 529)	-44.53%	Vacant posts not filled.
Environmental Protection	-	-	-	0.00%	
Waste Management	2 608 363	3 414 849	(806 486)	-23.62%	Vacant posts not filled.
Road Transport	7 114 858	8 077 655	(962 797)	-11.92%	Vacant posts not filled.
Water	-	-	-	0.00%	
Electricity	9 849 736	10 685 660	(835 924)	-7.82%	
Other	-	-	-	0.00%	
Less : Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	57 235 180	62 288 579	(5 053 399)	-8.11%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	22 324 383	18 642 555	2 897 615	15.54%	

APPENDIX E(2)
MATATIELE MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007 Actual</u>	<u>2007 Under Construction</u>	<u>2007 Total Additions</u>	<u>2007 Budget</u>	<u>2007 Variance</u>	<u>2007 Variance</u>	<u>Explanation of Significant Variances greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	59 853	-	59 853	215 000	(155 147)	-72.16%	Due to budget deficit expenditure was frozen.
Finance & Admin	2 716 880	-	2 716 880	3 889 249	(1 172 369)	-30.14%	Due to budget deficit expenditure was frozen.
Planning & Development	47 798	-	47 798	21 000	26 798	127.61%	ICT required for staff transferred from Umzimvubu Local Municipality.
Health	-	-	-	-	-	0.00%	
Community & Social Services	8 374	-	8 374	23 900	(15 526)	-64.96%	Due to budget deficit expenditure was frozen.
Housing		12 441 125	12 441 125	12 349 902	91 223	0.74%	
Public Safety	59 985	-	59 985	19 500	40 485	207.62%	ICT required for vehicle testing station.
Sport & Recreation	-	-	-	40 250	(40 250)	-100.00%	Due to budget deficit expenditure was frozen.
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	1 809 636	-	1 809 636	3 500 000	(1 690 364)	-48.30%	Projects implemented and in construction phase.
Road Transport	9 846 778	-	9 846 778	10 848 686	(1 001 908)	-9.24%	Projects implemented and in construction phase.
Water	-	-	-	-	-	0.00%	
Electricity	34 468	-	34 468	209 702	(175 234)	-83.56%	Due to budget deficit expenditure was frozen.
Other	-	-	-	-	-	0.00%	
Total	14 583 772	12 441 125	27 024 897	31 117 189	(4 092 292)	-13.15%	

Umzimvubu Local Municipality and the World Bank donated vehicles and equipment to the value of R 784 213 to the municipality during the year.

APPENDIX F

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

Grant and Subsidies Received

2006 - 2007

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the	
		March	June	Sept	Dec	March	March	June	Sept	Dec			March
Equitable Share	National Government			6 200 432.00	4 649 394.00	7 747 750.00		4 470 448.34	4 427 045.90	4 427 045.90	4 427 045.90	No delay	Yes
MSIG	National Government			367 000.00	367 000.00		107 171.68	120 000.00	120 000.00	152 473.15	No delay	Yes	
Finance Management Grant	National Treasury			500 000.00			125 000.00	125 000.00	125 000.00	125 000.00	No delay	Yes	
MIG	National Government		1 343 900.00	812 300.00	2 398 833.33	5 581 143.05	6 999 339.71			1 922 516.72	No delay	Yes	
Municipal Development Finance	Province of KZN				1 550 000.00		397 875.54	200 000.00		90 713.35	No delay	Yes	
Planning & Development	Province of KZN				70 000.00		0.00	0.00	0.00	0.00	No delay	Yes	
By Laws	Province of KZN				50 000.00		35 087.72				No delay	Yes	
Ward Committee	Province of KZN				50 000.00		50 000.00				No delay	Yes	
Local Economic Development	Province of KZN				60 000.00		20 000.00			40 000.00	No delay	Yes	
KZN Provincial Grant	Province of KZN					250 000.00	0.00	0.00	0.00	0.00	No delay	Yes	
Umzimvubu District Grant	Province of KZN			13 128 691.14			981 495.91	374 760.00	374 760.00	1 077 368.09	No delay	Yes	
Capacity Building	Province of KZN			164 598.11			0.00	0.00	0.00	0.00	No delay	Yes	
Upgrade Mountain Dam	Province of KZN				188 202.43		0.00	0.00	0.00	0.00	No delay	Yes	
Health Subsidy	Province of KZN		442 305.14	434 843.25	458 560.17	446 684.85	445 598.40	445 598.40	445 598.40	445 598.40	No delay	Yes	
Housing Subsidy	Province of KZN		7 094 224.32	7 094 224.32	7 094 224.32	7 094 224.32	5 505 363.54	663 268.00	1 812 146.85	4 460 347.06	No delay	Yes	
Museum Subsidy	Province of KZN						12 126.30	12 126.30	12 126.30	12 126.30	No delay	Yes	
Road Subsidy	Province of KZN					10 050.00	2 512.50	2 512.50	2 512.50	2 512.50	No delay	Yes	
			8 880 429.46	28 702 088.82	16 936 214.25	21 178 357.22	0.00	19 152 019.64	6 370 311.10	7 319 189.95	12 755 701.47		