



# ANNUAL FINANCIAL STATEMENTS

## FOR

### THE YEAR ENDED 30 JUNE 2007

#### (MEDIUM MUNICIPALITY)

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**MNQUMA LOCAL 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 2 to 41, 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 (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
N. PAKADE  
**Municipal Manager**

\_\_\_\_\_  
Date

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**MNQUMA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>89,248,994</b>	<b>75,318,953</b>
Government grant reserve		5,101,066	5,101,066
Capitalisation reserve		78,832,823	78,832,823
Donations and public contribution reserves		-	-
Accumulated Surplus/(Deficit)		5,315,105	(8,614,936)
<b>Non-current liabilities</b>		<b>-</b>	<b>-</b>
Long-term liabilities	1	-	-
Non-current provisions	2	-	-
<b>Current liabilities</b>		<b>70,677,376</b>	<b>81,135,899</b>
Consumer deposits	3	2,125,912	2,125,912
Provisions	4	10,229,119	4,176,173
Creditors	5	31,950,745	25,145,369
Unspent conditional grants and receipts	6	12,063,217	46,368,660
VAT	7	2,631,409	-
Bank overdraft	15	11,676,973	3,316,261
Current portion of long-term liabilities	1	-	3,524
<b>Total Net Assets and Liabilities</b>		<b><u>159,926,370</u></b>	<b><u>156,454,852</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>88,925,166</b>	<b>78,836,348</b>
Property, plant and equipment	8	88,925,166	78,836,348
Investments	9	-	-
Long-term receivables	10	-	-
<b>Current assets</b>		<b>71,001,204</b>	<b>77,618,504</b>
Inventory	11	1,804,962	515,768
Consumer debtors	12	44,902,117	44,655,380
Other debtors	13	11,460,973	8,926,939
Current portion of long-term debtors	10	-	-
Call investment deposits	14	12,832,077	4,639,417
Bank balances and cash	15	1,076	18,881,000
<b>Total Assets</b>		<b><u>159,926,370</u></b>	<b><u>156,454,852</u></b>

**MNQUMA LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30th JUNE 2007**

	Note	2007 R	2006 R
<b>REVENUE</b>			
Property rates	16	37,143,175	6,273,279
Property rates - penalties imposed and collection charges		-	-
Service charges	17	3,572,221	4,659,686
Rental of facilities and equipment		-	-
Interest earned - external investments		494,213	190,997
Interest earned - outstanding debtors		2,987,173	-
Fines		255,158	52,453
Licences and permits		1,028,916	1,313,539
Government grants and subsidies	18	53,342,115	47,582,175
Other income	19	3,311,754	13,605,092
Public contributions and donations		-	-
Gains on disposal of property, plant and equipment		-	-
<b>Total Revenue</b>		<b>102,134,725</b>	<b>73,677,221</b>
<b>EXPENDITURE</b>			
Employee related costs	20	58,944,400	50,981,054
Remuneration of Councillors	21	-	-
Bad debts		-	5,089,968
Collection costs		-	-
Depreciation		-	-
Repairs and maintenance		42,297	42,851
Interest paid	22	75,070	573,155
Bulk purchases	23	-	-
Contracted services		-	-
Grants and subsidies paid	24	1,344,823	78,379
General expenses	25	27,798,094	24,253,861
Loss on disposal of property, plant and equipment		-	-
<b>Total Expenditure</b>		<b>88,204,683</b>	<b>81,019,268</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>13,930,042</b>	<b>(7,342,047)</b>

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

**MNQUMA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	Pre-GAMAP Old Reserves and Funds  R	Government Grant Reserve  R	Capitalisation Reserve  R	Donations and Public Contribution Reserve  R	Accumulated Surplus/ (Deficit)  R	Total  R
<b>2006</b>						
Balance at 1 July 2005	-	40,278,457	-	-	(2,661,268)	37,617,189
Implementation of GAMAP (Note 26)		(35,177,391)	78,832,823			43,655,432
Restated balance	-	5,101,066	78,832,823	-	(2,661,268)	81,272,621
Surplus/(deficit) for the year					(5,953,668)	(5,953,668)
Capital grants used to purchase PPE						-
Donated/contributed PPE						-
Offsetting of depreciation						-
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>(8,614,936)</b>	<b>75,318,953</b>
<b>2007</b>						
Correction of error (Note 27)						-
<b>Restated balance</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>(8,614,936)</b>	<b>75,318,953</b>
Surplus/(deficit) for the year					13,930,041	13,930,041
Capital grants used to purchase PPE						-
Donated/contributed PPE						-
Asset disposals						-
Offsetting of depreciation						-
<b>Balance at 30 June 2007</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>5,315,105</b>	<b>89,248,994</b>

**MNQUMA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		104,915,496	94,900,863
Cash paid to suppliers and employees		(79,984,831)	(58,410,922)
Cash generated from/(utilised in) operations	28	24,930,665	36,489,941
Interest received		494,213	190,997
Interest paid		(75,070)	(573,155)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>25,349,809</b>	<b>36,107,783</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(10,088,818)	(22,699,238)
Proceeds on disposal of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in non-current investments		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(10,088,818)</b>	<b>(22,699,238)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in funds and reserves		(34,308,967)	8,687,510
Increase in consumer deposits		-	27,084
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(34,308,967)</b>	<b>8,714,594</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(19,047,976)</b>	<b>22,123,139</b>
Cash and cash equivalents at the beginning of the year		20,204,156	(1,918,983)
Cash and cash equivalents at the end of the year	29	1,156,180	20,204,156

**MNQUMA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

***[First – time Implementation of GAMAP/GRAP]***

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year, GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 26.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. RESERVES**

*4.1 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 by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)



**MNQUMA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

*4.1 Government Grant Reserve (continued)*

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).

*4.2 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 purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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).

*4.3 Donations and Public Contributions 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 Donations and Public Contributions Reserve equal to the donations and public contributions 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 Donations and Public Contributions 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 future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

**5. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

**MNQUMA LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<b>Infrastructure</b>			
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
		Watercraft	15
		Bins and containers	5
<b>Community</b>			
Specialised plant and equipment	10-15	Other items of plant and equipment	2-5
Buildings	30	Landfill sites	15
Recreational Facilities	20-30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

**6. INVESTMENTS**

**6.1 Financial Instruments**

~~Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.~~

~~Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.~~

~~On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.~~

**MNQUMA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**7. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

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.

**8. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**9. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**10. REVENUE RECOGNITION**

*10.1 Revenue from Exchange Transactions*

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. 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 based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council 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 gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

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

**MNQUMA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

*10.2 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 proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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.

**11. 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.

**12. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

**13. CASH AND CASH EQUIVALENTS**

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

**MNQUMA LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**14. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**15. 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.

**16. 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.

**17. 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.

**18. COMPARATIVE INFORMATION**

*18.1 Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

*18.2 Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>1. LONG-TERM LIABILITIES</b>		
Local Registered Stock Loans	0	0
Annuity Loans	0	0
Government Loans : Other	0	0
Sub-total	0	0
Less : Current portion transferred to current liabilities	0	0
Local Registered Stock Loans	0	0
Annuity Loans	0	0
Government Loans : Other	0	0
	0	0
<b>Total External Loans</b>	<b>0</b>	<b>0</b>

Refer to Appendix A for more detail on long-term liabilities.

**2 NON-CURRENT PROVISIONS**

Provision for long-service	0	0
<b>Total Non-Curent Provisions</b>	<b>0</b>	<b>0</b>

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover

The movement in the non-current provision is reconciled as follows: -

Balance at beginning of year	0	0
Contributions to provision	0	0
Expenditure incurred	0	0
Increase in provision due to discounting	0	0
Transfer to current provisions	0	0
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>

**3. CONSUMER DEPOSITS**

Electricity and Water	2 125 912	2 125 912
Interest paid	0	0
<b>Total Consumer Deposits</b>	<b>2 125 912</b>	<b>2 125 912</b>

Included in deposits is an accrual of interest at an effective interest rate of .... per annum (2006: ....) which is paid to consumers when deposits are refunded.

<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>2 125 912</b>	<b>2 125 912</b>
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**MNQUMA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>4. PROVISIONS</b>		
Performance bonus	138 510	103 678
Current portion of long-service provision (see note 2 above)	55 000	65 000
<b>Total Provisions</b>	<b>193 510</b>	<b>168 678</b>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 35.

The movement in current provisions are reconciled as follows:

	<u><b>Performance Bonus</b></u>	<u><b>Current portion Long-service</b></u>
<b>30 June 2007</b>		
Balance at beginning of year	103 678	65 000
Transfer from non-current	-	55 000
Contributions to provision	306 120	-
Expenditure incurred	( 271 288)	( 65 000)
<b>Balance at end of year</b>	<b>138 510</b>	<b>55 000</b>
<b>30 June 2006</b>		
Balance at beginning of year	264 636	8 254
Transfer from non-current	-	65 000
Contributions to provision	63 109	-
Expenditure incurred	(224 067)	(8 254)
<b>Balance at end of year</b>	<b>103 678</b>	<b>65 000</b>

**5. CREDITORS**

Trade creditors	15 883 771	12 879 031
Payments received in advance	160 617	106 617
Retentions	86 105	71 231
Staff leave	885 217	798 319
Other creditors	80 754	83 769
	<b>17 096 464</b>	<b>13 938 967</b>

**6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>6.1 Conditional Grants from other spheres of Government</b>	263 291	156 032
MIG Grants	234 860	-
Provincial LED Projects	28 431	156 032

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007  
R

2006  
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**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**6. (continued)**

**6.2 Other Conditional Receipts**

Developers Contributions – Electricity  
 Public contributions

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**Total Conditional Grants and Receipts**

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See Note 18 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilized.

**7. VAT**

VAT payable

<b>2 631 409</b>	<b>-</b>
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

**8. PROPERTY, PLANT AND EQUIPMENT**  
**30 June 2007**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Communit</u>	<u>y</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348	
Cost	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348	
Correction of error ( note 27)	0	0	0	0	0	0	
Accumulated depreciation	0	0	0	0	0	0	
Acquisitions	204 831	8 996 088	0	0	887 899	10 088 818	
Capital under Construction	0	0	0	0	0	0	
Depreciation	0	0	0	0	0	0	
Carrying value of disposals	0	0	0	0	0	0	
Cost	0	0	0	0	0	0	
Accumulated depreciation	0	0	0	0	0	0	
Impairment losses	0	0	0	0	0	0	
Other movements	0	0	0	0	0	0	
<b>Carrying values at 30 June 2007</b>	<b>12 544 983</b>	<b>47 720 551</b>	<b>810 591</b>	<b>0</b>	<b>27 849 041</b>	<b>88 925 166</b>	
Cost	12 544 983	47 720 551	810 591	0	28 659 632	88 925 166	
Accumulated depreciation	0	0	0	0	0	0	



**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2006						
Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Communi-ty</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cost	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Capital under construction	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Impairment losses	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other movements	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying values at 30 June 2006</b>	<b>12 340 152</b>	<b>38 724 463</b>	<b>810 591</b>	<b>0</b>	<b>26 961 142</b>	<b>78 836 348</b>
Cost	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348
Correction of error ( note 27)	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0

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

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

	2007 R	2006 R
<b>9. INVESTMENTS</b>		
<u>Financial Instruments</u>	0	0

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**2007**  
R                      **2006**  
R

**10. LONG-TERM RECEIVABLES**

Car loans	0	0
Sewerage connection loans	0	0
Electricity appliance purchase scheme	0	0
	0	0
Less : Current portion transferred to current receivables	0	0
Car loans	0	0
Sewerage connection loans	0	0
Electricity appliance purchase scheme	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**CAR LOANS**

~~Senior staff is entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.~~

**11. INVENTORY**

Consumable stores – at cost	1 919 868	633 733
Maintenance materials – at cost	0	0
Spare parts – at realizable value	0	0
Less: Obsolete stock	(114 907)	(117 965)
<b>Total Inventory</b>	<b>1 804 962</b>	<b>515 768</b>

**12. CONSUMER DEBTORS**

	Gross Balances R	Provision for Bad Debts R	Net Balance R
<b>As at 30 June 2007</b>			
Service debtors	177 307 142		
Rates	0	0	0
Electricity	0	0	0
Water	0	0	0
Sewerage			
Less: Provision for bad debts	(132 405 025)	0	0
<b>Total</b>	<b>44 902 117</b>	<b>0</b>	<b>0</b>

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**12. CONSUMER DEBTORS (continued)**

	<b>Gross Balances</b>	<b>Provision for Bad Debts</b>	<b>Net Balance</b>
	R	R	R
<b>As at 30 June 2006</b>			
Service debtors			
Rates	0	0	672 974
Electricity	0	0	764 478
Water	0	0	794 592
Sewerage	0	0	825 870
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3 057 914</b>

	<b>2007</b>	<b>2006</b>
	R	R
<b><u>Rates: Ageing</u></b>		
Current (0 – 30 days)	0	0
31 - 60 Days	0	0
61 - 90 Days	0	0
91 - 120 Days	0	0
121 - 365 Days	0	0
+ 365 Days	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

<b><u>(Electricity, Water and Sewerage): Ageing</u></b>		
Current (0 – 30 days)	0	0
31 - 60 Days	0	0
61 - 90 Days	0	0
91 - 120 Days	0	0
121 - 365 Days	0	0
+ 365 Days	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

<b><u>Summary of Debtors by Customer Classification</u></b>	<b><u>Consumers</u></b>	<b><u>Industrial/ Commercial</u></b>	<b><u>National and Provincial Government</u></b>
<b>30 June 2007</b>	R	R	R
Current (0 – 30 days)	0	0	0
31 - 60 Days	0	0	0
61 - 90 Days	0	0	0
91 - 120 Days	0	0	0
121 - 365 Days	0	0	0
+ 365 Days	0	0	0
Sub-total	0	0	0
Less: Provision for bad debts	0	0	-
<b>Total debtors by customer classification</b>	<b>0</b>	<b>0</b>	<b>-</b>

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**12. CONSUMER DEBTORS (continued)**

<u>Summary of Debtors by Customer Classification</u>	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
<b>30 June 2006</b>	<b>R</b>	<b>R</b>	<b>R</b>
Current (0 – 30 days)	1 553 831	0	0
31 - 60 Days	1 420 409	0	0
61 - 90 Days	1 505 727	0	0
91 - 120 Days	1 261 292	0	0
121 - 365 Days	171 319 148	0	0
Sub-total	<u>177 060 407</u>	<u>0</u>	<u>0</u>
Less: Provision for bad debts	<u>(132 405 025)</u>	<u>0</u>	<u>0</u>
<b>Total debtors by customer classification</b>	<b><u>44 655 380</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

<u>Reconciliation of the bad debt provision</u>	<b>2007 R</b>	<b>2006 R</b>
Balance at beginning of the year	132 405 025	0
Contributions to provision	0	132 405 025
Bad debts written off against provision	0	0
Reversal of provision	0	0
Balance at end of year	<u>132 405 025</u>	<u>132 405 025</u>

**13. OTHER DEBTORS**

Payments made in advance	0	0
Unauthorized expenditure (see Note 31.1)	0	0
Insurance claims	0	0
Government subsidies	0	0
Road reinstatements	0	0
Sundry debtors	11 460 973	8 926 939
<b>Total Other Debtors</b>	<b><u>11 460 973</u></b>	<b><u>8 926 939</u></b>

**14. CALL INVESTMENT DEPOSITS**

Meeg bank call deposits	12 790 474	<b>4 308 445</b>
<b>First National Bank</b>	<u>41 603</u>	<b><u>58 049</u></b>
	<u>12 832 077</u>	<u>4 366 494</u>

**15. BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

Meeg Bank -Butterworth Branch: Account Number 40 – 52 732 025

Cash book balance at beginning of year – overdrawn	18 890 009	(1 918 983)
Cash book balance at end of year - overdrawn	<b><u>(8 360 712)</u></b>	<b><u>18 890 009</u></b>

Bank statement balance at beginning of year - (overdrawn)	0	0
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Bank statement balance at end of year - (overdrawn)	<b><u>(3 608 788)</u></b>	<b><u>0</u></b>
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**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>15. BANK, CASH AND OVERDRAFT BALANCES (continued)</b>		
<b><u>Current Account (Salary Account)</u></b>		
Cash book balance at beginning of year – overdrawn	0	0
Cash book balance at end of year – overdrawn	<u>0</u>	<u>0</u>
	0	0
Bank statement balance at beginning of year - (overdrawn)	0	0
Bank statement balance at end of year - (overdrawn)	<u>0</u>	<u>0</u>
	0	0
<b>TOTAL OVERDRAFT BALANCE</b>	<u><u>0</u></u>	<u><u>0</u></u>
<b><u>Savings Account</u></b>		
Cash book balance	0	0
Bank statement balance	<u>0</u>	<u>0</u>
	0	0
<b>16. PROPERTY RATES</b>		
<b><u>Actual</u></b>		
Residential	16 305 211	
Commercial	20 837 965	
State		
<b>Total Assessment Rates</b>	<u><u>37 143 175</u></u>	<u><u>6 273 279</u></u>
<b><u>Valuations</u></b>	<b><u>July 2006</u></b>	<b><u>July 2005</u></b>
	<b><u>R000's</u></b>	<b><u>R000's</u></b>
Residential		
Commercial		
State		
Municipal		
<b>Total Property Valuations</b>	<u>                    </u>	<u>                    </u>

~~Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2005. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.017 (2005: R0.016) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. Rates are levied on an annual basis with the final date of payment being 30 November 2006 (2005: 30 November). Interest at 18% per annum (2005: 18%) is levied on outstanding rates as well as a 10% (2005: 10%) collection charge two months after final date of payment.~~

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**17. SERVICE CHARGES**

Sale of electricity	0	0
Sale of water	0	
Refuse removal	3 572 221	4 659 686
Sewerage and sanitation charges	0	0
<b>Total Service Charges</b>	<b>3 572 221</b>	<b>4 659 686</b>

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>

**18. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	50 985 989	43 122 042
Provincial LED Projects	0	0
Provincial health subsidies	1 445 000	1 995 621
MIG Grant	183 500	2 464 512
FMG Grant	61 404	0
Licencing Dept	666 223	0
<b>Total Government Grant and Subsidies</b>	<b>53 342 115</b>	<b>47 582 175</b>

**18.1 Equitable Share**

~~In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R (2006: R) which is funded from this grant.~~

**18.2 Provincial Health Subsidies**

Balance unspent at beginning of year	-	-
Current year receipts - included in public health vote	0	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities (see note 6)	-	-

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

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**18.3 MIG Grant**

Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 6)		

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

**18.4 Provincial LED Projects**

Balance unspent at beginning of year		
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities (see note 6)		

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

**18.5 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act ...of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	2007 R	2006 R
<b>19. OTHER INCOME</b>		
Other income	3 311 754	13 605 092
Recovery of unauthorized, irregular, fruitless and wasteful expenditure (Note 31)	0	0
<b>Total Other Income</b>	<b>3 311 754</b>	<b>13 605 092</b>
<b>20. EMPLOYEE RELATED COSTS</b>		
Employee related costs – Salaries and Wages	47 817 110	38 230 449
Employee related costs - Contributions for UIF, pensions and medical aids	5 703 879	6 078 200
Travel, motor car, accommodation, subsistence and other allowances	3 479 743	4 759 053
Housing benefits and allowances	93 484	363 899
Overtime payments	70 182	31 998
Performance bonus	0	0
Long-service awards	0	0
Less: Employee costs capitalized to Property, Plant and Equipment	0	0
Less: Employee costs included in other expenses	0	0
<b>Total Employee Related Costs</b>	<b>57 164 398</b>	<b>49 463 599</b>

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Remuneration of the Municipal Manager**

Annual Remuneration	1 171 019	1 207 160
Performance Bonuses	27 698	27 403
Car Allowance	193 239	117 750
Contributions to UIF, Medical and Pension Funds	189 318	165 142
<b>Total</b>	1 581 273	1 517 455

**Remuneration of the Chief Finance Officer**

Annual Remuneration	171 074	0
Performance Bonuses	0	0
Car Allowance	0	0
Contributions to UIF, Medical and Pension Funds	27 655	0
<b>Total</b>	198 729	0

**Remuneration of Individual Executive Directors**

	<u>Technical Services</u>	<u>Corporate Services</u>	<u>Community Services</u>
	R	R	R
<b>30 June 2007</b>			
Annual Remuneration	0	0	0
Performance Bonuses	0	0	0
Car Allowance	0	0	0
Medical and pension funds	0	0	0
<b>Total</b>	0	0	0
<b>30 June 2006</b>			
Annual Remuneration	0	0	0
Performance Bonuses	0	0	0
Car Allowance	0	0	0
Medical and pension funds	0	0	0
<b>Total</b>	0	0	0
		<b>2007</b>	<b>2006</b>
		R	R

**21. REMUNERATION OF COUNCILLORS**

Executive Mayor		
Deputy Executive Mayor		
Speaker		
Executive Committee Members		
Councillors		
Councillors' pension contribution		
<b>Total Councillors' Remuneration</b>		

**In-kind Benefits**

~~The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.~~

~~The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.~~

~~The Executive Mayor has two full-time bodyguards.~~



**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**22. INTEREST PAID**

Long-term liabilities	0	446 919
Consumer deposits	4 572	0
Bank overdrafts	<u>70 498</u>	<u>126 236</u>
<b>Total Interest on External Borrowings</b>	<b><u>75 070</u></b>	<b><u>573 155</u></b>

**23. BULK PURCHASES**

Electricity		
Water		
<b>Total Bulk Purchases</b>	<b><u>                    </u></b>	<b><u>                    </u></b>

**24. GRANTS AND SUBSIDIES PAID**

Grant to Childcare	<u>0</u>	<u>0</u>
	<b><u>0</u></b>	<b><u>0</u></b>

The subsidy to Childcare is to assist this registered charity undertake its tasks. The subsidy is paid on a quarterly basis. The Municipal Manager sits on the governing body of Childcare to ensure that the subsidy is used for its intended purpose.

**25. GENERAL EXPENSES**

Included in general expenses are the following:-

25.1 Operational expense	<b><u>27 798 094</u></b>	<b><u>24 253 861</u></b>
--------------------------	--------------------------	--------------------------

25.2 Net exchange differences

Loss attributable to operating activities – importation of chemicals	0	0
--	---	---

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>

**25. GENERAL EXPENSES (continued)**

25.3 Material losses	0	0
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Robbery from cash hall	<u>0</u>	<u>0</u>
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**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**CHANGE IN ACCOUNTING POLICY -**  
**26. IMPLEMENTATION OF GAMAP**

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

**26.1 Statutory Funds**

**Balance previously reported: -**

Capital Development Fund  
 Land Trust Fund  
 Parking Development Fund  
 Loans redeemed and other capital receipts

**Total**

**Implementation of GAMAP**

Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)  
 Transferred to Government Grant Reserve  
 Transferred to Capitalization Reserve


**26.2 Provisions and Reserves**

**Balance previously reported**

Valuation Roll Reserve  
 Staff Bursary Reserve

**Total**

**Implementation of GAMAP**

Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)


**26.3 Inventory**

**Balance previously reported**

**Implementation of GAMAP**

Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)

Write-down of spare parts to realizable value

**Total**

--

**26.4 Non-current provisions**

**Balance previously reported**

**Implementation of GAMAP**

Transferred from Accumulated Surplus/(Deficit) (see 26.7 below)

Long-service


**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007                      2006  
R                              R

**26. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP (continued)**

**26.5 Property, plant and equipment**

**Balance previously reported**  
**Implementation of GAMAP**  
Infrastructure previously not recorded credited to  
Accumulated Surplus/(Deficit) (see 26.7 below)  
**Total**

\_\_\_\_\_  
=====

**26.6 Accumulated Depreciation**

**Balance previously reported**  
**Implementation of GAMAP**  
Backlog depreciation: Land and buildings  
Backlog depreciation: Infrastructure  
Backlog depreciation: Community  
Backlog depreciation: Other  
**Total (debited to Accumulated Surplus/(Deficit))**

(see 26.7 below)

\_\_\_\_\_  
=====

**26.7 Accumulated Surplus/(Deficit)**

**Implementation of GAMAP**  
Adjustments to inventory (see 26.3 above)  
Excessive provisions and reserves no longer  
permitted (see 26.2 above)  
Non-current provisions previously not recognized  
(see 26.4 above)  
Transferred from statutory funds (see 26.1 above)  
Fair value of Property, Plant and Equipment  
previously not recorded (see 26.5 above)  
Backlog depreciation (see 26.6 above)  
**Total**

\_\_\_\_\_  
=====

**27. CORRECTION OF ERROR**

During the year ended 30 June 2005, improvements to library buildings were erroneously expensed as repairs and maintenance: -

The comparative amount has been restated as follows: -

Corrections of improvements to library buildings expensed as repairs and maintenance

Depreciation

Net effect on surplus/(deficit) for the year

\_\_\_\_\_  
=====

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007  
R

2006  
R

**28. CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year		
Adjustment for:-		
Depreciation		
Gain on disposal of property, plant and equipment		
Contribution to provisions - non-current		
Contribution to provisions – current		
Interest paid		
Investment income		
<b>Operating surplus before working capital changes:</b>		
Decrease in inventories		
(Increase)/decrease in debtors		
(Increase)/decrease in other debtors		
(Decrease)/increase in conditional grants and receipts		
Increase in creditors		
Increase in VAT		
<b>Cash generated by/(utilized in) operations</b>		

**29. 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 overdrafts		
Call investment deposits		
<b>Total cash and cash equivalents</b>		

**UTILISATION OF LONG-TERM LIABILITIES**

**30. RECONCILIATION**

Long-term liabilities (see Note 1)		
Used to finance property, plant and equipment – at cost		
Sub- total		
Cash set aside for the repayment of long-term liabilities		
<b>Cash invested for repayment of long-term liabilities (see note 14)</b>		

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007  
R

2006  
R

**31. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**31.1 Unauthorized expenditure**

Reconciliation of unauthorized expenditure

Opening balance	0	0
Unauthorized expenditure current year	0	0
Approved by Council or condoned	0	0
Transfer to receivables for recovery (note 13)	0	0
Unauthorized expenditure awaiting authorization	0	0
	0	0

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
-----------------	--

**31.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
To be recovered – contingent asset (see note 46)	0	0
Fruitless and wasteful expenditure awaiting condonement	0	0
	0	0

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
-----------------	--

**31.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
Transfer to receivables for recovery – not condoned	0	0
Irregular expenditure awaiting condonement	0	0
	0	0

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
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**32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**32.1 Contributions to organized local government**

Opening balance	0	0
Council subscriptions	0	0
Amount paid - current year	0	0
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>
	<b>0</b>	<b>0</b>

**MNQUMA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007  
R

2006  
R

**32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL  
FINANCE MANAGEMENT ACT (continued)**

**32.2 Audit fees**

Opening balance  
Current year audit fee

Amount paid - current year  
Amount paid - previous years

**Balance unpaid (included in creditors)**


The balance unpaid represents the audit fee for an interim audit conducted during May and June 2007 and is payable by 31 July 2007

**32.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

**32.4 PAYE and UIF**

Opening balance  
Current year payroll deductions  
Amount paid - current year  
Amount paid - previous years

**Balance unpaid (included in creditors)**


The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

**32.5 Pension and Medical Aid Deductions**

Opening balance  
Current year payroll deductions and Council  
Contributions  
Amount paid - current year  
Amount paid - previous years

**Balance unpaid (included in creditors)**


The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

**32.6 Councilor's arrear consumer accounts**

The following Councilors had arrear accounts outstanding for more than 90 days as at: -

**MNQUMA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE**

**32. MANAGEMENT ACT (continued)**

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 Days</u>
	R	R	R
<b>30<sup>th</sup> June 2007</b>			
Councillor	0	0	0
Councillor	0	0	0
Councillor	0	0	0
<b>Total Councillor Arrear Consumer Accounts</b>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
<b>30<sup>th</sup> June 2006</b>			
Councillor	0	0	0
Councillor	0	0	0
Councillor	0	0	0
<b>Total Councillor Arrear Consumer Accounts</b>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

	<u>Highest Amount Outstanding</u>	<u>Ageing Days</u>
	R	
<b>30<sup>th</sup> June 2007</b>		
Councillor	0	0
Councillor	0	0
<b>30<sup>th</sup> June 2006</b>		
Councillor	0	0
Councillor	0	0

**32.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality has not developed a supply chain management policy due to (reason)

	<b>2007</b>	<b>2006</b>
	R	R
<b>33. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for	0	0
<i>Infrastructure</i>	0	0
<i>Community</i>	0	0
<i>Heritage</i>	0	0
<i>Other</i>	0	0
- Approved but not yet contracted for	0	0
<i>Infrastructure</i>	0	0
<i>Community</i>	0	0
<i>Heritage</i>	0	0
<i>Other</i>	0	0
<b>Total</b>	<u><u>0</u></u>	<u><u>0</u></u>

**MNQUMA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**2007  
R**

**2006  
R**

**33. CAPITAL COMMITMENTS (continued)**

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

	_____	_____
	=====	=====

**34. RETIREMENT BENEFIT INFORMATION**

~~All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2003. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R... million which is adequately financed by assets of R255,4 million.~~

**35. CONTINGENT LIABILITY**

35.1 Claim for damages

	=====	=====
--	-------	-------

~~The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of R..... Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from~~

35.2 Performance bonus dispute – Legal fees

~~Several senior officials are disputing the assessment process regarding the payment of performance bonuses. Provision has been made for the payment of the bonuses as assessed by the Municipality. The claim is being considered by the labour court after the CCMA ruled in favour of Council.~~

	=====	=====
--	-------	-------

**36. CONTINGENT ASSET**

~~Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 31.2, civil proceedings have commenced against the employee concerned to recover an amount of R..... According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.~~



**MNQUMA LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**37. IN-KIND DONATIONS AND ASSISTANCE**

The Municipality received the following in-kind donations and assistance

**Description**

- Development of Integrated Development Plan by donor agency

**38. EVENTS AFTER THE REPORTING DATE**

~~The Municipality has agreed in principle to transfer its Water function to the Amathole District Municipality. The date of transfer is proposed for 1 July 2007. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenues of the ADM will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of ADM.~~

**39. COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

**APPENDIX A  
MNQUMA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007**

<b>EXTERNAL</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance 30/06/05</b>	<b>Received during period</b>	<b>Redeemed written off during the period</b>	<b>Balance 30/06/06</b>	<b>Carrying Value of Property, Plant &amp;</b>	<b>Other Costs in with the MFMA</b>
<b>LONG-TERM</b>			R	R	R	R	R	R
<b>Total long-term</b>								
<b>ANNUITY LOAN</b>								
<b>GOVERNMENT</b>								
<b>Total</b>								
<b>TOTAL</b>								

Municipality has no External Loans.

APPENDIX B

**MNQUMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	6 443 975	0	0	0	6 443 975	0	0	0	0	6 443 975
Buildings	5 896 177	455 662	0	0	6 351 839	0	0	0	0	6 351 839
	<b>12 340 252</b>	<b>455 662</b>	<b>0</b>	<b>0</b>	<b>12 795 814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 795 814</b>
<b>Infrastructure</b>										
Streets	3 515 589	0	0	0	3 515 589	0	0	0	0	3 515 589
Roads Infrastructure	35 208 874	0	0	0	35 208 874	0	0	0	0	35 208 874
Bulk water	8 530 640	29 831	0	0	8 530 640	0	0	0	0	8 530 640
Sewerage Mains & Purif		0	0	0	0	0	0	0	0	0
Electricity Mains	1 569 088	0	0	0	1 569 088	0	0	0	0	1 569 088
Electricity Peak Load Equip	0	0	0	0	0	0	0	0	0	0
Water Mains & Purification	0	0	0	0	0	0	0	0	0	0
Reservoirs – Water	0	0	0	0	0	0	0	0	0	0
Water Meters	0	0	0	0	0	0	0	0	0	0
Water waste	4 847 612	0	0	0	4 847 612	0	0	0	0	4 847 612
	<b>53 671 803</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53 671 803</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53 671 803</b>
<b>Community Assets</b>										
Parks & Gardens										
Libraries										
Recreation Grounds	810 591	0	0	0	0	0	0	0	0	810 591
Civic Buildings										
	<b>810 591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>810 591</b>
<b>Heritage Assets</b>										
Historical Buildings	0	0	0	0	0	0	0	0	0	0
Painting & Art Galleries	0	0	0	0	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total carried forward</b>	<b>66 822 646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66 822 646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66 822 646</b>

\* Includes correction of error referred to in Note 27.

APPENDIX B (continued)

MNQUMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
<b>Total brought forward</b>	66 822 646	0	0	0	66 822 646	0	0	0	0	66 822 646
<b>Other Assets</b>	5 372 513	0	0	0	5 372 513	0	0	0	0	5 372 513
Motor vehicles	5 309 757	0	0	0	5 309 757	0	0	0	0	5 309 757
Fire engines	4 890	0	0	0	4 890	0	0	0	0	4 890
Refuse tankers	0	0	0	0	0	0	0	0	0	0
Computer equipment	1 326 552	0	0	0	1 326 552	0	0	0	0	0
Councilors Regalia	0	0	0	0	0	0	0	0	0	0
Conservancy tankers	0	0	0	0	0	0	0	0	0	0
atercraft	0	0	0	0	0	0	0	0	0	0
	<b>12 013 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 013 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 013 712</b>
<b>Total</b>	<b>78 836 358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78 836 358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78 836 358</b>

**APPENDIX C**

**MNQUMA LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2007**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
<b>TOTAL</b>										

**APPENDIX D**

**MNQUMA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2007**

2006				2007		
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)
R	R	R		R	R	R
-	767,159.00	-767,159.00	Technical Services	-	780,917.00	-780,917.00
47,053.00	1,868,634.00	-1,821,581.00	Building	94,337.00	1,676,406.00	-1,582,069.00
-	526,592.00	-526,592.00	Workshop	-	1,028,436.00	-1,028,436.00
24,899.00	3,131,274.00	-3,106,375.00	Public works	31,760.69	3,586,498.00	-3,554,737.31
-	3,260,097.00	-3,260,097.00	Health Management	-	1,436,291.00	-1,436,291.00
1,995,621.00	2,208,490.00	-212,869.00	Nursing dept	-	2,721,992.00	-2,721,992.00
-	693,420.00	-693,420.00	Community Service Management	-	788,210.00	-788,210.00
-	4,721,715.00	-4,721,715.00	Security	-	7,129,755.00	-7,129,755.00
1,373,693.00	2,446,634.00	-1,072,941.00	Traffic department	2,275,757.00	3,472,873.00	-1,197,116.00
-	699,271.00	-699,271.00	Disaster Management	-	1,520,294.00	-1,520,294.00
10,540.00	8,184,601.00	-8,174,061.00	Admin Support Services	455,393.04	9,385,149.00	-8,929,755.96
-	5,420,007.00	-5,420,007.00	Human Resources	140,087.19	2,426,356.00	-2,286,268.81
-	459,721.00	-459,721.00	Library	-	581,301.00	-581,301.00
-	-	-	Estates	-	11,336.00	-11,336.00
-	311,996.00	-311,996.00	Information Technology	-	409,345.00	-409,345.00
58,851,909.00	17,869,871.00	40,982,038.00	Finance Department	91,820,332.23	23,092,179.00	68,728,153.23
6,787,558.00	4,978,652.00	1,808,906.00	Sanitation / Sewerage	7,147,589.53	7,502,483.00	-354,893.47
-	867,850.00	-867,850.00	Cleaning	-	4,425.00	-4,425.00
-	1,526,262.00	-1,526,262.00	Stores & Purchases	-	484,841.38	-484,841.38
-	2,564,917.00	-2,564,917.00	Municipal Manager	-	2,761,191.91	-2,761,191.91
-	2,585,384.00	-2,585,384.00	Mayoral Office	-	4,770,871.33	-4,770,871.33
-	4,924,296.00	-4,924,296.00	Speakers Office	-	8,890,906.75	-8,890,906.75
-	2,955,129.00	-2,955,129.00	Strategic & Development Plan	-	2,499,545.95	-2,499,545.95
-	-	-	Technical Services	-	247,186.66	-247,186.66
4,585,948.00	7,725,275.00	-3,139,327.00	Water works	169,468.32	995,895.34	-826,427.02
-	322,021.00	-322,021.00	Electricity			
<b>73,677,221.00</b>	<b>81,019,268.00</b>	<b>-7,342,047.00</b>	<b>Sub Total</b>	<b>102,134,725.00</b>	<b>88,204,685.32</b>	<b>13,930,039.68</b>
0	0	-	Less Inter-Department Charges	-	-	0
<b>73,677,221</b>	<b>81,019,268</b>	<b>-7,342,047.00</b>	<b>Total</b>	<b>102,134,725.00</b>	<b>88,204,685.32</b>	<b>13,930,039.68</b>

**APPENDIX E(1)**

**MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	<u>2,007.00</u>	<u>2,007.00</u>	<u>2,007.00</u>	<u>2,007.00</u>	<u>Explanation of</u>
<b>REVENUE</b>	<u>Actual (R)</u>	<u>Budget (R)</u>	<u>Variance (R)</u>	<u>Variance</u>	<u>Significant Variances</u>
				<u>(%)</u>	<u>greater than 10%</u>
					<u>versus Budget</u>
					<u>(Explanations to be</u>
					<u>recorded)</u>
Property rates	37,143,175.00	19 820 469	-6 493 134	-7.00	
Property rates - penalties imposed and collection charges	-	-	-	-	
Service charges	3,572,221.00	-	-	4.00	
Rental of facilities and equipment	-	230,000.00	3 153 577	-13.00	
Refuse removals –	-	1 500 000			
Interest earned - external investments	494,213.00			-3.00	
Interest earned - outstanding debtors	2,987,173.00	2 643 354		-22.00	
Fines –	255,158.00	1 500 000		4.00	
Licenses and permits	1,028,916.00			-	
Government grants and subsidies	53,342,115.00	57 328 259	-592,883.00	1.00	
Other income	3,311,754.00	2 259 478	-1 040 881	-31.00	
Public contributions, donated/contributed PPE	-	-	-	-	
Gains on disposal of property, plant and equipment	-	-	-	-	
<b>Total Revenue</b>	<b>102,134,725.00</b>	<b>85 281 560</b>			
<b>EXPENDITURE</b>					
Technical Services Management	780,917.00	1,420,690.00	-740,930.00	-52.00	
Building Control	1,676,406.00	2,440,678.00	-848,658.00	-35.00	
Workshops	1,028,436.00	1,817,811.00	-524,159.00	-29.00	
Public Works	3,586,498.00	7,496,103.00	-1 691 306	-23.00	
Health: Management	1,436,291.00	-	1 458 680	100.00	
Nursing and Community Services	3,510,202.00	2,829,607.00	-478,345.00	-17.00	
Security	7,129,755.00	985,758.00	-262,253.00	-27.00	
Traffic	3,472,873.00	6,332,975.00	-27,026.00	-	
Disaster Management	1,520,294.00	2,505,930.00	315,601.00	13.00	
Admin Support Services: General	9,385,149.00	1,412,155.00	82,032.00	6.00	
Human Resources	2,426,356.00	7,492,511.00	238,917.00	3.00	
Library	581,301.00	4,349,695.00	- 212 749	-51.00	
Estates	11,336.00	682,842.00	-191,652.00	-28.00	
Information Technology	409,345.00	115,131.00	-103,795.00	-90.00	
Finance Department: Management	23,092,179.00	436,254.00	-74,795.00	-17.00	
Sewerage / Sanitation	7,502,483.00	19,750,056.00	-10 896 275	-55.00	
Cleaning	489,266.38	7,281,005.00	-718,457.00	100.00	
Stores & purchases					
Municipal Manager	2,761,191.91	-	10,830.00	100.00	
Mayoral Office	4,770,871.33	994,135.00	-597,055.00	-60.00	
Speakers Office	8,890,906.75	3,527,807.00	-1 001 471	-28.00	
Strategic & Developmental plan	2,499,545.95	4,492,210.00	11,230.00	-	
Water Works	247,186.66	7,532,423.00	1 699 338	23.00	
Electricity	995,895.34	3,430,418.00	-1 188 379	-35.00	
		-			
Less Inter-Departmental Charges	-	-	-	-4.00	
<b>Total Expenditure</b>	<b>88,204,685.32</b>	<b>87,326,194.00</b>	<b>-17 697 710</b>	<b>-27.00</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>13,930,039.68</b>	<b>3,984,107.00</b>		<b>10.00</b>	

**APPENDIX E(2)**

**MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	<u>2007</u> <u>Actual</u>	<u>2007</u> <u>Under</u> <u>Construction</u>	<u>2007</u> <u>Total</u> <u>Additions</u>	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Variance</u>	<u>2007</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council							
Finance & Admin							
Planning & Development							
Health							
Community & Social Services							
Public Safety							
Sport & Recreation							
Environmental Protection							
Waste Management							
Road Transport							
Water							
Electricity							
Other							
<b>TOTAL</b>							



**APPENDIX F**

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

**Grant and Subsidies Received**

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

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.