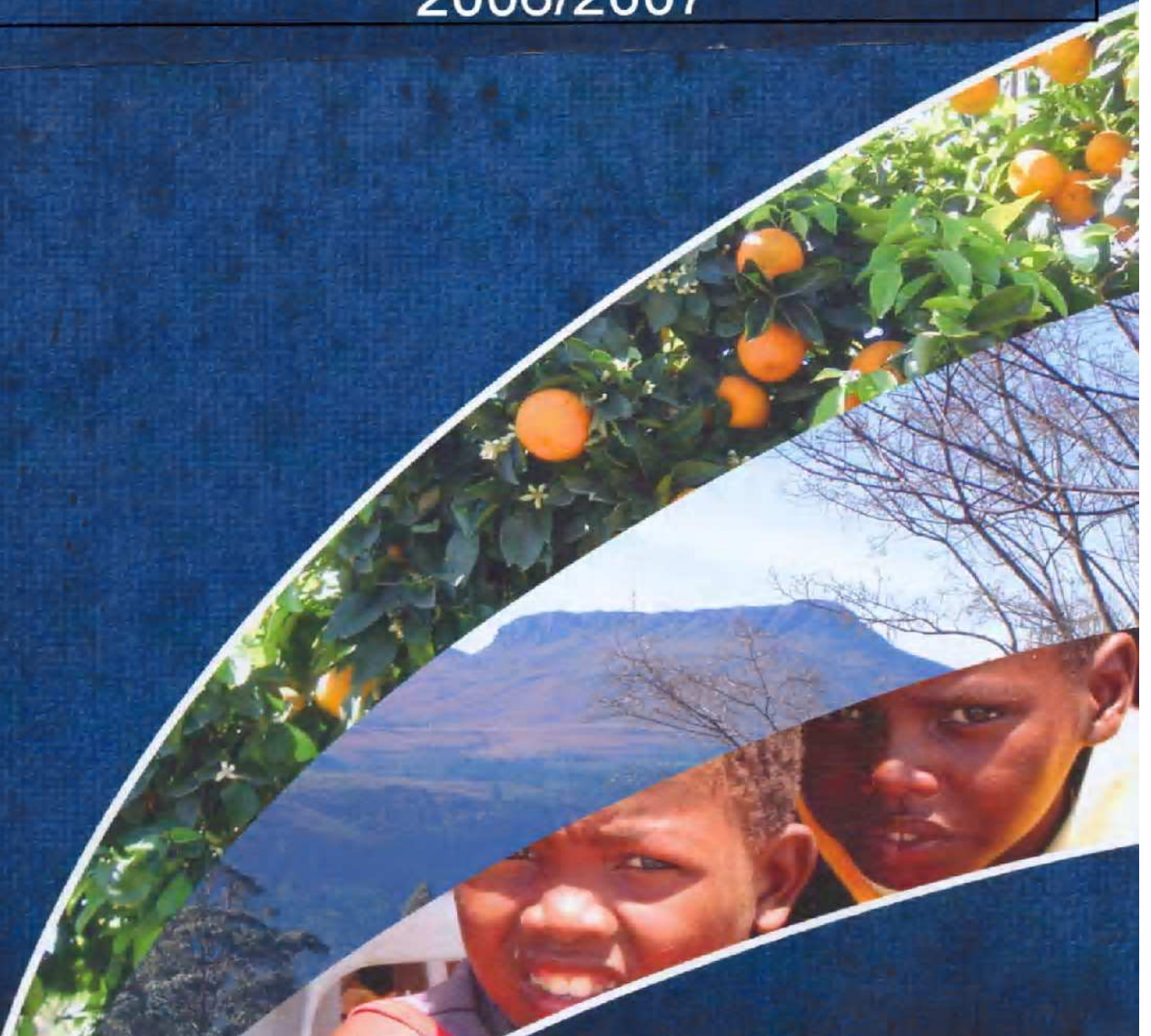




# Nkonkobe Municipality Annual Financial Statements 2006/2007



**EC 127**

U Masipala Wakwa Nkonkobe

Umzi Wolawulo/Civic Centre  
8 Somerset Street  
FORT BEAUFORT  
Eastern Cape – RSA



Municipality of Nkonkobe

P.O. Box 36  
FORT BEAUFORT,  
Tel: (046) 6457449  
Fax: (086) 6860775

30 August 2007

The Office of the Auditor General  
59 Western Avenue  
Vincent  
East London  
5200

Sir / Madam

**Nkonkobe Municipality (EC127) – Submission of Annual Financial Statements**

Please find enclosed signed copies of the Nkonkobe Municipalities Annual Financial Statements for the following year: -

- 30 June 2007

The municipality has a full copy of the working papers supporting the above mentioned years. Should you have any further queries please contact the Acting Chief Financial Officer, Mr. Andre Marx on 046-6457483.

Trust that you will find the above in order.

Thanking You

Yours faithfully

Ms. Queen Williams  
Municipal Manager  
Accounting Officer

OFFICE OF THE  
AUDITOR - GENERAL

2007 -08- 31

# NKONKOBÉ MUNICIPALITY

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# NKONKOBÉ MUNICIPALITY

## GENERAL INFORMATION

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

M Ncume	Acting Mayor
Rev DD Ngcuka	Speaker of Council
LM Fani	Financial Services - Chairperson
M Ncume	Human Resources & Admin - Chairperson
JM Zondi	Engineering Services - Chairperson
NW Nxawe	Community Services - Chairperson
N Gqokro	Sports, Arts & Culture - Chairperson
J Ndlebe	Strategic Planning & LED - Chairperson

### **GRADING OF LOCAL AUTHORITY**

Councillors - Grade 3 (in terms of the Public Office Bearers Act)  
Officials - Grade 6 (old Grading system)

### **AUDITORS**

Auditor General - East London

### **BANKERS**

First National Bank, Fort Beaufort

### **REGISTERED OFFICE**

Somerset Street  
PO Box 36, Fort Beaufort  
5720

Telephone : 046 645 7400  
Facsimile : 046 645 2562

### **MUNICIPAL MANAGER as at 30 June 2007**

Ms. Queen Williams

Telephone : 046 645 7449

### **CHIEF FINANCIAL OFFICER as at 30 June 2007**

Mr. M Sigabi

Telephone : 046 645 7483

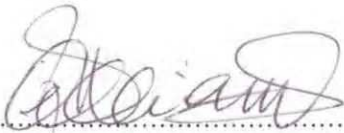


**APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements as set out on pages 4 to 22 were approved by the Municipal Manager and the

Chief Financial Officer on this the 31 August 2007 and then presented to and approved by Council on

this the .....2007



.....  
**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**



.....  
**CHIEF FINANCIAL OFFICER: NKONKOBÉ MUNICIPALITY**

# NKONKOBÉ MUNICIPALITY

## MAYOR'S FOREWORD

I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2007

Local Government reform in South Africa poses a challenge to all municipalities and indeed the Nkonkobe Municipality and as such we have set our targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

The economic viability of the region remains a priority for our municipality. Every effort has been made to stimulate investment in all areas of the Nkonkobe Municipality. To this end, I am proud to report that a municipal entity has been established and various projects for the local economic development will be undertaken in the foreseeable future.

The council as an institution is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge the municipality has become increasingly reliant on the equitable share received from national government to improve the quality of service delivery to population of the Nkonkobe region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

Despite the numerous challenges facing the council I and my fellow councillors are confident for the future of the Nkonkobe Municipality and we remain committed to building a financially sound and prosperous municipality.

In conclusion I wish to express my appreciation to the councillors, the Municipal Manager, the Chief Financial Officer, the Budget and Treasury Manager and various members of the Budget and Treasury office for their support and hard work during the past financial year.



**ACTING MAYOR**

M Ncume

# NKONKOBÉ MUNICIPALITY

## ACCOUNTING OFFICER'S REPORT

### 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual to Budget %
<b>Income:</b>					
Opening surplus/(deficit)	(14,680,530)	(8,994,590)			
Operating income for the year	71,160,482	61,559,915	(13.5)	63,852,943	3.6
	<b>56,479,952</b>	<b>52,565,326</b>		<b>63,852,943</b>	
<b>Expenditure</b>					
Operating expenditure for the year	65,678,245	61,982,324	(5.6)	63,851,365	2.9
Contributions to approved funds					
Appropriation	(203,702)	(11,525,848)			
Closing surplus/(deficit)	(8,994,590)	2,108,849		1,578	
	<b>56,479,952</b>	<b>52,565,326</b>		<b>63,852,943</b>	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest Received was on a par with the prior year. The main reason for the improved performance was that the municipalities overall expenditure was reduced. The municipality was also billed for 3 years worth of audit.					

#### 1.1 Rates and General Services

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual to Budget %
Income	49,369,400	52,038,078	5.4	52,692,083	1.2
Expenditure	53,437,370	51,173,089	(4.2)	54,588,485	6.3
<b>Surplus / (Deficit)</b>	<b>(4,067,970)</b>	<b>864,990</b>	<b>(121.3)</b>	<b>(1,896,402)</b>	<b>145.6</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>(8.2)</b>	<b>1.7</b>		<b>(3.6)</b>	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest Received was on a par with the prior year. The main reason for the improved performance was that the municipalities overall expenditure was reduced.					

1.2 The following is a summary of the operating results of the local authority's Trading Services:

*Electricity Service*

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	9,713,731	9,345,489	(3.8)	11,005,860	15.1
Expenditure	10,025,620	10,531,176	5.0	9,038,556	(16.5)
<b>Surplus / (Deficit)</b>	<b>(311,890)</b>	<b>(1,185,688)</b>	<b>280.2</b>	<b>1,967,304</b>	<b>160.3</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>(3.2)</b>	<b>(12.7)</b>		<b>17.9</b>	
<b>Significant variances:</b>					
The main reason for the variance in expenses in the provision for doubtful debts. In the past the municipality has applied the incorrect the tariff structure. This has been corrected.					

*Water Service*

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	11,955,377	151,159	(98.7)	-	0.0
Expenditure	2,066,634	84,048	(95.9)	-	0.0
<b>Surplus / (Deficit)</b>	<b>9,888,743</b>	<b>67,111</b>	<b>(99.3)</b>	<b>-</b>	<b>0.0</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>82.7</b>	<b>44.4</b>		<b>0.0</b>	
<b>Significant variances:</b>					
As of 1 July 2006 all water services were taken over by the Amathole District Municipality. The effective date of data transfer was September 2006.					

*Abattoir Service*

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	121,975	25,189	(79.3)	155,000	83.7
Expenditure	148,620	194,011	30.5	224,324	13.5
<b>Surplus / (Deficit)</b>	<b>(26,646)</b>	<b>(168,823)</b>	<b>533.6</b>	<b>(69,324)</b>	<b>(143.5)</b>
<b>Surplus / (Deficit) as % of total income</b>	<b>(21.8)</b>	<b>(670.2)</b>		<b>(44.7)</b>	
<b>Significant variances:</b>					
The provincial departments inspectors closed the abattoir in November 2006 due to inadequate equipment.					



## **2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year are detailed below: -

	<b>Actual 2006 R</b>	<b>Budget 2007 R</b>	<b>Actual 2007 R</b>
Community Services	1,405,864	1,204,155	801,455
Subsidised Services	72,668	45,000	-
Economic Services	1,949,958	500,000	-
Housing Services	-	-	-
Trading Services	541,018	335,966	147,372
	<b>3,969,508</b>	<b>2,085,121</b>	<b>948,827</b>

Resources used to finance the fixed assets were as follows: -

- Internal Sources	442,067	2,085,121	309,873
- External Sources	3,527,441	-	638,954
Other Sources	3,527,441		638,954
Provincial Government			
	<b>3,969,508</b>	<b>2,085,121</b>	<b>948,827</b>

### **Significant variances:**

The under spend in relation to the budgeted amount is attributable to the lack of finance.

A complete analysis of capital expenditure (budgeted and actual) per department, classification of service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

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

External loans outstanding on 30 June 2007 amounted to R 4 486 754 (including current portion). (2006 - R14 644 160)

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a positive of R 1 597 499 (2006 - R 5,588,832 positive). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2007 amounted to R 10 346 733 (2006: R 10,458,935).

Trust Fund Investments as at 30 June 2007 amounted to R 10,346,733 (2006: R 10 458 935 ). The investments are held for specific projects.

More information regarding loans and investments are disclosed in the notes and appendix B to the financial statements.

## **4. MUNICIPAL ENTITY**

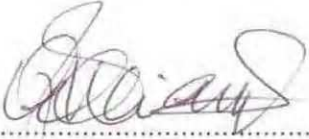
The Nkonkobe Economic Development Agency was established during the 2005 financial year. The main objective of the agency is to act as a agent on behalf of the municipality for all economic development issues in the demarcated development zone. The agency is funded by both the Nkonkobe municipality and external donors.

## **5. POST BALANCE SHEET EVENTS**

The municipality has been issued with a demand from SARS for back dated Skills Development Levies dating back to 2000. No other material post balance sheet events have been identified.

**6. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and the municipal staff for their assistance and support during the past financial year.



.....  
**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**

(Accounting Officer)

# NKONKOBÉ MUNICIPALITY

## ACCOUNTING POLICIES

### 1. Basis of preparation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - \* Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - \* Expenditure is accrued in the year it is incurred.

### 2. Consolidation

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

### 3. Fixed assets

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

  - \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
  - \* Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4 Fixed assets are financed from different sources, including external loans,

operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

3.5 A detailed GAMAP compliant assets register has been prepared.

#### **4. Funds and reserves**

##### **4.1 Revolving fund**

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### **4.2 Other funds and reserves**

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### **5. Provisions**

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

#### **6. Stock**

Stock is reflected in the Balance Sheet at the weighted average cost.

#### **7. Retirement benefits**

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, The Cape Joint Pension Fund, SALA Pension Fund, VERSO Pension Fund and JEPF Pension Fund

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

#### **8. Surpluses and deficits**

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

#### **9. Treatment of administration and other overhead expenses**

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services

(June 1990).

## **10. Leased assets**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## **10. Investments**

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

## **11. Income recognition**

### **11.1 Electricity billings**

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account.

Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

### **11.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state owned properties and 40% rebates are granted to pensioners pending a successful application. Income is recognised when such levies are raised and debited to the respective ratepayer account.

### **11.3 Other income**

Income from services such as refuse removal, recovered by way of debtors is, recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.



**NKONKOBÉ MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		15,836,865	15,156,373
Statutory funds	1	13,285,107	12,604,615
Reserves	2	2,551,758	2,551,758
ACCUMULATED DEFICIT		2,108,849	(8,994,590)
		17,945,714	6,161,783
TRUST FUNDS	3	10,346,733	10,458,935
LONG TERM LIABILITIES	4	1,222,116	12,793,815
CONSUMER DEPOSITS: SERVICES	5	529,504	990,033
		<b>30,044,066</b>	<b>30,404,566</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	8	-	-
FIXED ASSETS	6	2,053,517	11,811,155
INVESTMENTS	7	10,346,733	10,458,935
		12,400,250	22,270,091
NET CURRENT ASSETS		17,643,816	8,134,475
CURRENT ASSETS		39,419,267	36,943,361
Stock	9	297,718	286,728
Accounts receivable	10	37,524,049	30,500,063
Cash and Cash Equivalents	11	900,337	11,083
Short-term Investments	7	697,162	6,145,487
CURRENT LIABILITIES		21,775,451	28,808,885
Creditors	14	15,028,467	19,263,711
Bank overdraft	15	-	567,738
Project Control Accounts	13	-	2,255,061
Provisions	12	3,482,345	4,901,633
Short-term portion of long-term liabilities	4	3,264,638	1,820,742
		<b>30,044,066</b>	<b>30,404,566</b>

## NKONKOB MUNICIPALITY

### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
49,369,400	53,437,370	(4,067,970)	<b>RATES AND GENERAL SERVICES</b>	52,038,078	51,173,089	864,990	(1,896,402)
43,943,322	44,095,373	(152,051)	Community services	47,329,949	43,931,231	3,398,718	3,826,406
25,269	1,231,254	(1,205,986)	Subsidised services	6,403	1,421,958	(1,415,555)	(1,676,357)
5,400,809	8,110,742	(2,709,933)	Economic services	4,701,727	5,819,900	(1,118,173)	(4,046,451)
21,791,083	12,240,875	9,550,207	<b>TRADING SERVICES</b>	9,521,836	10,809,236	(1,287,399)	1,897,980
<b>71,160,482</b>	<b>65,678,245</b>	<b>5,482,238</b>	<b>TOTAL</b>	<b>61,559,915</b>	<b>61,982,324</b>	<b>(422,410)</b>	<b>1,578</b>
		203,702	Appropriations for the year (refer note 20)			11,525,848	
		5,685,940	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			11,103,438	
		(14,680,530)	Accumulated surplus beginning of the year			(8,994,590)	
		<b>(8,994,590)</b>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<b>2,108,849</b>	

# NKONKOBÉ MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>6,973,094</b>	<b>1,180,847</b>
Cash utilised in operations	21	(37,002,280)	(18,203,079)
Investment income		1,094,383	442,693
(Increase) / Decrease in working capital	22	(17,497,015)	(2,361,183)
		(53,404,912)	(20,121,569)
Less: External interest paid		(544,769)	(1,832,430)
<b>Cash available from operations</b>		<b>(53,949,681)</b>	<b>(21,953,999)</b>
Net Proceeds on disposal of fixed assets		8,681,828	-
Cash contributions from the public and the State		52,240,947	23,134,846
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(948,827)</b>	<b>(3,969,508)</b>
Investment in fixed assets		(948,827)	(3,969,508)
<b>NETT CASH FLOW</b>		<b>6,024,267</b>	<b>(2,788,662)</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase / (Decrease) in long-term liabilities	23	(10,127,803)	(783,175)
Decrease / (Increase) in cash on hand	25	(1,456,992)	(129,780)
Decrease / (Increase) in external cash investments	24	5,560,528	3,701,616
<b>NETT CASH UTILISED</b>		<b>(6,024,267)</b>	<b>2,788,662</b>

# NKONKOBÉ MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
<b>1. ACCUMULATED FUNDS</b>		
Revolving Fund	12,523,026	11,842,534
Dog Tax Fund	84,735	84,735
Loans Redemption Fund	643,453	643,453
Community Facilities	27,896	27,896
Other	5,997	5,997
	<u>13,285,107</u>	<u>12,604,615</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2. RESERVES</b>	<u>2,551,758</u>	<u>2,551,758</u>
<i>(Refer to Appendix A for more details)</i>		
<b>3. TRUST FUNDS</b>		
As detailed in Appendix A	<u>10,346,733</u>	<u>10,458,935</u>
All trust funds are back by investments held with various bank. <i>(Refer to Appendix A for more details)</i>		
<b>4. LONG-TERM LIABILITIES</b>		
Loans outstanding external	-	1,250,000
DBSA - Capital	-	4,087,388
DBSA - Capital Arrears Interest	2,655,470	6,871,078
Wesbank	1,831,284	2,406,091
Less: Short Term portion transferred to Current Liabilities	(3,264,638)	(1,820,742)
	<u>1,222,116</u>	<u>12,793,815</u>
<i>(Refer to Appendix B for more detail)</i>		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service Deposits	<u>529,504</u>	<u>990,033</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	117,502,152	113,532,644
Capital expenditure during the year	948,827	3,969,508
Less: Assets written off, transferred or disposed of during year	31,433,199	-
<b>Total fixed assets</b>	<u>87,017,780</u>	<u>117,502,152</u>
Less: Loans redeemed and other capital receipts	<u>84,964,262</u>	<u>105,690,997</u>
	<u>2,053,517</u>	<u>11,811,155</u>
<i>(Refer to Appendix C for more details)</i>		
<b>7. INVESTMENTS</b>		
Project Investments	<u>10,346,733</u>	<u>10,458,935</u>
Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institution.		
Operating Investments	<u>697,162</u>	<u>6,145,487</u>
Numerous First National Bank Accounts are being held as security to cover the municipalities bank overdraft.		

	2007 R	2006 R
<b>8. LONG TERM DEBTORS</b>		
Vehicle Loans	-	-
<b>9. STOCK</b>		
Rate & General	238,802	162,330
Electricity Services	58,916	124,398
	<u>297,718</u>	<u>286,728</u>
<b>10. DEBTORS</b>		
Current Debtors	51,758,306	98,426,206
Sundry Debtors	23,388,972	1,100,825
VAT	-	2,649,377
Less Provision for Bad debts	37,623,228	71,676,346
	<u>37,524,049</u>	<u>30,500,063</u>
<p>Consumer Debtors amounting to R 21,745,394 were taken over by the Amathole District Municipality on 1 July 2006. The Amathole District Municipality has subsequently handed the Consumer Debtors back over to the municipality pending a section 57 analysis.</p>		
<b>11. CASH AND CASH EQUIVALENT</b>		
Floats	11,083	11,083
Bank Balances	889,255	-
	<u>900,337</u>	<u>11,083</u>
<b>12. PROVISIONS</b>		
Leave reserve	2,743,832	3,741,985
Performance Bonuses	100,000	440,400
Audit Fees	638,514	719,249
	<u>3,482,345</u>	<u>4,901,633</u>
<b>13. PROJECT DEBTORS</b>	-	2,255,061
<b>14. CREDITORS</b>		
Trade Creditors	1,639,323	2,176,724
VAT Provision	4,307,407	10,197,232
VAT Control	7,789,419	-
Unallocated Deposits	-	6,510,330
Sundry Creditors	1,292,319	160,675
Current Portion of INCA Loan	-	218,750
	<u>15,028,467</u>	<u>19,263,711</u>
<b>15. BANK OVERDRAFT</b>		
Nkonkobe Municipality	-	567,738
	<u>-</u>	<u>567,738</u>
<p>All Securities have been detailed in Note 11.</p>		



	2007 R	2006 R
<b>16. ASSESSMENT RATES</b>		
Valuations on land and improvements are performed every four years. The last general valuation came into effect on 1 July 1994. The basic rate on land and improvements varied from area to area.		
	<b><u>Rates - LAND</u></b>	<b><u>Rates- buildings</u></b>
<b><u>Residential</u></b>		
Seymour	0.0250425	0.0220374
Fort Beaufort	0.0250425	0.0220374
Alice	0.0250425	0.0220374
Hogsback	0.0250425	0.0220374
Middledrift	0.0250425	0.0220374
<b><u>Government Properties,Schools,colleges,universities</u></b>		
Seymour	0.0236250	0.0246750
Fort Beaufort	0.0236250	0.0246750
Alice	0.0236250	0.0246750
Hogsback	0.0236250	0.0246750
Middledrift	0.0236250	0.0246750
<i>The following rebates were granted:</i>		
- State	20.00%	
- Pensioners	40.00%	
Actual Rateable Income	<u>9,759,645</u>	<u>8,858,164</u>
<b>17. DIRECTORS AND OFFICIALS REMUNERATION</b>		
Mayor's allowance:	488,192	341,527
Speakers Allowance	391,260	419,764
Councillor's allowances:	<u>6,912,823</u>	<u>3,103,035</u>
	<u>7,792,275</u>	<u>3,864,326</u>
<b>Municipal Manager</b>	121,213	-
Salary	<u>121,213</u>	<u>-</u>
<b>Other Senior Manager</b>	3,059,907	-
Salary	<u>3,059,907</u>	<u>-</u>
<b>Total Remuneration</b>	<u>3,181,120</u>	<u>-</u>
A full time municipal manager was only appointed on 2 April 2007		
The municipalities employees cost spend as a percentage of total spend is: -	<b>55.7%</b>	<b>56.5%</b>
<b>18. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>1,916,368</u>	<u>270,000</u>
<b>19. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	<u>601,834</u>	<u>442,693</u>
- Interest paid	<u>544,769</u>	<u>1,862,849</u>
<i>Capital charges debited to operating account:</i>		
- Interest paid on external loans	534,785	1,832,430
- Interest paid on internal loans	16,130	18,965
- Redemption of external loans	548,107	783,175
- Redemption of internal loans	45,107	52,424
	<u>1,144,129</u>	<u>603,155</u>

	2007 R	2006 R
<b>20. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	(8,994,590)	(14,680,530)
Operating surplus for the year	(422,410)	5,482,238
	(9,416,999)	(9,198,292)
Less: Appropriations for the year:	(11,525,848)	(203,702)
- Prior year adjustments	<b>(11,525,848)</b>	<b>(203,702)</b>
Accumulated surplus at the end of year	<b>2,108,849</b>	<b>(8,994,590)</b>
<b>Operating account</b>		
Capital expenditure	336,573	395,211
Contributions to:		
- Revolving Fund	664,362	727,920
- Audit Fee	(80,736)	-
- Doubtful debts	3,511,204	-
- Leave Reserve	(998,153)	-
	<b>1,000,935</b>	<b>1,123,131</b>
<b>21. CASH GENERATED BY OPERATIONS</b>		
<b>(Deficit) / Surplus for the year</b>	<b>(422,410)</b>	<b>5,482,238</b>
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	<b>11,525,848</b>	<b>203,702</b>
<u>Appropriations charged against income:</u>	<b>5,454,437</b>	<b>1,123,131</b>
- Revolving Fund	664,362	727,920
- Provisions	4,453,501	-
- Fixed Assets	336,573	395,211
Investment income (operating account)	<b>(1,094,383)</b>	-
<u>Capital charges</u>	<b>1,144,129</b>	2,686,993
Interest Paid on External Loans	534,785	1,832,430
Interest Paid on Internal Loans	16,130	18,965
Redemption on External Loans	548,107	783,175
Redemption on Internal Loans	45,107	52,424
Grants and Subsidies Received from the State	<b>(32,368,959)</b>	<b>(27,699,144)</b>
<u>Non Operating Expenditure</u>	<b>(26,231,241)</b>	-
- Expenditure charged against funds	(24,811,953)	-
- Expenditure charged against provisions	(1,419,288)	-
<u>Non Operating Income</u>	<b>4,990,299</b>	-
- Transfers to funds and reserves	4,990,299	-
	<b>(37,002,280)</b>	<b>(18,203,079)</b>
<b>22. DECREASE/(INCREASE) IN WORKING CAPITAL</b>		
(Increase) / Decrease in Stores	(10,990)	48,674
(Increase) / Decrease in Debtors, Long Term Debtors	(10,535,190)	(32,264)
(Decrease) / Increase in Creditors, Consumer Deposits	(6,950,834)	(2,377,593)
	<b>(17,497,015)</b>	<b>(2,361,183)</b>
<b>23. (DECREASE) / INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	-	-
Loans repaid	(10,127,803)	(783,175)
	<b>(10,127,803)</b>	<b>(783,175)</b>

	2007 R	2006 R
<b>24. DECREASE / (INCREASE) IN CASH INVESTMENT COMPRISES</b>		
Investments Realised	5,560,528	3,701,616
Investments Made	-	-
	<u>5,560,528</u>	<u>3,701,616</u>
<b>25. INCREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	(556,655)	(686,435)
Less: Cash balance at end of year	900,337	(556,655)
	<u>(1,456,992)</u>	<u>(129,780)</u>
<b>26. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
The municipality has been issued with legal papers regarding the cancellation of a photocopy rental agreement. The municipality cancelled the contract due to the incorrect procurement of the above goods and services.		
<b>27. POST BALANCE SHEET EVENTS</b>		
The municipality has been issues with a demand from SARS for back dated Skills Development Levies dating back to 2000. No other material post balance sheet events have been identified.		
<b>28. RETIREMENT BENEFITS</b>		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -		
	<u>Employee</u>	<u>Employer</u>
SAMWU Provident Fund	7.50%	18.00%
SALA	8.60%	20.70%
Cape Joint Pension Fund	9.00%	18.00%
VERSO	15.00%	0.00%
JEFP	7.50%	13.00%
<b>29. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure	<u>3,295,812</u>	<u>-</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	3,295,812	-
Other Sources	-	-
Provincial Government	<u>3,295,812</u>	<u>-</u>
	<u>3,295,812</u>	<u>-</u>
The above commitments are mainly funded by the MIG Grants received.		

**NKONKOB MUNICIPALITY**

**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	<b>Balance at 30 June 2006 R</b>	<b>Contributions during year R</b>	<b>Interest on Investments Net of Refunds R</b>	<b>VAT Refunds R</b>	<b>Transfers during year R</b>	<b>Operating expenditure during year R</b>	<b>Capital expenditure during year R</b>	<b>Balance at 30 June 2007 R</b>
<b>STATUTORY FUNDS</b>								
Revolving Fund	11,842,534	664,362	16,130					12,523,026
Dog Tax Fund	84,735							84,735
Loans Redemption Fund	643,453							643,453
Community Facilities	27,896							27,896
Other	5,997							5,997
	<b>12,604,615</b>	<b>664,362</b>	<b>16,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,285,107</b>
<b>TRUST FUNDS</b>								
<b>Cash Backed Funds</b>								
13 Starter Homes	147,583		9,831					157,414
Alice CMIP	26,254					779		25,476
Alice Golf Area 1111	1,142,437	2,114,569	144,859	2,285,847		154,671	2,624,948	2,908,093
Alice Housing Project (Std Bank)	302,843					665		302,178
Alice Kuntselamanzi	513,099		1,999	258,544		1,051	726,787	45,804
Bhofolo Phase 2	1,616					243		1,374
Development	28,470	102,290	4,353			243		134,870
Erhoxeno Peoples Housing Project	177,469	536,301	13,191			331	536,301	190,329
Erhoxeno Peoples Housing Project (2)	23,542		34			390		23,185
Fishing Project	74,854		5,417					80,271
Fort Beaufort Golf Area 1177	2,078,811	4,397,652	12,024	1,417,784		228,136	7,442,026	236,109
Fort Beaufort Gomma Gomma	76,670		(71)			435	59,061	17,104
Fresh Produce Market	12,264	54,829			6,034	1,100		59,959
Human Settlement - Re-development Plan	2,258		102					2,360
Kwankobokobo Peoples Housing Project	125,431	3,289,902	11,361			331	3,289,902	136,462
McFarland Peoples Housing Project	134,506		9,715			243		143,978
McFarland Peoples Housing Project (2)	2,180		3			390		1,793
Middledrift Housing	33,652		1,309			18,000		16,961
Middledrift Infrastructure	41,736			4,473		779		45,431
Mpolweni Housing Development 2	17,228	351,594	(1,523)	223,421		26,441	490,717	73,562
MSP Funding	193,512		8,135			200,647		1,000
MSP Funding	304,969		17,279			321,249		1,000
NER Operating Account	4,347,352					361	3,097,021	1,249,970
Seymour Extension 6	616,022	12,301	9,265	806,263		61,970	1,219,460	162,421
Seymour Housing Project Number 2	34,178					361		33,817
MIG Funding		6,723,597	159,140				3,586,925	3,295,812
Umsobomvu & FMG Trust Fund		1,650,000	69,996			163	719,833	1,000,000
	<b>10,458,935</b>	<b>19,233,034</b>	<b>476,418</b>	<b>4,996,333</b>	<b>6,034</b>	<b>1,018,973</b>	<b>23,792,980</b>	<b>10,346,733</b>
<b>RESERVES</b>								
Repairs and Renewals	591,831							591,831
Repairs and Maintenance	24,267							24,267
Plant and Stock	14,250							14,250
Maintenance and Renewal	147,839							147,839
Home Improvements	26,495							26,495
Loss of Rental	23,729							23,729
Rent Reserve	1,868							1,868
Abattoir Reserve Fund	1,721,479							1,721,479
	<b>2,551,758</b>							<b>2,551,758</b>

APPENDIX A

# NKONKOBÉ MUNICIPALITY

## EXTERNAL LOANS AND INTERNAL ADVANCES

	Rate	Termination	Balance at 30 June 2006 R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2007 R
<b>EXTERNAL LOANS - Funding Fixed Assets</b>						
DBSA - Capital	11.0%	30-Sep-2014	4,087,388		4,087,388	-
DBSA - Capital Arrears Interest	11.0%	30-Sep-2014	4,594,440		4,594,440	-
DBSA - Capital Arrears Interest	16.0%	30-Sep-1998	2,276,638		(378,832)	2,655,470.18
Wesbank	9.5%	1-Feb-2010	1,400,831.14		326,626	1,074,205.27
Wesbank	9.5%	1-Mar-2010	960,709.70		218,014	742,696.17
Wesbank	9.5%		44,550.03		30,168	14,382.49
Less: Short Term portion transferred to Current Liabilities						
			13,364,557	-	8,877,803	4,486,754
<b>EXTERNAL LOANS - Funding Operations</b>						
Loans outstanding	17.5%	31-Dec-2006	1,250,000	-	1,250,000	-
			1,250,000	-	1,250,000	-
<b>INTERNAL LOANS</b>						
Loans outstanding	Various	Various	267,341	-	45,107	222,234

**APPENDIX B**



# NKONKOBÉ MUNICIPALITY

## ANALYSIS OF FIXED ASSETS

2006 Expenditure		Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Assets Sold	Balance at 30 June 2007
R		R	R	R	R	R
<b>3,428,490</b>	<b>RATES AND GENERAL SERVICES</b>	<b>68,486,222</b>	<b>801,455</b>	-	<b>16,222,540</b>	<b>69,287,676</b>
<u>1,405,864</u>	<b>Community Services</b>	<u>48,348,611</u>	<u>801,455</u>	<u>-</u>	<u>-</u>	<u>49,150,066</u>
-	Administration - Housing	351,291	30,014			381,305
-	Buildings & Land	6,426,507	-			6,426,507
-	Town Treasure	1,887,347	-			1,887,347
963,797	Community Facilities	7,370,483	638,954			8,009,437
190,957	Furniture & Equipment	1,052,098	-			1,052,098
-	Council and CEO	1,704,009	47,607			1,751,616
-	Civil defence	62,638	49,328			111,966
96,819	Town Engineer	13,786,730	-			13,786,730
-	Traffic Services	882,567	-			882,567
154,292	Roads & Streetworks	14,182,552	(26,700)			14,155,852
-	Health Services	642,390	62,251			704,641
<u>72,668</u>	<b>Subsidised Services</b>	<u>1,564,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,564,843</u>
-	Parks and Recreation	1,334,446	-			1,334,446
72,441	Cemetery	127,286	-			127,286
159	Fire	48,792	-			48,792
68	Library Services	54,319	-			54,319
<u>1,949,958</u>	<b>Economic Services</b>	<u>18,572,768</u>	<u>-</u>	<u>-</u>	<u>16,222,540</u>	<u>2,350,228</u>
-	Refuse	479,858				479,858
1,949,958	Sewerage	16,222,540			16,222,540	-
-	Town Estate	1,806,742				1,806,742
-	Mining	63,628				63,628
<u>-</u>	<b>Housing Services</b>	<u>20,228,196</u>				<u>20,228,196</u>
<b>541,018</b>	<b>Trading Services</b>	<b>28,787,734</b>	<b>147,372</b>	-	<b>15,210,659</b>	<b>13,724,447</b>
57,530	Abattoir	430,193				430,193
22,328	Electricity	13,146,883	147,372			13,294,255
461,161	Water	15,210,659			15,210,659	-
<u>3,969,508</u>	<b>TOTAL FIXED ASSETS</b>	<u>117,502,152</u>	<u>948,827</u>	<u>-</u>	<u>31,433,199</u>	<u>87,017,780</u>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>105,690,997</b>	<b>975,527</b>	<b>(1,049,110)</b>	<b>22,751,371</b>	<b>84,964,262</b>
	Contributions from Other Sources	8,463,039		(1,049,110)	(899,241)	10,411,389.35
	Contributions from operating income	14,821,665	336,573			15,158,238.02
	Grants and subsidies	82,406,293	638,954		23,650,612	59,394,634.93
	<b>NET FIXED ASSETS</b>	<u><b>11,811,155</b></u>	<u><b>(26,700)</b></u>	<u><b>1,049,110</b></u>	<u><b>8,681,828</b></u>	<u><b>2,053,517</b></u>

APPENDIX C

# NKONKOBÉ MUNICIPALITY

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual R		2007 Actual R	2007 Budget R
<b>INCOME</b>			
27,699,144	Grants and subsidies	32,368,959	29,592,000
43,461,339	Operating income	29,190,955	34,260,943
8,858,164	Assessment Rates	9,759,645	12,100,653
9,615,673	Electricity Sales	9,337,145	11,005,860
8,462,988	Water Sales	151,159	-
442,693	Interest Received	601,834	-
16,081,821	Income from Tariffs, Service Charges etc	9,341,173	11,154,430
<b>71,160,482</b>	<b>Total income</b>	<b>61,559,915</b>	<b>63,852,943</b>
<b>EXPENDITURE</b>			
37,099,568	Salaries, wages and allowances	34,530,711	36,744,256
4,987,953	Electricity Bulk Purchases	6,966,033	6,692,728
4,523	Water Bulk Purchases	-	38,082
17,017,442	General expenditure	12,497,435	11,891,138
2,758,635	Repairs and maintenance	2,366,946	2,991,304
2,686,993	Capital charges	1,144,099	1,605,818
395,211	Contributions to fixed assets	336,573	2,085,121
727,920	Contributions to Funds	4,140,527	1,802,918
<b>65,678,245</b>	<b>Total Expenditure</b>	<b>61,982,324</b>	<b>63,851,365</b>

**APPENDIX D**

# NKONKOB MUNICIPALITY

## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 Surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
49,369,400	53,437,370	(4,067,970)	<b>RATES AND GENERAL SERVICES</b>	52,038,078	51,173,089	864,990	(1,896,402)
<b>43,943,322</b>	<b>44,095,373</b>	<b>(152,051)</b>	<b>Community services</b>	<b>47,329,949</b>	<b>43,931,231</b>	<b>3,398,718</b>	<b>3,826,406</b>
-	6,228,703	(6,228,703)	Council's General Expenses	-	9,414,074	(9,414,074)	(9,382,427)
158,265	2,218,468	(2,060,203)	Health	2,253,967	2,450,670	(196,703)	(759,605)
-	850,465	(850,465)	Municipal Manager	-	384,845	(384,845)	(886,227)
-	1,853,166	(1,853,166)	Fleet Administration	-	2,176,471	(2,176,471)	(1,952,016)
42,049,751	15,165,868	26,883,883	Financial Manager	43,444,100	9,897,293	33,546,808	36,388,501
10,255	4,543,616	(4,533,361)	Public Works	3,895	4,282,612	(4,278,718)	(5,349,537)
-	2,250,808	(2,250,808)	Civil Protection	-	2,293,316	(2,293,316)	(2,479,983)
93,590	536,614	(443,024)	Traffic Control	94,738	610,830	(516,092)	42,036
75	548,845	(548,770)	Library	67	626,769	(626,702)	(696,930)
-	1,463,366	(1,463,366)	Strategic Planning & LED	-	1,434,133	(1,434,133)	(2,367,422)
1,623,506	457,591	1,165,915	Natis	1,527,753	504,666	1,023,087	204,043
-	-	-	A-Grade Testing	-	-	-	-
7,880	7,977,863	(7,969,983)	Administration & Human Resources	5,430	9,855,552	(9,850,123)	(8,934,026)
<b>25,269</b>	<b>1,231,254</b>	<b>(1,205,986)</b>	<b>Subsidised services</b>	<b>6,403</b>	<b>1,421,958</b>	<b>(1,415,555)</b>	<b>(1,676,357)</b>
25,269	1,231,254	(1,205,986)	Parks and Recreation	6,403	1,421,958	(1,415,555)	(1,676,357)
<b>5,400,809</b>	<b>8,110,742</b>	<b>(2,709,933)</b>	<b>Economic services</b>	<b>4,701,727</b>	<b>5,819,900</b>	<b>(1,118,173)</b>	<b>(4,046,451)</b>
1,361,629	5,210,049	(3,848,420)	Refuse	1,548,529	5,506,700	(3,958,171)	(4,046,451)
4,039,180	2,900,693	1,138,487	Sewerage	3,153,198	313,200	2,839,998	-
<b>21,791,083</b>	<b>12,240,875</b>	<b>9,550,207</b>	<b>TRADING SERVICES</b>	<b>9,521,836</b>	<b>10,809,236</b>	<b>(1,287,399)</b>	<b>1,897,980</b>
9,713,731	10,025,620	(311,890)	Electricity	9,345,489	10,531,176	(1,185,688)	1,967,304
121,975	148,620	(26,646)	Abattoir	25,189	194,011	(168,823)	(69,324)
11,955,377	2,066,634	9,888,743	Water	151,159	84,048	67,111	-
<b>71,160,482</b>	<b>65,678,245</b>	<b>5,482,238</b>	<b>TOTAL</b>	<b>61,559,915</b>	<b>61,982,324</b>	<b>(422,410)</b>	<b>1,578</b>
		203,702	Appropriations for the year (refer to note 20)			11,525,848	
		<b>5,685,940</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>11,103,438</b>	
		(14,680,530)	Accumulated surplus beginning of the year			(8,994,590)	
		<b>(8,994,590)</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>2,108,849</b>	

**APPENDIX E**

**NKONKOBÉ MUNICIPALITY**  
**APPENDIX F**  
**STATISTICAL INFORMATION**

**GENERAL STATISTICS**

Population	128,660
Site valuations at	
- Residential	844
- Exempt	-
	844
Assessment rates:	
- All properties 2.086 cents in the rand	
- Pensioners can apply for a 40% rebate and Residents 20 % respectively	
- Churches exempt	
Number of residential properties	
Number of employees of local authority	407

**ELECTRICITY STATISTICS**

See below note

**WATER STATISTICS**

See below note

**REFUSE**

See below note

**SANITATION**

See below note

**Note: -**

The municipality does not have up to date statistical information. The municipality through the District Municipality is in the process of performing a update of its data base.