

Nxuba Municipality



Annual Financial Statements 2006/2007

EC 128

NXUBA MUNICIPALITY

INDEX

Year ended 30 June 2007

	Page
1. GENERAL INFORMATION	1-2
2. ACCOUNTING OFFICER'S REPORT	3-5
3. ACCOUNTING POLICIES	6-8
4. BALANCE SHEET	9
5. INCOME STATEMENT	10
6. CASH FLOW STATEMENT	11
7. NOTES TO THE FINANCIAL STATEMENTS	12-16
8. APPENDICES	
A. STATUTORY FUNDS, RESERVES AND TRUST FUNDS	17
B. EXTERNAL LOANS AND INTERNAL ADVANCES	18
C. ANALYSIS OF FIXED ASSETS	19
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE	20
E. DETAILED INCOME STATEMENT	21
F. STATISTICAL INFORMATION	22

NXUBA MUNICIPALITY
GENERAL INFORMATION
Year ended 30 June 2007

MEMBERS OF THE COUNCIL

Councillors

Mr. M Mhana (Mayor)

Mrs. CA Auld (Chairperson:- Finance and Estates)

Mrs. NB Mahleza (Chairperson:- Community Services and Health)

Mr. FF Ngqwebo (Chairperson: - Public Works and Trading Services)

Mr. G De Lange (Deputy Chairperson:- Community Services and Health)

Mrs. SE Gqezengele (Deputy Chairperson:- Public Works and Trading Services)

Mr. S Maseti (Deputy Chairperson: - Finance and Estates)

Mr. X Makhenyane

GRADING OF LOCAL AUTHORITY

Nxuba Municipality is a Grade 2 Local Authority

EXTERNAL AUDITORS

Office of the Auditor General - East London

BANKERS

ABSA Bank - Adelaide

First National Bank - Bedford

REGISTERED OFFICE

Private Bag 350
Adelaide
5760

Telephone : 046 - 684 0034
Facsimile : 046 - 684 1931

MUNICIPAL MANAGER as at 30 June 2007

M Bongco

Telephone : 046 - 684 0034

CHIEF FINANCIAL OFFICER as at 30 June 2007

M Dyushu

Telephone : 046 - 684 0034

NXUBA MUNICIPALITY
GENERAL INFORMATION
Year ended 30 June 2007

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 the2007.

.....
MUNICIPAL MANAGER: NXUBA MUNICIPALITY
(Accounting Officer - M Bongco)

.....
CHIEF FINANCIAL OFFICER: NXUBA MUNICIPALITY
M Dyushu

NXUBA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2007

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 %
Income:					
Opening surplus/(deficit)	(442,923)	(1,378,166)			
Operating income for the year	23,371,101	22,985,306	(1.7)	24,675,696	6.9
	22,928,178	21,607,142		24,675,696	
Expenditure					
Operating expenditure for the year	24,587,606	27,580,811	12.2	24,675,696	(11.8)
Contributions to approved funds					
Appropriation	(281,262)	(3,713,928)			
Closing surplus/(deficit)	(1,378,166)	(2,259,742)		-	
	22,928,178	21,607,142		24,675,696	
Significant variances:					
Actual Income and Expenditure was well below the budgeted amounts for the year under review. This was mainly due to cash flow constraints. The municipalities revenue base has been cut by the loss of the Water, Sewerage and Sanitation services being taken over by the District municipality.					

1.1 Rates and General Services

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual to Budget %
Income	13,757,259	15,688,442	14.0	14,608,986	(7.4)
Expenditure	16,711,929	19,898,597	19.1	16,695,268	(19.2)
Surplus / (Deficit)	(2,954,670)	(4,210,155)	42.5	(2,086,282)	(101.8)
Surplus / (Deficit) as % of total income	(21.5)	(26.8)		(14.3)	
Significant variances:					
Actual Income exceeded the budget income for the year. Actual Expenditure remained in line with original budgeted amount. Provision for Bad Debts far exceeded the budgeted amount.					

NXUBA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2007

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	5,896,306	5,816,896	(1.3)	10,066,710	42.2
Expenditure	5,715,910	6,914,710	21.0	7,980,428	13.4
Surplus / (Deficit)	180,396	(1,097,814)	(708.6)	2,086,282	152.6
Surplus / (Deficit) as % of total income	3.1	(18.9)		20.7	
Significant variances:					
During the current year the municipality billing did not match the budgeted income from electricity. Spending under the electricity vote remained at the same level as the original budgeted amount.					

Water Service

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	3,892,400	1,183,176	(69.6)	-	Note 1
Expenditure	2,167,523	140,701	(93.5)	-	Note 1
Surplus / (Deficit)	1,724,877	1,042,475	(39.6)	-	Note 1
Surplus / (Deficit) as % of total income	44.3	88.1		0.0	
Significant variances:					
Note 1: 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. Some billing and receipts were processed in the system during the July to September period.					

2. CAPITAL EXPENDITURE AND FINANCING

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

	Actual 2006 R	Budget 2007 R	Actual 2007 R
Community Services	40,688	551,989	664,429
Subsidised Services	382,405	-	68,895
Trading Services	313,709	-	68,000
	736,802	551,989	801,324

NXUBA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2007

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

- Internal Sources	66,846	551,989	71,140
- External Sources	669,956	-	730,184
Other Sources	669,956	-	730,184
Provincial Government		-	
	736,802	551,989	801,324

Significant variances:

The under spend in relation to the budgeted amount is attributable to the lack of finance. The bulk of the funds financing assets came from subsidies and grants.

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 owing to the Development Bank of South Africa as at 30 June 2007 amounted to R 97,303. (2006 - R208,426)

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a positive of R 405,578 (2006 - R351,549 negative). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2007 amounted to R 46,400 (2006: R 46,400).

Trust Fund Investments as at 30 June 2007 amounted to R 2,319,169 (2006: R 4,906,302). 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. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified.

5. 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: NXUBA MUNICIPALITY
 (Accounting Officer - M Bongco)

NXUBA MUNICIPALITY
ACCOUNTING POLICIES
Year ended 30 June 2007

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 financial statements 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

- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet 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 provisions 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.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES
Year ended 30 June 2007

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the assessment rates that were levied for the previous financial year. It is not required from Council to contribute the amount that is 20% more than the amount required to be contributed in the previous 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 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. Retirement benefits (Defined Contribution Plan)

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU Provident Fund, SALA Pension Fund, Cape Joint Retirement Fund, Local Government Pension Fund. The councillors contribute to the Municipal Councillors 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.

7. Surpluses and deficits

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

8. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in the value has occurred, and are invested per Circulars issued by the Provincial Legislature.

NXUBA MUNICIPALITY
ACCOUNTING POLICIES
Year ended 30 June 2007

9. Income recognition

11.1 Electricity and Water 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 are granted on state owned properties. 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 accounts. Income from other sources are recognised when paid.

11.4 Interest income

Income from investments and operations are recognised when receipted.

10. Leased Assets

Fixed assets held under finance lease 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.

11. Deferred Charges

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved.

12. Consolidated Loans Fund

The capital resources of the Consolidated Loans Fund consists of both external and internal loans. Advances made to borrowing departments at an interest rate equal to the cost of servicing the funds capital and are repaid over the useful life of the asset acquired.

NXUBA MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,383,517	3,213,945
Statutory funds	1	3,383,517	3,213,945
ACCUMULATED DEFICIT		(2,259,742)	(1,378,166)
		1,123,775	1,835,779
TRUST FUNDS	2	2,319,169	4,906,302
LONG TERM LIABILITIES	3	50,818	147,657
CONSUMER DEPOSITS: SERVICES	4	327,293	441,190
		3,821,055	7,330,929
		3,821,055	7,330,929
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	50,818	147,657
INVESTMENTS	6	2,319,169	4,906,302
		2,369,987	5,053,959
NET CURRENT ASSETS		1,451,068	2,276,969
CURRENT ASSETS		8,085,299	10,026,042
Debtors	7	7,633,321	9,914,230
Cash and Cash Equivalents	8	405,578	65,412
Short-term Investments	6	46,400	46,400
CURRENT LIABILITIES		6,634,232	7,749,073
Creditors	10	5,813,493	6,247,065
Bank overdraft	11	-	416,961
Provisions	9	774,253	1,024,278
Short-term portion of long-term liabilities	3	46,485	60,769
		3,821,055	7,330,929
		3,821,055	7,330,929

NXUBA 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
13,757,259	16,711,929	(2,954,670)	RATES AND GENERAL SERVICES	15,688,442	19,898,597	(4,210,155)	(2,086,282)
7,400,129	10,222,722	(2,822,593)	Community services	11,957,779	14,838,165	(2,880,386)	(2,862,843)
884,595	1,198,549	(313,954)	Subsidised services	1,277,774	1,216,076	61,698	(699,770)
5,472,535	5,290,658	181,876	Economic services	2,452,889	3,844,357	(1,391,468)	1,476,331
(174,864)	(7,756)	(167,108)	HOUSING SERVICES	296,793	626,803	(330,010)	-
9,788,707	7,883,434	1,905,273	TRADING SERVICES	7,000,071	7,055,410	(55,339)	2,086,282
23,371,101	24,587,606	(1,216,505)	TOTAL	22,985,306	27,580,811	(4,595,504)	-
		281,262	Appropriations for the year (refer note 16)			3,713,928	
		(935,243)	NET SURPLUS (DEFICIT) FOR THE YEAR			(881,576)	
		(442,923)	Accumulated deficit beginning of the year			(1,378,166)	
		(1,378,166)	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			(2,259,742)	

NXUBA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		(917,559)	(1,182,134)
Cash utilised in operations	17	(16,858,851)	(7,847,731)
Investment income		212,356	154,719
(Increase) / Decrease in working capital	18	(5,612,536)	(2,657,387)
		(22,259,032)	(10,350,399)
Less: External interest paid		(15,388)	(62,326)
Cash available from operations		(22,274,420)	(10,412,726)
Net Proceeds on disposal of fixed assets		87,045	-
Cash contributions from the public and the State		21,269,815	9,230,592
CASH UTILISED IN INVESTING ACTIVITIES		(801,324)	(736,802)
Investment in fixed assets		(801,324)	(736,802)
NET CASH FLOW		(1,718,883)	(1,918,935)
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in long-term liabilities	19	(111,123)	32,610
(Increase) / Decrease in cash	21	(757,127)	30,469
(Increase) / Decrease in cash investments	20	2,587,133	1,855,856
NET CASH UTILISED		1,718,883	1,918,935

NXUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
Revolving Fund	3,383,517	3,213,945
	<u>3,383,517</u>	<u>3,213,945</u>
<i>(Refer to Appendix A for more details)</i>		
2. TRUST FUNDS		
As detailed in Appendix A	2,319,169	4,906,302
	<u>2,319,169</u>	<u>4,906,302</u>
All trust funds are back by investments held with various banks. <i>(Refer to Appendix A for more details)</i>		
3. LONG-TERM LIABILITIES		
Development Bank of South Africa	97,303	208,426
Less: Short Term portion transferred to Current Liabilities	(46,485)	(60,769)
	<u>50,818</u>	<u>147,657</u>
<i>(Refer to Appendix B for more detail)</i>		
4. CONSUMER DEPOSITS: SERVICES		
Service Deposits	327,293	441,190
	<u>327,293</u>	<u>441,190</u>
5. FIXED ASSETS		
Fixed assets at the beginning of the year	78,832,435	78,095,634
Capital expenditure during the year	801,324	736,802
Less: Assets written off, transferred or disposed of during year	36,113,211	-
	<u>43,520,548</u>	<u>78,832,435</u>
Total fixed assets	43,520,548	78,832,435
Less: Loans redeemed and other capital receipts	43,469,730	78,684,778
	<u>50,818</u>	<u>147,657</u>
<i>(Refer to Appendix C for more details)</i>		
6. INVESTMENTS		
Project Investments	2,319,169	4,906,302
	<u>2,319,169</u>	<u>4,906,302</u>
Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.		
Security Investments		
J Korkie	14,000	14,000
JB Marais	13,800	13,800
JH Erasmus	11,600	11,600
AW Meier	7,000	7,000
	<u>46,400</u>	<u>46,400</u>
The above investments are held as securities for bonds over property purchased by the above staff members		

NXUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R															
7. DEBTORS																	
Current Debtors	21,408,222	29,337,799															
Sundry Debtors	166,171	325,887															
Amathole District Municipality	3,918,682	-															
Less Provision for Bad debts	17,859,754	19,749,455															
	<u>7,633,321</u>	<u>9,914,230</u>															
<p>Consumer Debtors amounting to R 13,193,824 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> <p><i>Reconciliation of Debtors Movement: -</i></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Opening Debtors Balance</td> <td style="text-align: right;">29,337,799</td> <td></td> </tr> <tr> <td>Less: Debtors Transferred to Amathole District Municipality</td> <td style="text-align: right;"><u>13,193,825</u></td> <td></td> </tr> <tr> <td>Revised Opening Debtors Balance After Transfer</td> <td style="text-align: right;">16,143,974</td> <td></td> </tr> <tr> <td>Current Years Movement in Debtors</td> <td style="text-align: right;"><u>5,264,248</u></td> <td></td> </tr> <tr> <td>Closing Debtors Balance</td> <td style="text-align: right;"><u>21,408,222</u></td> <td></td> </tr> </table>			Opening Debtors Balance	29,337,799		Less: Debtors Transferred to Amathole District Municipality	<u>13,193,825</u>		Revised Opening Debtors Balance After Transfer	16,143,974		Current Years Movement in Debtors	<u>5,264,248</u>		Closing Debtors Balance	<u>21,408,222</u>	
Opening Debtors Balance	29,337,799																
Less: Debtors Transferred to Amathole District Municipality	<u>13,193,825</u>																
Revised Opening Debtors Balance After Transfer	16,143,974																
Current Years Movement in Debtors	<u>5,264,248</u>																
Closing Debtors Balance	<u>21,408,222</u>																
8. CASH AND CASH EQUIVALENT																	
Floats	668	668															
Operating Account - ABSA Bank	353,027	-															
Operating Account - FNB	50,773	63,583															
Call Account - ABSA Bank	1,109	1,161															
	<u>405,578</u>	<u>65,412</u>															
9. PROVISIONS																	
Leave Reserve	774,253	724,278															
Audit Fees	-	300,000															
	<u>774,253</u>	<u>1,024,278</u>															
10. CREDITORS																	
Trade Creditors	2,288,289	1,299,780															
VAT Provision	343,643	577,654															
VAT Control	-	781,156															
Sundry Creditors	507,084	1,348,161															
Advances from Trust Funds	2,674,477	2,240,314															
	<u>5,813,493</u>	<u>6,247,065</u>															
11. BANK OVERDRAFT																	
ABSA Bank	-	416,961															
	<u>-</u>	<u>416,961</u>															

NXUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
12. ASSESSMENT RATES		
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 varies from area to area.		
Site valuations 2004/2005		
- Residential	125,972,115	125,972,115
- State	13,540,940	13,540,940
- Exempt	19,702,780	19,702,780
	<u>159,215,835</u>	<u>159,215,835</u>
	<u>Rates - All</u>	
Residential		
All Erven and Improvements	0.0176000	
<i>The following rebates were granted:</i>		
- State	20.00%	
Actual Rateable Income	<u>3,554,243</u>	<u>2,260,952</u>
13. DIRECTORS AND OFFICIALS REMUNERATION		
Mayor's allowance:	379,186	186,893
Councillor's allowances:	<u>1,091,963</u>	<u>559,241</u>
	<u>1,471,149</u>	<u>746,133</u>
Municipal Manager	334,815	-
Salary	<u>334,815</u>	<u>-</u>
Other Senior Manager	744,629	-
Salary	<u>744,629</u>	<u>-</u>
Total Remuneration	<u>1,079,444</u>	<u>-</u>
The municipalities employees cost spend as a percentage of total spend is: -	38.9%	48.9%
<u>The following amounts were due by councillors at year end: -</u>		
Mr Makhaya Mhana	1,064	
Mr SE Gqezengele	(14)	
Mr S Maseti	3,986	
Mr NB Mahleza	93	
Mrs CA Auld	4,595	
Mr FF Ngqwebo	4,747	
Mr G De Lange	3,465	
Mr X Makenyane	2,059	
14. AUDITOR'S REMUNERATION		
Audit fees	<u>108,327</u>	<u>431,941</u>
15. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
- Interest earned	<u>6,241</u>	<u>1,248</u>
- Interest paid	<u>15,388</u>	<u>62,326</u>

NXUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	15,388	62,326
- Interest paid on internal loans	-	-
- Redemption of external loans	9,794	28,159
- Redemption of internal loans	-	-
	<u>25,182</u>	<u>603,155</u>
16. APPROPRIATIONS		
Appropriation account		
Accumulated surplus at the beginning of the year	(1,378,166)	(442,923)
Operating surplus for the year	(4,595,504)	(1,216,505)
	(5,973,670)	(1,659,428)
Less: Appropriations for the year:	3,713,928	281,262
- Prior year adjustments	3,713,928	281,262
Accumulated surplus at the end of year	<u>(2,259,742)</u>	<u>(1,378,166)</u>
The prior year adjustment represents VAT previously not claimed and Income relating to previous years.		
Operating account		
Capital expenditure	71,140	66,846
Contributions to:		
- Revolving Fund	169,571	3,788,652
- Doubtful debts Provision	7,345,976	-
- Leave Provision	49,976	-
	<u>240,711</u>	<u>3,855,498</u>
17. CASH UTILISED IN OPERATIONS		
Deficit for the year	(4,595,504)	(1,216,505)
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	3,713,928	281,262
<u>Appropriations charged against income:</u>		
- Revolving Fund	169,571	176,510
- Provisions	7,345,976	3,612,143
- Fixed Assets	71,140	66,846
Investment income (operating account)	(6,241)	(1,248)
<u>Capital charges</u>	25,182	90,485
Interest Paid on External Loans	15,388	62,326
Redemption on External Loans	9,794	28,159
Grants and Subsidies Received from the State	(8,622,924)	(8,526,717)
<u>Non Operating Expenditure</u>	(14,476,691)	(2,690,686)
- Expenditure charged against funds	(14,226,667)	(2,367,509)
- Expenditure charged against provisions	(250,024)	(323,177)
<u>Non Operating Income</u>	(483,288)	360,181
- Transfers to funds and reserves	(483,288)	360,181
	<u>(16,858,851)</u>	<u>(7,847,731)</u>

NXUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
18. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Debtors, Long Term Debtors	(5,065,067)	(4,958,359)
(Decrease) / Increase in Creditors, Consumer Deposits	(547,469)	2,300,972
	<u>(5,612,536)</u>	<u>(2,657,387)</u>
19. INCREASE / (DECREASE) IN LONG-TERM LIABILITIES		
Loans raised	-	60,769
Loans repaid	(111,123)	(28,159)
	<u>(111,123)</u>	<u>32,610</u>
20. (INCREASE) / (DECREASE) IN CASH INVESTMENT		
Investments Realised	2,587,133	1,855,856
Investments Made	-	
	<u>2,587,133</u>	<u>1,855,856</u>
21. (INCREASE) / DECREASE IN CASH		
Cash balance at the beginning of the year	(351,549)	(321,080)
Less: Cash balance at end of year	405,578	(351,549)
	<u>(757,127)</u>	<u>30,469</u>
22. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
No material contingent liabilities have been identified.		
23. POST BALANCE SHEET EVENTS		
No material post balance sheet events have been identified.		
24. RETIREMENT BENEFITS		
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 Pension Fund	8.60%	20.78%
Cape Joint Pension Fund	9.00%	18.00%
Local Government Pension	7.50%	15.00%
Municipal Councillors Pension	13.75%	15.00%
25. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure	<u>-</u>	<u>87,980</u>
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	-	87,980
Other Sources	-	87,980
Provincial Government	-	-
	<u>-</u>	<u>87,980</u>

No major contracts were awarded during the year. The municipality acts as a agent for the Department of Local Government Housing and Traditional affairs. Only once funds are released from the department can work be done.

NXUBA MUNICIPALITY

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

Year ended 30 June 2007

	Balance at 30 June 2006 R	Contributions during year R	Interest on Investments Net of Refunds R	VAT Refunds R	Transfers during year R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2007 R
STATUTORY FUNDS								
Revolving Fund	3,213,945	169,571						3,383,517
	3,213,945	169,571	-	-	-	-	-	3,383,517
TRUST FUNDS								
Cash Backed Funds								
Bucket Eradication	2,548,956		73,775	269,171	670,834	652	2,178,445	41,971
Capital Development Fund	27,641		1,337					28,979
Cemetery - Adelaide	70,231		2,720					72,951
Cemetery - Bedford	50,662		2,147					52,808
Civils VAT	71,673		2,152		73,825			-
Cleanest Town	51,616		530			6,257		45,889
Finance Management Grant	223,256	500,000	17,472	37,043	65,740	413,245		298,785
Framework Plan	118,301		2,574		80,028	384		40,463
Full Property Grant	17,610		316		17,926			-
General Valuation Grant	58,759		2,490					61,249
Infrastructure Grant	148,722		4,331		132,740			20,313
Integrated Development Plan	1,595		2,909		(93,377)	9,388		88,493
Library Fund	930		5		805	130		-
Maintenance Fund	1,042		9		1,050			-
Municipal Support	1,038	650,000	16,994			364,158		303,874
Ndlovini Fund	28,159		829					28,988
NER	43,145		1,587		43,644	70		1,017
Nxuba Housing - 172 Zinc Houses	243,131		5,521	113,646	207,906	902		153,490
Nxuba Housing - 200 Units Goodwin Park	117,000	529,011	3,978	93,438	(190,212)	602	811,258	121,779
Nxuba Housing - 428 Mud Houses	1,025,726	8,737,533	59,848	1,050,014	436,634	602	9,616,031	819,854
Nxuba Housing - 481 Units	11,596	1,500,163	3,042	199,828	770,000	619	823,313	120,696
Nxuba Housing - 624 Units	16,869		1,309			608	-	17,570
Performance Award	19,131		143		19,274			-
Settlement Plan	9,513		98		9,611			-
	4,906,302	11,916,707	206,115	1,763,140	2,246,427	797,620	13,429,048	2,319,169

APPENDIX A

NXUBA MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES
Year ended 30 June 2007

	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
EXTERNAL LOANS - Funding Fixed Assets						
Development Bank of South Africa (Electricity) - Capital	17.65%	31-Dec-2010	60,612		9,794	50,818
Development Bank of South Africa (Electricity) - Arrears	18.00%	Current	21,304		(25,182)	46,485
Development Bank of South Africa (Water) - Capital	16.15%	31-Dec-2010	8,844		8,844	-
Development Bank of South Africa (Water) - Arrears	18.00%	Current	3,014		3,014	-
Development Bank of South Africa (Water) - Capital	17.01%	30-Jun-2009	78,202		78,202	-
Development Bank of South Africa (Water) - Arrears	18.00%	Current	36,452		36,452	-
			<u>208,426</u>	<u>-</u>	<u>111,123</u>	<u>97,303</u>
INTERNAL LOANS						
Loans outstanding			<u>-</u>	<u>-</u>		<u>-</u>

APPENDIX B

NXUBA MUNICIPALITY
ANALYSIS OF FIXED ASSETS
Year ended 30 June 2007

2006 Expenditure		Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Assets Transferred to ADM	Balance at 30 June 2007
R		R	R	R	R	R
423,093	RATES AND GENERAL SERVICES	36,988,164	733,324	-	15,618,039	37,721,488
<u>40,688</u>	Community Services	<u>13,136,253</u>	<u>664,429</u>	-	-	<u>13,800,681</u>
-	Roads and Streetworks	6,516,482	631,385			7,147,867
40,688	Management Services	1,791,837	33,043			1,824,881
-	Civil Defence	9,558	-			9,558
-	Town Estates	3,598,599	-			3,598,599
-	Traffic Services	89,994	-			89,994
-	Health Services	1,129,783	-			1,129,783
<u>382,405</u>	Subsidised Services	<u>7,336,722</u>	<u>68,895</u>	-	-	<u>7,405,617</u>
378,705	Buildings	4,284,730	68,895			4,353,625
3,700	Parks and Recreation	2,512,117	-			2,512,117
-	Cemetery	474	-			474
-	Fire	410,000	-			410,000
-	Library Services	129,401	-			129,401
-	Economic Services	<u>16,515,189</u>	-	-	<u>15,618,039</u>	<u>897,150</u>
-	Refuse	539,094	-			539,094
-	Abattoir	77,485	-			77,485
-	Sewerage	15,618,039	-		15,618,039	-
-	Sawmill	280,571	-			280,571
-	Housing Services	<u>13,337,682</u>				<u>13,337,682</u>
313,709	Trading Services	<u>28,506,590</u>	<u>68,000</u>	-	<u>20,495,172</u>	<u>8,079,418</u>
-	Electricity Services	8,011,418	68,000			8,079,418
313,709	Water Services	20,495,172	-		20,495,172	-
<u>736,802</u>	TOTAL FIXED ASSETS	<u>78,832,435</u>	<u>801,324</u>	-	<u>36,113,211</u>	<u>43,520,548</u>
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	<u>78,684,778</u>	<u>801,324</u>	(9,794)	<u>36,026,166</u>	<u>43,469,730</u>
	Contributions from Other Sources	18,933,215		(9,794)	139,770	18,803,239.19
	Contributions from operating income	5,451,382	71,140			5,522,521.95
	Grants and subsidies	54,300,181	730,184		35,886,396	19,143,969.24
	NET FIXED ASSETS	<u>147,657</u>	<u>-</u>	<u>9,794</u>	<u>87,045</u>	<u>50,818</u>

APPENDIX C

NXUBA MUNICIPALITY

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

2006 Actual R		2007 Actual R	2007 Budget R
INCOME			
8,526,717	Grants and subsidies	8,622,924	8,617,609
14,844,384	Operating income	14,362,383	16,058,087
2,260,952	Assessment Rates	3,554,243	2,176,102
5,677,510	Electricity Charges	5,692,111	9,352,050
2,284,813	Refuse	1,816,384	2,984,683
2,059,300	Sewerage and Sanitation	77,452	-
2,127,146	Water Charges	1,061,649	-
1,248	Interest Received	832,386	1,162,830
433,415	Income from Tariffs, Service Charges etc	1,328,159	382,422
<u>23,371,101</u>	Total income	<u>22,985,306</u>	<u>24,675,696</u>
EXPENDITURE			
12,013,701	Salaries, wages and allowances	10,721,604	11,856,234
4,766,989	Electricity Bulk Purchases	5,723,334	5,724,000
3,668,252	General expenditure	3,172,947	5,688,460
192,682	Repairs and maintenance	240,796	263,463
90,485	Capital charges	25,182	-
66,846	Contributions to fixed assets	71,140	87,980
3,788,652	Contributions to Funds	7,625,808	1,055,559
<u>24,587,606</u>	Total Expenditure	<u>27,580,811</u>	<u>24,675,696</u>

APPENDIX D

NXUBA 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
13,757,259	16,711,929	(2,954,670)	RATES AND GENERAL SERVICES	15,688,442	19,898,597	(4,210,155)	(2,086,282)
7,400,129	10,222,722	(2,822,593)	Community services	11,957,779	14,838,165	(2,880,386)	(2,862,843)
2,260,952	625,907	1,635,044	Assessment Rates	3,554,243	4,004,512	(450,269)	2,207,959
218,738	935,667	(716,929)	Council's General Expenses	538,522	1,811,393	(1,272,871)	(2,033,621)
2,320,790	1,370,278	950,512	Health	2,039,521	1,430,263	609,257	
643,299	2,985,927	(2,342,628)	Municipal Manager	3,021,669	2,860,252	161,417	(1,289,163)
1,023,838	2,610,287	(1,586,449)	Financial Manager	1,438,635	2,675,517	(1,236,882)	(854,171)
932,513	1,694,655	(762,142)	Public Works	1,346,304	1,795,266	(448,962)	(893,847)
-	-	-	Estates	18,886	260,961	(242,076)	
884,595	1,198,549	(313,954)	Subsidised services	1,277,774	1,216,076	61,698	(699,770)
144,194	335,937	(191,743)	Library Service	134,813	394,365	(259,552)	(185,131)
248,503	453,286	(204,783)	Parks and Recreation	388,980	491,662	(102,682)	(245,454)
491,898	409,325	82,573	Environmental Health	753,981	330,048	423,932	(269,185)
5,472,535	5,290,658	181,876	Economic services	2,452,889	3,844,357	(1,391,468)	1,476,331
2,590,456	2,341,572	248,884	Refuse	2,337,351	3,698,453	(1,361,102)	1,476,331
21,750	-	21,750	Abattoir	23,504	-	23,504	-
2,860,329	2,949,087	(88,758)	Sewerage	92,033	145,904	(53,871)	-
(174,864)	(7,756)	(167,108)	HOUSING SERVICES	296,793	626,803	(330,010)	-
(174,864)	(7,756)	(167,108)	Selling and letting schemes	296,793	626,803	(330,010)	-
9,788,707	7,883,434	1,905,273	TRADING SERVICES	7,000,071	7,055,410	(55,339)	2,086,282
5,896,306	5,715,910	180,396	Electricity Services	5,816,896	6,914,710	(1,097,814)	2,086,282
3,892,400	2,167,523	1,724,877	Water Services	1,183,176	140,701	1,042,475	-
23,371,101	24,587,606	(1,216,505)	TOTAL	22,985,306	27,580,811	(4,595,504)	-
		281,262	Appropriations for the year (refer to note 16)			3,713,928	
		(935,243)	NET (DEFICIT) SURPLUS FOR THE YEAR			(881,576)	
		(442,923)	Accumulated deficit beginning of the year			(1,378,166)	
		(1,378,166)	ACCUMULATED DEFICIT END OF THE YEAR			(2,259,742)	

APPENDIX E

NXUBA MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION
Year ended 30 June 2007

GENERAL STATISTICS

Population	<u><u>24,801</u></u>
<u>Site valuations at</u>	
- Residential	125,972,115
- State	13,540,940
- Exempt	19,702,780
	<u><u>159,215,835</u></u>
Assessment rates:	
- All properties 0.0176 cents in the rand	
- Pensioners can apply for a 40% rebate if income less than R1,100 per month	
- Churches exempt	
Number of residential properties	5,706
Number of employees of local authority	112

ELECTRICITY STATISTICS

Units bought/generated	6.900
Units sold	6.350
Units lost in distribution	0.55
Units lost in distribution (%)	8.0%
Cost per Unit Sold	R 0.1151
Income per Unit Sold	R 0.1200

WATER STATISTICS

See below note

SANITATION

See below note

Note: -

The District municipality took over all Water, Sewerage and Sanitation Services.