

EMALAHLENI MUNICIPALITY

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EMALAHLENI MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF EMALAHLENI MUNICIPALITY

	Ward		Ward
Mayor :		N Lali	
Councillor: S Doni	1	Councillor: L Mooi	8
Councillor: P Kwanini	1	Councillor: N Nyukwana	8
Councillor: N Ziduli	2	Councillor: L Gatyeni	9
Councillor: K Nkasela	2	Councillor: L Ngcongca	9
Councillor: C Bobotyana	3	Councillor: N Ndamane	10
Councillor: SK Fudumele	3	Councillor: B Twala	10
Councillor: B Bobotyana	3	Councillor: A Yawa	11
Councillor: KM Bontshi	4	Councillor: Z Dyonase	12
Councillor: LP Mapete	4	Councillor: F Mthandeki	13
Councillor: P Matakata	5	Councillor: M Godla	14
Councillor: V Jordaan	5	Councillor: N Dlikilili	14
Councillor: S Liwani	6	Councillor: M Limba	15
Councillor: N Peter	6	Councillor: S Mnyuko	15
Councillor: DS Kalolo	7	Councillor: M Mbili	16
Councillor: P Nobaza	7	Councillor: N Moyo	16

GRADING OF LOCAL AUTHORITY

Grade 3

AUDITORS

Auditor General

BANKERS

Standard Bank - Queenstown

REGISTERED OFFICE

37 Indwe Road
LADY FRERE
5410

Telephone : 047 - 878 0020

MUNICIPAL MANAGER

Mr N J Kwepile

FINANCIAL MANAGER

Ms M Ludick

EMALAHLENI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 11 to 22 were approved by the Municipal Manager on2007 and presented to and approved by the Council on2007

NJ KWEPILE
MUNICIPAL MANAGER

M LUDICK
CHIEF FINANCIAL OFFICER

EMALAHLENI MUNICIPALITY
FOREWORD

It is a great privilege to be afforded an opportunity to share a message with the public on behalf of the Municipality, in the context of Annual Financial Statements as required by legislation.

My deepest wish is that as we adhere to these statutory requirements, we may carry out our duty with a sense of loyalty to our country and high regard for the dignity of our people, to whom we account.

Processes preceding the Annual Financial Statements for 2006/2007, including the compilation of the IDP and Budget have tested the will of our Municipality to meaningfully engage the people in the development and growth of democracy. That we are able to adhere without fail to these statutory requirements is as a result of a thorough and fruitful process of soliciting people's views on the running of the Municipality, the dedication of staff and a strong will to work as a winning team in dispensing with government resources for people's development and eradication of poverty.

It is in the interests of all our people that we must meet this process of accounting through Annual Financial Statements with the integrity and discipline that is demanded from us. Lastly, this process as a reflection of our work of development can only afford us a chance to learn with keen interest and diligence, in an effort to consolidate the development of a Prosperous society.

Thank You

.....
Ms N LALI
MAYOR: EMALAHLENI MUNICIPALITY

EMALAHLENI MUNICIPALITY
CHIEF FINANCIAL 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 2007 R	Budget 2007 R	Variance Actual - Budget %	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %
Income:						
Opening surplus	42 266 616			48 620 962		
Sundry Transfers	(17 095 386)			(17 355 851)		
Operating income for the year	38 657 376	49 306 880	(21.60)	34 201 476	49 822 666	(31.35)
	63 828 606	49 306 880		65 466 587	49 822 666	
Expenditure						
Operating expenditure for the year	(27 283 392)	(49 306 880)	(44.67)	(23 199 972)	(49 822 666)	(53.43)
Contributions to approved funds						
Closing surplus	(36 545 214)			(42 266 616)		
	(63 828 606)	(49 306 880)		(65 466 588)	(49 822 666)	

Reasons for significant variances

Underspending of budget.

Increase in expenditure largely attributable to increases in salaries and wages

1.1 Rates and General Services

	Actual 2007 R	Budget 2007 R	Variance Actual - Budget %	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %
Income	34 085 212	39 521 471	(13.76)	25 867 941	25 408 300	1.81
Expenditure	(22 879 553)	(39 021 271)	(41.37)	(15 995 960)	(22 846 400)	(29.98)
Surplus/(deficit)	11 205 659	500 200		9 871 981	2 561 900	
Surplus/(deficit) as % of total income	32.88	1.27		38.16	10.08	

Reasons for significant variances

Income & expenditure over-budgeted for the 2007 year.

Increase in expenditure largely attributable to increases in salaries and wages

1.2 Housing Services

	Actual 2007 R	Budget 2007 R	Variance Actual - Budget %	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %
Income	-	-				
Expenditure	(489 329)	(506 042)	(3.30)	(352 737)	(341 800)	3.20
Surplus/(deficit)	(489 329)	(506 042)		(352 737)	(341 800)	
Surplus/(deficit) as % of total income						

Reasons for significant variances

Increase in expenditure largely attributable to increases in salaries and wages

EMALAHLENI MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT (continued)

1.3 Trading Services

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

Electricity Service

	Actual 2007 R	Budget 2007 R	Variance Actual - Budget %	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %
Income	2 774 349	5 744 000	(51.70)	2 348 500	2 285 000	2.78
Expenditure	(2 774 349)	(5 738 158)	(51.65)	(2 695 685)	(3 157 800)	(14.63)
Surplus/(deficit)	0	5 842		(347 185)	(872 800)	
Surplus/(deficit) as % total income	0.00	0.10		(14.78)	(38.20)	

NOTE: Equitable share has been applied against Electricity Services to finance the shortfall of R233,356.

Reasons for significant variances

Income over-budgeted for the 2006 and 2007 year.

Expenditure over-budgeted for 2006 and 2007 year.

Increase in expenditure largely attributable to increases in salaries and wages

Increase in the budgeted income and expenditure due to Free Basic Services included for the first time.

Water Service

	Actual 2007 R	Budget 2007 R	Variance Actual - Budget %	Actual 2006 R	Budget 2006 R	Variance Actual - Budget %
Income	1 797 815	4 041 409	(55.52)	1 752 583	4 273 195	(58.99)
Expenditure	(1 140 162)	(4 041 409)	(71.79)	(1 400 479)	(5 620 495)	(75.08)
Surplus/(deficit)	657 653	-		352 104	(1 347 300)	
Surplus/(deficit) as % total income	36.58	0.00		20.09	(31.53)	

Reasons for significant variances

Income over-budgeted for 2007 year.

Expenditure over-budgeted for 2007 year.

Decrease in expenditure largely due to decrease in Repairs and Maintenance and less Purification costs

Increase in the budgeted income and expenditure due to Free Basic Services included for the first time.

EMALAHLENI MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT (continued)

2. CAPITAL EXPENDITURE AND FINANCING

A complete analysis of capital expenditure (budgeted and actual) per department, classification or 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 R109,437 (R142,374 in 2006) as set out in appendix B.

Long term investments at 30 June 2007 amounted to R36,264,465 (R34,228,002 in 2006)

Short term investments and cash on hand at 30 June 2007 amounted to R1,993,719 (R3,072,354 in 2006).

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B to the financial statements.

4. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in the notes (1-3) and appendix A to the financial statements.

5. POST BALANCE SHEET EVENTS

Nil

6. EXPRESSION OF APPRECIATION

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

.....
CHIEF FINANCIAL OFFICER: EMALAHLENI MUNICIPALITY
Ms M Ludick

EMALAHLENI 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.

EMALAHLENI MUNICIPALITY
ACCOUNTING POLICIES (continued)

* 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.

4. Inventory

Inventory is valued at the lower of cost or net realisable value.

5. Funds and reserves

5.1 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.

5.2 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.

6. 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.

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 Retirement Fund and the SALA Pension Fund.

EMALAHLENI MUNICIPALITY

ACCOUNTING POLICIES (continued)

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.

Full actuarial valuations are performed at least every three years.

8. Surpluses and deficits

Any surpluses and deficits arising from the operation of the Electricity and Refuse Services are transferred to Rates and General Services. Sanitation and Water are agency services for Chris Hani District Municipality and any surpluses or deficits arising from the operation of these services are refunded to or by Chris Hani District Municipality.

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.

11. 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.

12. 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.

EMALAHLENI MUNICIPALITY
ACCOUNTING POLICIES (continued)

13. Income recognition

13.1 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.

13.2 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.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

13.3 Other income

Income from services such as refuse removal and sewerage, 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.

14. Provision for bad debts

14.1 Trade Debtors

A provision for bad debts has been provided for at year end for all trade balances where recoverability is in doubt.

EMALAHLENI MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		5 285 256	4 957 023
Statutory funds	1	4 289 585	4 196 308
Reserves	2	995 671	760 715
ACCUMULATED SURPLUS		36 545 214	42 266 616
		41 830 470	47 223 639
TRUST FUNDS	3	14 233 520	11 076 179
LONG TERM LIABILITIES	4	76 500	66 990
CONSUMER DEPOSITS: SERVICES	5	85 522	77 022
		56 226 012	58 443 832
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	146 646	270 306
INVESTMENTS	7	36 264 465	34 228 002
LONG-TERM DEBTORS	8	21 553	82 167
		36 432 664	34 580 475
NET CURRENT ASSETS		19 793 349	23 863 359
CURRENT ASSETS		25 914 606	30 216 848
Accounts receivable	9	22 402 147	22 967 001
Cash resources	7	1 364 454	4 074 816
Inventory	10	82 180	-
Short-term investments	7	1 993 719	3 072 354
Short-term portion of long-term debtors	8	72 106	102 677
CURRENT LIABILITIES		6 121 257	6 353 489
Accounts payable	11	6 088 320	6 278 105
Short-term portion of long-term liabilities	4	32 937	75 384
		56 226 012	58 443 832

EMALAHLENI 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
30 100 393	18 751 070	11 349 323	RATES AND GENERAL SERVICES	34 085 212	22 879 553	11 205 659	500 200
25 867 941	15 995 960	9 871 980	Community services	29 742 927	19 736 516	10 006 411	460 200
4 232 453	2 755 110	1 477 343	Economic services	4 342 285	3 143 037	1 199 248	40 000
-	352 737	(352 737)	HOUSING SERVICES	-	489 329	(489 329)	(506 042)
4 101 083	4 096 164	4 919	TRADING SERVICES	4 572 164	3 914 511	657 653	5 842
<u>34 201 476</u>	<u>23 199 972</u>	11 001 504	TOTAL	<u>38 657 376</u>	<u>27 283 392</u>	11 373 984	<u>-</u>
		17 355 851	Prior year adjustments (Note 17)			17 095 386	
		<u>(6 354 347)</u>	NET SURPLUS (DEFICIT) FOR THE YEAR			<u>(5 721 402)</u>	
		48 620 963	Accumulated SURPLUS beginning of the year			42 266 616	
		<u><u>42 266 616</u></u>	ACCUMULATED SURPLUS END OF THE YEAR			<u><u>36 545 214</u></u>	

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		35 117 207	(1 132 732)
Cash utilised in operations	18	(12 785 899)	(10 309 259)
Investment income	16	2 036 464	938 645
Increase in working capital	19	(9 516 460)	(18 954 435)
		(20 265 896)	(28 325 049)
Less: External interest paid	16	(23 098)	(30 974)
Cash utilised in operations		(20 288 994)	(28 356 023)
Net proceeds on disposal of fixed assets		-	-
Cash contributions from the public and the State		55 406 201	27 223 291
- Current year		22 609 466	
- Prior years		32 796 735	
CASH UTILISED IN INVESTING ACTIVITIES	6	(36 836 804)	(183 965)
Investment in fixed assets current year		(4 040 069)	-
Investment in fixed assets prior years		(32 796 735)	(183 965)
NETT CASH FLOW		<u>(1 719 597)</u>	<u>(1 316 697)</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease) in long-term liabilities	20	(32 937)	(75 384)
Increase in cash investments	22	(957 828)	(14 725 577)
(Increase)/ decrease in cash on hand	21	2 710 362	16 117 658
NETT CASH UTILISED		<u>1 719 597</u>	<u>1 316 697</u>

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007	2006
	R	R
1. STATUTORY FUNDS		
Revolving Fund	3 466 112	3 372 835
Capital Funds: Indwe TRC	553 055	553 055
Capital Funds: Wodehouse TRC	270 418	270 418
	<u>4 289 585</u>	<u>4 196 308</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
2. RESERVES		
Leave Reserve	712 560	477 604
Working Capital	177 350	177 350
Electricity Maintenance	10 307	10 307
Capital Reserve	95 454	95 454
	<u>995 671</u>	<u>760 715</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
3. TRUST FUNDS	<u>14 233 520</u>	<u>11 076 179</u>
The above funds are fully invested per note 7 below (Refer to Appendix A for more detail)		
4. LONG-TERM LIABILITIES		
Development Bank Of South Africa	<u>109 437</u>	<u>142 374</u>
	109 437	142 374
Less: Short-term portion transferred to current liabilities	<u>32 937</u>	<u>75 384</u>
	<u>76 500</u>	<u>66 990</u>
(Refer to Appendix B for more detail)		
5. CONSUMER DEPOSITS:SERVICES		
Electricity and Water	<u>85 522</u>	<u>77 022</u>
6. FIXED ASSETS		
Fixed assets at the beginning of the year	66 280 427	66 096 461
Capital expenditure during the year	4 040 069	183 965
Capital expenditure during prior years	32 796 735	
Total fixed assets	<u>103 117 230</u>	<u>66 280 427</u>
Less: Loans redeemed and other capital receipts	<u>102 970 585</u>	<u>(66 010 121)</u>
	<u>146 646</u>	<u>270 306</u>
7. INVESTMENTS AND CURRENT BANK ACCOUNTS		
Long term investments		
Sanlam		
- Operating Account Funds (Keyman Insurance)	439 411	439 411
Stanlib	35 825 054	33 788 590
- Statutory Funds	4 289 585	4 196 308
- Reserves	995 671	760 715
- Trust Funds	12 239 801	8 003 825
- Operating Account Funds	18 299 997	20 827 742
	36 264 465	34 228 002
Short term trust call and current accounts		
Standard Bank		
- Trust Funds	1 993 719	3 072 354
	<u>38 258 184</u>	<u>37 300 356</u>
Management's valuation of unlisted investments	<u>38 258 184</u>	<u>37 300 356</u>
Operating account current bank accounts		
Standard Bank		
- Emalahleni Revenue Account	403 702	798 899
- Lady Frere Revenue Account	200 901	2 262 879
First National Bank		
- Indwe	759 851	1 013 038
	<u>1 364 454</u>	<u>4 074 816</u>

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

8. LONG-TERM DEBTORS

Managers - Car Loans	93 659	184 844
Less: Short-term portion transferred to current assets	<u>(72 106)</u>	<u>(102 677)</u>
	<u>21 553</u>	<u>82 167</u>

9. ACCOUNTS RECEIVABLE

Service Debtors	43 820 683	34 614 436
Less: Provision for bad debts	<u>(27 216 252)</u>	<u>(17 307 218)</u>
	16 604 431	17 307 218
Other Debtors	5 797 716	5 659 783
- Capital Projects	854 380	5 040 436
- Debtor MIG 06/07	3 226 041	-
- VAT Refunds	921 401	460 928
- Salary Control Account	363 348	-
- Study Bursaries Receivable	21 733	5 580
- Other Debtors	410 429	152 454
- Cashiers Float	385	385
	<u>22 402 147</u>	<u>22 967 001</u>

The provision for Bad Debts has been increased by an amount of R9 909 034 to represent 100% of Debtors outstanding at 30 June 2005.

10. INVENTORY

Inventory at 30 June 2007	<u>82 180</u>
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Inventory consists of stationery and material for maintenance on water infrastructures

11. ACCOUNTS PAYABLE

Trade Creditors	934 465	283 177
Employee Backpay	267 719	-
VAT due to Projects	243 029	2 383 368
VAT component in Service Debtors	<u>4 643 107</u>	<u>3 611 560</u>
	<u>6 088 320</u>	<u>6 278 105</u>

12. ASSESSMENT RATES

Site valuations as at 1 July 2003: Residential, commercial, state and municipal	<u>201 534 659</u>	<u>210 534 659</u>
Actual income	<u>1 697 546</u>	<u>1 174 340</u>

The last general valuation came into effect on 1 July 2003.
(More information concerning rate levies are contained in Appendix F)

13. COUNCILLOR'S REMUNERATION

Mayor	422 581	211 387
Salary	232 380	125 801
Pension Benefit	40 297	-
Backpay	2 680	-
Housing	-	38 307
Telephone	12 033	12 704
Travel	135 191	31 450
Professional allowance	-	3 125
Councillors	4 796 683	1 235 633
Salaries	2 434 355	754 731
Pension Benefit	412 404	-
Backpay	722 009	-
Telephone	243 092	209 212
Travel	948 899	188 683
Acting Allowance	35 923	-
Personal	-	83 008
	<u>5 219 263</u>	<u>1 447 020</u>

(The salaries, allowances and benefits of political office-bearers and councillors of the municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.)

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

14. MANAGERS REMUNERATION

Municipal Manager	520 000	420 433
Financial Manager (9 months)	306 000	187 006
Strategic Manager (9 months)	306 000	-
Community Services Manager	442 000	402 133
Infrastructure Manager	442 000	402 133
IPED Manager	442 000	402 133
	<u>2 458 000</u>	<u>1 813 839</u>

15. AUDITOR'S REMUNERATION

Audit fees	<u>444 477</u>	<u>1 307 681</u>
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16. FINANCE TRANSACTIONS

Total external interest earned or paid:		
- Interest earned	<u>2 036 464</u>	<u>938 645</u>
- Interest paid	<u>23 098</u>	<u>30 974</u>

Capital charges debited to operating account:

- Interest paid on external loans	23 098	30 974
- Interest paid on internal loans	5 202	13 299
- Redemption of external loans	32 937	75 384
- Redemption of internal loans	90 721	148 297
	<u>151 958</u>	<u>267 954</u>

17. APPROPRIATIONS

Appropriation account

Accumulated surplus at the beginning of the year	42 266 616	48 620 962
Operating surplus for the year	<u>11 373 984</u>	<u>11 001 505</u>
	53 640 600	59 622 467
Appropriations for the year:	<u>(17 095 386)</u>	<u>(17 355 851)</u>
- Prior year adjustments (non cashflow)	<u>(7 186 352)</u>	<u>(1 548 633)</u>
- Provision for bad debts i.r.o. prior years	<u>(9 909 034)</u>	<u>(15 807 218)</u>
	<u>36 545 214</u>	<u>42 266 616</u>

Note: Prior year adjustments consist of an adjustment of R5,648,713 to the Housing Control Accounts arising from a reconcillation covering 5 prior years, councillors backpay of R724,689, VAT adjustments of R763,923 and other sundry adjustments of R49,027.

Operating account

Capital expenditure	442 540	71 064
Contributions to:		
- Revolving Fund	88 076	76 238
- Leave Reserve	246 013	150 616
- Bad Debts Provision	9 909 034	15 807 218
	<u>10 685 663</u>	<u>16 105 136</u>

18. CASH UTILISED BY OPERATIONS

Surplus for the year	11 373 984	11 001 505
Adjustments in respect of :		
- Previous years' operating transactions	334 089	226 854
Appropriations charged against income:		
- Revolving Fund	<u>88 076</u>	<u>76 238</u>
- Leave Reserve	<u>246 013</u>	<u>150 616</u>
Investment income (operating account)	(2 036 464)	(938 645)
Capital charges debited to operating account	151 958	267 954
Grants and subsidies received from the State	<u>(22 609 466)</u>	<u>(20 861 753)</u>
	<u>(12 785 899)</u>	<u>(10 304 085)</u>

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

19. DECREASE/(INCREASE) IN WORKING CAPITAL

(Increase) / decrease in accounts receivable, long-term debtors	(9 252 995)	(10 552 250)
Increase / (decrease) in accounts payable, consumer deposits	(181 285)	(7 920 399)
(Increase) / decrease in inventory	(82 180)	-
Increase / (decrease) in provisions	-	(481 786)
	<u>(9 516 460)</u>	<u>(18 954 435)</u>

20. (DECREASE)/ INCREASE IN LONG-TERM LIABILITIES

Loans repaid	<u>(32 937)</u>	<u>(75 384)</u>
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21. DECREASE / (INCREASE) IN CASH ON HAND

Cash balance at the beginning of the year	4 074 816	20 192 474
Less: Cash balance at the end of the year	<u>1 364 454</u>	<u>4 074 816</u>
	<u>2 710 362</u>	<u>16 117 658</u>

22. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS

Nett (increase) decrease	<u>(957 828)</u>	<u>(14 725 577)</u>
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23. RETIREMENT BENEFITS

The Emalahleni Municipality and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund and the Cape Joint Retirement Fund.

24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

None

25. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure	<u>75 930 596</u>	<u>95 523 300</u>
This expenditure will be financed from:		
- Internal sources	3 412 750	610 200
- External sources	<u>72 517 846</u>	<u>94 913 100</u>
	<u>75 930 596</u>	<u>95 523 300</u>

EMALAHLENI MUNICIPALITY									
STATUTORY FUNDS, RESERVES AND TRUST FUNDS									
	Balance at 30-Jun-06 R	Contributions during year R	Interest on Investments R	Other Income R	Written off R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30-Jun-07 R	
STATUTORY FUNDS									
Revolving Fund	3 372 835	88 076	5 202					3 466 112	
Cap Funds: Indwe TRC	553 055							553 055	
Cap Funds: Wodehouse TRC	270 418							270 418	
	4 196 308	88 076	5 202	-	-	-	-	4 289 585	
RESERVES									
Leave Reserve	477 604	246 013				11 057		712 560	
Working Capital	177 350							177 350	
Electricity Maintenance	10 307							10 307	
Capital Reserve	95 454							95 454	
	760 715	246 013	-	-	-	11 057	-	995 671	
TRUST FUNDS									
Town Establishment	7 010							7 010	
Upgrading Services	35 281							35 281	
Upgrading Streets	14 596							14 596	
Town Scheme Planning	62 760							62 760	
Structure Plan	51 364							51 364	
Sewerage Ponds	882 335							882 335	
Pilot Housing	121 462							121 462	
LED (Poultry)	300 985							300 985	
Layout Plan	39 392							39 392	
CMIP	398 511							398 511	
ID P	172 849							172 849	
Property Valuation Fund	871 982							871 982	
Clean Up Campaign	86 036					5 985		80 051	
Care Givers Emalahleni	518 925							518 925	
HIV/AIDS Chris Hanani DM	10 204							10 204	
MSP 05/06	797 035					575 958		221 077	
LGSETA	124 283	67 148				175 027		16 403	
NER Funds	110 437							110 437	
IDP Emalahleni	85 286	70 000						155 286	
Training Ward Committees DPLG	111 393							111 393	
Dordrecht Munnifarm	15 432					15 432		-	
Transitional Grant	26 240							26 240	
TRC Funds Ukhahlamba Dis	1 345 107							1 345 107	
FMG 05/06	254 375					254 375		-	
MSIG 05/06	515 154					109 277		405 877	
Imbizo	122 831	300				1 565		121 566	
Emalahleni Projects	996 858							996 858	
Council Chaimbers (REDZ)	1 035 000							1 035 000	
Livestock Marketing Cost	469 338							469 338	
LED Cost	1 493 718							1 493 718	
Disaster Trust Fund		100 000						100 000	
Elittheni Coal Mine		1 000 000						1 000 000	
Tshatshu Irrigation		300 000						300 000	
Khuthalani Agric Cooperative		100 000						100 000	
CMRA - HIV/AIDS		49 235				38 553		10 682	
MSP 06/07 Municipal Development		300 000				89 370		210 631	
MIG 06/07		2 494 897				2 494 897		-	
MSIG 06/07		734 000				392 169		341 831	
FMG 06/07		500 000				42 610		457 390	
Indwe 500 Units		1 161 336						1 161 336	
Indwe 513 Units		3 103						3 103	
700 Erfs Lady Frere		140 806						140 806	
1000 Dordrecht Housing Project		331 734						331 734	
	11 076 179	7 352 560	-	-	-	4 195 219	-	14 233 520	
NOTE 1 : IN TERMS OF THE MFMA INTEREST ON TRUST FUNDS ARE REFLECTED AS OPERATING ACCOUNT INCOME									
NOTE 2 : INTEREST ON HOUSING ACCOUNT INVESTMENTS ARE REFUNDED TO BHISHO ON A MONTHLY BASIS									
APPENDIX A									

EMALAHLENI MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

			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						
	Interest Rate	Redeemable				
Development Bank of Southern Africa	17.60%	2010	130 545		21 108	109 437
Development Bank of Southern Africa	15.90%	2006	6 130		6 130	-
Development Bank of Southern Africa	16.17%	2006	2 815		2 815	-
Development Bank of Southern Africa	16.75%	2006	2 884		2 884	-
			142 374	-	32 937	109 437
INTERNAL ADVANCES						
Revolving Fund			127 930		90 721	37 209
			127 930	-	90 721	37 209
APPENDIX B						

EMALAHLENI MUNICIPALITY

ANALYSIS OF FIXED ASSETS

2006 Expenditure		2007 Budget	Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2007
R		R	R	R	R	R
183 965	RATES AND GENERAL SERVICES	22 888 354	41 476 740	28 486 914		69 963 654
183 965	Community Services	11 080 036	38 577 172	25 018 914		63 596 086
	Land and Buildings		4 645 588			4 645 588
	Streets and Stormwater	10 930 036	2 409 792	4 592 890		7 002 682
	Plant and Equipment		3 387 533			3 387 533
	Loose Equipment		1 869 854	42 540		1 912 394
	Commonage and Pound	150 000	1 000 000			1 000 000
	Access Roads		3 282 775	17 061 675		20 344 450
	Community Assets		19 218 800	3 321 810		22 540 610
	Motor Vehicles		2 762 830			2 762 830
-	Economic services	11 808 318	2 899 568	3 468 000		6 367 568
	Sewerage and Sanitation	11 808 318	2 899 568	3 468 000		6 367 568
	HOUSING SERVICES		-			-
-	Housing administration	1 650 000				
-	TRADING SERVICES	24 229 491	24 803 686	8 349 890		33 153 576
	Water	13 129 491	16 939 212	8 349 890		25 289 102
	Electricity	11 100 000	7 864 474			7 864 474
183 965	TOTAL FIXED ASSETS	47 117 846	66 280 426	36 836 804		103 117 230
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		66 010 121	36 960 464		102 970 585
	Loans redeemed and advances repaid		5 407 866	123 659		5 531 525
	Contributions from operating income		4 897 748	442 540		5 340 288
	Grants and subsidies		55 704 507	36 394 265		92 098 772
	NET FIXED ASSETS		270 305	(123 659)		146 646

NOTE : The Categories for Fixed Assets have been revised due to a Fixed asset register being compiled during the 2007 financial year
As a result the 2006 comparative figures have been restated in the correct categories as per the asset register.

APPENDIX C

EMALAHLENI MUNICIPALITY

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

2006 Actual R		2007 Actual R	2007 Budget R
	INCOME		
20 861 753	Grants and subsidies	22 609 466	23 419 000
13 339 723	Operating income	16 047 910	25 887 880
1 174 340	Assessment Rates	1 697 546	1 882 000
12 165 383	Tariffs, Service charges etc.	14 350 364	24 005 880
<u>34 201 476</u>	Total income	<u>38 657 376</u>	<u>49 306 880</u>
	EXPENDITURE		
10 604 630	Salaries, wages and allowances	12 155 076	14 921 802
8 653 426	General expenditure	8 215 118	22 036 492
1 739 206	Repairs and maintenance	1 394 988	2 836 900
267 954	Capital charges	95 922	3 245 750
71 064	Contributions to fixed assets	442 540	
76 238	Contributions to funds	88 076	536 000
1 787 453	Council Costs	4 891 673	5 729 936
<u>23 199 972</u>	Total expenditure	<u>27 283 392</u>	<u>49 306 880</u>

APPENDIX D

EMALAHLENI 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
30 100 392	18 751 070	11 349 322	RATES AND GENERAL SERVICES	34 085 212	22 879 553	11 205 659	500 200
25 867 940	15 995 960	9 871 980	Community services	29 742 927	19 736 516	10 006 411	460 200
-	1 787 453	(1 787 453)	Council	-	4 891 673	(4 891 673)	(6 101 936)
1 752 042	6 921 580	(5 169 538)	Administration	5 880 905	8 130 877	(2 249 972)	(9 810 927)
-	782 486	(782 486)	Administration Building	323	933 910	(933 587)	(1 090 619)
81 526	71 773	9 753	Estates	195 379	193 821	1 558	(159 283)
122 630	73 859	48 771	Traffic	141 473	14 139	127 335	159 704
29 743	114 798	(85 055)	Cemetery	27 705	100 024	(72 319)	(417 766)
1 174 340	76 238	1 098 102	Assessment Rates	1 697 546	88 076	1 609 470	1 882 000
1 259	149 515	(148 256)	Libraries	930	158 086	(157 156)	(302 007)
22 579 374	3 618 932	18 960 442	Treasury	21 742 085	2 243 541	19 498 544	21 551 694
85 712	358 271	(272 559)	Community / Town Halls	47 357	383 148	(335 791)	(333 814)
-	-	-	Maintenance	-	-	-	-
-	851 228	(851 228)	Streets & Storm Water	-	731 012	(731 012)	(1 309 969)
41 314	351 450	(310 136)	Parks & Public Places Resorts	9 224	243 361	(234 137)	(1 284 129)
-	43 046	(43 046)	Streetlighting	-	740 276	(740 276)	(1 077 000)
-	795 331	(795 331)	IP & ED	-	884 574	(884 574)	(1 245 748)
4 232 452	2 755 110	1 477 342	Economic services	4 342 285	3 143 037	1 199 248	40 000
1 962 350	1 248 421	713 929	Refuse removal services	2 072 931	1 617 726	455 205	40 000
2 270 102	1 506 689	763 413	Sewerage and sanitation services	2 269 354	1 525 311	744 043	-
-	352 737	(352 737)	HOUSING SERVICES	-	489 329	(489 329)	(506 042)
-	352 737	(352 737)	Housing Administration	-	489 329	(489 329)	(506 042)
4 101 083	4 096 164	4 919	TRADING SERVICES	4 572 164	3 914 511	657 653	5 842
2 348 500	2 695 685	(347 185)	Electricity supply	2 774 349	2 774 349	-	5 842
1 752 583	1 400 479	352 104	Water supply	1 797 815	1 140 162	657 653	-
<u>34 201 475</u>	<u>23 199 971</u>	<u>11 001 505</u>	TOTAL	<u>38 657 376</u>	<u>27 283 392</u>	<u>11 373 984</u>	<u>-</u>
		(17 355 851)	Adjustments i.r.o. previous years (Note 17)			(17 095 386)	
		(6 354 347)	NETT SURPLUS FOR THE YEAR			(5 721 402)	
		48 620 963	Accumulated deficit beginning of the year			42 266 616	
		<u>42 266 616</u>	ACCUMULATED SURPLUS AT END OF THE YEAR			<u>36 545 214</u>	

APPENDIX E

APPENDIX F

STATISTICAL INFORMATION

A) General Statistics

(i)	Population	116 000
(ii)	Valuation of taxable property	144 403 421
(iii)	Valuation of non taxable property	57 131 238
(iv)	Date of valuation	2003
(v)	Valuation of residential & Commercial property	201 534 659
(vi)	Number of residential & commercial properties	7 991
(vii)	Assessment rates: Cents in the rand	0.18

B) Electricity Statistics

(i)	Units bought/generated	11 487 128
(ii)	Units sold	6 373 452
(iii)	Units lost in distribution	5 113 676
(iv)	Units lost in distribution (%)	44.52%
(v)	Cost per Unit Bought/Generated	0.0955
(vi)	Loss in Distribution	488 356

C) Water Statistics

(i)	Units bought/generated	n/a
(ii)	Units sold	139 663
(iii)	Units lost in distribution	n/a
(iv)	Units lost in distribution (%)	n/a
(v)	Income per unit sold (R399,424.47 divided by ii)	2.86

D) Sundry Statistics

(i)	Area in square Kilometres	3 840
(ii)	Previous Election number of registered users	57 000
(iii)	Previous Election % poll	58.3%
(iv)	Housing	
	Number of houses	7 785
	Number of people on waiting list	9 489
	Number of people accomodated	3 230
(v)	Community halls	9

N/A Information is not available at time of preparation of AFS