

ENGCOBO LOCAL MUNICIPALITY



FINANCIAL STATEMENTS

2006 / 2007

ANNUAL FINANCIAL STATEMENTS

ENGCOBO

LOCAL MUNICIPALITY

30 JUNE 2007

ENGCOBO LOCAL MUNICIPALITY

FOREWORD

As in the previous financial years , the council is working very hard to provide better life for all by focusing on providing basic services for the community of Engcobo and putting most effective strategy of fighting backlogs that exists.

The council will come with better strategies inorder to ensure that the municipality attends the challenges of present day as well as the needs of our community.

We are attempting to provide for these backlogs in a structured and planned approach. The Intergrated Development Plan is the basic tool for provision of essential services such as water, electricity, refuse removal, sanitation and Local Economic Development.

The municipality will have to come with more effective revenue enhancement strategies and also improve payment levels of services rendered by the municipality to its community.

The municipality has limited funding, which it makes it difficult to fund its IDP because of limited resources. The municipality solely depending on the national grants mainly Equitable share.

It is essential that we prioritise our resources inorder to ensure that they are applied to the best advantage. We always advise the community of the challenges we facing due to th lack of resources.

I would like to thank my fellow councillors, municipal manager and all other personnel for their commitment and hard work during the past financial year.

Councillor: L Jiyose
Mayor

ENGCOBO LOCAL MUNICIPALITY

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ENGCOBO LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

MAYOR:

COUNCILLOR: L JIYOSE

SPEAKER:

COUNCILLOR: S MBOLO

CHIEF WHIP

COUNCILLOR: MS Y PONOSHE

MEMBERS OF THE COUNCIL

WARD	COUNCILLOR
1	T SOBUZA
2	S NDUDE
3	ZA MAKHASI
4	TS MBEKENI
5	CF DOTWANA
6	S GUMA
7	F QINA
8	M MBENYANA
9	M SAKI
10	WM NYALABA
11	T DANGAZELE
12	NP NTSODO
13	M MAYEKISO
14	DM XAUKA
15	N SINGAMA
16	M DYANI

MEMBERS OF THE COUNCIL: PROPOTIONAL

17	S MARENENE
18	NC GEDENI
19	N NOLUDWE
20	P MPIKA
21	N TOLBADI
22	VN QAZIYANA
23	M MVONTSHI
24	T DANIEL
25	DN MGUDLWA
26	B XUMA
27	SM GCANGA
28	N NGWANGWA

ENGCOBO LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

GRADING OF LOCAL MUNICIPALITY

Grade 2

AUDITORS

The Auditor-General

BANKERS

First National Bank

Meeg Bank

Standard Bank

REGISTERED OFFICE

Union Street

Engcobo

PO Box 24

Engcobo

Tel No.: (047) 548 1221

Fax No.: (047) 548 1078

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 34 were approved by the Municipal Manager and the Council on 26 September 2007

MUNICIPAL MANAGER

Mr D M Mvulane

ACTING CHIEF FINANCIAL OFFICER

T L Mketsu

ENGCOBO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

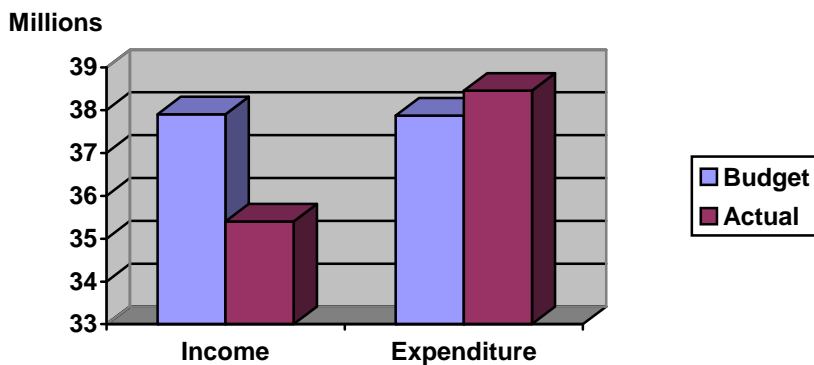
1. INTRODUCTION

The Engcobo Local Municipality is still faced with the enormous challenge of improving the quality of life of all our people by delivering basic and affordable services within certain constraints. In the 2006/2007 financial year, the Council continued to make service delivery a priority. The program included the construction and repairs to roads, buildings and water reticulation.

2. REVIEW OF OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices C and D. A graphical presentation of the operating results is shown in the graph below:

OPERATING RESULTS 2006/2007



The overall operating results for the year ending 30 June 2007 are as follows:

Description	Budget 2006/2007 R	Actual 2006/2007 R	Variance Actual! Budget %	Actual 2005/2006 R
INCOME				
Operating income for the year	37 901 758	35 402 740	6,59	30 612 528
Closing deficit		2 908 662		
	37 901 758	38 311 402		30 612 528
APPROPRIATIONS		0		0

ENGCOBO LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2007

	37 901 758	38 311 402		30 612 528
Operating expenditure for the year	37 868 648	38 311 402	101,17	27 058 607
Surplus for the year	33 110			3 553 921
	37 901 758	38 311 402		30 612 528

The difference in income is mainly due to the following income that did not materialize as was budgeted for:

Water Services

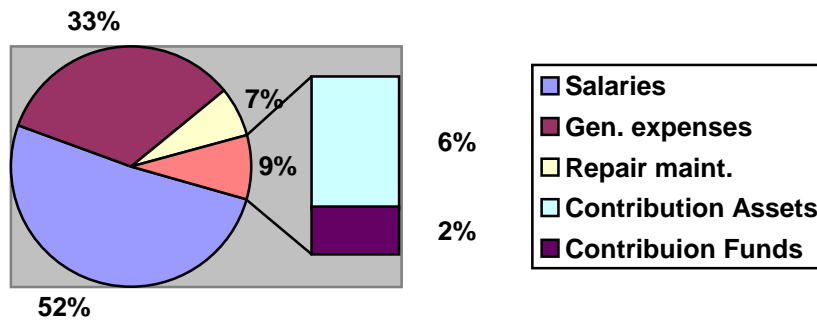
An amount of R2 696 767 was budgeted for the sale of water but due to less consumption only R1 561 134 was levied.

Traffic and Licencing Fees

Provision was made for an income of R2 570 000 but only R1 664 698 has been received.

3. OPERATING EXPENDITURE 2006/2007

The graph below shows the breakdown per main expenditure group before inter departmental charges.

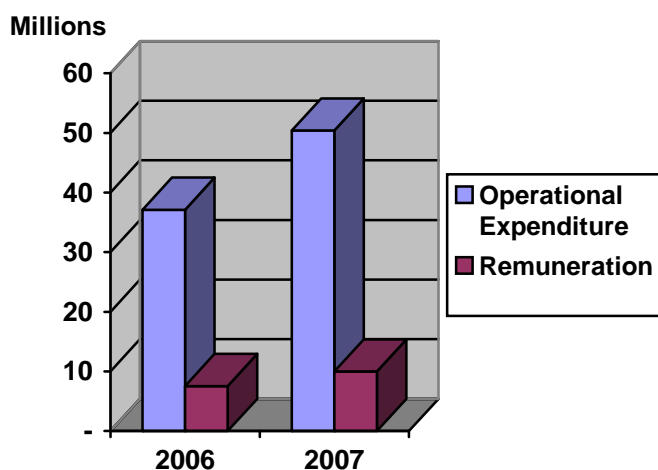


ENGCOCO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

The following shows the expenditure per grouping versus amounts budgeted:

Expenditure	Budget 2006/2007 R	Actual 2006/2007 R	Difference Actual/Budget 2006/2007 R	Actual 2005/2006 R
Remuneration	19 864 580	19 606 657	257 923	11 424 087
General expenses	12 555 912	12 832 434	-276 522	9 407 523
Repairs and Maintenance	760 000	2 556 999	-1 796 999	1 801 008
Capital Charges	201 527		201 527	
Contribution Fixed Assets	3 637 347	2 466 030	1 171 317	4 425 989
Contribution to Funds	849 282	849 282		
Net expenditure	37 868 648	38 311 402	-442 754	27 058 607

3.1 REMUNERATION vs OPERATING EXPENDITURE



The actual expenditure on remuneration expressed as a percentage of the total expenditure shows an increase from 42,22 % in 2005/2006 to 51,17 % in 2006/2007.

ENGCOBO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

3.2 GENERAL EXPENDITURE

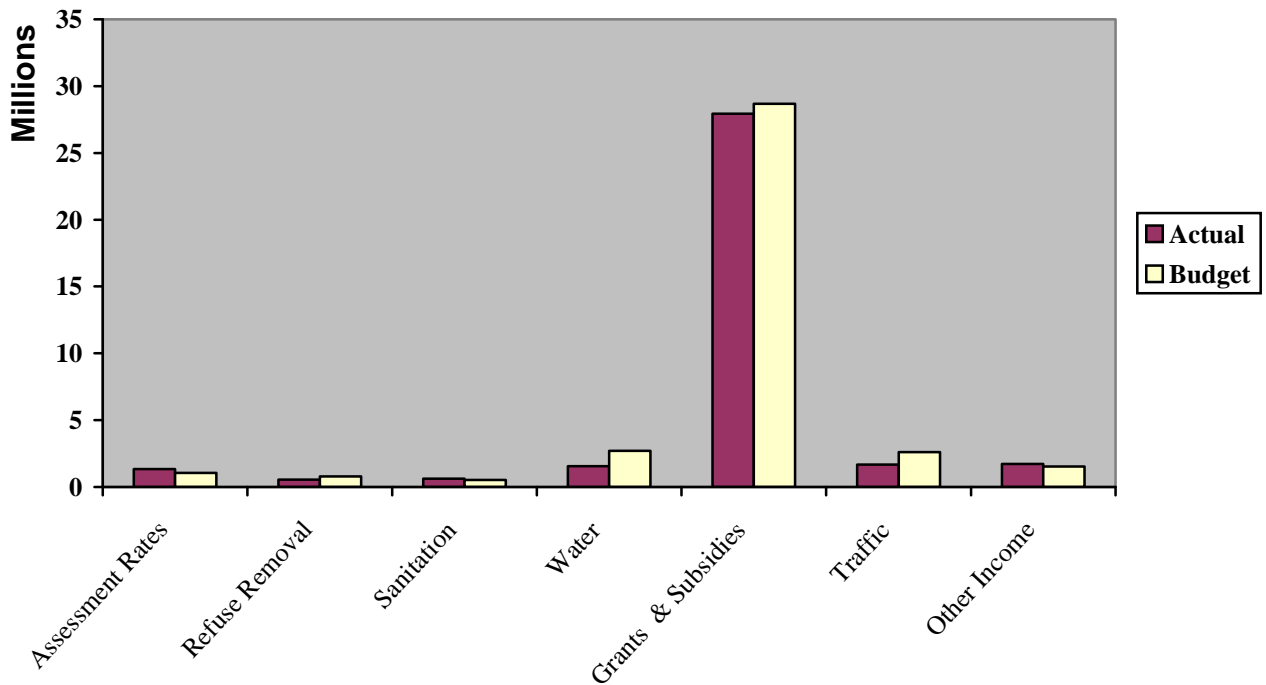
There is no significant difference between the budgeted and actual expenditure amount.

3.4 REPAIR AND MAINTENANCE

The over expenditure on repair and maintenance is mainly due to the maintenance on storm water pipes and fittings

4. OPERATING INCOME

The following graph is a presentation of the different income types.



ENGCOCO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

Income per income category is as follows:

INCOME	Budget 2006/2007	Actual 2006/2007	Variance 2006/2007		Actual 2005/2006
	R'	R'	R'	%	R'
Assessment Rates,	1 062 774	1 352 455	-289 681	-27,26	1 233 229
Refuse Removal	780 956	543 328	237 628	30,43	422 333
Sanitation	522 000	617 516	-95 516	-18,30	507 669
Water	2 696 767	1 561 134	1 135 633	42,11	987 908
Grants and subsidies	28 686 000	27 945 064	740 936	2,58	24 794 376
Traffic and Licencing	2 620 000	1 664 698	1 086 739	41,48	1 102 240
Other income	1 533 261	1 718 545	-185 284	-12,08	1 564 773
Totals	37 901 758	35 402 740	2 499 018	6,59	30 612 528

5. GRANTS AND SUBSIDIES:

Description	2006/2007		2005/2006	
	Budget R'	Actual R'	Budget R'	Actual R'
Inter governmental grants	26 902 000	26 902 179		
Provincial grants	1 784 000	1 042 885		
Total	28 686 000	27 945 064		

6. TRADING SERVICES

Water

The Council is the Service Provider for water services.

Description	Budget 2006/2007 R	Actual 2006/2007 R	Variance 2006/2007 R	Actual 2005/2006 R
Income: Services	2 696 767	1 561 134	1 135 633	

ENGCOBO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 JUNE 2007

Income: Other	30 033	37 209	-7 176
Total Income	2 726 800	1 598 343	1 128 457
Less: Expenditure	2 175 081	2 143 152	31 929
Surplus	551 719		
(Deficit)		544 809	
Surplus as % of Income	20,23		
(Deficit) as % of Income		-34,09	

Consumers consumed less water than was budgeted for.

The deficit on this account will be addressed in future budgets.

7. ACCUMULATED FUNDS, RESERVES AND PROVISIONS

Detail of the reserves and provisions are stated in Note 1, 3 and 10.

8. DEBTORS

Details regarding the debtors are provided in Note 9.

The consumer debtors only increased by R163 403 due to adjustments that were made on debtor's accounts as well as non payment of certain debtor's accounts.

Service Charges

Description	2006/2007 R'	2005/2006 R'
Debits levied	1 829 777	
Balance on 1 July	1 098 897	591 730
Balance on 30 June	1 262 299	1 098 897
Average balance	1 180 598	845 314

The above table clearly indicates that outstanding consumer debts have increased by 39, 67% which are unacceptable and must be urgently addressed.

ENGCOCO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

9. CAPITAL EXPENDITURE AND FINANCING

As far as the capital expenditure is concerned, Council addressed the backlog in certain areas without neglecting the current assets. Backlogs in infrastructure were given a very high priority during the approval of the capital- and operating expenditure. In addition, the Council adhered to guidelines that National Treasury had set for capital expenditure and the capital expenditure program was IDP driven. The expenditure incurred during the year in respect of fixed assets, amounted to R9 077 879. The table shows the distribution of the fixed assets according to the type of asset:

Type of Asset	Original Budget 2006/2007 R'	Actual 2006/2007 R'	Actual 2005/2006 R'
Land and Buildings	750 000	527 319	1 137 865
Plant and Equipment	650 000	406 847	269 606
Motor Vehicles	2 320 000		
General Improvements	8 099 000	7 343 735	7 819 736
Main Street			187 220
Office Furniture	90 000	65 149	
Township Development		35 879	
Loose Tools			
Computer Equipm.	827 347	423 962	538 175
Testing Ground		160 059	
Sanitation			
Water Services		114 929	653 191
Dipping Tank			57 363
Total	12 736 347	9 077 879	10 663 156

The above-mentioned fixed assets were financed from the following sources:

Type of finance	Budget 2006/2007 R'	Actual 2006/2007 R'	Actual 2005/2006 R'
Grants and Subsidies	6 899 000	6 566 987	6 683 706
Own Revenue	3 637 347	2 510 892	3 979 450
External Loans	2 200 000		
Total	12 736 347	9 077 879	10 663 156

ENGCOBO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

10. INVESTMENTS

External investments on 30 June 2007 amounted to R 9 722 543 compared to R 13 528 220 for 2005/06.

INVESTMENTS AS AT 30 JUNE 2007	
INSTITUTION	AMOUNT
ABSA	1 257 325
First National Bank	6 726 440
MEEG Bank	1 723 064
Standard Bank	52 377
Total Investments	9 759 206

The reason for the decrease in investments is due to the expenditure on capital projects where the funds were invested.

11. HOUSING

The council is acting as an agent for the Eastern Cape Province for the building of RDP houses.

The houses will be registered in the name of the beneficiary whom is receiving a subsidy from Provincial Government.

ENGCOBO LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 30 JUNE 2007

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the, Municipal Manager, Councilors and Departmental Managers for the support they have given to the department during the 2006/2007 financial year. A special word of appreciation is extended to the team from the financial services department for the months of hard work, sacrifices and concentrated efforts during the financial year to enable us to finalize these financial statements.

T.L Mketsu
Acting Chief Financial Officer
Engcobo Local Municipality
Date:

ENGCOBO LOCAL MUNICIPALITY

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

1. Basis of presentation

- 1.1. These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition 1996, as ammended).
- 1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 2. The accounting policies are consistent with those applied in previous years, except if otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis:
Income is accrued when measurable and available. Certain direct income is recorded when received, such as governmental grants.
Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rate and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assesment rates, refuse removal, sewerage, 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 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 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 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 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 Land Trust Fund. Net proceeds from the sale of other assets are credited to Income or the Accumulated Surplus Account.
- 3.4. Capital assets are financed from operating income and grants received from National and Provincial Governments.

ENGCOBO LOCAL MUNICIPALITY

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

4 Trust Funds

Transactions relating to funds held by the Council for the benefit of third parties accounted for only in the balance sheet with no recognition of income or expenditure in the income statement

From time to time, National and Provincial Governments provide funds to Municipalities for the undertaking of certain prescribed projects. The funds so provided are not treated as operational grants upon receipt but revenue is recognised only upon spending of the funds for the designated purpose, to the extent of the expenditure.

Funds that are set aside for projects will only be utilized for that specific project

Revolving fund was calculated at 7.5% on previous financial year assessment rates

5 Provisions

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

6 Retirement benefits

All employees are contributing to the pension fund

7 Surpluses and deficits

Any surpluses or deficits arising from the operation of services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

ENGCOBO LOCAL MUNICIPALITY

ACCOUNTING POLICIES

FOR THE ENDED 30 JUNE 2007

8 Treatment of administration and other overhead expenses

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

9 Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in Circular 26 of 1991 issued by the Provincial Administration.

10 Income recognition

Electricity and water billings

Only water is provided by the municipality.

All meters are read and billed monthly. 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.

Assessment Rates

Assessment rates are levied on the land value of the property.

11 Sale of fixed property/stands

The revenue generated through the sale of fixed assets must be allocated to the Land Trust Fund.

ENGCOBO LOCAL MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2007

		2 007 R	2 006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES	Note	5 800 423	6 587 202
Statutory Funds	1	623 442	527 963
Reserves	2		-
Trust Funds	3	5 176 981	6 059 239
RETAINED SURPLUS	16	814 451	3 944 116
		6 614 874	10 531 318
CONSUMER DEPOSITS - SERVICES	4	55 984	38 597
		6 670 858	10 569 915
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	(13 547)	(13 547)
LONG TERM DEBTORS	7	-	133 440
		(13 547)	119 893
NET CURRENT ASSETS		6 684 405	10 450 023
CURRENT ASSETS		17 866 307	21 337 805
Inventory	8	-	-
Debtors	9	8 027 561	6 732 685
Investments [Short-Term]	6	9 759 206	13 528 220
Short-Term Portion Of Long-Term-Debtors	7	79 540	-
Bank	20	-	1 076 900
CURRENT LIABILITIES		(11 181 902)	(10 887 783)
Provisions	10	111 559	111 559
Creditors	11	9 650 832	10 654 026
Deposits	4	955 820	122 198
Overdraft Bank		463 691	-
		6 670 858	10 569 916

ENGCOBO LOCAL 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)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
29 622 781	24 669 682	4 953 099	RATE AND GENERAL SERVICE	33 804 397	36 168 250	-2 363 853	-518 609
28 692 779	22 480 252	6 212 527	Community services	32 635 369	33 586 913	(951 544)	739 150
0	0	-	Subsidised services			-	-
930 002	2 189 430	(1 259 428)	Economic services	1 169 028	2 581 337	(1 412 309)	(1 257 759)
1 839	0	1 839	HOUSING SERVICES	-	-	-	-
987 908	2 388 925	(1 401 017)	TRADING SERVICES	1 598 343	2 143 152	(544 809)	551 719
30 612 528	27 058 607	3 553 921	TOTAL	35 402 740	38 311 402	-2 908 662	33 110
		3 553 921	Net deficit for the year			-2 908 662	
		(808 658)	Proir Year Adjustments			-221 003	
		1 881	Proir Year Adjustments				
		1 196 972	Accumulated surplus at the beginning of the year			3 944 116	
		3 944 116	ACCUMULATED SURPLUS AT THE END OF THE YEAR			814 451	

(Refer to appendices C and D for more detail)

ENGCOCO LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		3 768 274	16 862 467
Cash generated by operations	17	(2 189 184)	9 572 250
Investment Income	15	634 950	
(Increase) / decrease in working capital	18	(1 393 160)	606 511
		(2 947 394)	10 178 761
CASH AVAILABLE FROM OPERATIONS		(2 947 394)	10 178 761
Cash contributions from the public and State	5	6 566 987	6 683 706
Net proceeds on disposal of fixed assets	5	148 681	
CASH UTILISED IN INVESTMENT ACTIVITIES			
Investment in Fixed Assets	5	(9 077 879)	(10 663 156)
NET CASH FLOW		(5 309 605)	6 199 311
CASH EFFECTS ON FINANCING ACTIVITIES			
(Increase) / decrease in cash investments	19	3 769 014	(3 224 782)
(Increase) / decrease in cash	20	1 540 591	(2 974 529)
NET CASH (GENERATED) / UTILISED		5 309 605	(6 199 311)

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
1 STATUTORY FUNDS		
Revolving Fund	623 442	527 963
Employers Levy Fund	-	-
(Refer to appendix A for more detail)	<u>623 442</u>	<u>527 963</u>
2 RESERVES AND PROVISIONS	-	-
	<u>-</u>	<u>-</u>
3 TRUST FUNDS		
Transitional Fund	504 134	476 495
Pilot Housing	1 820	1 784
Integrated Development and Planning	100 000	
Disaster Management	27 507	32 346
Town Planning	169 107	191 098
Motor Vehicle Testing Ground	541 037	659 866
MSP Grant	319 604	374 099
Kwa-Gcina Project	20 065	46 193
Soil Conservation Fund	40 070	149 878
Khuseluncedo Development Fund	56 370	54 036
CMIP	282 798	258 279
Insurance Fund	196 413	183 327
Municipal Infrastructure Grant	244 486	1 910 829
MFMA Grant	232 502	12 803
Municipal Administration Program	76 953	72 096
System Improvement Fund	1 600 881	1 129 071
Project Consolidation Fund	543 234	507 040
Cleaning Campaign Fund	120 000	
LED Grant	100 000	
	<u>5 176 981</u>	<u>6 059 239</u>
4 CONSUMER DEPOSITS - SERVICES		
Consumer Deposits	55 984	38 597
Other Deposits	955 820	122 198
[Water Deposits have been reclassified in the Balance Sheet]	<u>1 011 804</u>	<u>160 795</u>
5 FIXED ASSETS		
Fixed assets: beginning of the year	100 026 169	89 363 013
Capital expenditure during the year	9 077 879	10 663 156
Less: Assets written off, redeemed, transferred or disposed of during the year	148 681	
Total fixed assets	<u>108 955 367</u>	<u>100 026 169</u>
Less: Loans redeemed and other capital receipts	<u>(108 968 914)</u>	<u>(100 039 716)</u>
Net fixed assets	<u>(13 547)</u>	<u>(13 547)</u>
Capital expenditure amounting to R9,077,879 is financed as follows:		
Grants	R 6,566,987	
Income	R 2 510 892	

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007 R	2006 R
6 INVESTMENTS		
SHORT_TERM DEPOSITS		
First National Bank	6 726 440	11 900 007
Meeg Bank	1 723 064	1 576 977
ABSA	1 257 325	
Standard Bank	52 377	51 236
	<u>9 759 206</u>	<u>13 528 220</u>
Management's valuation of unlisted investments	<u>9 759 206</u>	<u>13 528 220</u>
<p>Circular no 25 of 1995 issued by the Provincial Administration 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 penalty rate to meet commitments. No investments were written off during the year. Average rate of return on investments during the year:</p>		
7 LONG-TERM DEBTORS		
Motor vehicle loans	79 540	133 440
	<u>79 540</u>	<u>133 440</u>
Less: short term portion transferred to current assets.	79 540	0
	<u>0</u>	<u>133 440</u>
8 INVENTORY		
Inventory represent consumable stores [No inventory was held during the year]	0	0
9 DEBTORS		
Current consumers debtors	2 520 674	1 594 986
Plus VAT Control	1 894 367	1 306 464
	<u>4 415 041</u>	<u>2 901 450</u>
Other Debtors	4 620 993	3 958 135
Housing	13 784	
Less: Provision for bad debts	1 022 257	126 900
	<u>8 027 561</u>	<u>6 732 685</u>
10 PROVISIONS		
Provision for Accounting Fees	111 559	111 559
	<u>111 559</u>	<u>111 559</u>
11 CREDITORS		
Trade creditors	49 667	1 032 014
Other Creditors	8 331 657	8 366 288
Housing	1 269 508	1 255 724
	<u>9 650 832</u>	<u>10 654 026</u>

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007(CONT)

	2007	2006
	R	R
12 ASSESSMENTS RATES		
	Actual income	Actual income
Residential, Commercial and Government	1 352 455	1 233 229
	<u>3</u>	
Totals	<u><u>1 352 458</u></u>	<u><u>1 233 229</u></u>
Assessment rates are calculated on land valuations.		
	R	R
13 COUNCILLOR'S REMUNERATION		
Mayor's allowance	305 270	0
Executive Committee Members	503 695	0
Councillor's allowance (Full time)	228 953	863 415
Speaker's Allowances (Part time)	244 216	64 658
Councillor's allowance (Part time)	2 197 933	
Pension contributions allowance	258 618	0
Personal facilities	0	91 500
Travelling allowance	1 263 885	207 940
Telephone	263 147	232 350
	<u><u>4 456 752</u></u>	<u><u>1 459 863</u></u>
14 AUDITOR'S REMUNERATION		
Audit fees	<u><u>550 000</u></u>	<u><u>0</u></u>
	<u><u>550 000</u></u>	
15 FINANCE TRANSACTIONS		
<i>Total external interest earned and paid</i>		
Interest earned	634 950	400 406
	<u><u>634 950</u></u>	<u><u>400 406</u></u>

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (CONTINUED)

	2007	2006
16 APPROPRIATIONS		
Appropriation account		
Accumulated surplus / (deficit): beginning of year	3 944 116	1 196 972
Operating surplus / (deficit) for the year	(2 908 662)	3 553 921
Appropriations for the year	(221 003)	1 881
Prior year adjustments	-	(808 658)
Accumulated surplus / (deficit): end of year	<u>814 451</u>	<u>3 944 116</u>
17 CASH GENERATED BY OPERATIONS		
Surplus / (deficit) for the year	(2 908 662)	3 553 921
Adjustments in respect of previous years' operating	(221 003)	(806 777)
Fixed assets from operating income	2 510 892	3 979 450
Investment Income (Interest Received)	(634 950)	
Non operating income	-	
Investment income (Interest Received) Non Operating	498 344	151 895
Trust Funds (Other income)	9 104 946	6 562 586
Non operating expenditure	-	
Trust Funds	(10 390 070)	(3 868 825)
Net proceeds on disposal of assets	<u>(148 681)</u>	
	<u>(2 189 184)</u>	<u>9 572 250</u>
18 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / decrease in debtors	(1 240 975)	(265 432)
Increase / (decrease) in creditors	(152 185)	871 943
	-	
	<u>(1 393 160)</u>	<u>606 511</u>
19 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments realised	<u>3 769 014</u>	<u>(3 224 782)</u>
	<u>3 769 014</u>	<u>(3 224 782)</u>

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	R	R
20 (INCREASE) / DECREASE IN CASH ON HAND		
Cash balance: beginning of the year	1 076 900	(1 897 629)
<i>Less balance at end of year</i>		
Housing		(1 255 724)
Petty cash	(38 339)	(33 839)
Cash balance Meeg Bank	-	(33 483)
Cash balance FNB	-	-
Cash balance FNB Main Account	502 030	246 146
Cash balance at end of year	463 691	-1 076 900
	1 540 591	-2 974 529

21 RETIREMENT BENEFITS

Personnel are members of the Pension Fund or Retirement Fund.

22 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

None

23 EXTRAORDINARY ITEMS

None

24 CAPITAL COMMITMENTS FOR THE UPCOMMING FINANCIAL YEAR

An amount of R 7,855,000 has been provided for capital expenditure on the budget for the 2007/2008 financial year.

The amount of R 7,855,000 will be financed by Grants from National Government.

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

24 25 DISCLOSURES IN TERMS OF SEC. 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Subsection 123(1)(a): Allocations received by the municipality from -

(i) an organ of state in the national or provincial sphere of government;

- 1 National Treasury - MFMA Grant - R500,000
- 2 Systems Improvemet Grant - R367,000
- 4 Muicipal Ifrastructure Grant - R5,483,041

Subsection 123(1)(b): Allocations made by the municipality to a municipal entity or another municipality or any other organ of state;

Nil.

Subsection 123(1)(c): How any allocations referred to in (a) were spent, per vote, excluding allocations received as equitable share or otherwise prescribed by the allocations;

- 1 MFMA Grant - Appointment of 3 interns in April 2005-R 295 732
- 2 Municipal Infrastructure Grant - R 6 371 048

Subsection 123(1)(d): Compliance with conditions in subsection 214(1)(c) of the Conctitution and any allocations by organs of state other than by national organs of state;

Yes.

Subsection 123(1)(e): Reasons for the non compliance with paragraph (d);

N/A.

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Subsection 123(1)(f): Whether funds to the municipality i.t.o. the Division of Revenue Act were delayed or withheld and the reasons given;

No.

26 DISCLOSURES IN TERMS OF SEC. 124 OF THE MUNICIPAL FINANCE MANAGEMENT

Subsection 124(1)(a): Particulars of the salaries, allowances and benefits of political office bearers and councillors of the municipality and whether they are within the upper limits of the framework in section 219 of the Constitution;

Disclosed in Note 13. Councillors are remunerated within the upper limits of the framework as a grade 2 municipality i.t.o. the Public Office Bearers Act.

Subsection 124(1)(b): Arrears owed by individual councillors for rates or services were outstanding for more than 90 days including the names of those councillors;

None

Subsection 124(1)(c): Salaries, allowances and benefits of the municipal manager, chief financial officer and senior managers;

Municipal manager: Total cost to employer - R 423 046

Senior managers: Total cost to employer (4 @ 395 197 each) R 1 580 788

The total cost to employer includes pension, medical aid, transport allowance and cellphone allowance.

26 DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT

Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;

None.

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ACT, 2003

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ACT, 2003

ie

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Subsection 125(1)(b): The total amount of contributions to organised local government for the financial year and the amount outstanding at the end of the financial year;

SALGA Eastern Cape - R107 728

Subsection 125(1)(c): The total amount paid in audit fees, taxes, levies, duties, pension and medical aid contributions, and any outstanding amounts at the end of the financial year;

Auditors fees - R914 099
 Skills development levy - R151 556
 District municipality levies - R
 Pension fund contribution - R 1 399 966
 Medical aid contribution - R 449 490
 UIF contribution - R 117 179

Subsection 125(2)(a): Every bank account held by the municipality at which bank, the type of account, the year of opening and the year end balances in each of these accounts;

- 1 FNB current account, opening balance R886,104.56, closing balance R522 475.02
- 2 Meeg cheque account, opening balance R34,571.51, closing balance 28/06/05 - R33,483.53
- 3 ABSA current account (Housing), opening balance (R35,312.01), closing balance (R15,396.44).

Subsection 125(2)(b): Summary of all investments at end of the financial year;

Description	Date	Opening Balance	Date	Closing Balance	Bank
1 Engcobo Pilot Housing Scheme	2005/07/01	1 777.24	30/06/2007	1 813.00	FNB
2 Employers Levy Fund	2005/07/01	51 235.96	30/06/2007	52 377.20	Standard
3 Municipal Infrastructure Grant.	2005/11/29	3 364 784.88	30/06/2007	360 517.63	FNB
4 Disaster Management	2005/11/29	34 927.57	30/06/2007	36 208.65	FNB
5 Investment Meeg	2005/07/01	961 774.04	30/06/2007	-	Meeg
6 Kwagcina Agricultural Project	2005/11/29	46 192.92	30/06/2007	47 889.49	FNB
7 Investment FNB Account 03	2005/07/01	143 677.59	30/06/2007	242 536.01	FNB
8 Investment DBSA	2005/07/01	453 329.76	30/06/2007	479 543.44	FNB
9 Equitable Share	2005/07/01	14 580.21	30/06/2007	15 535.38	FNB
10 Equitable Share	2005/11/29	3 488 598.71	30/06/2007	47 623.99	FNB
11 Special Saving Meeg Bank	2005/07/01	68 356.36	30/06/2007	-	Meeg
12 Municipal Finance Management	2005/11/29	12 803.07	30/06/2007	232 857.57	FNB
13 CMIP Projects Fund ***	2005/07/01	254 148.01	30/06/2007	378 667.38	FNB
14 Municipal Administration Programme	2005/11/29	72 096.77	30/06/2007	76 952.82	FNB
15 Khuseluncedo Development Fund	2005/07/05	54 036.41	30/06/2007	56 536.55	FNB
16 Transitional Grant	2005/07/01	476 477.89	30/06/2007	504 117.03	FNB
17 MSP Grant	2005/07/20	374 084.73	30/06/2007	395 722.18	FNB
18 Systems Improvement Grant	2005/07/01	1 129 059.92	30/06/2007	1 602 853.92	FNB
19 Project Consolidate Fund	2006/03/07	507 039.59	30/06/2007	543 233.88	FNB
20 Soil Conservation Fund	2005/07/01	149 876.63	30/06/2007	40 069.51	FNB
21 Self Insurance Fund	2005/03/01	183 326.75	30/06/2007	196 413.27	FNB
22 Revolving Fund	2005/07/03	66 356.44	30/06/2007	69 343.23	FNB
23 Town Planning Fund	2006/02/28	191 098.43	30/06/2007	204 986.43	FNB
24 Engcobo Insurance Fund	2005/11/29	186 710.59	30/06/2007	200 269.30	FNB
25 Meeg Bank Call Account	2005/07/01	88 914.51	30/06/2007	-	Meeg
26 Meeg Investment	2005/07/01	458 035.04	30/06/2007	1 723 063.65	Meeg
27 Testing Station Investment	2006/02/15	694 875.89	30/06/2007	736 085.98	FNB
28 Housing Project-Money Market	2005/07/01	33 301.61	30/06/2007	33 301.61	ABSA
29 Integrated Development Fund ***	2007/02/03		30/06/2007	100 000.00	FNB
30 Engcobo municipality Investment	2006/08/24	4 000 000	30/06/07	36 663.00	FNB
31 Cleaning Campaign CHDM ***	2006/07/11		30/06/2007	120 000.00	FNB

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;

Claims against the Municipality

- 1 **ENGCOBO MUNICIPALITY/NYAMEKO MASETI**
This matter is coming before the court on the 25th of September 2007.
It will not proceed on that day as Mr Makaula is acting as a Judge of the High Court.
It will be postponed without a date pending further arrangements.
- 2 **ZAMA BUKA/ENGCOBO MUNICIPALITY & FELIX**
This matter is part-heard and not been finalized.
- 3 **DALUBUHLE MFIKI/ENGCOBO MUNICIPALITY**
This file is held in abeyance pending instruction from the municipality.
- 4 **MANETYI WILLIE/ENGCOBO MUNICIPALITY**
We are still negotiating an out of court settlement in this matter.
- 5 **KIRUBIN NAIDOO t/a DOTCOM SOLUTIONS/ENGCOBO MUNICIPALITY**
This matter is coming before court on the 17th September 2007. We will appreciate the presence of all the employees involved herein.
- 6 **ENGCOBO MUNICIPALITY / OGLE - HIGH COURT CASE**
We have served Mr Ogle with the Notice of Taxation. Our bill of costs is set down for the 12th day of September 2007 for taxation.
- 7 **NETTIE / ENGCOBO MUNICIPALITY**
Our correspondents are waiting for the payments to transcribe the records.
- 8 **ENGCOBO MUNICIPALITY / SAMWU LABOUR COURT CASE NO.P351/06**
We have not managed , at this stage to get a date for Taxation. We shall try to get it soon.
- 9 **O.T.NGCANGA / ENGCOBO MUNICIPALITY**
We have filed away our file pending further instructions. Kindly notify us of any summons received in respect of this matter.

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;(continued)

Claims on behalf of the Municipality

Subsection 125(2)(d): Particulars of any material losses or wasteful expenditures, unauthorised expenditure during the financial year and whether it is recoverable. Criminal or disciplinary steps taken and recovered losses or write offs must be included;

Subsection 125 (2)(e): Particulars of Any non compliance with Municipal Finance Manaement Act, 2003;

None

ENGCOBO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Subsection 125(2)(f): Any other matters that may be prescribed;

None.

ENGCOBO LOCAL MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, TRUST FUNDS AND PROVISIONS

FOR THE YEAR ENDED 30 JUNE 2007

	Balance at 30/06/06	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30/06/07
	R	R	R	R	R	R
STATUTORY FUNDS						
Revolving Fund	527 963	92 492	2 987			623 442
	527 963	92 492	2 987	0		623 442
TRUST FUNDS						
Transitional Fund	476 495	-	27 643		4	504 134
Pilot Housing	1 784	-	36		-	1 820
Intergrated Development & Planning				100 000	-	100 000
Disaster Management	32 346		1 288	100 000	106 127	27 507
Town Planning	191 098	-	13 888		35 879	169 107
Motor Vehicle Testing Ground	659 866	-	41 230		160 059	541 037
MSP Grant	374 099	-	21 637	-	76 132	319 604
Kwagcina Project	46 193	-	1 703		27 831	20 065
Soil Conservation	149 878		5 463	-	115 271	40 070
Khuseluncedo Development	54 036	-	2 337	-	3	56 370
CMIP	258 279	-	24 519	3 200 000	3 200 000	282 798
Insurance Fund	183 327	-	13 086		-	196 413
Municipal Infrastructure Grant	1 910 829		179 251	4 525 454	6 371 048	244 486
MFMA Grant	12 803		15 431	500 000	295 732	232 502
Municipal Administration Program	72 096	-	4 857		-	76 953
System Improvement	1 129 071		106 794	367 000	1 984	1 600 881
Project Consolidate Fund	507 040	-	36 194		-	543 234
Cleaning Campaign				120 000		120 000
LED Grant				100 000		100 000
	6 059 240	0	495 357	9 012 454	10 390 070	5 176 981
Total	6 587 203	92 492	498 344	9 012 454	10 390 070	5 800 423

ENGCOBO LOCAL MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

FOR THE YEAR ENDED 30 JUNE 2007

EXTERNAL LOANS	Balance at 30/06/06	Received during the year	Interest Capitalized	Redeemed or written off during the year	Balance at 30/06/2007
	R	R		R	R
Annuity loans					

ENGCOCO LOCAL MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS

FOR THE YEAR ENDED 30 JUNE 2007

Expenditure 2006 R	SERVICE	Budget 2006/07 R	Balance at 30/06/06 R	Expenditure 2006/07 R	Written off, transferred, redeemed or disposed off during year R	Balance at 30/06/07 R
10 009 965	RATE AND GENERAL SERVICES	12 736 347	90 760 921	8 962 950	148 681	99 575 190
10 009 965	COMMUNITY SERVICES	12 736 347	85 685 916	8 962 950	148 681	94 500 185
1 137 865	Land & Buildings	750 000	15 412 596	527 319		15 939 915
269 606	Plant & Equipment	650 000	5 473 619	406 847		5 880 466
	Motor Vehicles	2 320 000	8 432 609		148 681	8 283 928
	Township Development	-	29 373	35 879		65 252
7 819 736	General Improvements	8 099 000	45 605 335	7 343 735		52 949 070
187 220	Main Street	-	1 809 447	-		1 809 447
	Office Furniture & Fittings	90 000	585 436	65 149		650 585
57 363	Dipping Tank		57 748	-		57 748
	Street signs		10 321			10 321
	Swimming Pool		1 378 574			1 378 574
	TV2 Station		13 515			13 515
	Loose Tools		18 014			18 014
538 175	Computer Equipment	827 347	1 020 708	423 962		1 444 670
	Taxi Rank		219 544			219 544
	Testing Grounds		5 619 077	160 059		5 779 136
-	ECONOMIC SERVICES	-	5 075 005			5 075 005
	Refuse					-
	Solid Waste Disposal Site		510 000			510 000
	Sanitation		4 565 005			4 565 005
653 191	TRADING SERVICES	-	9 265 248	114 929	-	9 380 177
653 191	Water service	-	9 265 248	114 929	-	9 380 177
10 663 156	TOTAL FIXED ASSETS	12 736 347	100 026 169	9 077 879	148 681	108 955 367
LESS: LOANS REDEEMED & OTHER CAPITAL RECEIPTS						
10 663 156			100 039 716	9 077 879	148 681	108 968 914
3 979 450	Loans redeemed and advances repaid		418 941	2 510 892	148 681	418 941
6 683 706	Contributions from operating income		77 538 460	6 566 987		79 900 671
	Grants and subsidies		22 082 315			28 649 302
-	NET FIXED ASSETS		-13 547	-		-13 547

ENGCOBO LOCAL MUNICIPALITY
APPENDIX C
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007

Actual 2006		Actual 2007	Budget 2007
R		R	R
INCOME			
24 794 376	Grants & subsidies: Governm. & Provincial	27 945 064	28 686 000
0	Grants District Council	0	
0	Vehicle Testing Centre Grant		
1 233 229	Assessment rates	1 352 455	1 062 774
987 908	Water sales	1 561 134	2 696 767
507 669	Sanitation	617 516	522 000
422 333	Refuse removal	543 328	780 956
1 102 240	Traffic and Licencing	1 664 698	2 620 000
1 564 773	Other income	1 718 545	1 533 261
30 612 528	Sub Total Income	35 402 740	37 901 758
	Transfers from Appropriations and Reserves		
30 612 528		35 402 740	37 901 758
EXPENDITURE			
11 424 087	Salaries, wages and allowances	19 606 657	19 864 580
9 407 523	General expenses	12 832 434	12 555 912
1 801 008	Repairs and Maintenance	2 556 999	760 000
0	Depreciation	0	0
0	Capital charges		201 527
4 425 989	Contribution to Fixed assets	2 466 030	3 637 347
	Contribution to Approved Funds	849 282	849 282
27 058 607	Gross expenditure	38 311 402	37 868 648
27 058 607	Net expenditure	38 311 402	37 868 648

ENGOBO LOCAL MUNICIPALITY

**APPENDIX E
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)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
29 624 620	24 669 682	4 954 938	RATE AND GENERAL SERVICE	33 804 397	36 168 250	-2 363 853	-518 609
28 692 779	22 480 252	6 212 527	COMMUNITY SERVICES	32 635 369	33 586 913	-951 544	739 150
500	2 077 122	(2 076 622)	Council general expenses	0	8 001 246	(8 001 246)	(7 126 420)
315 000	628 472	(313 472)	Accounting Officer Administration		1 773 622	(1 773 622)	(2 265 714)
156 440	2 512 899	(2 356 459)	Local Economic Development	214 791	1 787 561	(1 572 770)	(978 932)
0		-	Special Programmes Unit		131 103	(131 103)	(289 399)
59 555	5 878 262	(5 818 707)	Corporate Services Administration	41 146	6 989 012	(6 947 866)	(4 649 078)
			Human Resource		53 506	(53 506)	(829 169)
			Information Technology		348 958	(348 958)	
			Community Services Administration		329 979	(329 979)	(2 818 432)
			Library	203		203	(212 928)
			Municipal Buildings		5 000	(5 000)	(845 977)
			Pound				(119 334)
			Swimming Pool	880		880	(49 857)
			Licensing		586 068	(586 068)	(140 374)
1 102 240	1 547 932	(445 692)	Testing Station				966 780
			Traffic	1 664 698	3 402 351	(1 737 653)	490 382
			Housing Development	1 042 885		1 042 885	
			Budget Planning & Implementation		185 770	(185 770)	27 278 775
			Finance and Asset Management		13 939	(13 939)	(585 401)
			Revenue and Debt Collection	1 086		1 086	105 225
26 152 001	2 464 977	23 687 024	Finance and Governance	29 667 517	3 945 848	25 721 669	(1 058 301)
907 043	7 370 588	(6 463 545)	Roads and Works	2 163	6 032 950	(6 030 787)	(6 132 696)
930 002	2 189 430	(1 259 428)	ECONOMIC SERVICES	1 169 028	2 581 337	(1 412 309)	(1 257 759)
422 333	2 026 070	(1 603 737)	Refuse removal	543 648	2 348 560	(1 804 912)	(1 538 100)
507 669	163 360	344 309	Sanitation	625 380	232 777	392 603	280 341
1 839		1 839	Housing Services				
987 908	2 388 925	(1 401 017)	TRADING SERVICES	1 598 343	2 143 152	-544 809	551 719
987 908	2 388 925	(1 401 017)	Water services	1 598 343	2 143 152	(544 809)	551 719
30 612 528	27 058 607	3 553 921	TOTAL	35 402 740	38 311 402	-2 908 662	33 110
		3 553 921	Net (deficit) for the year			-2 908 662	
		1 196 972	Accumulated surplus at the beginning of the year			3 944 116	
		(808 658)	Prior year adjustments			-221 003	
		1 881	Prior year adjustments				
		3 944 116	Accumulated surplus at the end of the year			814 451	

ENGCOBO LOCAL MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006	2005
General statistics			
Population	149 659	149 659	148 000
Registered voters	56 456	56 456	56 736
1999 General Valuation - effected on 01/07/2003			
Assessment rates tariff		.012c/R	.009c/R
Service charges:			
Water			
Residential (basic charge per month)	50.91	48.03	45
(metered consumption per kl)	1.86	1.75	3
Commercial I (basic charge per month)	165.12	155.77	146
Commercial I (metered consumption per kl)	3.17	2.99	3
Water deposits (per consumer)	530.00	500.00	
New connectionfees	190.00	180.00	
Reconnection fees	212.00	200.00	
Refuse Removal			
Residential (per month)	66.05	62.31	58
Commercial & other premises (per month)	189.89	179.14	167
Households (low income per month)	21.20	20.00	
Special refuse removal (per load)	160.00	150.00	
Sanitation			
Residential (per month)	57.80	54.53	51
Commercial & other premises (per month)	189.89	179.14	167
Septic tank (clearing per load)Rural	233.92	220.68	206
Septic tank (per load) in Town	218.61	206.24	
Drain unblockings - business	212.00	200.00	
Drain unblockings - residential	106.00	100.00	
Sewer line connections	795.00	750.00	
Number of employees	140	118	122
Number of councillors	31	31	29
Number of Traditional Leaders	0	0	6