

SENQU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 28, in terms of Section 126 (1) of the Municipal Finance Management Act, Act No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note **20** of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M M Yawa
Municipal Manager

Date

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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Mr Z I Dumzela	Mayor / Chairperson of Executive Committee
Mr D D Mqungquthu	Speaker
Mr M M Mafilika	Member Executive Committee / Chairperson Housing & Estate Services
Mr V V Mbulawa	Member Executive Committee / Chairperson Corporate & Support Services
Ms N Kuse	Member Executive Committee / Chairperson Budget & Treasury Services
Ms G N Mbonyana	Member Executive Committee / Chairperson Community & Social Services
Ms P August	Member Executive Committee / Chairperson Technical & Engineering Services

Ms M N Ngendane	Ms G S Mvunyiswa
Ms A P Kwinana	Ms M Stanley
Mr M W Mpelwane	Mr J Konstable
Ms B Juju	Ms I Elia
Ms N G Beje	Mr J J Lamane
Mr S S Ndzongana	Ms E N Mbobo
Ms N Nombula	Mr M P Bingwa
Ms L M Tokwe	Ms N A Mkhontwana
Mr M G Moeletsi	Mr L Booï
Ms G N Parkies	Ms N C Mraji
Ms N M Kwinana	Ms A H Sobhuza
Mr M G Ncise	Mr X Ganamfana
Mr A M Mateisi	

AUDITORS

The Auditor-General

BANKERS

Standard Bank
LADY GREY

REGISTERED OFFICE

19 Murray Street, P O Box 18, LADY GREY, 9755
Tel No: 051 - 603 0019 Fax No: 051 - 603 0445

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 - 24 were approved by the Municipal Manager on the **26 August 2008**.

MUNICIPAL MANAGER
M M YAWA

CHIEF FINANCIAL OFFICER
C R VENTER

FOREWORD

In his State of Nation Address, delivered to the joint sitting of the Houses of Parliament of South Africa, Mr. Thabo Mbeki referred to the speech by the Honourable Nelson Mandela on 24 May 1994 that say "we must, constrained by and yet regardless of the accumulated effect of our historical burdens, seize the time to define for ourselves what we want to make of our shared destiny". Furthermore Mr. Mbeki also said that it is up to all of us, through our National effort, to build a winning nation.

A survey was conducted by Government Communication and Information System (GCIS) and the outcomes communicate the unequivocal message that our people expect that government:

- > Should move faster to address the challenges of poverty, underdevelopment and marginalization confronting those caught within the second economy, to ensure that the poor in our country share in our growing prosperity;
- > Should make necessary interventions with regard to the First Economy to accelerate progress towards the achievement of higher levels of economic growth and development of at least 6% a year;
- > Must sustain and improve the effectiveness of our social development programmes targeted at providing a cushion of support to those most exposed to the threat of abject poverty;
- > Must ensure that the machinery of government, especially our municipality, discharges its responsibilities effectively and efficiently, honoring the respects of Batho Pele; and
- > Must harness the proudly South African spirit that is abroad among the people to build the strongest possible partnership between all sections of our population to accelerate our advance towards the realization of the important goal of a better life for all.

Directing financial resources to achieve accelerated economic growth in a dynamic and sometimes turbid domestic and regional economic environment requires both resilience and resolve. The resolve is indeed to ensure the use of resources in a manner that promises to improve the lives of all citizens; the resilience, to continuously test the relevance of the strategy at hand.

The outlook of our municipal policy remains fundamentally unchanged, with the intent to nurture growth to create employment and income in a sustainable manner. In this context, the importance of poverty reduction and eliminating the marginalization of people and communities cannot be emphasized enough.

Since 2001, we have channeled an ever-great share of our resources into capital spending. Our investment in infrastructure has been focused on two major areas: the built environment and economic infrastructure. The built environment refers to a cluster of activities and services related to building viable, secure residential communities - housing, water, electrification, sanitation, roads, sport facilities, and clinics. The municipality remains committed to these programmes, which seek to change both the urban and rural landscapes - to turn barren, dusty land into places that people feel proud to live in.

Through these financial statements we are happy to reflect how healthy our municipal finances are. They are also our litmus test to evaluate the service delivery over the past year and whether the resources of the municipality have been appropriately used.

Z I Dumzela
Mayor

Date

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 period ended 30 June 2008 are as follows:

	2008	2007	Variance	Budget 2007	Variance Act / Budg
INCOME					
Opening Surplus	35 406 734	33 940 225			
Operating Income for the Year	72 896 170	62 401 593	16.82%	84 550 593	(13.78%)
Sundry Transfers	83 056	-5 794 969			
Closing Deficit	-	-			
	108 385 960	90 546 849			
EXPENDITURE					
Opening Deficit	-	-			
Operating Expenditure for the Year	65 265 946	55 140 115	15.51%	84 353 394	(22.63%)
Sundry Transfers	-	-			
Closing Surplus	43 120 014	35 406 734			
	108 385 960	90 546 849			

1.1 RATES & GENERAL SERVICES

Income	53 316 755	47 052 592	13.31%	58 148 125	(8.31%)
Expenditure	46 027 300	41 177 168	10.32%	57 310 926	(20.74%)
Surplus / (Deficit)	7 289 455	5 875 424		837 199	
Surplus / (Deficit) as % of Total Income	14.80%	12.49%			

1.2 HOUSING SERVICES

Income	3 520 411	411 645	755.25%	10 432 075	(66.25%)
Expenditure	3 355 745	224 969	1391.65%	10 412 075	(67.77%)
Surplus / (Deficit)	164 666	186 676		20 000	
Surplus / (Deficit) as % of Total Income	4.68%	45.35%			

Funds received and appropriated for housing projects are for the first time disclosed as operational expenditure. In the past housing funds received and appropriated were only disclosed on Appendix A under Trust Funds. This resulted in the material and significant variance. Underspending resulted in the huge variance between the actual and budgeted amounts.

1.3 TRADING SERVICES

Income	16 059 004	14 937 356	7.51%	15 970 393	0.55%
Expenditure	15 882 901	13 737 978	15.61%	16 630 393	(4.49%)
Surplus / (Deficit)	176 103	1 199 378		(660 000)	
Surplus / (Deficit) as % of Total Income	1.10%	8.03%			

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on assets incurred during the year amounted to **R 9 036 668**; **26.45%** less than the previous year's expenditure of **R 12 287 018**. The actual expenditure is 39.87% of that was budgeted for (**R 22 666 050**) and consists of the following:

Land & Buildings	Land	-
	Buildings	449 747
Infrastructure	Electricity	-
	Roads	5 088 378
	Sewerage / Waster	145 144
Community	Buildings	2 234 521
	Recreational Facilities	-
	Security Measures	-
Other Assets	Buildings	-
	Office Equipment	435 116
	Furniture & Fittings	35 478
	Bins & Containers	-
	Motor Vehicles	434 232
	Plant & Equipment	909 817
		<u>9 732 433</u>

Detail of these assets are reflected in council's assets register.

A complete analysis of capital expenditure (actual) per department, classification or service is included in appendix C.

Resources used to finance the fixed assets were as follows:

Contribution Ex Revenue	3 501 100
Grants & Subsidies	<u>6 231 333</u>
	<u><u>9 732 433</u></u>

More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

R 3 010 530 of the budgeted **R 9 934 475** (30.30%) was spent on housing projects.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

Investments and cash on 30 June 2007 amounts to **R 63 313 170** (R 54 169 586 in 2007).

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

4. FUNDS AND RESERVES

The movement regarding statutory funds, reserves and trust funds is given in Appendix A.

The following contributions were made:

Statutory Funds	Revolving Fund	178 112
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The following Trust Funds were received:

Peach & Vegetable Processing	155 708
Heritage Management	229 912
Co-op's Development	134 186
Human Resource Development	118 858
People's Housing (Lady Grey)	3 800
Municipal Finance Management	250 000
Spatial Development Framework	674 200
Valuation Roll	400 000
Municipal Infrastructure Grant	6 934 416

5. APPRECIATION

I would like to thank the Mayor, Speaker, the Chairperson of the Finance Standing Committee, the members of the Executive Committee, other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the personnel of the Budget and Treasury Department for their loyalty and commitment in preparing the financial accounts of our municipality.

C R Venter
Chief Financial Officer
26 August 2008

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 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 in its *Code of Accounting Practice (1997)* and *Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended)*.
- 1.2. The financial statements are prepared on 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 the Rates and General Services, Housing Services, Trading Services and different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, 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, 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 financial statements is the amount 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 income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - > Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3. All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4. Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 INVENTORY

No stock is kept, but purchases are debited directly to the applicable expense account.

5 FUNDS AND RESERVES

- 5.1. Statutory Funds
 - > 7.5% as prescribed in terms of sect 75(1)(a) of Ordinance 20 of 1974 was contributed to the Revolving Fund.
- 5.2. Trust Funds
 - > All Trust Funds were received from either the National, Provincial Government and District Municipality and will only be utilized for the purpose it was received for.
- 5.3. Reserves
 - > A Working Capital Reserve equal to at least the salary expenditure for one month would be maintained.

6 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.

7 SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of Trading Services - Water and Electricity - are transferred to Rates and General Services to alleviate the tax burden of rate payers.

8 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1997).

9 LEASED ASSETS

Fixed assets held under finance leases are capitalized. 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 effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

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

10 INVESTMENTS

Investments are shown at the lower cost or market value if a permanent decline in the value occurred.

11 DEFERRED CHARGES REPRESENTS

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

10.2. Assets written off before the loans financing them are fully repaid.

12 INCOME RECOGNITION

11.1. Electricity and Water Billings.

Meters are read and billed monthly. In accordance with the meter reading cycle, debtors are billed in the following month for their consumption and revenue is recorded accordingly.

11.2. Assessment Rates.

Senqu Municipality applies a differential site rating system. In terms of this system the assessment rates are levied on the land value of property, and rebates are granted according to use which a particular property is put.

BALANCE SHEET AT 30 JUNE 2008

	Note	2008	2007
CAPITAL EMPLOYED			
FUNDS AND RESERVES		8 669 053	7 850 116
Statutory Funds	1	7 178 973	6 473 471
Reserves	2	1 490 080	1 376 645
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	23	43 120 014	35 406 734
		51 789 067	43 256 850
TRUST FUNDS	3	13 557 893	15 401 683
LONG-TERM LIABILITIES	4	-	-
CONSUMER DEPOSITS	5	369 858	314 728
		65 716 818	58 973 261
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	-0	-
LONG-TERM INVESTMENTS	7	12 285 208	11 439 397
LONG-TERM DEBTORS	8	45 588	59 304
DEFERRED CHARGES	11	-	-
Net Current Assets / (Liabilities)		53 386 022	47 474 560
CURRENT ASSETS		56 927 014	51 248 266
Accounts Receivable / Debtors	10	5 885 336	8 487 634
Cash and Bank	14	907 657	1 367 600
Short-term Investments	7	50 120 305	41 362 589
Short-term Portion of Long-term Debtors	8	13 716	30 443
CURRENT LIABILITIES		3 540 992	3 773 706
Provisions	12	2 158 864	2 018 001
Accounts Payable / Creditors	13	1 382 128	1 755 705
Loans: Short-term Portion	4	-	-
Bank Overdraft	14	-	-
		65 716 818	58 973 261

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

30/06/2007 Actual Income R	30/06/2007 Actual Expenditure R	30/06/2007 Surplus / (Deficit) R		30/06/2008 Actual Income R	30/06/2008 Actual Expenditure R	30/06/2008 Surplus / (Deficit) R	30/06/2008 Budgeted Surplus/(Deficit) R
47 052 592	41 177 168	5 875 424	RATE & GENERAL SERVICES	53 316 755	46 027 300	7 289 455	837 199
37 185 979	31 209 721	5 976 258	Community Services	42 030 357	35 233 126	6 797 231	937 199
297 578	420 501	(122 923)	Subsidized Services	575 468	436 850	138 618	-
9 569 035	9 546 946	22 089	Economic Services	10 710 930	10 357 324	353 606	(100 000)
411 645	224 969	186 676	HOUSING SERVICES	3 520 411	3 355 745	164 666	20 000
14 937 356	13 737 978	1 199 378	TRADING SERVICES	16 059 004	15 882 901	176 103	(660 000)
62 401 593	55 140 115	7 261 478	TOTAL	72 896 170	65 265 946	7 630 224	197 199
		(5 794 969)	Appropriations for this year - refer to Note 23			83 056	
		1 466 509	Net Surplus / (Deficit) for the year.			7 713 280	
		33 940 225	Accumulated Surplus / (Deficit) at beginning of the year.			35 406 734	
		35 406 734	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			43 120 014	

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

	Note	2008	2007
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES:		18 876 017	11 595 810
Cash Generated by Operations	24	2 094 449	(6 079 044)
Investment Income		5 566 194	4 172 036
(Increase) / Decrease in Working Capital	25	2 314 294	(3 844 627)
		9 974 937	(5 751 635)
Less: External interest paid		-	(65 938)
		9 974 937	(5 817 573)
Cash Contributions from the Public and State		8 901 080	17 413 383
Net Proceeds on Disposal of Fixed Assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		(9 732 433)	(12 287 018)
NET CASH FLOW		9 143 584	(691 208)
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in Long-term Loans	26	-	(465 156)
Increase / (Decrease) in Short-term Loans	27	-	-
(Increase) / Decrease in Cash Investments	28	(9 603 527)	(939 049)
(Increase) / Decrease in Cash	29	459 943	2 095 413
Net cash (generated) / utilized		(9 143 584)	691 208

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

	2008	2007
1 STATUTORY FUNDS		
Revolving Fund	7 178 973	6 473 471
Total Statutory Funds	7 178 973	6 473 471
(Refer to Appendix A for more detail)		
2 RESERVES		
Working Capital Reserve	1 333 667	1 232 139
Disaster	156 413	144 506
Total Reserves	1 490 080	1 376 645
(Refer to Appendix A for more detail)		
3 TRUST FUNDS		
Performance Agreements	100 480	92 831
Peach & Vegetable Processing	155 708	-
Holo Hlahatsi Agricultural Project	401 284	400 000
Commonage Management Plan	66 888	99 457
Libraries	-	52 751
Surveying / Land Audit	558 543	516 022
Heritage Management	229 912	-
DEAT Brickmaking	100 983	323 850
Co-op's Development	134 186	-
LED (Lady Grey)	210 274	264 206
Human Resource Development	-	-
People's Housing (Lady Grey)	666 449	1 509 238
Municipal Finance Management	568 826	569 987
Municipal Support Programme	348 245	321 734
Spatial Development Framework	674 200	-
Disabled Project BE	142 416	131 574
Hillside Housing	140 372	2 237 602
Drought Relief Water	889 612	821 888
Valuation Roll	147 378	-
Municipal Infrastructure Grant	500 909	319 882
Implementation Ownership	498 293	470 935
Traffic Test Station (Sterkspruit)	139 627	128 998
Rossouw Agricultural Project	381 853	442 571
Municipal Systems Improvement	-	155 218
Herschel People's Housing	6 343 952	5 986 491
Internet/Communication Systems	157 503	556 448
Total Trust Funds	13 557 893	15 401 683
(Refer to Appendix A for more detail)		
4 LONG TERM LIABILITIES		
Development Bank of South Africa	-	-
Sub-total	-	-
Less: Current portion transferred to current liabilities	-	-
Development Bank of South Africa	-	-
Total External Loans	-	-
(Refer to Appendix B for more detail on long-term liabilities)		
5 CONSUMER DEPOSITS - SERVICES		
Electricity and Water	369 858	314 728
Interest paid	-	-
Total Consumer Deposits	369 858	314 728
No interest on Consumer Deposits is paid on refund.		
Guarantees held in lieu of Electricity and Water Deposits	-	-

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

6 FIXED ASSETS		
Fixed assets at the beginning of the year.	95 292 349	108 853 632
Capital expenditure during the year.	9 732 433	12 287 018
Less: Assets written off, transferred or disposed of during the year.	437 869	25 848 301
Total fixed assets	104 586 913	95 292 349
Less: Loans redeemed and other capital receipts	104 586 913	95 292 349
Net fixed assets	0	-
(Refer to Appendix C and section 2 of the Treasurer's Report for more details on fixed assets)		
7 INVESTMENTS		

Listed	-	-
Stock	-	-
Unlisted	62 405 513	52 801 986
Call deposits	9 925 243	4 787 108
Short-term deposits	40 195 062	36 575 481
Long-term deposits	12 285 208	11 439 397
Total Investments	62 405 513	52 801 986
Market value of listed investments and managements valuation of unlisted investments.		
Listed investments	-	-
Unlisted investments	62 405 513	52 801 986
Profit / (Loss) on investment transactions.	-	-
Average rate of return on investments (Net)	8.24%	7.95%

No investments have been pledged as security for any funding facilities of the council.

8 LONG-TERM DEBTORS

Motor Vehicle and Housing loans	59 304	89 747
Less: Short-term portion of long-term debtors transferred to current assets.	13 716	30 443
Total Long-term Debtors	45 588	59 304

9 INVENTORY

Inventory represents consumable store, raw materials, work in progress and finished goods.

Total Inventory	-	-
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10 DEBTORS

Consumer debtors	6 052 201	4 643 735
Payments made in advance	-	-
Short Term Loan: Gariep Municipality	779 131	-
Current debtors (other)	3 439 160	6 919 696
	10 270 492	11 563 431
Less: Provision for bad debts	4 385 156	3 075 797
Total Debtors	5 885 336	8 487 634

CONSUMER DEBTORS	Gross Balance	Provision for Bad Debts	Net Balance
As at 30 June 2008			
Service debtors	5 937 060	4 294 627	1 642 433
Rates	1 937 433	1 785 109	152 324
Electricity	1 135 729	193 696	942 033
Water	842 997	686 863	156 134
Sewerage / Sanitation	988 903	780 601	208 302
Refuse removal	1 031 998	848 358	183 640
Other	115 141	90 529	24 612
Total	6 052 201	4 385 156	1 667 045

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

As at 30 June 2007

Service debtors	4 516 602.00	2 986 859	1 529 743
Rates	1 207 099	1 087 983	119 116
Electricity	943 860	80 249	863 611
Water	735 714	578 264	157 450
Sewerage / Sanitation	776 188	575 386	200 802
Refuse removal	853 741	664 977	188 764
Other	127 133	88 938	38 195
Total	4 643 735	3 075 797	1 567 938

Rates: Ageing

Current (0 - 30 days)	34 307	27 941
31 - 60 days	62 347	47 166
61 - 90 days	55 670	44 009
91 - 120 days	84 085	84 191
120 + days	1 701 024	1 003 792
	1 937 433	1 207 099

Electricity: Ageing

Current (0 - 30 days)	612 414	670 348
31 - 60 days	229 317	169 838
61 - 90 days	100 301	23 425
91 - 120 days	111 764	15 757
120 + days	81 933	64 492
	1 135 729	943 860

Water: Ageing

Current (0 - 30 days)	91 997	90 386
31 - 60 days	35 710	43 801
61 - 90 days	28 428	23 262
91 - 120 days	32 748	48 945

120 + days	654 114	529 320
	842 997	735 714
<u>Sewerage / Sanitation: Ageing</u>		
Current (0 - 30 days)	117 687	117 051
31 - 60 days	48 356	55 460
61 - 90 days	42 259	28 291
91 - 120 days	69 954	44 305
120 + days	710 647	531 081
	988 903	776 188
<u>Refuse removal: Ageing</u>		
Current (0 - 30 days)	103 248	105 636
31 - 60 days	43 998	53 341
61 - 90 days	36 394	29 788
91 - 120 days	57 420	52 244
120 + days	790 938	612 732
	1 031 998	853 741
<u>Other: Ageing</u>		
Current (0 - 30 days)	12 335	13 162
31 - 60 days	10 246	13 773
61 - 90 days	2 032	11 260
91 - 120 days	12 395	14 746
120 + days	78 133	74 192
	115 141	127 133
11 DEFERRED CHARGES		
Preliminary Expenses	-	-
	-	-
12 PROVISIONS		
Audit Fees	494 225	482 690
Leave Pay	1 028 014	1 039 566
Performance Bonus	636 625	495 745
Total Provisions	2 158 864	2 018 001

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NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

13 CREDITORS

Trade creditors	-	990 737
Creditors (consumers)	1 429	-
Staff Leave	-	-
Severance Payment (Corporate Services Manager)	600 000	-
Other creditors	780 699	764 968
Total Creditors	1 382 128	1 755 705

14 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8

Cash book balance at beginning of year -	1 366 700	3 411 566
Cash book balance at end of year -	906 757	1 366 700
Bank Statement balance at beginning of year -	1 302 209	3 355 451
Bank Statement balance at end of year -	909 098	1 302 209

Current Account

Standard Bank - Lady Grey Branch - Account Number 28 063 500 1

Cash book balance at beginning of year -	-	50 247
Cash book balance at end of year -	-	-
Bank Statement balance at beginning of year -	-	364 958
Bank Statement balance at end of year -	-	-

Cashier's Float

Balance at beginning of year -	900	1 200
Balance at end of year -	900	900

TOTAL BANK AND CASH

907 657	1 367 600
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15 PROPERTY RATES

	Valuation	Actual	
Residential Property	86 536 060	974 725	1 246 641
Commercial Property	21 637 500	365 674	344 036
Industrial Property	-	-	-
Public Benefits Organisations	5 494 000	-	-
Agricultural Purposes	291 176 650	615 111	289 357
State - National / Provincial Services	29 424 500	397 819	374 280
Municipal Property	25 597 520	43 725	-
Vacant Property	7 579 650	256 192	120 516

467 445 8802 653 2462 374 830

Valuations on land and improvements are performed every four years. The last General Valuation was performed during 2004, approved on 27 January 2005 and implemented on 1 July 2005. The current assessment rate tariff is R 0.0169 or 1.69%. The tariff on Vacant Property is R 0.0338 or 3.38%.

A substantial number of RDP houses are still registered in the name of the municipality that should be transferred to the legal occupants. Rates could only be billed on these houses once the transfer of ownership has been concluded.

16 SERVICE CHARGES

Sale of electricity	6 822 647	6 594 216
Sale of water	1 775 867	1 700 710
Refuse removal	2 647 727	2 544 185
Sewerage and sanitation charges	2 415 462	2 328 759
Total Service Charges	13 661 703	13 167 870

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008**17 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	31 230 447	27 649 635
Provincial Local Economic Development projects	-	-
National Local Economic Development projects	-	-
Municipal Infrastructure Grant	6 934 416	8 084 739
Total Government Grants and Subsidies	38 164 863	35 734 374

17.1. Equitable Share.

In terms of the Constitution this grant is mainly used to subsidise the provision of basic services to indigent community members.

17.2. Provincial Local Economic Development projects.

Balance unspent at beginning of year	897 994	896 945
Current year receipts	78 148	66 132
Conditions met - transferred to revenue	(349 607)	(65 083)
Conditions still to be met	626 535	897 994

17.3. National Local Economic Development projects.

Balance unspent at beginning of year	264 206	443 058
Current year receipts	16 008	19 457
Conditions met - transferred to revenue	(69 940)	(198 309)
Conditions still to be met	210 274	264 206

17.4. Municipal Infrastructure Grant.

Balance unspent at beginning of year	319 882	(443 057)
Current year receipts -	6 934 416	8 084 739
Conditions met - transferred to revenue	(6 753 389)	(7 321 800)
Conditions still to be met	500 909	319 882

18 OTHER INCOME

Rentals	273 226	1 384 330
Traffic	1 721 230	1 478 181
Other	5 834 383	4 462 646
Total Other Income	7 828 839	7 325 157

19 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	14 827 208	13 045 692
Employee related costs - Contributions for UIF, pensions and medical aids	2 920 258	3 428 304
Travel, motor car, accommodation, subsistence and other allowances	297 095	-
Housing benefits and allowances	22 242	20 342
Overtime and Standby payments	374 022	268 934
Performance bonus	480 163	480 662
Annual bonus	1 247 765	764 375
Total Employee Related Costs	20 168 753	18 008 309

There were no advances to employees. Loans to employees are set out in note 8.

Remuneration of the Municipal Manager

Annual Remuneration	793 923	454 674
Performance Bonuses	165 255	117 812
Travelling Allowance	82 800	92 248
Contributions to UIF, Medical and Pension Funds	1 456	172 982
Total	1 043 434	837 716

Remuneration of the Chief Finance Officer

Annual Remuneration	687 209	431 927
Performance Bonuses	140 466	94 212
Travelling Allowance	-	92 207
Contributions to UIF, Medical and Pension Funds	1 456	5 036
Total	829 131	623 382

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

Remuneration of other Individual Managers

30 June 2008	Technical Services	Corporate & Support Services	Community & Social Services
Annual Remuneration	509 688	428 909	452 909
Performance Bonuses	130 182	14 943	29 317
Travelling Allowance	94 295	72 000	48 000
Contributions to UIF, Medical and Pension Funds	1 456	1 456	1 456
Total	735 621	517 308	531 682

30 June 2007	Technical Services	Corporate & Support Services	Community & Social Services
Annual Remuneration	374 818	294 129	355 417
Performance Bonuses	87 213	94 212	87 213
Travelling Allowance	93 705	98 414	32 000
Contributions to UIF, Medical and Pension Funds	36	3 030	8 030
Total	555 772	489 785	482 660

20 REMUNERATION OF COUNCILLORS

Mayor	508 556	430 070
Speaker	394 328	333 274
Executive Committee Members	994 471	932 748
Councillors	3 710 990	3 787 836
Councillors' pension and medical aid contributions	278 041	642 188
Total Councillors' Remuneration	5 886 386	6 126 116

In-kind Benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council
The Mayor's private residence is rented by the Council to serve as a Mayoral Residence.
The Mayor has use of a Council owned vehicle for official duties.

21 AUDIT FEES

Opening balance	482 690	477 625
Current year audit fee	494 225	482 690
Amount paid in respect of current year	-	-
Amount paid in respect of previous years	(485 546)	(381 313)
Provision provided not utilized	2 856	(96 312)
Balance unpaid (included in provisions)	494 225	482 690

22 FINANCE TRANSACTIONS

Total external interest earned or paid:		
Interest earned	6 498 147	4 172 036
Interest paid	-	(65 938)
	6 498 147	4 106 098
Capital charges debited to operating:		
Interest:		
Interna	-	-
Externa	-	65 938
Redemption:		
Internal	-	-
Externa	-	465 156
	-	531 094

23 APPROPRIATIONS

Appropriation Account		
Accumulated Surplus / (Deficit) at beginning of the year	35 406 734	33 940 225
Operating Surplus / (Deficit) for the year	7 630 224	7 261 478
Appropriations for the year	83 056	(5 794 969)
Extraordinary Items	83 056	-
Abnormal Items	-	(5 794 969)
Prior Year Adjustment	-	-
Accumulated Surplus / (Deficit) at the end of the year	43 120 014	35 406 734

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

Operating Account		
Capital Expenditure	9 732 433	6 185 732
Contributions to:	2 336 976	2 708 044
Provisions & Reserves	2 158 864	2 551 309
Revolving Fund	178 112	156 735
	12 069 409	8 893 776

Extraordinary Items

An Insurance payout received during 2005/06 amounting to R 62 165 was not utilized, whilst provisions for creditors and leave to the amount of R 20 891 was transferred to the appropriation account.

24 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the year	7 630 224	7 261 478
Adjustment in respect of Previous year's Operating Transactions	83 056	(5 794 969)
Appropriations charged against income	12 069 409	8 893 776
Fixed Assets	9 732 433	6 185 732
Provisions & Reserves	2 158 864	2 551 309
Revolving Fund	178 112	156 735
Capital charges	-	531 094
Interest:		
Externa	-	65 938
Interna	-	-
Redemption:		
External	-	465 156
Interna	-	-
Deferred charges written off	-	-
Investment income (Operating Account)	(6 498 147)	(4 172 036)
Non-operating income:	1 131 151	6 646 096
From Reserve and Trust Funds	1 131 151	6 646 096
Non-operating expenditure:	(12 321 244)	(19 444 483)
Expenditure charged against Reserves	(12 321 244)	(19 444 483)
	2 094 449	(6 079 044)

25 (INCREASE) / DECREASE IN WORKING CAPITAL

(Increase) / Decrease in Stock	-	-
(Increase) / Decrease in Debtors and Long-term Debtors	2 632 741	(3 194 043)
Increase / (Decrease) in Creditors and Consumer Deposits	(318 447)	(650 584)
	2 314 294	(3 844 627)

26 INCREASE / (DECREASE) IN LONG-TERM EXTERNAL LOANS

Loans raised	-	-
Loans repaid	-	465 156
	-	(465 156)

27 INCREASE / (DECREASE) IN SHORT-TERM EXTERNAL LOANS

Loans raised	-	-
Loans repaid	-	-
	-	-

28 (INCREASE) / DECREASE IN INVESTMENTS

Balance at the beginning of the year	52 801 986	51 862 937
Less: Balance at the end of the year	62 405 513	52 801 986
	(9 603 527)	(939 049)

29 (INCREASE) / DECREASE IN CASH

Balance at the beginning of the year	1 367 600	3 463 013
Less: Balance at the end of the year	907 657	1 367 600
	459 943	2 095 413

30 CONTINGENT LIABILITIES

An final agreement has not yet been reached with the Water Services Authority - Ukhahlamba District Municipality, which might have severe financial implications in relation to staff and operational cost.

There is currently three litigation and claims pending, namely:

- > Illegal occupation in Sterkspruit - R 250 000
- > Municipality erecting houses in Herschel, resulting into disputes with the Headman - R 250 000
- > House ownership despite - Senqu Municipality vs Donald Tsembeyi - R 75 000

31 CAPITAL COMMITMENTS**Commitments in respect of capital expenditure**

Approved and contracted for	1 064 417	5 550 708
Approved but not yet contracted for	-	-
This expenditure will be financed from		
Internal Sources	1 064 417	498 366
External Sources	-	5 052 342
	1 064 417	5 550 708