

## CASH FLOW STATEMENT for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		212,422,453	342,018,526
Cash paid to suppliers and employees		(146,663,437)	(360,952,890)
Cash generated from/(utilised in) operations	25	65,759,017	(18,934,364)
Interest received		11,780,070	9,093,800
Interest paid		(3,810,109)	(4,008,026)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>73,728,977</b>	<b>(13,848,590)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(981,230)	(37,664,761)
Proceeds on disposal of property, plant and equipment		-	-
Decrease in non-current receivables		123,024	500,722
Increase in non-current investments		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(858,207)</b>	<b>(37,164,039)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(4,348,385)	(4,218,939)
Increase in consumer deposits			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(4,348,385)</b>	<b>(4,218,939)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>68,522,386</b>	<b>(55,231,568)</b>
Cash and cash equivalents at the beginning of the year		67,367,364	122,598,932
Cash and cash equivalents at the end of the year	26	135,889,749	67,367,364

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>1 LONG-TERM LIABILITIES</b>			
Local Registered Stock Loans			-
Annuity Loans		70,364,932	74,713,317
Government Loans : Other		-	-
Sub-total		70,364,932	74,713,317
Less : Current portion transferred to current liabilities		(5,536,705)	(4,260,095)
Local Registered Stock Loans		-	-
Annuity Loans		(5,536,705)	(4,260,095)
Government Loans : Other		-	-
<b>Total External Loans</b>		<b>64,828,227</b>	<b>70,453,222</b>
Refer to Appendix A for more detail on long-term liabilities.			
<b>2 NON-CURRENT PROVISIONS</b>			
Post employment Medical Aid benefit		(1,746,826)	(845,758)
Leave		(1,335,548)	(1,776,394)
<b>Total Non-Current Provisions</b>		<b>(3,082,374)</b>	<b>(2,622,152)</b>
<p>Leave is accumulated monthly. The provision is an estimate of the leave based on historical staff turnover. The post employment medical aid benefit is provided for ex retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the balance sheet date. The provision is phased in over a five year period starting from the 2005/2006 financial year.</p> <p>Actuarial gains and losses are based managements estimates</p> <p>The movement in the non-current provision is reconciled as follows: -</p>			
Balance at beginning of year		(2,622,152)	-
Contributions to provision		-	(3,064,352)
Expenditure incurred		-	-
Increase in provision due to discounting		-	-
Transfer to current provisions		(460,222)	442,200
<b>Balance at end of year</b>		<b>(3,082,374)</b>	<b>(2,622,152)</b>

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>3 CREDITORS -RETENTION</b>			
Retention		11,840,460	22,193,409
<b>Total Retention</b>		<b>11,840,460</b>	<b>22,193,409</b>
<b>Guarantees held in lieu of Retention</b>		<b>10,164,871</b>	<b>19,018,375</b>
<b>4 PROVISIONS</b>			
Performance bonus		(1,236,215)	(996,014)
Leave		(422,012)	(399,850)
Post employment Medical Aid benefit		(49,248)	(42,350)
Current portion of long-service provision (see note 2 above)		-	-
<b>Total Provisions</b>		<b>(1,707,475)</b>	<b>(1,438,214)</b>
<p>Performance bonuses are paid one year in arrear and are provided at a 100% rate.</p> <p>The movement in current provisions are reconciled as follows: -</p>			
<b>Performance Bonus</b>			
Balance at beginning of year		(996,014)	(1,133,027)
Transfer from non-current		-	-
Contributions to provision		(1,236,215)	(420,349)
Expenditure incurred		996,014	557,361
<b>Balance at end of year</b>		<b>(1,236,215)</b>	<b>(996,014)</b>
<b>Leave</b>			
Balance at beginning of year		(399,850)	-
Transfer from non-current		(440,846)	-
Contributions to provision		(397,958)	(399,850)
Expenditure incurred		816,641	-
<b>Balance at end of year</b>		<b>(422,012)</b>	<b>(399,850)</b>
<b>Medical Aid Ex Employees</b>			
Balance at beginning of year		(42,350)	-
Transfer from non-current		901,068	(42,350)
Contributions to provision		(932,966)	-
Expenditure incurred		25,000	-
<b>Balance at end of year</b>		<b>(49,248)</b>	<b>(42,350)</b>

## Notes to the financial statements for the year ended 30th June 2007

	Note	2007 R	2006 R
<b>5 CREDITORS</b>			
Trade creditors		(21,125,250)	(20,135,459)
Payments received in advance		(5,415)	(678,923)
Other creditors		(404,797)	(911,986)
		<b>(21,535,462)</b>	<b>(21,726,368)</b>
<b>6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>			
<b>6.1 Conditional Grants from other spheres of Government</b>			
Fire		1,413,624	(2,644,284)
MSIG		729,666	(729,666)
MIG		683,958	(1,195,225)
FMG			(701,850)
			(17,543)
Provincial		-	-
<b>6.2 Other Conditional Receipts</b>			
DBSA		211,132	-
		211,132	-
		<b>1,624,756</b>	<b>(2,644,284)</b>
See Note 16 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.			
<b>7 VAT</b>			
VAT (payable)/ receivable		<b>1,582,126</b>	<b>1,751,108</b>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.			

### 8 PROPERTY, PLANT AND EQUIPMENT 30th June 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values	68,014,080	4,459,956	124,479	-	9,555,244	
Cost	68,040,047	4,481,026	125,000	-	11,929,828	84,575,901
Correction of error ( note 27)	-	-	-	-	-	-
Accumulated depreciation	(25,967)	(21,070)	(521)	-	(2,374,584)	(2,422,141)

## Notes to the financial statements for the year ended 30th June 2007

### 8 PROPERTY, PLANT AND EQUIPMENT 30th June 2007 (Continued)

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Acquisitions	-	-	5,633	-	998,478	1,004,111
Capital under Construction	(22,880)	-	-	-	-	(22,880)
Depreciation	(12,983)	(133,919)	(3,462)	-	(1,808,527)	(1,958,892)
<b>Carrying value of disposals</b>	<b>(740,832)</b>	<b>(4,326,038)</b>	<b>(121,354)</b>	-	<b>(27,495)</b>	<b>(5,215,719)</b>
<b>Cost</b>	<b>(779,782)</b>	<b>(4,481,026)</b>	<b>(125,000)</b>	-	<b>(491,809)</b>	<b>(5,877,617)</b>
<i>Accumulated depreciation</i>	<i>38,950</i>	<i>154,988</i>	<i>3,646</i>	-	<i>464,314</i>	<i>661,898</i>
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>Carrying values</b>	<b>67,237,385</b>	-	<b>5,295</b>	-	<b>8,717,699</b>	<b>75,960,380</b>
<b>AT 30 JUNE 2007</b>						
<b>Cost</b>	<b>67,237,385</b>	-	<b>5,633</b>	-	<b>12,436,496</b>	<b>79,679,514</b>
<i>Accumulated depreciation</i>	-	-	<i>(337)</i>	-	<i>(3,718,797)</i>	<i>(3,719,134)</i>
<b>30-JUN-06</b>						
<b>Carrying values</b>						
<b>at 1 July 2005</b>	<b>43,531,567</b>	-	-	-	<b>1,781,792</b>	<b>45,313,358</b>
Cost	43,533,731	-	-	-	3,938,591	47,472,322
Accumulated depreciation	(2,164)	-	-	-	(2,156,799)	(2,158,963)
Acquisitions	-	4,481,026	125,000	-	8,552,419	13,158,445
Capital under construction	24,506,316	-	-	-	-	24,506,316
Depreciation	(23,803)	(21,070)	(521)	(588,960)	(634,353)	-
<b>Carrying value of disposals</b>	-	-	-	-	<b>(190,006)</b>	<b>(561,182)</b>
Cost/revaluation	-	-	-	-	(561,182)	(561,182)
<i>Accumulated depreciation</i>	-	-	-	-	<i>371,176</i>	<i>371,176</i>
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>at 30 June 2006</b>	<b>68,014,080</b>	<b>4,459,956</b>	<b>124,479</b>	-	<b>9,555,244</b>	<b>82,153,760</b>
Cost	68,040,047	4,481,026	125,000	-	11,929,828	84,575,901

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>9 INVESTMENTS</b>			
<b>Financial Instruments</b>			
Long Term Investments - at cost		<b>34,500,000</b>	<b>34,500,000</b>
	<b>Cost</b>	<b>Guaranteed Value</b>	<b>Guaranteed Value</b>
Momentum - Policy	R20 000 000	27,044,269	32 878 542
Nedbank Investment	R10 000 000	13,967,947	16 909 620
Investec	R2 000 000	4,440,682	3 000 945
Investec	R2 500 000	4,437,885	3 000 000
<b>Total</b>	<b>R34 500 000</b>	<b>49,890,783</b>	<b>55 789 107</b>
<b>Pledged Investments</b>			
A Long Term Investment of R2.5 million has been pledged as security to the Development Bank of South Africa for a loan of R46 050 523.41			
<b>Guaranteed Value</b>			
The guaranteed value of the investments amounts to R55 789 107			
<b>10 LONG-TERM RECEIVABLES</b>			
Car loans		184,013	470,587
		184,013	470,587
Less : Current portion transferred to current receivables		(93,046)	(256,596)
Car loans		(93,046)	(256,596)
<b>Total</b>		<b>90,967</b>	<b>213,991</b>
<b>CAR LOANS</b>			
Senior staff were entitled to car loans which attract interest at rates between 8% and 8.5% per annum and are repayable over periods between 42 months and 72 months. The last loan will be repaid in February 2009. The Municipal Finance Management Act forbid any further laons to employees and councillors and no new loans will be granted to anyone.			
<b>11 INVENTORY</b>			
Projects - Work in progress		58,731,061	88,459,251
<b>Total Inventory</b>		<b>58,731,061</b>	<b>88,459,251</b>

## Notes to the financial statements for the year ended 30th June 2007

	Note	2007 R	2006 R
<b>12 RSC DEBTORS</b>			
		<b>Gross Balances</b>	<b>Provision for Bad Debts</b>
		<b>R</b>	<b>R</b>
<b>As at 30 June 2007</b>			<b>Net Balance</b>
			<b>R</b>
Service debtors			
Levy Debtors		2,686,825	(2,686,825)
<b>Total</b>		<b>2,686,825</b>	<b>(2,686,825)</b>
<b>Rates: Ageing</b>			
Current (0 – 30 days)		-	16,038,608
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		-	-
121 - 365 Days		2,686,825	3,243,976
+ 365 Days		-	-
Provision for Bad Debts		(2,686,825)	(810,994)
<b>Total</b>		<b>-</b>	<b>18,471,591</b>
<b>Reconciliation of the bad debt provision</b>			
Balance at beginning of the year		810,994	650,207
Contributions to provision		1,881,122	385,923
Bad debts written off against provision		(5,292)	(225,135)
Reversal of provision		-	-
<b>Balance at end of year</b>		<b>2,686,825</b>	<b>810,994</b>
<b>13 OTHER DEBTORS</b>			
		<b>Gross Balances</b>	<b>Provision for Bad Debts</b>
		<b>R</b>	<b>R</b>
<b>As at 30 June 2007</b>			<b>Net Balance</b>
			<b>R</b>
Sundry Debtors			
Ogies Local Municipality		4,061,549	-
Department of Health		5,284,639	(5,284,639)
Other		1,246,618	(54,554)
<b>Total</b>		<b>10,592,805</b>	<b>(5,339,193)</b>
<b>Rates: Ageing</b>			
Current (0 – 30 days)		1,187,458	1,208,037
31 - 60 Days		42,990	73,286
61 - 90 Days		40,601	60,131
91 - 120 Days		40,230	90,414
121 - 365 Days		44,345	63,599
+ 365 Days		9,237,180	13,359,464
Provision for Bad Debts		(5,339,193)	(6,527,014)
<b>Total</b>		<b>5,253,613</b>	<b>8,327,917</b>

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>Reconciliation of the bad debt provision</b>			
Balance at beginning of the year		6,527,014	6,543,976
Contributions to provision		3,617	4,882
Bad debts written off against provision		(1,191,439)	(21,843)
Reversal of provision			-
<b>Balance at end of year</b>		<b>5,339,193</b>	<b>6,527,014</b>
Sundry Debtors as above		5,253,613	8,327,917
Payments made in advance		-	-
Unauthorized expenditure (see Note 28.1)		-	-
Insurance claims			-
Road reinstatements			-
<b>Total Other Debtors</b>		<b>5,253,613</b>	<b>8,327,917</b>
<b>14 GRANTS RECOVERABLE FROM OTHER SPHERES OF GOVERNMENT</b>			
Department of Local Government and Housing		3,252,987	3,231,090
Total government Grants and Commitments		3,252,987	3,231,090
<b>15 CALL INVESTMENT DEPOSITS</b>			
Other Deposits		<b>127,940,277</b>	<b>63,695,515</b>
<b>16 BANK AND CASH BALANCES</b>			
<b>The Municipality has the following bank accounts: -</b>			
Current Account (Primary Bank Account) ABSA Bank Limited Account number 1040161836		3,671,848	2,442,586
Cash book balance at beginning of year		<b>7,949,472</b>	<b>3,671,848</b>
Cash book balance at end of year		13,303,249	13,036,214
Bank statement balance at beginning of year		<b>11,156,705</b>	<b>13,303,249</b>
Bank statement balance at end of year		<b>7,949,472</b>	<b>3,671,848</b>
<b>TOTAL BALANCE</b>		<b>7,949,472</b>	<b>3,671,848</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable share		799,000	1,754,771
RSC LEVY REPLACEMENT GRANT		187,628,982	-
Fire		1,077,378	2,333,076



## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
MSIG		1,511,267	3,103,800
DWAF		-	5,417
SPORT		-	400,000
FMG		500,000	22,409
MIG Grant		701,850	33,915,567
<b>Total Government Grant and Subsidies</b>		<b>192,218,476</b>	<b>41,535,040</b>
<b>17.1 Equitable Share</b>			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.			
<b>17.2 RSC LEVY REPLACEMENT GRANT</b>			
In terms of the Division of Revenue Act this grant is used to subsidise the replacement of the RSC Levies that were abolished from 1 July 2006			
<b>17.3 Fire Grant</b>			
Balance unspent at beginning of year		729,666	1,003,142
Current year receipts		1,077,378	2,059,600
Conditions met - transferred to revenue		(1,077,378)	(2,333,076)
Conditions still to be met - transferred to liabilities (see note 6)		729,666	729,666
<b>17.4 MSIG Grant</b>			
Balance unspent at beginning of year		1,195,225	3,299,025
Current year receipts		1,000,000	1,000,000
Conditions met - transferred to revenue		(1,511,267)	(3,103,800)
Conditions still to be met - transferred to liabilities (see note 6)		683,958	1,195,225
<b>17.5 DWAF Grant</b>			
Balance unspent at beginning of year		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		(8,172)	-
Conditions still to be met - transferred to Other Debtors (see note 13)		(8,172)	-
<b>17.6 SPORT Grant</b>			
Balance unspent at beginning of year		-	(782,535)
Current year receipts		-	(400,000)
Conditions met - transferred to revenue		-	1,182,535
Conditions still to be met - transferred to liabilities (see note 6)		-	(0)
<b>17.7 Finance Management Grant</b>			
Balance unspent at beginning of year		17,543	39,952
Current year receipts		500,000	-
Conditions met - transferred to revenue		(517,543)	(22,409)
Conditions still to be met - transferred to liabilities (see note 6)		-	17,543

## Notes to the financial statements for the year ended 30th june 2007

Note	2007 R	2006 R
<b>17.8 MIG Grant</b>		
Balance unspent at beginning of year	701,850	84,480
Current year receipts	-	34,519,293
Conditions met - transferred to revenue	(701,850)	(33,901,924)
Conditions still to be met - transferred to liabilities (see note 6)	-	701,850
<b>17.9 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act ...of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>18 OTHER INCOME</b>		
Other income	4,400,474	109,008
Mainly discount received for early settlement of creditors, tender deposits and sundry income	-	44,671
<b>Total Other Income</b>	<b>4,400,474</b>	<b>153,679</b>
<b>19 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	15,952,609	17,284,613
Employee related costs - Contributions for UIF, pensions and medical aids	3,262,663	2,955,464
Travel, motor car, accommodation, subsistence and other allowances	3,044,369	405,579
Housing benefits and allowances	157,426	154,579
Overtime payments	502,542	413,243
Performance bonus	1,236,215	996,014
Long-service awards	48,552	-
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
<b>Total Employee Related Costs</b>	<b>24,204,375</b>	<b>22,209,492</b>
There were no advances to employees. Loans to employees are set out in note 10.		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	684,213	709,526
Performance Bonuses	145,689	137,702
Car Allowance	236,302	232,023
Contributions to UIF, Medical and Pension Funds	90,063	-
<b>Total</b>	<b>1,156,267</b>	<b>1,079,251</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	586,179	564,223
Performance Bonuses	102,633	102,633

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
Car Allowance		208,298	120,000
Contributions to UIF, Medical and Pension Funds		81,637	-
<b>Total</b>		<b>978,747</b>	<b>786,856</b>
Remuneration of Individual Executive Directors			
	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Social Services R</b>
<b>30-Jun-07</b>			
Annual Remuneration	545,210	536,900	455,331
Overtime	42,417	22,410	-
Performance Bonuses	88,218	101,483	85,983
Car Allowance	110,906	128,376	97,618
Medical and pension funds	80,674	94,211	36,549
<b>Total</b>	<b>867,425</b>	<b>883,380</b>	<b>675,481</b>
<b>30-Jun-06</b>			
Annual Remuneration	569,936	552,737	284,629
Performance Bonuses	76,739	95,924	-
Car Allowance	98,188	127,943	30,000
Medical and pension funds	-	-	-
<b>Total</b>	<b>744,863</b>	<b>776,604</b>	<b>314,629</b>

### 20 REMUNERATION OF COUNCILLORS

Executive Mayor	414,708	499,715
Whip	313,127	-
Speaker	327,526	331,169
Mayoral Committee Members	1,958,284	1,883,634
Councillors	1,377,724	1,632,843
Councillors' pension contribution	445,144	424,914
Councillors' medical contribution	288,028	202,406
<b>Total Councillors' Remuneration</b>	<b>5,124,542</b>	<b>4,974,681</b>

#### In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. As a result of the determination dated 1 July 2006 that was published on 1 December 2006 The municipality was down graded from a level 5 to level 4. Council adopted this determination on 31st January 2007.

## Notes to the financial statements for the year ended 30th June 2007

Note	2007 R	2006 R
<p>The application of the determination was retrospective from the 1 March 2006 and hence this resulted in remuneration of councilors on a grade 5 instead of a grade 4 for the period 1 March to February 2007. The implication of this is that an amount of R284 903.98 has been overpaid in terms of councilor remuneration. The Accounting Officer has implemented steps to recover such over payment. as at 30 June the balance outstanding is R253 705.86</p>		
<b>21 INTEREST PAID</b>		
Long-term liabilities	3,810,109	4,008,026
Consumer deposits	-	-
Bank overdrafts	-	-
<b>Total Interest on External Borrowings</b>	<b>3,810,109</b>	<b>4,008,026</b>
<b>22 GRANTS AND SUBSIDIES PAID</b>		
<b>Grant paid to Local Municipalities out of own revenue</b>		
General	22,240,987	12,930,727
Delmas	12,362,918	12,103,635
Dr JS Moroka	20,096,293	21,430,360
Emalahleni	21,160,427	31,275,533
Steve Tshwete	25,838,535	19,835,005
Emakhazeni	13,330,059	10,849,097
Thembisile	18,903,144	26,442,998
DMA	-	2,586,178
<b>Total Grants and Subsidies out of own revenue</b>	<b>133,932,364</b>	<b>137,453,533</b>
<b>Grant paid to Local Municipalities out of Implementing Agents Funds</b>		
General	-	1,605,123
Delmas	-	879,770
Dr JS Moroka	-	4,587,980
Emalahleni	-	2,365,190
Steve Tshwete	-	-
Emakhazeni	-	8,052,577
Thembisile	979,312	26,379,269
DMA	-	318,971
<b>Total Grants and Subsidies out of Implementing Agent Funds</b>	<b>979,312</b>	<b>44,188,879</b>
	<b>134,911,675</b>	<b>181,642,412</b>

## Notes to the financial statements for the year ended 30th June 2007

	Note	2007 R	2006 R
<b>23 GENERAL EXPENSES</b>			
<b>Included in general expenses are the following:-</b>			
<b>23.1 Thunder storm support</b>		<u>9,470</u>	<u>-</u>
A thunder storm hit the Dullstroom area in October 2006. Another thunder storm hit the Langkloof area in February 2007. In both instances Council provided blankets to aid the affected residents until the flooding subsided and residents were able to return to their homes. The thunder storm damage was unforeseen and has never occurred previously.			
<b>23.2 Operating leases</b>		756,996	756,996
Operating leases in automated office machines - minimum payments. The municipality lease office automation machines from various service providers over a lease of a maximum period of 5 years. The last lease agreements will terminate in March 2010.			
Future minimum lease payments at 30 June 2007:			
	<b>Up to 1 year</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
	R	R	R
	756,996	604,296	-
<b>24 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP</b>			
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -			
<b>24.1 Property, Plant and equipment</b>			
Property, Plant and equipment is accounted for in terms of accounting policy no. 5. The useful lives and depreciation methods were not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of government notice 552 of 2007. The change in accounting policy has been applied prospectively from the current year; and The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.			

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>24.2 Financial Instruments</b>			
	<p>Financial Instruments is accounted for in terms of accounting policy no. 6 Impairment testing on financial instruments was not performed by the municipality in the previous and current financial years as required by IAS 39 as these requirements have been exempted in terms of government notice 552 of 2007</p> <p>The requirement of IAS 39, 43, AG64, AG65, AG79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General notice 552 of 2007 and was not applied in the previous and current financial statements.</p> <p>The change in accounting policy has been applied prospectively from the current year; and</p> <p>The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.</p>		
<b>24.3 Trade Creditors</b>			
	<p>Financial Instruments is accounted for in terms of accounting policy no. 7 Trade creditors was not recognised initially at fair value by the municipality in the previous and current financial years as required as these requirements have been exempted in terms of government notice 552 of 2007</p> <p>The change in accounting policy has been applied prospectively from the current year; and</p> <p>The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.</p>		
<b>24.4 Revenue Recognition</b>			
	<p>Financial Instruments is accounted for in terms of accounting policy no. 8 Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General Notice 552 of 2007.</p> <p>The change in accounting policy has been applied prospectively from the current year; and</p> <p>The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.</p>		

## Notes to the financial statements for the year ended 30th june 2007

Note	2007 R	2006 R
<b>24.5 Leases</b>		
Financial Instruments is accounted for in terms of accounting policy no. 18. Operating leases were not recognised on a straight-lined basis over the lease period and was expensed at cost as a general expense as these requirements have been exempted in terms of government notice 552 of 2007. The change in accounting policy has been applied prospectively from the current year; and The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.		
<b>24.6 Work in Progress</b>		
<b>Balance previously reported: -</b>		
Work in progress	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Implementation of GAMAP		
Current year transferred to Accumulated Surplus/(Deficit) (see 24.2 below)	58,731,061	88,459,251
Previous year transferred to Accumulated Surplus/(Deficit) (see 24.2 below)	(88,459,251)	(76,795,094)
	<b>(29,728,190)</b>	<b>11,664,157</b>
<b>24.7 Provisions and Reserves</b>		
<b>Balance previously reported</b>		
Transferred to Accumulated Surplus/(Deficit)		
General	7,628,698	10,495,510
Delmas	4,810,273	11,260,435
Dr JS Moroka	9,850,075	9,151,773
Emalahleni	10,502,309	12,881,928
Steve Tshwete	7,023,744	22,069,190
Emakhazeni	8,987,987	9,082,785
Thembisile	9,927,975	13,517,629
DMA	-	-
<b>Total</b>	<b>58,731,061</b>	<b>88,459,251</b>
<b>Previous year transferred from Accumulated Surplus/(Deficit)</b>		
General	(10,495,510)	(2,873,513)
Delmas	(11,260,435)	(7,739,485)
Dr JS Moroka	(9,151,773)	(13,276,249)
Emalahleni	(12,881,928)	(16,919,560)
Steve Tshwete	(22,069,190)	(15,297,705)
Emakhazeni	(9,082,785)	(6,039,246)

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
Thembisile		(13,517,629)	(14,283,484)
DMA		-	(365,852)
<b>Total</b>		<b>(88,459,251)</b>	<b>(76,795,094)</b>

Financial Instruments is accounted for in terms of accounting policy no. 19 Infrastructure projects not fully completed by the municipality are disclosed in terms of GAMAP 12 and disclosed as work in progress at the cost based on the stage of completion as it will be transferred to local municipalities upon completion.

The change in accounting policy has been applied retro-prospectively from the current year; and

The comparative information and amounts have not been reclassified and may, therefore, not be consistent with current year information and amounts.

### 25 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year		25,848,847	(12,335,338)
Adjustment for:-			
Depreciation		1,915,869	4,719,296
(Gain)/ loss on disposal of property, plant and equipment		5,213,442	(101,233)
Contribution to provisions - non-current		34,014	
Contribution to provisions – current	729,482	8,901	
Interest paid		3,810,109	2,372,549
Investment income		(11,780,070)	(1,987,819)
<b>Operating surplus before working capital changes:</b>		<b>25,737,679</b>	<b>(7,289,630)</b>
(Increase)/Decrease in inventories		29,728,190	32,916
(Increase)/decrease in debtors		21,856,530	517,439
(Increase)/decrease in other debtors		-	129,747
(Decrease)/increase in conditional grants and receipts		-	101,342
Increase / (Decrease) in creditors		(11,563,382)	1,987,302
Increase / (Decrease) in VAT		-	8,712
<b>Cash generated by/(utilized in) operations</b>		<b>65,759,017</b>	<b>2,777,458</b>

### 26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :			
Bank balances and cash		7,949,472	3,487
Bank overdrafts		-	(7,103,859)
Call investment deposits		127,940,277	6,230,728
<b>Total cash and cash equivalents</b>		<b>135,889,749</b>	<b>(869,644)</b>



## Notes to the financial statements for the year ended 30th June 2007

Note	2007 R	2006 R
<b>27 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities (see Note 1)	70,364,931	74,713,317
Used to finance property, plant and equipment – at cost	70,364,931	74,713,317
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	11,260,000	11,993,045
<b>Cash invested for repayment of long-term liabilities (see note 14)</b>	<b>11,260,000</b>	<b>11,993,045</b>
<p>Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. A long term investment has been pledged as security as per note 9.</p>		
<b>28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>28.1 Unauthorized expenditure</b>		
<b>Reconciliation of unauthorized expenditure</b>		
Opening balance	-	-
Unauthorized expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 13)	-	-
Unauthorized expenditure awaiting authorization	-	-
Incident            Disciplinary steps/criminal proceedings		
No incident        No disciplinary hearing held		
<b>28.2 Fruitless and wasteful expenditure</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 46)	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
Incident            Disciplinary steps/criminal proceedings No		
incident            No disciplinary hearing held		
<b>28.3 Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-
Incident            Disciplinary steps/criminal proceedings No		
incident            No disciplinary hearing held		

## Notes to the financial statements for the year ended 30th June 2007

	Note	2007 R	2006 R
<b>29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>29.1 Contributions to organized local government</b>			
Opening balance		-	-
Council subscriptions		74,673	81,116
Amount paid - current year		(74,673)	(81,116)
Amount paid - previous years		-	-
<b>Balance unpaid (included in creditors)</b>		<b>(0)</b>	<b>-</b>
<b>29.2 Audit fees</b>			
Opening balance		-	-
Current year audit fee		720,779	234,623
Amount paid - current year		(720,779)	(234,623)
Amount paid - previous years		-	-
<b>Balance unpaid (included in creditors)</b>		<b>-</b>	<b>-</b>
<p>The balance unpaid represents the audit fee for an interim audit conducted during May and June 2007 and is payable by 31 July 2007</p>			
<b>29.3 VAT</b>			
<p>VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.</p>			
<b>29.4 PAYE and UIF</b>			
Opening balance		-	-
Current year payroll deductions		4,889,230	5,112,737
Amount paid - current year		(4,889,230)	(5,112,737)
Amount paid - previous years		-	-
<b>Balance unpaid (included in creditors)</b>		<b>-</b>	<b>-</b>
<b>29.5 Pension and Medical Aid Deductions</b>			
Opening balance		-	-
Current year payroll deductions and Council Contributions		5,575,788	5,014,512
Amount paid - current year		(5,575,788)	(5,014,512)
Amount paid - previous years		-	-
<b>Balance unpaid (included in creditors)</b>		<b>-</b>	<b>-</b>
<b>29.6 Compliance with Chapter 11 of the Municipal Finance Management Act</b>			
<p>Council's Supply Chain Policy was adopted in October 2005 (DM208/09/2005) with effective date 1 January 2006. The Supply Chain Unit was established December 2006.</p>			

## Notes to the financial statements for the year ended 30th june 2007

	Note	2007 R	2006 R
<b>30 CAPITAL COMMITMENTS</b>			
<b>Commitments in respect of capital expenditure:</b>			
Approved and contracted for		143,754,955	99,072,256
Infrastructure	General	28,636,383	40,110,584
	Delmas	11,874,345	3,923,086
	Dr JS Moroka	19,227,852	13,017,365
	Emalahleni	31,982,852	10,974,527
	Steve Tshwete	19,002,053	7,019,218
	Emakhazeni	9,539,682	10,777,865
	Thembisile	23,491,788	13,249,612
Approved but not yet contracted for		-	-
Infrastructure	General	-	-
	Delmas	-	-
	Dr JS Moroka	-	-
	Emalahleni	-	-
	Steve Tshwete	-	-
	Emakhazeni	-	-
	Thembisile	-	-
<b>Total</b>		<b>143,754,955</b>	<b>99,072,256</b>
<b>This expenditure will be financed from:</b>			
- Own resources		143,754,955	99,072,256

### 31 POST-EMPLOYMENT BENEFITS

All councilors and employees belong to 3 defined benefit retirement funds as well as 3 defined contribution funds administered by Municipal Gratuity Fund, Municipal Joint Pension Fund, Government Employees Pension Fund, Samwu Pension Fund, Municipal Employees Pension Fund and Councilors Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2003. These valuations indicate that the funds are in a sound financial position.

Defined contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (pension fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

An amount of R3, 070,263 (2006: R3, 184,977) was contributed by Council in respect of Councilor and employees retirement funding.

## Notes to the financial statements for the year ended 30th june 2007

Note	2007 R	2006 R
<p>These contributions are recognized as an expense in the income statement. The post employment medical aid benefits are provided for ex- retired employees and their legitimate spouses and are paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the balance sheet date. The provision is phased in over a five year period starting from the 2005/2006 financial year. See note 2</p>		
<b>32 IN-KIND DONATIONS AND ASSISTANCE</b>		
<b>The Municipality made the following in-kind donations and assistance</b>		
<b>Description</b>		
Thembisile Municipality - Assistance with King Silamba Annual Celebrations	76,596	100,850
<b>33 COMPARISON WITH THE BUDGET</b>		
<p>The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).</p>		

# APPENDICES

**Report of the auditor general** to the Mpumalanga Provincial Legislature on the financial statements and performance information of the Nkangala District Municipality for the year end 30 June 2007

## Appendix A

### SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2007		Received during the period		Redeemed written off during the period		Balance at 30/06/2007		Carrying Value of Property, Plant & Equip		Other Costs in accordance with the MFMA	
			R	R	R	R	R	R	R	R	R	R		
<b>LONG-TERM LOANS</b>														
1996@ 6 months JIBAR plus 2%.	1	30/09/2019	42,874,618	-	3,173,358	-	-	3,173,358	39,701,260	-	-	-	-	-
2004 @ 12.28% p.a. INCA	1	30/12/2018	31,838,689	-	1,175,028	-	-	1,175,028	30,663,671	-	-	-	-	-
<b>TOTAL LONG-TERM LOANS</b>			74,713,317	-	4,348,386	-	-	4,348,386	70,364,931	-	-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>			74,713,317	-	4,348,386	-	-	4,348,386	70,364,931	-	-	-	-	-

## Appendix B

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost				Accumulated Depreciation				Carrying Value			
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfers		Additions	Disposals	Closing Balance
<b>Infrastructure Assets</b>	4,131,026	-	-	-	(4,131,026)	-	20,096	-	128,074	(148,169)	-	-
Electricity	1,140,000	-	-	-	(1,140,000)	-	4,750	-	28,500	(33,250)	-	-
Roads	1,454,908	-	-	-	(1,454,908)	-	8,249	-	56,996	(65,245)	-	-
Sewerage	246,710	-	-	-	(246,710)	-	1,028	-	6,168	(7,196)	-	-
Water	1,289,408	-	-	-	(1,289,408)	-	6,068	-	36,410	(42,479)	-	-
<b>Community assets</b>	475,000	5,633	5,633	-	(475,000)	5,633	1,495	9,307	9,307	(10,465)	337	5,295
Buildings	350,000	-	-	-	(350,000)	-	974	5,845	5,845	(6,819)	-	-
Recreational	125,000	5,633	5,633	-	(125,000)	5,633	521	3,462	3,462	(3,646)	337	5,295
<b>Other Assets</b>	79,969,875	998,478	998,478	(22,880)	(1,271,591)	79,673,881	2,400,550	1,821,511	1,821,511	(503,264)	3,718,797	75,955,084
- Accounting and Office Machines	1,467,976	368,339	-	-	-	1,836,315	923,793	261,642	261,642	(487)	1,184,948	651,367
- Plant and Equipment	804,856	-	(489)	-	804,367	132,478	151,289	151,289	151,289	-	283,767	520,600
- Furniture and appliances	8,001,290	630,128	(72,184)	-	8,559,235	438,148	1,174,901	1,174,901	1,174,901	(44,698)	1,568,351	6,990,884
- Vehicles	1,615,461	-	(419,136)	-	1,196,325	842,293	220,515	220,515	220,515	(419,129)	643,678	552,647
- Emergency Equipment	40,244	11	-	-	40,255	37,873	180	180	180	-	38,053	2,202
- Land and Buildings	1,079,782	-	(779,782)	(22,880)	300,000	25,967	12,983	12,983	12,983	(38,950)	-	300,000
- Capital under construction	66,960,265	-	-	-	66,937,385	66,937,385	-	-	-	-	-	66,937,385
<b>Total</b>	84,575,901	1,004,111	1,004,111	(22,880)	(5,877,617)	79,679,514	2,422,141	1,958,892	1,958,892	(661,899)	3,719,134	75,960,380



# Appendix C1

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT  
30 JUNE 2006

	Cost			Accumulated Depreciation				Carrying Value		
	Opening Balance	Additions	Under Construction	Closing Balance	Disposals	Opening Balance	Additions		Disposals	Closing Balance
Executive & Council	8,362,533	171,408	-	8,114,804	(419,136)	1,256,217	1,190,436	(419,129)	2,027,524	6,087,280
Finance & Admin	2,154,784	600,316	-	2,724,766	(30,335)	805,123	334,053	(28,045)	1,111,130	1,613,636
Planning & Development	6,313,657	164,747	-	1,050,259	(5,428,146)	214,932	299,845	(214,724)	300,053	750,206
Community & Social Services	784,661	67,639	-	852,300	-	145,870	134,558	-	280,427	571,873
Work in progress	66,960,265	-	(22,880)	66,937,385	-	-	-	-	-	66,937,385
<b>TOTAL</b>	<b>84,575,900</b>	<b>1,004,111</b>	<b>(22,880)</b>	<b>79,679,514</b>	<b>(5,877,617)</b>	<b>2,422,141</b>	<b>1,958,892</b>	<b>(661,898)</b>	<b>3,719,134</b>	<b>75,960,379</b>

# Appendix D

SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED  
30 JUNE 2006

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/(Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/(Deficit) R
-	20,587,345	(20,587,345)	Executive & Council	-	18,449,151	18,449,151
195,629,919	11,758,674	184,071,245	Finance & Admin	(208,854,447)	14,535,487	(194,318,960)
37,940,483	199,510,834	(161,570,351)	Planning & Development	(2,490,578)	53,794,404	51,303,825
2,072,378	7,578,618	(5,506,240)	Community & Social Services	(1,077,428)	7,723,506	6,646,078
			Primary Functions	-	3,611,808	3,611,808
			Sub Total	(212,422,453)	98,114,356	(114,308,097)
235,842,780	239,435,471	(3,592,691)				
			Less Inter-Department Charges			
			<b>Total</b>	<b>(212,422,453)</b>	<b>98,114,356</b>	<b>(114,308,097)</b>

## Appendix E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
RSC Replacement Grant - Regional Services - Turnover	2,697,113	1,500,000	1,197,113	80	(Explanations to be recorded)
RSC Replacement Grant - Regional Services -Remuneration	1,048,808	500,000	548,808	110	
Rental of facilities and equipment	50	-	50	-	
Interest earned - external investments	10,606,756	5,250,000	5,356,756	102	
Interest earned - outstanding debtors	1,173,314	660,000	513,314	78	
Income for agency services	277,462	1,470,062	(1,192,600)	(81)	
Government grants and subsidies	192,218,476	192,330,571	(112,095)	(0)	
Other income	4,400,474	1,550,000	2,850,474	184	
Surplus cash		91,328,040			
<b>Total Revenue</b>	<b>212,422,453</b>	<b>294,588,673</b>	<b>9,161,821</b>	<b>3</b>	
<b>EXPENDITURE</b>					
Executive & Council	18,449,151	26,573,447	8,124,296	31	
Finance & Admin	14,535,487	19,661,339	5,125,852	26	
Planning & Development	142,253,654	211,782,638	69,528,984	33	
Community & Social Services	7,723,506	9,143,105	1,419,599	16	
Primary Functions	3,611,808	27,428,144	23,816,336	87	
Less Inter-Departmental Charges	-	-	-	-	
<b>Total Expenditure</b>	<b>186,573,607</b>	<b>294,588,673</b>	<b>108,015,066</b>	<b>37</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>25,848,847</b>	<b>(0)</b>	<b>(98,853,245)</b>	<b>39,541,288,765</b>	



## Appendix E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2007 Actual		2007 Under Construction		2007 Total Additions		2007 Budget		2007 Variance		2007 Variance		Explanation of Significant Variances greater than 5% versus Budget
	R		R		R		R		R		R	%	
<b>Infrastructure Assets</b>	<b>4,131,026</b>		<b>-</b>	<b>4,131,026</b>	<b>4,131,026</b>		<b>-</b>		<b>-</b>		<b>-</b>		
Executive & Council	171,408		(22,880)	148,527	1,261,400		(1,112,873)		(88)		(88)		
Finance & Admin	600,316		-	600,316	106,000		494,316		466		466		
Planning & Development	164,747		-	164,747	-		164,747		100		100		
Community & Social Services progress	67,639		-	67,639	50,000		17,639		35		35		
<b>TOTAL</b>	<b>1,004,111</b>		<b>(22,880)</b>	<b>981,230</b>	<b>1,417,400</b>		<b>(436,170)</b>		<b>(31)</b>		<b>(31)</b>		

## Appendix F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 AS AT 30 JUNE 2006

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts						Quarterly Expenditure						Grant and Subsidies delayed / withheld				Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07				
MIG	National Gov	-	-	-	-	11,761,046	-	-	-	-	-	-	-	-	-	-	NA	Yes	NA	
MSIG	National Gov	-	-	1,000,000	-	1,293,401	495,374	424,220	301,380	121,074	-	-	-	-	-	-	NA	Yes	NA	
FMG	National Gov	-	-	500,000	-	-	-	227,500	23,395	189,263	-	-	-	-	-	-	NA	Yes	NA	
SPORT	National Gov	-	-	-	-	130,897	-	-	-	-	-	-	-	-	-	-	NA	Yes	NA	

<b>Name of municipality:</b>	NKANGALA DISTRICT MUNICIPALITY		<b>Demarcation Code:</b>	DC31
<b>Name of preparer:</b>	H M LALA (CHIEF FINANCIAL OFFICER)		<b>Date completed:</b>	30 AUGUST 2007
<b>Contact Details:</b>	013-2492014		<b>Financial period:</b>	2007/2008
<b>Financial reporting standard</b>	<b>Extent of exemption from standard</b>	<b>Milestones to be achieved to comply with exemption</b> [include the key challenges to be overcome]	<b>Person responsible</b>	<b>Estimate date of compliance</b> [cannot extend beyond 31 June 2008]
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements [paragraphs 59 – 61, and 77]	<ul style="list-style-type: none"> <li>Review of useful life of assets</li> <li>Adjust depreciation for current and future period if expectations are significantly different from previous estimates.</li> <li>Process journals</li> <li>Update the assets register</li> <li>Draft and approval of repair and maintenance plan from the engineers.</li> </ul>	MM Maluleka	31 January 2008
	Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]	<ul style="list-style-type: none"> <li>Review of depreciation method applied to PPE</li> <li>Change the method if there has been significant change in the expected pattern of economic benefit</li> <li>Account for the change in accounting estimates, if any</li> <li>Adjust the depreciation charge for current and future period</li> <li>Update asset register and capital statements</li> <li>Process the journals</li> </ul>	MM Maluleka	31 January 2008
	Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]	<ul style="list-style-type: none"> <li></li> </ul>	M M Maluleka	31 January 2008
	Impairment of cash-generating assets [paragraphs 63 – 75(e)(v) – (vi)]	<ul style="list-style-type: none"> <li></li> </ul>	M M Maluleka	31 January 2008
Impairment of Assets (IAS 36/AC 128)	Entire Standard	<ul style="list-style-type: none"> <li>Determine whether the recoverable amount of an asset is less than the existing value</li> <li>If any, allocate the impairment loss to reduce the asset cost amount</li> <li>Update the asset register</li> <li>Process the journals</li> </ul>	M M Maluleka	31 January 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption [include the key challenges to be overcome]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	<ul style="list-style-type: none"> <li></li> </ul>		
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 79(e)(i) – (iii)]	<ul style="list-style-type: none"> <li></li> </ul>		
Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]	<ul style="list-style-type: none"> <li>Journalise payments on straight-line base</li> </ul>	M J Strydom	31 March 2008
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement & disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	<ul style="list-style-type: none"> <li>Disclosure in the financial statements</li> <li>Investigate whether or not project management system (inform system) fall under this category</li> </ul>	M M Maluleka	31 January 2008
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 – 119, 120A(c)-(q)]	<ul style="list-style-type: none"> <li></li> </ul>	M J Strydom	31 March 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption [include the key challenges to be overcome]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA circular 09/06 & paragraph 12]	<ul style="list-style-type: none"> <li>• Specifications to do necessary program changes on financial system</li> <li>• Program changes</li> <li>• Testing of programs</li> <li>• Implementation</li> </ul>	M J Strydom	30 Nov 2007
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/AC 133]	<ul style="list-style-type: none"> <li>•</li> </ul>	H M Lala	31 January 2008
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	<ul style="list-style-type: none"> <li>•</li> </ul>	N/A	
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<ul style="list-style-type: none"> <li>•</li> </ul>	H M Lala	31 January 2008
Construction Contracts (IAS 11/AC 109)	Entire Standard	<ul style="list-style-type: none"> <li>•</li> </ul>	A L Stander	30 April 2008
Business Combinations (IFRS 3/AC 140)	Entire Standard	<ul style="list-style-type: none"> <li>•</li> </ul>	N/A	
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	<ul style="list-style-type: none"> <li>• Change ledger from Government Grant Reserve to Deferred Income</li> </ul>	A L Stander	30 April 2008
Impairment of Assets (IAS 36/AC 128)	Entire Standard	<ul style="list-style-type: none"> <li>• Determine whether the recoverable amount of an asset is less than the existing value</li> <li>• If any, allocate the impairment loss to reduce the asset cost amount</li> <li>• Update the asset register</li> <li>• Process the journals</li> </ul>	M M Maluleka	31 January 2008

<b>Financial reporting standard</b>	<b>Extent of exemption from standard</b>	<b>Milestones to be achieved to comply with exemption</b> [include the key challenges to be overcome]	<b>Person responsible</b>	<b>Estimate date of compliance</b> [cannot extend beyond 31 June 2008]
Inventories (GAMAP 12)	<p>The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17</p> <p>The entire standard to the extent that it relates to water stock that was not purchased by the municipality</p>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	N/A	
Investment Property (IAS 40/AC 135)	<p>The entire standard to the extent that the property is accounted for in terms of GAMAP 17</p> <p>Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 79(e)(i) – (iii)]</p>	<ul style="list-style-type: none"> <li>•</li> </ul>	N/A	
Leases (IAS 17/AC 105)	<p>Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement.</p> <p>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105)</p>	<ul style="list-style-type: none"> <li>• Journalise payments on straight-line base</li> </ul>	M J Strydom	31 March 2008
Intangible Assets (IAS 38/AC 129)	<p>The entire standard except for the recognition, measurement &amp; disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed</p>	<ul style="list-style-type: none"> <li>• Disclosure in the financial statements</li> <li>• Investigate whether or not project management system (inform system) fall under this category</li> </ul>	M M Maluleka	31 January 2008
Employee Benefits (IAS 19/AC 116)	<p>Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 – 119, 120A(C)-(g)]</p>	<ul style="list-style-type: none"> <li>•</li> </ul>	M J Strydom	31 March 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption [include the key challenges to be overcome]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA circular 09/06 and paragraph 12]	<ul style="list-style-type: none"> <li>• Specifications to do necessary program changes on financial system</li> <li>• Program changes</li> <li>• Testing of programs</li> <li>• Implementation</li> </ul>	M J Strydom	30 November 2007
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/AC 133]	<ul style="list-style-type: none"> <li>•</li> </ul>	H M Lala	31 January 2008
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC 142)	Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	<ul style="list-style-type: none"> <li>•</li> </ul>	N/A	
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<ul style="list-style-type: none"> <li>•</li> </ul>	H M Lala	31 January 2008
Construction Contracts (IAS 11/AC 109)	Entire Standard	<ul style="list-style-type: none"> <li>•</li> </ul>	A L Stander	30 April 2008
Business Combinations (IFRS 3/AC 140)	Entire Standard	<ul style="list-style-type: none"> <li>•</li> </ul>	N/A	
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	<ul style="list-style-type: none"> <li>• Change ledger from Government Grant Reserve to Deferred Income</li> </ul>	A L Stander	30 April 2008

<b>Name of municipality:</b>	NKANGALA DISTRICT MUNICIPALITY	<b>Demarcation Code:</b>	DC31
<b>Name of preparer:</b>	H M LALA (CHIEF FINANCIAL OFFICER)	<b>Date completed:</b>	30 AUGUST 2007
<b>Contact Details:</b>	013-2492014	<b>Financial period:</b>	2007/2008

<b>Financial reporting standard &amp; extent of exemption from standard</b>	<b>Milestones to be achieved to comply with exemption – reported in October 2007</b> [include the key challenges to be overcome]	<b>Amendment to milestone and or achievement of milestone</b> [include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]	<b>Person responsible</b>	<b>Estimate date of compliance</b> [cannot extend beyond 31 June 2008]
<b>Property, plant and equipment (GRAP 17)</b> Review of useful life of items of PPE recognised in the annual financial statements [paragraphs 59 – 61, and 77]	•	•		
<b>Property, plant and equipment (GRAP 17)</b> Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 & 77]	•	•		
<b>Property, plant and equipment (GRAP 17)</b> Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]	•	•		
<b>Property, plant and equipment (GRAP 17)</b> Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]	•	•		
<b>Impairment of Assets (IAS 36/AC 128)</b> Entire Standard	i)	ii)		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 [include the key challenges to be overcome]	Amendment to milestone and or achievement of milestone [include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
<p><b>Inventories (GAMAP 12)</b> The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17</p>	iii)	iv)		
<p><b>Inventories (GAMAP 12)</b> The entire standard to the extent that it relates to water stock that was not purchased by the municipality</p>	v)	vi)		
<p><b>Investment Property (IAS 40/AC 135)</b> The entire standard to the extent that the property is accounted for in terms of GAMAP 17</p>	vii)	viii)		
<p><b>Investment Property (IAS 40/AC 135)</b> Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 79(e)(i) – (iii)]</p>	ix)	x)		
<p><b>Leases (IAS 17/AC 105)</b> Recognising operating lease payments /</p>	xi)	xii)		



Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 [include the key challenges to be overcome]	Amendment to milestone and or achievement of milestone [include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
<p>receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. [SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/ AC 105]</p>				
<p><b>Intangible Assets (IAS 38/AC 129)</b> The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed</p>	xiii)	xiv)		
<p><b>Employee Benefits (IAS 19/AC 116)</b> Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [paragraphs 29, 48 – 119, 120A(C)-(q)]</p>	xv)	xvi)		

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 [include the key challenges to be overcome]	Amendment to milestone and or achievement of milestone [include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
<b>Revenue (GAMAP 9)</b> Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SAICA circular 09/06 and paragraph 12]	xvii)	xviii)		
<b>Financial Instruments: Recognition and Measurement (IAS 39/AC 133)</b> Initially measuring financial assets and financial liabilities at fair value. [SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]	xix)	xx)		
<b>Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)</b> Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	xxi)	xxii)		

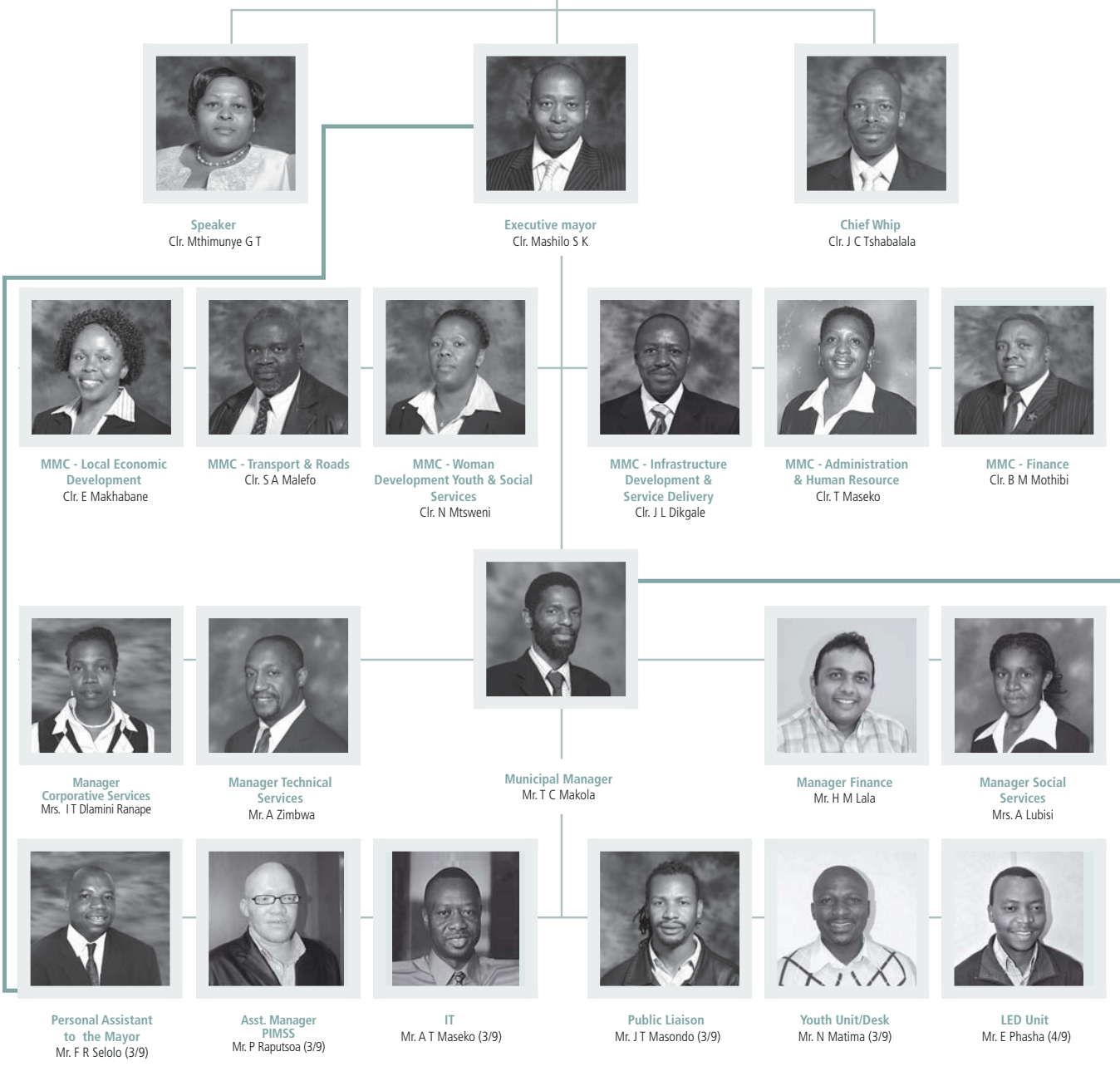
Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 [include the key challenges to be overcome]	Amendment to milestone and or achievement of milestone [include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]	Person responsible	Estimate date of compliance [cannot extend beyond 31 June 2008]
<b>Financial Instruments: Disclosures (IFRS 7/AC 144)</b> Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	xxiii)	xxiv)		
<b>Construction Contracts (IAS 11/AC 109)</b> Entire Standard				
<b>Business Combinations (IFRS 3/AC 140)</b> Entire Standard				
<b>Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)</b> Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAM/AP 12, paragraph 25 of GAM/AP 17 and paragraphs 42 – 46 of GAM/AP 9				



# ORGANOGRAM

organogram depicts the **organizational structure** of Nkangala District Municipality with **four Departments** and **five units reporting to the Municipal Manager**.





The above organogram depicts the organizational structure of Nkangala District Municipality with four Departments and five units reporting to the Municipal Manager.

Executive Secretary  
Vacant (6/9)

CHAPTER 5

## Reports from Departments

Hereunder are reports emanating from each department, Corporate Section, Social Services and Technical departments (Finance department see chapter 4).

### 5.1. CORPORATE SERVICES DEPARTMENT

The Corporate Services Department is running an efficient and effective administration in respect of all Council, Mayoral and other committee meetings. Agendas and minutes are prepared for each of these meetings in terms of the Nkangala District Municipality's Standing Rules and Orders and then delivered to all role-players. In addition, all records of the Council are kept securely and up to date.



An electronic document management system has been installed which is assisting in rendering an even better service to all the Departments and communities being served by the Nkangala District Municipality. The department furthermore deals with Employment Equity, Skills Development, Performance Management, Legal Matters and Human Resource Management.

#### 5.1.1 Staff Compliment as at 30 June 2007

The total staff complement of Nkangala District Municipality is 86 Employees including 22 Fire practitioners. Included in the 86 employees are 5 Section 57 employees represented as follows:

JOB TITLE	RACE
Municipal Manager	BM
Manager Corporate Services	BF
Manager Technical Services	BM
Manager Social Services	BF
Manager Finance	BM

#### 5.1.2 Staff compliment as at 30 June 2007

Department	Number of staff	NQF Levels
Municipal Manager	6	4-7
Corporate Services	21	3-7
Finance	19	3-7
Social Services	29	3-7
Technical Services	8	5-7
PIMSS	3	5-7
		86



01

**Clr. T Maseko**  
MMC Administration & Human Resource

Corporate Services Department is **running an efficient and effective administration** in respect of all Council, Mayoral and other committee meetings.



02

**Dlamini Ranape I T**  
Manager Corporate Services

### 5.1.2. Employment Equity

In accordance with the Employment Equity Act, Act 55 of 1998, Nkangala District Municipality submitted its employment Equity report to the Department of Labour for the financial year in question. The report also indicates the numerical goals to be reached by the municipality as we fill the vacant positions.

There is however challenge a with regard to gender representativity at the second layer of management for which the municipality is putting strategies in place to overcome.

the LGSETA awarded the District Municipality together with two of our local municipalities Delmas and Steve Tshwete a grant of **R647 000 to be utilized for training of both employees and unemployed individuals.**

### 5.1.3. Skills Development

A skills audit for both councilors and officials was done in April/ May 2007, out of which a skills development plan was developed, adopted by Council and submitted to the Local Government Seta (LG SETA) by June 2007.

In cognizance of our performance, the LGSETA awarded the District Municipality together with two of our local municipalities Delmas and Steve Tshwete a grant of R647 000 to be utilized for training of both employees and unemployed individuals. The grant was then used, over and above the training of employees, to offer bursaries, learnerships and internships to needy local students and it was distributed as follows:

BURSARIES	NO: STUDENT
Bursaries on Civil Engineering	2 students
Bursaries on Town and Regional Planning	5 students
Water and Sanitation learnerships	4 students
Electricity learnerships	3 students
EPWP learnerships	2 students
Water and Sanitation Internship	1 student

#### Students who were offered Bursaries, Learnership & Internships



### 5.1.4. Personnel Expenditure for the Past Three Years

Financial Year	Admin	Personnel	%
2004/2005	45,791,015	20,013,855	43.7%
2005/2006	46,128,901	22,209,492	48.1%
2006/2007	51,661,932	24,204,375	46.9%

### 5.1.5 Pension and Medical Aid Funds – Statistics

Pension Fund	Number of members	Employee contribution ®	Employer contribution ®	Total ®
Joint Mun Employees Pension Fund	2	31.967	80.668	112.635
Mun Employees Pension Fund	14	140.711	413.021	553.732
Municipal Gratuity Fund	42	368.588	1.010.002	1.378.590
Mun Councilors Pension Fund	23	385.117	420.127	805.244
SAMWU Pension Fund	1	18.750	54.999	73.749
Government Pension Fund	22	88.939	172.081	261.020
Total Pension Fund	104	1.034.072	2.150.898	3.184.970

### 5.1.5. Pension and Medical Aid Funds – Statistics *Continued*

Medical Aid Fund	Number of members	Employee contribution ®	Employer contribution ®	Total ®
Munimed	18	261.010	387.288	648.298
Bonitas	23	76.876	99.082	175.958
Hosmed Medical Scheme	45	400.348	605.229	1.005.577
Total Medical Aid Fund	86	738.234	1.091.599	1.829.833

### 5.1.6. Meetings

#### 5.1.6.1. Council Meetings

Hereunder are reports emanating from each department, Corporate Section, Social Services and Technical departments (Finance department see chapter 4).

Date of meeting	Meeting held / not held	Number of items considered
7/26/06	Held	20
8/30/06	Held	20
10/25/06	Held	38
11/29/06	Held	19
1/31/07	Held	20
3/28/07	Rescheduled to 30 March 2007 because of the IDP Indaba held on 29 March 2007	37
4/30/07	Held	15
5/30/07	Held	18
6/27/07	Held	23

#### 5.1.6.2. Mayoral Committee Meetings

Mayoral Committee meetings for the period 1 July 2006 to 30 June 2007 were scheduled as indicated below with an indication of the number of items considered at the meeting:

Date of meeting	Meeting held / not held	Number of items considered
7/5/06	Held	7
7/19/06	Held	13
8/2/06	Held	5
8/23/06	Held	14
9/6/06	Held	11
9/21/06	Held	10
10/4/06	Held	7
10/18/06	Held	9
11/8/06	Held	10
11/22/06	Held	9
1/24/07	Held	20
2/7/07	Held	15
2/21/07	Held	8
3/7/07	Held	7
3/20/07	Held	7
4/4/07	Held	8