SPECIMEN CONSOLIDATED MUNICIPAL ANNUAL FINANCIAL STATEMENTS

National Treasury
September 2006

SPECIMEN CONSOLIDATED MUNICIPAL ANNUAL FINANCIAL

SECTION ONE: INTRODUCTION AND BACKGROUND

1 Purpose of the Specimen Consolidated Group Annual Financial Statements

1.1 The purpose of the specimen group annual financial statements is:

a. to ensure that there is consistency amongst all municipalities in the presentation of consolidated annual financial statements;
b. to ensure that there is the greatest possible consistency with the specimen consolidated annual financial statements of other spheres of government;
c. to provide guidance on the application of Standards of Generally Recognised Accounting Practice (GRAP) and Standards of Generally Accepted Municipal Accounting Practice (GAMAP) in the consolidation of Group annual financial statements;
d. to facilitate the requirement of the Municipal Finance Management Act (MFMA) on the preparation of consolidated annual financial statements;
e. to demonstrate the group annual financial statement disclosure of the new budget formats.

1.2 Although the specimen municipal annual financial statements are written as a guide, all municipalities are required to prepare annual financial statements in accordance with GRAP 1,2 and 3, the 8 GAMAP standards, National Treasury formats and the capacity levels reflecting High, Medium and Low capacity in terms of the MFMA implementation strategy. The specimen municipal annual financial statements are extended to incorporate the requirements of GAMAP 6, 7 and 8 in the preparation of consolidated annual financial statements for the group.

1.3 These specimen annual financial statements also illustrate the first-time implementation of GAMAP. The “Guidelines for the implementation of accounting Standards of Generally Recognised Accounting Practice”, issued by National Treasury, should also be referred to for GAMAP implementation assistance.

2 Basis used to prepare these Specimen Consolidated Annual Financial Statements

2.1 The specimen municipal annual financial statements have been prepared from the following sources:

a. Standards of GRAP approved by the Accounting Standards Board. These are GRAP 1, GRAP 2, and GRAP 3 and the 8 GAMAP standards.
b. The new budget formats prescribed by National Treasury.
c. Budget circulars issued by the National Treasury.
d. The Municipal Finance Management Act.
e. The Division of Revenue Act.

2.2 The municipal annual financial statements have been consolidated with the annual financial statements of controlled municipal entities, joint ventures and investment in associates to prepare the specimen consolidated annual financial statements. Not all the requirements of GAMAP 6, 7 and 8 have been illustrated in these specimen consolidated annual financial statements. It is the intention of National Treasury to further develop these specimen consolidated annual financial statements over time.

2.3 It should be noted that while these specimen annual financial statements and the specimen consolidated annual financial statements are intended as a source of reference, preparers of annual financial statements must ensure that they have a thorough understanding of the Standards of GRAP and GAMAP, the new budget formats and relevant municipal legislation.

2.4 The above-mentioned standards can be viewed on the website of the Accounting Standards Board: http://www.asb.co.za

3 Timeframes

3.1 Standards of GRAP change continually. These specimen consolidated annual financial statements are based on GRAP standards that will apply during the financial year ending on 30 JUNE 2006. Municipalities are only required to prepare financial statements in terms of their capacity levels set out in the MFMA implementation strategy.

3.2 National Treasury will issue new specimen annual financial statements and specimen consolidated annual financial statements annually to take into account any new Standards of GRAP that have been issued by the Accounting Standards Board and that will apply in future reporting periods.

4 Using this specimen

4.1 This specimen applies to all municipalities, and municipal entities whose financial results are consolidated into group annual financial statements. Explanatory notes are given in italics for ease of reference.

4.2 It is important that GRAP 1 is studied in conjunction with this specimen. GRAP 1 provides guidance on current versus non-current classifications, offsetting, rounding and information to be included on each page in a set of consolidated annual financial statements, amongst other information.

4.3 Despite the comment in paragraph 1.2 above, it should be noted that accounting policies are municipality specific and are not generic. Although accounting policies are set out in the specimen financial statements, these are for guidance purposes only. For example, the accounting policy on inventories included in these specimen financial statements incorporates a first-in, first-out method of determining cost. In some municipalities, the basis of determining the cost of inventories will be the weighted average method. Those municipalities that use the weighted average method will need to draft an appropriate accounting policy accordingly.

4.4 Where material activities of municipalities and/or municipal entities have not been addressed by these specimen annual financial statements guidance on appropriate accounting policies should be obtained from the relevant accounting Standards or through consultation with the National Treasury.

5 Content of the specimen

5.1 This specimen sets out an example of group annual financial statements. Explanatory notes are provided for each matter in the specimen.

5.2 This specimen is not intended to explain accounting entries or provide information on accounting principles. It merely provides information on the content and format of consolidated annual financial statements.

5.3 In terms of the Municipal Finance Management Act, group annual financial statements will form part of the annual report. The annual report will contain organisational, service delivery, performance and other information and there is therefore no need for a Municipal Manager's or Political Executive report to be included in the consolidated annual financial statements.

SECTION TWO: SUMMARY OF GAMAP 6, 7 AND 8

1 Consolidation procedures

1.1 Controlled entities

Control is defined in GAMAP 6 as the power to govern the financial and operating policies of another entity so as to benefit from its activities. Where a municipality has control over an entity, it must prepare consolidated annual financial statements unless the circumstances set out below in this summary apply to such controlled entity.

There are two elements of the definition of control. These are the power element (the power to govern the financial and operating policies of another entity) and the benefit element (which represents the ability of the controlling municipality to benefit from the activities of the other entity).

Power indicators

(a) The municipality has, directly or indirectly through controlled entities, ownership of a majority voting interest in the other entity.
(b) The entity has the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the governing body of the other entity.
(c) The municipality has the power to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of the other entity.
(d) The municipality has the power to cast the majority of votes at meetings of the council or equivalent governing body.

Benefit indicators

(a) The municipality has the power to dissolve the other entity and obtain a significant level of the residual economic benefits or bear significant obligations. For example, the benefit condition may be met if a municipality had responsibility for the residual liabilities of another entity.
(b) The municipality has the power to extract distributions of assets from the other entity, and/or may be liable for certain obligations of the other entity.

When one or more of the circumstances listed in the paragraph above do not exist, the following factors are likely, either individually or collectively, to be indicative of the existence of control: -

Power indicators

(a) The municipality has the ability to veto operating and capital budgets of the other entity.
(b) The municipality has the ability to veto, overrule, or modify council or equivalent governing body decisions of the other entity.
(c) The municipality has the ability to approve the hiring, reassignment and removal of key personnel of the other entity.
(d) The mandate of the other entity is established and limited by legislation.
(e) The municipality holds a "golden share"[3] (or equivalent) in the other entity that confers rights to govern the financial and operating policies of that other entity.

Benefit indicators
(a) The municipality holds direct or indirect title to the net assets of the other entity with an ongoing right to access these.
(b) The municipality has a right to a significant level of the net assets of the other entity in the event of liquidation or in a distribution other than liquidation.
(c) The municipality is able to direct the other entity to co-operate with it in achieving its objectives.
(d) The municipality is exposed to the residual liabilities of the other entity.

In preparing consolidated financial statements, the financial statements of the controlling entity and its controlled entities are combined on a line-by-line basis by adding together like items of assets, liabilities, net assets, revenue and expenses. In order that the consolidated financial statements present financial information about the economic entity as that of a single entity, the following steps are then taken:

(a) The carrying amount of the controlling municipality's investment in each controlled entity and the controlling municipality's portion of net assets of each controlled entity are eliminated;
(b) Minority interests in the surplus or deficit of consolidated controlled entities for the reporting period are identified and adjusted against the surplus or deficit of the economic entity in order to arrive at the surplus or deficit attributable to the owners of the controlling entity, and
(c) Minority interests in the net assets of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's net assets. Minority interests in the net assets consist of:
(i) the amount at the date of the original combination, and
(ii) the minority's share of movements in net assets since the date of combination.

Balances and transactions between entities within the economic entity and resulting unrealised gains shall be eliminated in full. Unrealised losses resulting from transactions within the economic entity shall also be eliminated unless cost cannot be recovered.

Balances and transactions between entities within the economic entity, including sales, transfers and revenues recognised consequent to an appropriation or other budgetary authority, expenses and dividends, are eliminated in full. Unrealised surpluses resulting from transactions within the economic entity that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full. Unrealised deficits resulting from transactions within the economic entity that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered.

When the financial statements used in the consolidation are drawn up to different reporting dates, adjustments shall be made for the effects of significant transactions or other events that occur between those dates and the date of the controlling entity's financial statements. In any case the difference between reporting dates shall be no more than three months.

A controlled entity shall be excluded from consolidation when:
(a) control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future, or
(b) it operates under severe external long-term restrictions which prevent the controlling entity from benefiting from its activities.

In these instances, the controlled entity should be accounted for as if it was an investment.

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are usually drawn up to the same date. When the reporting dates are different, the controlled entity often prepares, for consolidation purposes, statements as at the same date as the economic entity. When it is impracticable to do this, financial statements drawn up to different reporting dates may be used provided the difference is no greater than three months. The consistency principle dictates that the length of the reporting periods and any difference in the reporting dates should be the same from period to period.

Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies (other than the bases of accounting) in preparing the consolidated financial statements, that fact shall be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

If a member of the economic entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements when they are used in preparing the consolidated financial statements.

The surplus or deficit of a controlled entity is included in the consolidated financial statements as from the date on which control becomes effective. The surplus or deficit from operating activities of a controlled entity disposed of is included in the consolidated statement of financial performance until the date of disposal, which is the date on which the controlling entity ceases to have control of the controlled entity. The difference between the proceeds from the disposal of the controlled entity and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity. In order to ensure the comparability of the financial statements from one accounting period to the next, supplementary information is often provided about the effect of the acquisition and disposal of controlled entities on the financial position at the reporting date and the results for the reporting period and on the corresponding amounts for the preceding period.

From the date an entity ceases to fall within the definition of a controlled entity and does not become an associate as defined in the Standard of Generally Accepted Municipal Accounting Practice on *Accounting for Investments in Associates*, or a jointly controlled entity as defined in the Standard of Generally Accepted Municipal Accounting Practice on *Financial Reporting of Interests in Joint Ventures*, it should be accounted for as an investment. The International Accounting Standard on *Financial Instruments: Recognition and Measurement* provides guidance on accounting for investments.

The carrying amount of the investment at the date that it ceases to be a controlled entity is regarded as cost thereafter.

Minority interests shall be presented in the statement of changes in net assets, separately from the controlling entity's equity. Minority interests in the surplus or deficit of the economic entity shall also be separately disclosed.

The losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the net assets of the controlled entity. The excess, and any further losses applicable to the minority, is charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the controlled entity subsequently reports surpluses, the majority interest is allocated all such surpluses until the minority's share of losses previously absorbed by the majority has been recovered.

If a controlled entity has outstanding cumulative preferred shares which are held outside the economic entity, the controlling entity computes its share of surpluses and losses after adjusting for the controlled entity's preferred dividends, whether or not dividends have been declared.

1.2 Disclosure

The following disclosures shall be made:
(a) In consolidated financial statements, a list of significant controlled entities including the name, the jurisdiction in which it operates (when it is different from that of the controlling entity), proportion of ownership interest and, where that interest is in the form of shares, the proportion of voting power held (only where this is different from the proportionate ownership interest),
(b) In consolidated financial statements, where applicable, the reasons for not consolidating a controlled entity,
(c) In the controlling entity's separate financial statements, a description of the method used to account for controlled entities,
(d) Distributions received from or accrued in respect of controlled entities,
(e) Gains or losses on the sale of shares or other dilutions in controlled entities by the investor, and
(f) Fees charged for administration of the controlled entity.

2 Associates

2.1 Consolidated financial statements

A municipality will recognize an associate where it exercises significant influence over such entity. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The existence of significant influence by a municipality is usually evidenced in one or more of the following ways:
(a) representation on the board of directors or equivalent governing body of the investee,
(b) participation in policy-making processes,
(c) material transactions between the municipality and the investee,
(d) interchange of managerial personnel, or
(e) provision of essential technical information.

If the municipality's ownership interest is in the form of shares and it holds, directly or indirectly through controlled entities, 20% or more of the voting power of the investee, it is presumed that the municipality has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the municipality holds, directly or indirectly through controlled entities, less than 20% of the voting power of the investee, it is presumed that the municipality does not have significant influence, unless such influence can be clearly demonstrated. It should be noted that a substantial or majority ownership by another investor does not necessarily preclude a municipality from having significant influence.

An investment in an associate shall be accounted for in consolidated financial statements under the equity method except when the investment is acquired and held exclusively with a view to its disposal in the near future, in which case it shall be accounted for under the cost method.

The recognition of revenue on the basis of distributions received may not be an adequate measure of the revenue earned by an investor on an investment in an associate because the distributions received may bear little relationship to the performance of the associate. In particular, where the associate has not-for-profit objectives, investment performance will be determined by factors such as the cost of outputs and overall service delivery. As the investor has significant influence over the associate, the investor has a measure of responsibility for the associate's performance and, as a result, the return on its investment. The investor accounts for this stewardship by extending the scope of its consolidated financial statements to include its share of surpluses or deficits of such an associate and so provides an analysis of earnings and investment from which more useful ratios can b calculated. As a result, the application of the equity method provides more informative reporting of the net assets and surplus or deficit of the investor.

An investment in an associate is accounted for using the cost method when it operates under severe long-term restrictions that significantly impair its ability to transfer funds or provide other non-financial benefits to, or on behalf of, the investor. Investment in associates is also accounted for using the cost method when the investment is acquired and held exclusively with a view to its disposal in the near future.

An investor shall discontinue the use of the equity method from the date that:
(a) it ceases to have significant influence in an associate but retains, either in whole or in part, its investment, or
(b) the use of the equity method is no longer appropriate because the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds or provide other non-financial benefits to, or on behalf of, the investor.

The carrying amount of the investment at that date should be regarded as cost thereafter.

2.2 Separate financial statements of the investor

An investment in an associate that is included in the separate financial statements of an investor that issues consolidated financial statements shall be either:
(a) accounted for using the equity method or the cost method, whichever is used for the associate in the investor's consolidated financial statements, or
(b) accounted for as an investment.

The preparation of consolidated financial statements does not, in itself, obviate the need for separate financial statements for an investor. An investor that has investments in associates may not issue consolidated financial statements because it does not have controlled entities. It is appropriate that such an investor provides the same information about its investments in associates as those entities that issue consolidated financial statements.

2.3 Application of the equity method

Many of the procedures appropriate for the application of the equity method are similar to the consolidation procedures set out in the Standard of Generally Accepted Municipal Accounting Practice on *Consolidated Financial Statements and Accounting for Controlled Entities.* Furthermore, the broad concepts underlying the consolidation procedures used in the acquisition of a controlled entity are adopted on the acquisition of an investment in an associate.

Where an associate is accounted for using the equity method, unrealized surpluses and deficits resulting from all transactions between an investor (or its consolidated controlled entities) and associates shall be eliminated to the extent of the investor's interest in the associate. Unrealised deficits shall not be eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred.

An investment in an associate is accounted for under the equity method from the date on which it falls within the definition of an associate. Guidance on accounting for any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate can be found in the International Accounting Standard on Business Combinations. Appropriate adjustments to the investor's share of the surpluses or deficits after acquisition are made
to account for:
(a) depreciation of the depreciable assets, based on their fair values, and
(b) amortisation of the difference between the cost of the investment and the investor's share of the fair values of the net identifiable assets.

The most recent available financial statements of the associate are used by the investor in applying the equity method; they are usually drawn up to the same date as the financial statements of the investor. When the reporting date of the investor and the associate are different, the associate often prepares, for the use of the investor, statements as at the same date as the financial statements of the investor. When it is impracticable to do this, financial statements drawn up to a different reporting date may be used. The consistency principle dictates that the length of the reporting periods, and any difference in the reporting dates, are consistent from period to period.

When financial statements with a different reporting date are used, adjustments are made for the effects of any significant events or transactions between the investor and the associate that occur between the date of the associate's financial statements and the date of the investor's financial statements.

The investor's financial statements are usually prepared using uniform accounting policies for like transactions and events in similar circumstances. In many cases, if an associate uses accounting policies other than those adopted by the investor for like transactions and events in similar circumstances, appropriate adjustments are made to the associate's financial statements when they are used by the investor in applying the equity method. If it is not practicable for such adjustments to be calculated, that fact is generally disclosed.

If an associate has outstanding cumulative preferred shares, held by outside interests, the investor computes its share of surpluses or deficits after adjusting for the preferred dividends, whether or not the dividends have been declared.

If, under the equity method, an investor's share of deficits of an associate equals or exceeds the carrying amount of an investment, the investor discontinues including its share of further losses. The investment is reported at nil value. Additional deficits are provided for to the extent that the investor has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the investor has guaranteed or otherwise committed. If the associate subsequently reports surpluses, the investor resumes including its share of those surpluses only after such share of the surpluses equals the share of net deficits not recognised.

2.4 Disclosure

The following disclosures shall be made:
(c) An appropriate listing and description of significant associates including the proportion of ownership interest and, if different, the proportion of voting power held,
(d) The methods used to account for such investments,
(e) The carrying amount of the investment for each significant associate'
(f) Summarised financial information in regard to asset, liabilities and the results of the operations of significant associates presented individually or in aggregate,
(g) The investor's share of cumulative post acquisition reserves or deficits of associates,
(h) The gross amount of loans made to the associate or received from associate by the investor,
(i) Accounting periods for which the financial statements of the associate have been prepared where they are different from that of the investor,
(j) The total market value of the listed investment in associates and the total council's valuation of investments in unlisted associates,
(k) Distribution received from or accrued in respect of associates, and
(l) Gains and losses on the sale of shares or other dilutions in associates by the investor.

Investments in associates accounted for using the equity method shall be classified as non-current assets and disclosed as a separate item in the statement of financial position. The investor's share of the surpluses or deficits of such investments should be disclosed as a separate item in the statement of financial performance.
The Standard of Generally Recognised Accounting Practice on *Presentation of Financial Statements* also requires the share of surpluses or deficits of associates accounted for using the equity method of accounting to be presented on the face of the statement of financial performance.

3 JOINT VENTURES

3.1 Consolidated financial statements of a venturer

An economic entity may consist of only a venturer and a jointly controlled entity and consequently consolidated financial statements for such a group are prepared in accordance with the requirements of this Standard.

A venturer shall report its interest in a jointly controlled entity in its consolidated financial statements.

When reporting an interest in a jointly controlled entity in consolidated financial statements, it is essential that a venturer reflects the substance and economic reality of the arrangement rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits or potential service provision through its share of the assets and liabilities of the venture. This substance and economic reality is reflected in the consolidated financial statements of the venturer when the venture reports its interests in the assets, liabilities, revenue and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation.

The application of proportionate consolidation means that the consolidated statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The consolidated statement of financial performance of the venturer includes its share of the revenue and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in controlled entities.

Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, revenue and expenses of the jointly controlled entity with the similar items in its consolidated financial statements on a line-by-line basis. For example, it may combine its share of the jointly controlled entity's inventory with the inventory of the economic entity and its share of the jointly controlled entity's property, plant and equipment with the same items of the economic entity. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, revenue and expenses of the jointly controlled entity in its consolidated financial statements. For example, it may show its share of the current assets of the jointly controlled entity separately as part of the current assets of the economic entity; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of the property, plant and equipment of the economic entity. Both these reporting formats result in the reporting of identical amounts of net revenue and expenses; both formats are acceptable for the purposes of this Standard.

Whatever format is used to give effect to proportionate consolidation, it is inappropriate to offset any assets or liabilities by the deduction of other liabilities or assets or any revenue or expense by the deduction of other expenses or revenue, unless a legal right of set-off exists and the offsetting represents the expectation as to the realisation of the asset or the settlement of the liability.

The use of proportionate consolidation is inappropriate when the interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future. It is also inappropriate when the jointly controlled entity operates under severe long-term restrictions that significantly impair its ability to transfer funds or provide other non-financial benefits to the venturer.

Separate financial statements may be presented by a venturer in order to meet legal or other requirements. Such separate financial statements are prepared in order to meet a variety of needs with the result that different reporting practices are in use. Accordingly, this Standard does not indicate a preference for any particular treatment.

When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain that is attributable to the interest of the other venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

When a venturer purchases assets from a joint venture, the venturer should not recognise its share of the gains of the joint venture from the transaction until it resells the assets to an independent party. A venturer should recognise its share of the losses resulting from these transactions in the same way as gains except that losses should be recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss.

A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest, or when external restrictions are placed on the jointly controlled entity so that it can no longer achieve its goals.

3.2 Disclosure

In accordance with the Standard of Generally Accepted Municipal Accounting Practice on Provisions, Contingent Liabilities and Contingent Assets, a venturer shall disclose the following:

(a) The aggregate amount of the following contingent liabilities, unless the possibility of any outflow in settlement is remote, separately from the amount of other contingent liabilities:
(i) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures, and its share in each of the contingent liabilities that have been incurred jointly with other venturers,
(ii) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
(iii) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture, and

(b) A brief description of the following contingent assets and, where practicable, an estimate of their financial effect, where an inflow of economic benefits or service potential is probable:
(i) any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets which have arisen jointly with other venturers, and
(ii) its share of the contingent assets of the joint ventures themselves.

A venturer shall disclose the aggregate amount of the following commitments, in respect of its interests in joint ventures separately from other commitments:
(a) any capital commitments of the venturer in relation to its interests in joint ventures, and its share in the capital commitments that have been incurred jointly with other venturers, and
(b) its share of the capital commitments of the joint ventures themselves.

A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer which reports its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation shall disclose the aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, revenue and expenses related to its interests in joint ventures.

SECTION THREE: PRACTICAL CONSIDERATIONS

1 INTRODUCTION

The purpose of these guidelines is to highlight important factors for municipal practitioners to take into account in performing consolidations. The information in this section of the specimen consolidated annual financial statements is not to illustrate all the concepts in the relevant GAMAP standards but rather to illustrate the basic principles that need to be taken into account in preparing consolidated annual financial statements.

Finance practitioners that require more detailed information on consolidations will need to undertake the necessary research of the relevant GAMAP standards or seek guidance from appropriate financial accounting literature.

The information in this section of the specimen consolidated annual financial statements provides guidance on: -

- Determining control
- The responsibilities of control from a financial reporting perspective;
- Group accounting policies;
- Elimination of inter-group transactions and account balances.

2 DETERMINING CONTROL

It is important to determine initially whether a municipality has control over an entity to determine whether it should consolidate the entity in the group annual financial statements.

A municipal entity can comprise: -

- A private company incorporated in terms of Sections 19 or 20 of the Companies Act;
- A service utility incorporated in terms of Chapter 8 of the Municipal Systems Act; and
- A company established in terms of Section 21 of the Companies Act, where such company was established or under the control of the municipality prior to the amendments of the Municipal Systems Act in 2003.

Control is determined through two scenarios (see summary of GAMAP 6 in Section Two): -

- The power element (the power to govern the financial and operating policies of another entity); and/or
- The benefit element (which represents the ability of the controlling entity to benefit from the activities of the other entity)

If any of the two scenarios apply to a municipality that has established or purchased an entity, then the municipality has ownership control over such entity and must incorporate such entity in to its consolidated annual financial statements.

It should be noted that in certain instances, a municipality may provide substantial funding to an entity. This in itself does not indicate that the municipality controls the entity. The municipality will still need to control the entity in terms of the scenarios explained above.

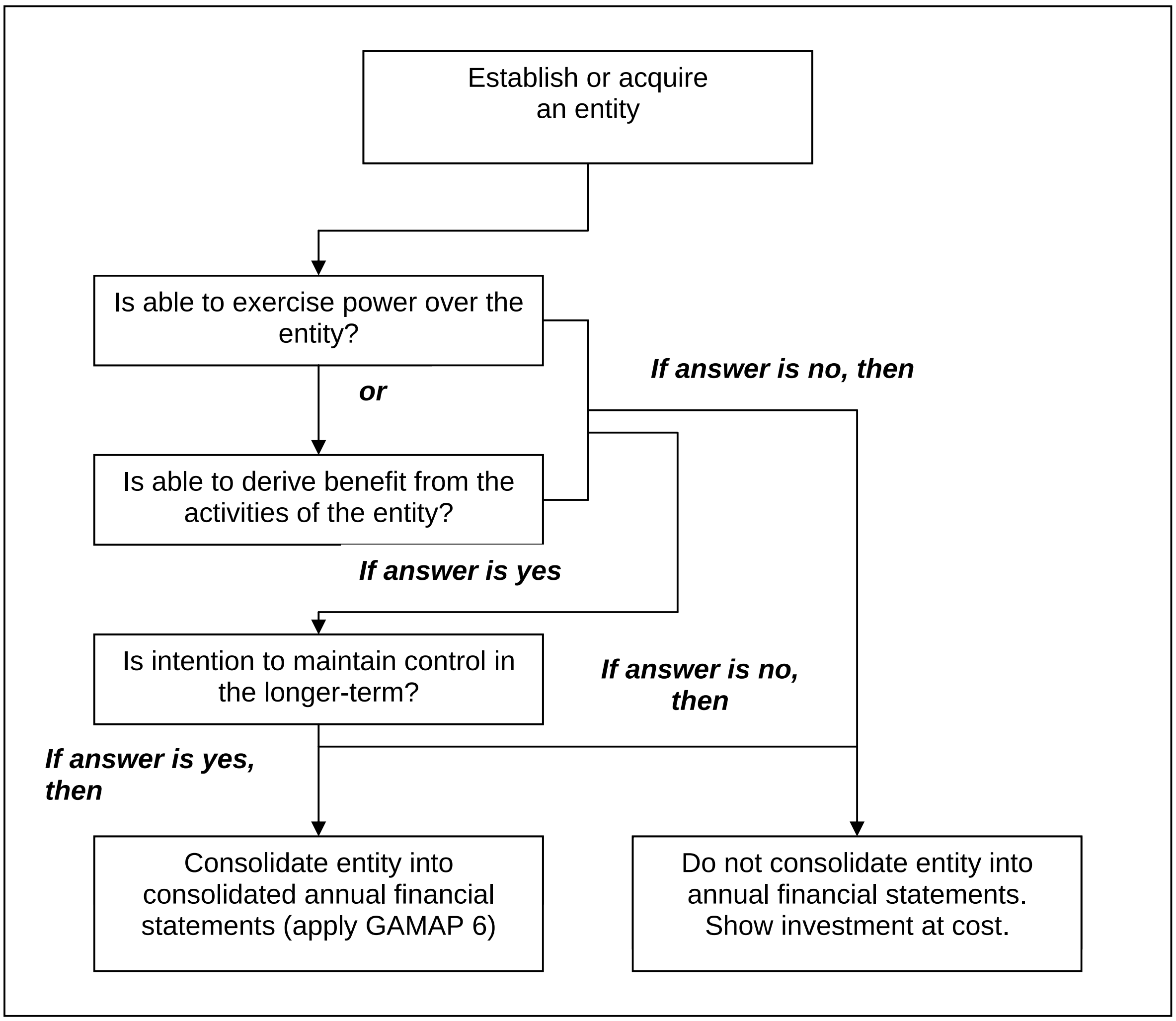
A further matter to consider is where an entity is established in terms of a by-law, for example, a service utility. The municipality concerned will in all likelihood appoint the majority of members of the governing body of the service utility and therefore exercises control.

The fact that a councillor or municipal manager is prohibited from sitting on the governing body does not mean that the power to appoint members of the governing body has been limited. It means that members of the governing body will be external to the municipality but still appointed by the municipality concerned.

Lastly, if a municipality acquires or establishes a municipal entity but has no intention of retaining control over such municipal entity, then regardless of the control scenarios set out above, a municipality will not consolidate such municipal entity. This is because the control over the entity will be short-term in duration.

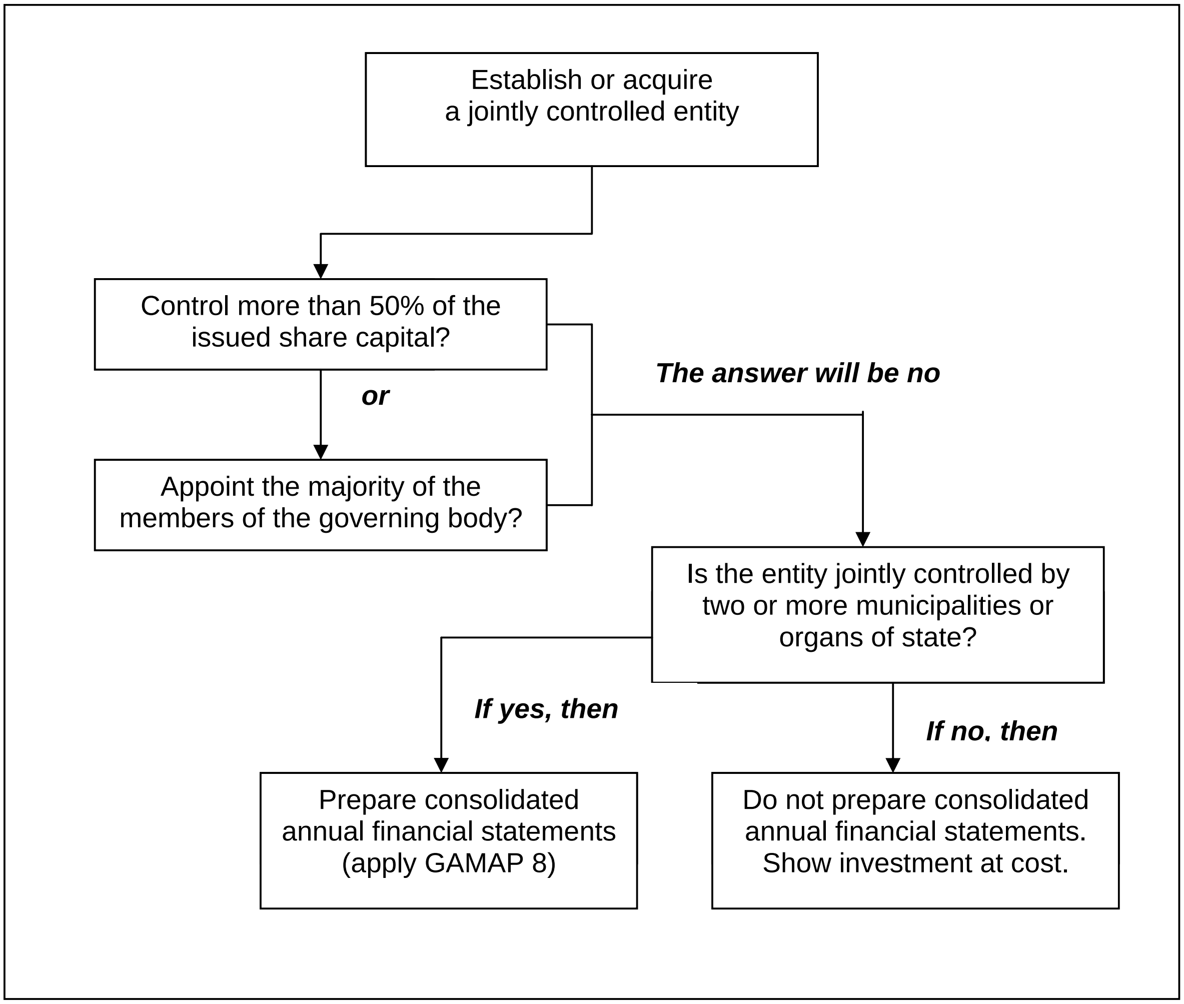
The following decision tree will assist municipalities determine control for consolidation purposes: -

(a) Consolidation of a controlled entity



(b) Consolidation of jointly controlled entity

There are various other matters to consider. Assume for example that two municipalities establish a multi-jurisdictional service utility (MJSU). If the MJSU is jointly controlled and both municipalities appoint equal numbers of members of the governing body, then the MJSU will not be consolidated as a controlled entity. Instead the MJSU will be consolidated as a jointly controlled entity in each of the controlling municipalities.



(c) Consolidation of an internal service district

An internal service district is not an external service delivery mechanism and therefore is not a municipal entity. An internal service district is an integral part of the municipality and therefore will be included in the municipality's annual financial statements.

The fact that separate accounting records must be maintained does not detract from the need to include internal service districts in the annual financial statements of the municipality concerned.

Where a municipality has established incorporated service districts, these will be classified as controlled entities and will be included in the consolidated annual financial statements of the municipality concerned if the definition of control as set out in GAMAP 6 has been met.

(d) Consolidation of a Trust

A number of municipalities use the terminology of a Trust in their annual financial statements. These trusts are used to account for donations to the municipality, conditional capital grants and where municipalities are appointed as Trustees in terms of a Trust Deed.

Section 12 of the Municipal Finance Management Act also makes references to Trusts but these will typically be an integral part of the municipality rather than separate juristic bodies.

Where a municipality is appointed as the Trustees of a Trust in terms of the registered Trust Deed and the definition of control as set out in GAMAP 6 has been met, then such Trust must be consolidated into the annual financial statements of the municipality, regardless of whether the municipality is the beneficiary of the Trust.

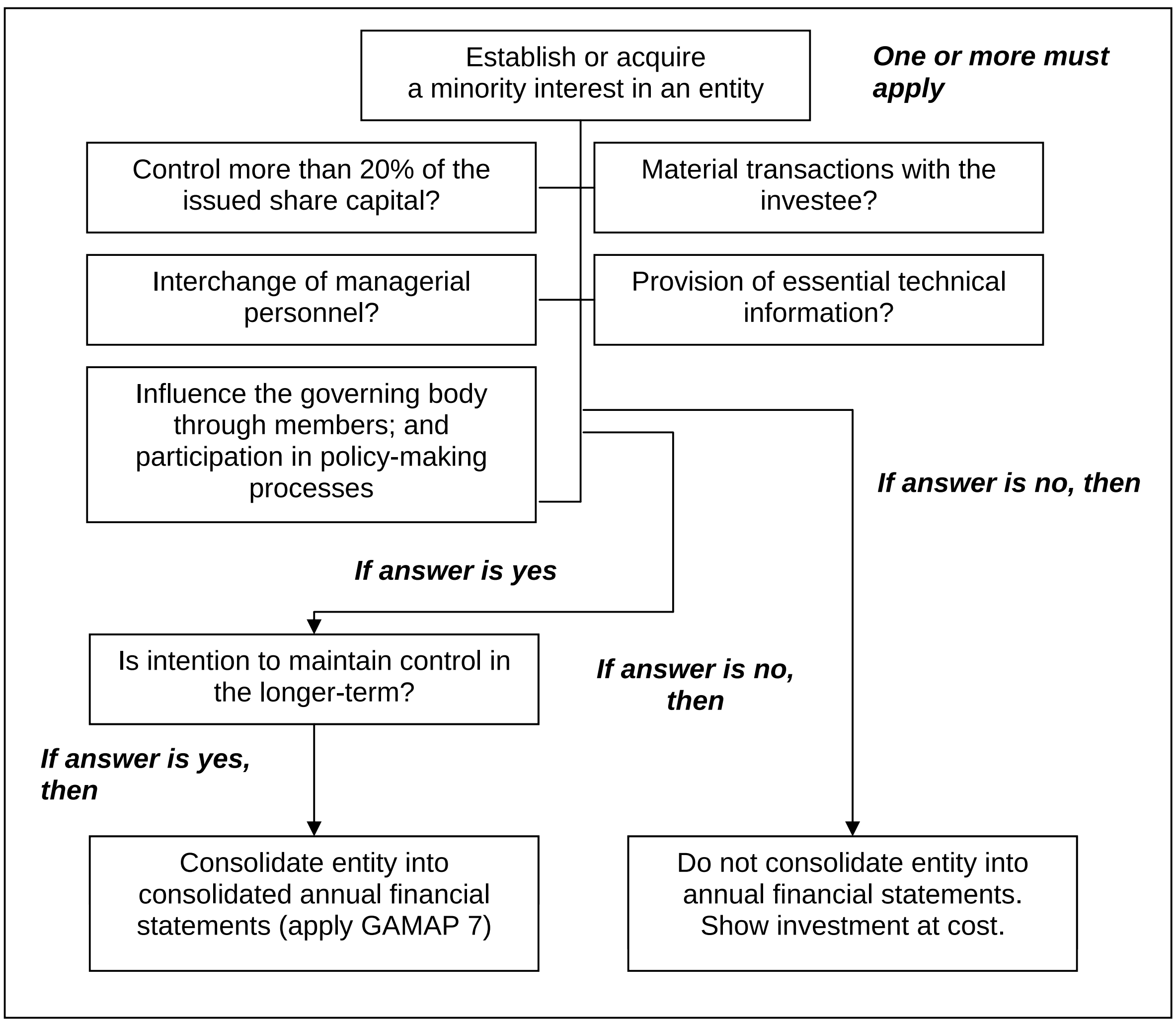
The reason is that the assets and liabilities of the Trust vest in the trustees, and if the municipality has been appointed as Trustee, the municipality controls the Trust, even though it must comply with the provisions set out in the Trust Deed.

Unfulfilled conditional capital grants and conditional donations are obligations of the municipality and should be accounted for as such in the accounting records of the municipality concerned.

(e) Consolidation of a significant minority interest in an entity

In certain instances a municipality may hold a minority interest in an entity where another municipality or organ of state has a controlling interest. If the municipality's minority interest is significant and the municipality can influence the entity, such entity may be consolidated as an associate of the municipality. A significant interest may arise where a municipality controls between 20% and 50% of an entity but does not jointly control it.

The following decision tree will assist establish control: -



3 THE RESPONSIBILITIES OF CONTROL FROM A FINANCIAL REPORTING PERSPECTIVE

A municipality that has control over an entity (which will be a municipal entity) must exercise that control from a financial reporting perspective. This will typically include the following: -

- Ensuring that the municipal entity has a 30 June financial year-end (this should have been done prior to 30 June 2005);
- Ensuring that the municipal entity prepares annual financial statements prior to 31 August each year;
- Ensuring that in addition to submitting annual financial statements by 31 August each year, the municipal entity provides information in a format that facilitates the consolidation of the municipality's and the municipal entity's financial information in the form of consolidated annual financial statements. Consideration should be given to prepare an accounting pack that will facilitate the consolidation. This pack is a template of information that the municipality and its municipal entities will prepare to facilitate consolidation;
- Preparing accounting policies that will be used in the consolidated annual financial statements. These accounting policies must be applied consistently in the consolidated annual financial statements. (refer where discussed in more detail below);
- Transactions and balances between the municipality and its municipal entities are eliminated for consolidation purposes. This is discussed in more detail below.
- Where a municipality has acquired a municipal entity, the accumulated surplus of the municipal entity at the date of acquisition forms part of the purchase price of the municipal entity and thus is not to be included in the consolidated accumulated surplus of the municipality and its municipal entity. Only the accumulated surplus of the municipal entity that is generated subsequent to acquisition is included in the consolidated accumulated surplus of the municipality and its municipal entity. The municipality concerned must keep track of the post-acquisition accumulated surplus.

Where there is a joint venture between two municipalities and a jointly controlled entity is established, both municipalities will have joint responsibilities to exercise control over the jointly controlled entity.

Where a municipality has an interest in an associate, it will not be able to exercise control. For example, if a Provincial Department controls the associate, the year-end of the associate will likely be 31 March rather than 30 June of each year. The municipality will need to use the 31 March financial statements of the associate to prepare its consolidated annual financial statements as it will not be able to change the year-end of the associate as it does not have control over the associate.

4 ACCOUNTING POLICIES

A municipality and a municipal entity must apply the same accounting policy when consolidated annual financial statements are prepared. This is a challenge because in the absence of a comprehensive set of GRAP standards, municipal entities will use International Public Sector Accounting Standards (IPSAS), International Accounting Standards (IAS) or South African Generally Accepted Accounting Practices (SA GAAP).

What this means is that until the scope of GRAP standards is increased, there is likely to be differences in the accounting policies used by the municipality and its municipal entities. Assuming that a municipal entity applies SA GAAP in preparing its annual financial statements and a municipality applies the 3 GRAP standards and 8 GAMAP standards in preparing its annual financial statements, there will not be consistent accounting policies.

There are two options to be considered when preparing consolidated annual financial statements. The first option is that the municipality applies SA GAAP to the extent that SA GAAP is consistent with IPSAS and IAS in that order (see GRAP 3) and uses the same treatments as its municipal entity where a SA GAAP standard permits an alternative treatment.

The second option is that the municipal entity applies the 3 GRAP standards and 8 GAMAP standards to its financial information to be consolidated. Only where a transaction or account balance is not included in the scope of the GRAP and GAMAP standards is an IPSAS, IAS or SA GAAP standard applied.

In most instances, it is likely that the second option will be pursued, depending on the technical accounting knowledge of the parent municipality's finance staff. Certain transactions and balances that are recognised in terms of SA GAAP will then need to be reversed in the annual financial statements of the municipal entity that are used to prepare consolidated annual financial statements.

The following example illustrates the two options explained above.

Assume that a municipal entity has certain financial instruments that are valued at fair value in its annual financial statements. The original cost as at 30 June 2006 was R250 000. The fair value of the financial instruments at 30 June 2006 is R275 000. The financial instruments were acquired on 1 January 2006.

The parent municipality also has financial instruments of R500 000 as at 30 June 2006, which are recorded at cost in its annual financial statements. The fair value of these financial instruments is R490 000 as at 30 June 2006. The financial instruments were acquired on 31 March 2006

In terms of option one, the group accounting policy will be to recognise financial instruments at fair value. On consolidation, the municipality will do a consolidation entry to change the value of its financial instruments to fair value. The consolidation journal entry will be as follows: -

Description	**Debit**	**Credit**
Financial Instruments	10 000	
Surplus: Fair value adjustment (R500 000 – R490 000)		10 000
Being the recognition of investments at fair value for consolidation purposes		

In terms of option two, the group accounting policy will be to recognise financial instruments at cost. On consolidation, an adjustment will be made to the financial instruments of the municipal entity to change the carrying value of its financial instruments to historical cost. The consolidation journal entry will be as follows: -

Description	**Debit**	**Credit**
Surplus: Fair value adjustment (R275 000 – R250 000)	25 000	
Financial Instruments		25 000
Being the recognition of investments at fair value for consolidation purposes		

In planning the preparation of consolidation annual financial statements, attention needs to be given to the development of group accounting policies.

5 ELIMINATION OF INTER-GROUP TRANSACTIONS AND ACCOUNT BALANCES.

It is important that on preparing consolidated annual financial statements, transactions between the municipality and its municipal entities be eliminated. In addition, account balances between municipalities and its municipal entities must also be eliminated.

For example, a municipality may have charged its municipal entity assessment rates. The municipality will have included assessment rates in its revenue. The municipal entity will have included such amount in its expenses. On consolidation, the assessment rates must be eliminated from revenue in the municipality and the assessment rates paid by the municipal entity eliminated from its expenditure.

Assume that only a portion of the assessment rates had been paid by the municipal entity. The municipal entity would show the unpaid portion as a creditor. The municipality would show the uncollected amount as a debtor. On consolidation, the debtor and creditor balances should be eliminated.

The following is an illustration of these principles: -

Assume that a municipality had charged assessment rates of R120 000 to its municipal entity during the financial year. The municipal entity had only paid R40 000 of the assessment rates during the year.

The consolidation adjustments will be as follows: -

Extract from…	**Municipality**	**Municipal Entity**	**Consolidation Debit**	**Consolidation Credit**	**Consolidated**
Statement of Financial Performance					
Assessment Rates	1 000 000		120 000		880 000
General Expenses		1 120 000		120 000	1 000 000
Statement of Financial Position					
Debtors	880 000			80 000	800 000
Creditors		750 000	80 000		670 000

The sale of items of property, plant and equipment and inventory between the municipality and its municipal entity require specific consideration, particularly if the sale resulted in a loss or gain. Although these losses or gains were realised, from a consolidated perspective these losses or gains are unrealised and must be reversed. In the case of property, plant and equipment, the unrealised loss or gain will need to be adjusted by depreciation.

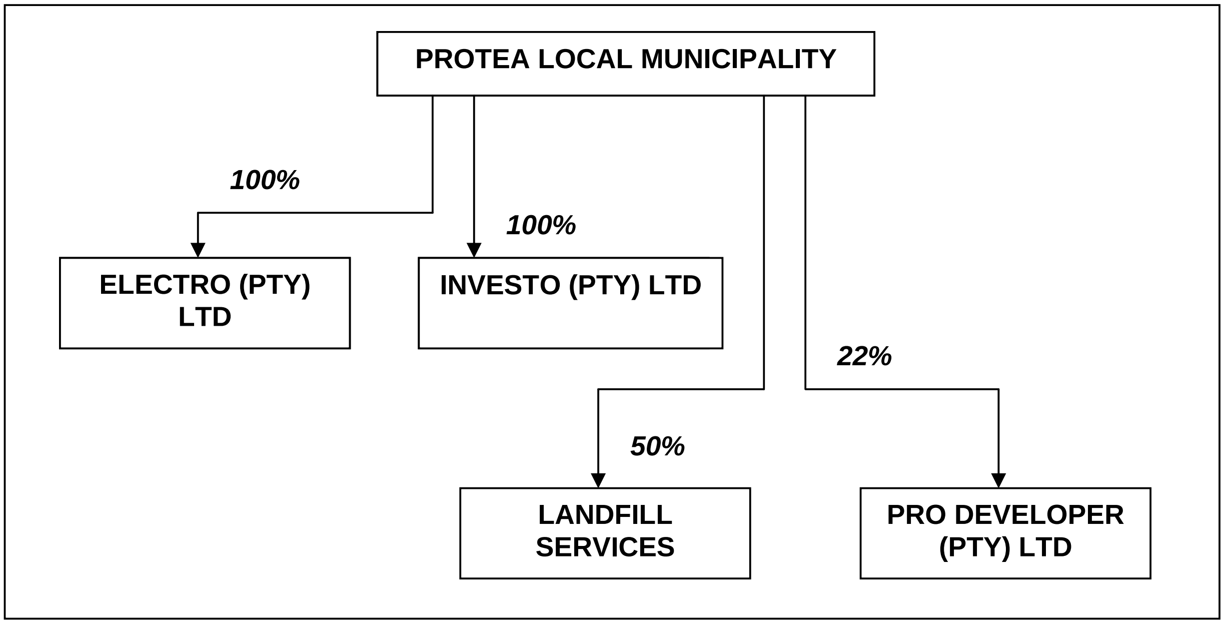
It is good practice to confirm inter-group balances often during the financial year. This will ensure that any misallocations or disagreements are resolved timely rather than when the annual financial statements are being prepared.

SECTION FOUR: SUMMARY INFORMATION USED TO PREPARE THE SPECIMEN CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The specimen consolidated annual financial statements have been prepared based on the information included in this section.

1 SUMMARY OF GROUP STRUCTURE

The specimen consolidated annual financial statements have been prepared on the following group structure: -



Electro (Pty) Ltd is an entity established by Protea Local Municipality on 1 July 2000 responsible for the generation of alternative power supply to the municipality. It is 100% owned by Protea Local Municipality.

Investo (Pty) Ltd is an investment promotion company established on 1 July 1996 to promote economic development in the Protea Municipal area. It is 100% owned by Protea Local Municipality.

Landfill Services, a Section 21 company, is an incorporated joint venture between the Protea Local Municipality and its neighbouring municipality, Bafana Local Municipality. The purpose of Landfill (Pty) Ltd is to develop and manage a landfill site that is used by both municipalities. It was established on 1 July 2002. Both Protea and Bafana Local Municipalities have decided to retain Landfill Services as a Section 21 in terms of the transitional provisions included in the Municipal Systems Act.

Pro Developer (Pty) Ltd is a Provincial Government sponsored initiative to develop low cost housing. The Provincial Government owns 51% of the issued share capital. Three municipalities own the remaining 49% of the issued share capital. The Protea Municipality is the second largest shareholder and as a result appoints 2 of the 6 directors of Pro Developer (Pty) Ltd. It is considered to have significant influence in the company. Pro Developer (Pty) Ltd was established on 1 April 2004.

The Statements of Financial Position and Financial Performance of theses Municipal Entities and Associate are set out further in this Section of these specimens.

2 OUTSIDE SHAREHOLDERS' INTEREST IN INVESTO (PTY) LTD

The outside shareholders' interest in Investo as at 1 July 2004 is as follows: -

Share Capital of Investo	25 000
Accumulated Surplus	513 883

3 INTER-GROUP TRANSACTIONS

The municipal entities had the following transactions with Protea Local Municipality. There were no transactions between the Municipal Entities: -

	2006					
	Rates	**RSC - Turnover**	**RSC- Services**	**Electricity**	**Water**	**Total**
Electro	11 056	8 956	4 561	32 089	11 076	67 738
Investo	4 518	5 610	3 320	14 308	6 908	34 664
Landfill	2 186	3 198	1 476	4 398	2 556	13 814
Total	**17 760**	**17 764**	**9 357**	**50 795**	**20 540**	**116 216**
Landfill	1 093	1 599	738	2 199	1 278	6 907
Adjusted	***16 667***	***16 165***	***8 619***	***48 596***	***19 262***	***109 309***

	2005					
	Rates	**RSC - Turnover**	**RSC- Services**	**Electricity**	**Water**	**Total**
Electro	10 745	7 942	3 108	29 534	9 910	61 239
Investo	4 188	4 276	2 977	12 629	5 710	29 780
Landfill	1 888	2 756	1 228	3 842	2 186	11 900
Total	**16 821**	**14 974**	**7 313**	**46 005**	**17 806**	**102 919**
Landfill	944	1 378	614	1 921	1 093	5 950
Adjusted	***15 877***	***13 596***	***6 699***	***44 084***	***16 713***	***96 969***

4 INTER-GROUP BALANCES

The inter-group balances are disclosed in the annual financial statements of Protea Local Municipality. There were no inter-group balances between the Municipal Entities and Associates.

ELECTRO (PTY) LTD: STATEMENT OF FINANCIAL POSITION

	2006 R	2005 R
NET ASSETS AND LIABILITIES		
Net assets	**6 463 507**	**5 971 879**
Share Capital	175 000	175 000
Revaluation reserve	692 136	767 568
Accumulated Surplus/(Deficit)	5 596 371	5 029 311
Current liabilities	**2 416 026**	**3 376 125**
Provisions	175 207	142 089
Creditors	2 055 612	3 088 911
VAT	185 207	145 125
Total Net Assets and Liabilities	***8 879 533***	***9 348 004***
ASSETS		
Non-current assets	**6 499 112**	**5 296 543**
Property, plant and equipment	6 499 112	5 296 543
Current assets	**2 380 421**	**4 051 461**
Inventory	235 991	199 321
Other debtors	2 065 856	1 777 344
Bank balances and cash	78 574	2 074 796
Total Assets	***8 879 533***	***9 348 004***

INVESTO (PTY) LTD: STATEMENT OF FINANCIAL POSITION

	2006 R	2005 R
NET ASSETS AND LIABILITIES		
Net assets	**3 902 329**	**3 869 601**
Share Capital	100 000	100 000
Revaluation reserve	1 292 136	1 467 568
Accumulated Surplus/(Deficit)	2 510 193	2 302 033
Current liabilities	**1 973 752**	**1 894 600**
Provisions	85 320	77 511
Creditors	1 843 201	1 777 210
VAT	45 231	39 879
Total Net Assets and Liabilities	***5 876 081***	***5 764 201***
ASSETS		
Non-current assets	**2 705 056**	**2 956 145**
Property, plant and equipment	2 705 056	2 956 145
Current assets	**3 171 025**	**2 808 056**
Inventory	959 765	878 014
Other debtors	1 108 834	997 329
Bank balances and cash	1 102 426	932 713
Total Assets	***5 876 081***	***5 764 201***

LANDFILL SERVICES: STATEMENT OF FINANCIAL POSITION

	2006	2005
	R	R
NET ASSETS AND LIABILITIES		
Net assets	**588 307**	**583 711**
Capital Contribution	100 000	100 000
Revaluation Reserve	127 979	177 091
Accumulated Surplus/(Deficit)	360 328	306 620
Current liabilities	**268 479**	**212 548**
Creditors	254 623	199 562
VAT	13 856	12 986
Total Net Assets and Liabilities	***856 786***	***796 259***
ASSETS		
Non-current assets	**563 107**	**523 967**
Property, plant and equipment	563 107	523 967
Current assets	**293 679**	**272 292**
Inventory	21 054	17 341
Other debtors	126 543	100 837
Bank balances and cash	146 082	154 114
Total Assets	***856 786***	***796 259***

PRO-DEVELOPER (PTY) LTD: STATEMENT OF FINANCIAL POSITION

	2006 R	2005 R
NET ASSETS AND LIABILITIES		
Net assets	**290 911**	**250 002**
Share Capital	227 275	227 275
Accumulated Surplus/(Deficit)	63 636	22 727
Current liabilities	**4 285 064**	**4 422 509**
Creditors	4 107 532	4 290 451
VAT	177 532	132 058
Total Net Assets and Liabilities	***4 575 975***	***4 672 511***
ASSETS		
Non-current assets	**672 078**	**892 599**
Property, plant and equipment	672 078	892 599
Current assets	**3 903 897**	**3 779 912**
Inventory	1 655 649	1 690 430
Other debtors	2 198 789	1 995 320
Bank balances and cash	49 459	94 162
Total Assets	***4 575 975***	***4 672 511***

ELECTRO (PTY) LTD : STATEMENT OF FINANCIAL PERFORMANCE

	2006	2005
	R	R
REVENUE		
Sale of electricity	12 078 356	11 005 632
Interest earned - external investments	1 084 523	934 107
Other income	25 134	22 244
Total Revenue	**13 188 013**	**11 961 983**
EXPENDITURE		
Employee related costs	5 340 557	4 721 064
Remuneration of Board of Directors	455 000	395 000
Depreciation	2 982 056	3 210 679
Repairs and maintenance	663 098	582 018
Interest paid	15 067	24 067
General expenses	3 054 107	2 799 106
Total Expenditure	**12 509 885**	**11 731 934**
SURPLUS/(DEFICIT)	**678 128**	**230 049**
Taxation	0	0
SURPLUS/(DEFICIT) FOR THE YEAR	**678 128**	**230 049**

INVESTO (PTY) LTD : STATEMENT OF FINANCIAL PERFORMANCE

	2006	2005
	R	R
REVENUE		
Interest earned - external investments	8 810	7 205
Government grants and subsidies	5 407 667	5 091 016
Other income	2 056	3 055
Total Revenue	**5 418 533**	**5 101 276**
EXPENDITURE		
Employee related costs	1 900 554	1 651 076
Remuneration of Board of Directors	265 000	235 000
Depreciation	251 089	277 608
Repairs and maintenance	88 101	78 515
General expenses	2 881 061	2 799 106
Total Expenditure	**5 385 805**	**5 041 305**
SURPLUS/(DEFICIT)	**32 728**	**59 971**
Taxation	0	0
SURPLUS/(DEFICIT) FOR THE YEAR	**32 728**	**59 971**

LANDFILL SERVICES : STATEMENT OF FINANCIAL PERFORMANCE

	2006	2005
	R	R
REVENUE		
Service fees	3 376 533	3 100 632
Other income	8 853	9 989
Total Revenue	**3 385 386**	**3 110 621**
EXPENDITURE		
Employee related costs	856 310	777 453
Remuneration of Board of Directors	375 000	345 000
Depreciation	245 067	287 590
Repairs and maintenance	106 734	105 555
Interest paid	12 056	1 854
General expenses	1 785 623	1 405 614
Total Expenditure	**3 380 790**	**2 923 066**
SURPLUS/(DEFICIT)	**4 596**	**187 555**
Taxation	0	0
SURPLUS/(DEFICIT) FOR THE YEAR	**4 596**	**187 555**

PRO-DEVELOPER (PTY) LTD : STATEMENT OF FINANCIAL PERFORMANCE

	2006	2005
	R	**R**
REVENUE		
Grants and donations	8 561 056	7 667 345
Interest earned - external investments	99 326	81 076
Other income	3 312	9 765
Total Revenue	**8 663 694**	**7 758 186**
EXPENDITURE		
Employee related costs	1 843 209	1 623 970
Remuneration of Board of Directors	187 500	175 000
Depreciation	220 521	320 775
Repairs and maintenance	105 555	97 513
General expenses	6 266 000	5 531 837
Total Expenditure	**8 622 785**	**7 749 095**
SURPLUS/(DEFICIT)	**40 909**	**9 091**
Taxation	0	0
SURPLUS/(DEFICIT) FOR THE YEAR	**40 909**	**9 091**

PROTEA LOCAL MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2006

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 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.

__________________ ____________
(Name) Date
Municipal Manager

INDEX

Explanatory Notes: Specific Consolidation Matters

The following requirements are contained in GAMAP 6, 7 and 8 but are not illustrated fully in these Specimen Consolidated Annual Financial Statements.

The reasons for not consolidating a controlled entity must be set out.

Where the reporting date of an associate differs from that of the municipality, adjustments must be made for transactions and balances between the associates reporting date and that of the municipality (GAMAP 7.25).

As required by GAMAP 7.31 (a), the following disclosures must be set out for investments in Associates:

- *Summarised financial information in regard to asset, liabilities and the results of the operations of significant associates presented individually or in aggregate (GAMAP 7.31(d));*
- *The gross amount of loans made to the associate or received from associate by the investor (GAMAP 7.31(f));*
- *Accounting periods for which the financial statement of the associate has been prepared where they are different from that of the investor (GAMAP 7.31(g); and*
- *Gains and losses on the sale of shares or other dilutions in associates by the investor.*

It should be noted that when an associate has outstanding cumulative preferred shares, the municipality must compute its share of surpluses or deficits after adjusting for the preferred dividends (GAMAP 7.27)

GAMAP 6.11, GAMAP 7.10 and GAMAP 8.36 provide for certain circumstances where a controlled entity, investment in an associate and an interest in a jointly controlled entity shall be excluded from consolidation. These circumstances have not been set out in these specimen annual financial statements.

In terms of GAMAP 6.43, a list of significant controlled entities including the name, the jurisdiction in which it operates when different from that of the controlling entity, proportion of ownership interest and, where that interest is in the form of shares and the proportion of voting power held where this is different from the proportionate ownership interest must be disclosed.

Explanatory Notes: Statement of Financial Position

The Minorities' Interests in the Net Assets of the subsidiary of Protea Local Municipality is shown in the consolidated Statement of Changes in Net Assets and on the face of the Statement of Financial Position.

The investments of Protea Local Municipality in its municipal entities are eliminated on consolidation.

All indebtness between Protea Local Municipality and its municipal entities are also eliminated on consolidation

PROTEA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		Note	GROUP 2006 R	GROUP 2005 R
		NET ASSETS AND LIABILITIES			
57 011 751	**64 652 007**	**Net assets**		**75 011 997**	**66 845 087**
4 894 265	6 190 003	Housing Development Fund	1	6 190 003	4 894 265
10 405 960	9 134 193	Capital replacement reserve		9 134 193	10 405 960
27 467 013	27 033 213	Capitalisation reserve		27 033 213	27 467 013
9 832 256	13 179 748	Government grant reserve		13 179 748	9 832 256
85 651	171 053	Donations and public contribution reserves		171 053	85 651
1 795 832	2 622 500	Self-insurance reserve		2 622 500	1 795 832
1 712 373	1 558 274	COID reserve		1 558 274	1 712 373
4 931 937	4 068 942	Revaluation reserve		6 117 204	7 255 619
(4 113 536)	694 081	Accumulated Surplus/(Deficit)		8 443 751	2 842 242
		Minorities' Interests		562 058	553 876
7 071 273	**7 592 858**	**Non-current liabilities**		**7 592 858**	**7 071 273**
6 696 368	7 142 368	Long-term liabilities	2	7 142 368	6 696 368
374 905	450 490	Non-current provisions	3	450 490	374 905
24 525 996	**28 368 517**	**Current liabilities**		**32 645 992**	**29 627 828**
2 819 376	2 837 553	Consumer deposits	4	2 837 553	2 819 376
168 678	193 510	Provisions	5	454 037	388 278
13 938 967	17 096 464	Creditors	6	20 876 046	18 629 702
565 199	448 541	Unspent conditional grants and receipts	7	448 541	565 199
61 659	69 551	VAT	8	306 917	253 156
1 650 000	1 600 000	Short-term loans	9	1 600 000	1 650 000
4 736 921	4 927 498	Bank overdraft	19	4 927 498	4 736 921
585 196	1 195 400	Current portion of long-term liabilities	2	1 195 400	585 196
88 609 020	***100 613 382***	***Total Net Assets and Liabilities***		***115 250 846***	***103 544 188***
		ASSETS			
62 798 837	**74 639 359**	**Non-current assets**		**83 825 081**	**71 013 509**
52 894 099	57 854 786	Property, plant and equipment	10	67 340 508	61 408 771
850 000	1 000 000	Investment property	11	1 000 000	850 000
6 676 414	11 441 746	Investments	12	11 141 746	6 376 414
45 000	54 000	Investment in associate	13	54 000	45 000
2 333 324	4 288 827	Long-term receivables	14	4 288 827	2 333 324
25 810 183	**25 974 023**	**Current assets**		**31 425 766**	**32 530 679**
1 013 468	959 765	Inventory	15	2 166 048	2 099 474
3 057 914	4 747 691	Consumer debtors	16	4 747 691	3 057 914
3 259 775	5 299 090	Other debtors	17	8 290 509	5 809 700
244 811	198 393	Current portion of long-term debtors	14	198 393	244 811
18 230 728	14 766 450	Short-term investment deposits	18	14 766 450	18 230 728
3 487	2 634	Bank balances and cash	19	1 256 675	3 088 053
88 609 020	***100 613 382***	***Total Assets***		***115 250 846***	***103 544 188***

Explanatory Notes: Statement of Financial Performance

The minorities' interest in the net surplus for the year is transferred to the Minorities Interest reflected in the Statement of Net Assets..

Dividends, inter-group charges for rates, services and levies have been eliminated on consolidation.

Should a municipality dispose of shares in a controlled entity, an associate or in an incorporated joint venture, an additional line item will need to appear on the face of the Statement of Financial Performance titled "gains or losses on the sale or dilutions of shares".

As required by GAMAP 12.43(a) and (b), the statement of financial performance should also require the disclosure of either the cost of inventories recognised as an expense during the period, or the operating costs applicable to revenues, recognised as an expense during the period, classified by their nature.

PROTEA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2006

2005 R	2006 R		Note	2006 R	2005 R
		REVENUE			
9 338 460	11 263 864	Property rates	20	11 247 197	9 322 583
290 113	390 829	Property rates - penalties imposed and collection charges		390 829	290 113
33 701 409	44 520 794	Service charges	21	58 219 559	46 196 560
409 390	462 439	Regional Services Levies – turnover		446 274	395 794
489 031	593 659	Regional Services Levies – remuneration		585 040	482 332
997 412	1 087 453	Rental of facilities and equipment		1 087 453	997 412
1 987 819	3 875 462	Interest earned - external investments		4 968 795	2 929 131
997 412	1 087 453	Interest earned - outstanding debtors		1 087 453	997 412
122 800	186 500	Dividends received		-	-
1 100 145	1 504 328	Fines		1 504 328	1 100 145
1 853	-	Licences and permits		-	1 853
760 000	2 285 067	Income for agency services		2 285 067	760 000
2 385 734	6 423 669	Government grants and subsidies	22	11 831 336	7 476 750
153 679	226 859	Other income	23	258 476	183 973
111 082	130 216	Public contributions and donations		130 216	111 082
101 233	124 794	Gains on disposal of property, plant and equipment		124 794	101 233
52 947 572	**74 163 386**	**Total Revenue**		**94 166 816**	**71 346 373**
		EXPENDITURE			
16 847 395	18 100 547	Employee related costs	24	25 769 813	23 608 262
6 420 115	7 133 461	Remuneration of Councillors and Board Members	25	8 040 961	7 222 615
1 190 243	1 093 265	Bad debts		1 093 265	1 190 243
318 743	452 767	Collection costs		452 767	318 743
5 100 931	4 377 480	Depreciation	26	7 733 159	8 733 013
1 064 258	1 720 217	Repairs and maintenance		2 524 783	1 777 569
2 372 549	2 273 908	Interest paid	27	2 295 003	2 397 543
25 511 090	28 329 746	Bulk purchases	28	28 329 746	25 511 090
1 438 754	1 875 088	Contracted services		1 875 088	1 438 754
629 812	651 887	Grants and subsidies paid	29	651 887	629 812
2 767 980	523 764	General expenses	30	7 242 435	8 972 030
-	-	Loss on disposal of property, plant and equipment		-	-
63 661 870	**66 532 130**	**Total Expenditure**		**86 008 906**	**81 799 673**
(10 714 298)	7 631 256	**SURPLUS/(DEFICIT)**		**8 157 910**	**(10 453 301)**
-	-	**Taxation**		-	-
(10 714 298)	**7 631 256**	**SURPLUS/(DEFICIT) AFTER TAXATION**		**8 157 910**	**(10 453 301)**
		Attributable to minorities		**8 182**	**14 993**
(10 714 298)	**7 631 256**	**SURPLUS/(DEFICIT) ATTRIBUTABLE TO PROTEA LOCAL MUNICIPALITY**		**8 149 728**	**(10 468 294)**
2 000	9 000	**Share of surplus/(deficit) of associate accounted for under the equity method**	31	9 000	2 000
(10 712 298)	**7 640 256**	**SURPLUS/(DEFICIT) FOR THE YEAR**		**8 158 728**	**(10 466 294)**

Refer to Appendix E(1) for the Municipality's comparison with the approved budget

Explanatory Notes: Statement of Changes in Net Assets

There are two Statements of Changes in Net Assets; one for the Municipality and one for the Group.

PROTEA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006 - MUNICIPALITY

	Pre-GAMAP Reserves and Funds	Housing Develop. Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self-Insurance Reserve	COID Reserve -	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R		R	R	R
2005											
Balance at 1 July 2004	38 173 702	3 985 854					1 045 832	1 754 078	5 875 045	2 591 454	53 425 965
Implementation of GAMAP -Note 32	(38 173 702)		9 675 388	28 145 334	10 571 712					2 854 298	13 073 030
Change in accounting policy- Note 33										6 930	6 930
Restated balance	-	3 985 854	9 675 388	28 145 334	10 571 712	-	1 045 832	1 754 078	5 875 045	5 452 682	66 505 925
Surplus/(deficit) for the year										(10 712 298)	(10 712 298)
Transfer to CRR			2 167 811							(2 167 811)	-
PPE purchased			(1 437 239)							1 437 239	-
Capital grants used to purchase PPE					53 955					(53 955)	-
Donated/contributed PPE						111 082				(111 082)	-
Contribution to Insurance Reserve							876 078	98 329		(974 407)	-
Insurance claims processed							(126 078)	(140 034)		266 112	-
Transfer to Housing Development Fund		908 411								(908 411)	-
Offsetting of depreciation				(678 321)	(793 411)	(25 431)			-943 108	2 440 271	-
Balance at 30 June 2005	**-**	**4 894 265**	**10 405 960**	**27 467 013**	**9 832 256**	**85 651**	**1 795 832**	**1 712 373**	**4 931 937**	**-5 331 660**	**55 793 627**
2006											
Correction of error -Note 34										1 100 000	1 100 000
Change in accounting policy -Note 33										118 124	118 124
Restated balance	**-**	**4 894 265**	**10 405 960**	**27 467 013**	**9 832 256**	**85 651**	**1 795 832**	**1 712 373**	**4 931 937**	**-4 113 536**	**57 011 751**
Surplus/(deficit) for the year										7 640 256	7 640 256
Transfer to CRR			2 917 831							(2 917 831)	-
PPE purchased			(4 189 598)							4 189 598	-
Capital grants used to purchase PPE					4 161 238					(4 161 238)	-
Donated/contributed PPE						130 216				(130 216)	-
Contribution to Insurance Reserve							1 311 917	101 345		(1 413 262)	-
Insurance claims processed							(485 249)	(255 444)		740 693	-
Transfer to Housing Development Fund		1 295 738								(1 295 738)	-
Asset disposals					(16 146)					16 146	-
Offsetting of depreciation				(433 800)	(797 600)	(44 814)			(862 995)	2 139 209	-
Balance at 30 June 2006	**-**	**6 190 003**	**9 134 193**	**27 033 213**	**13 179 748**	**171 053**	**2 622 500**	**1 558 274**	**4 068 942**	**694 081**	**64 652 007**

PROTEA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006 - GROUP

	Pre-GAMAP Old Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self-Insurance Reserve	COIDA Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Minorities' Interests	Total
	R	R	R	R	R	R	R	R	R	R	R	R
2005												
Balance at 1 July 2004	38,173,702	3,985,854					1,045,832	1,754,078	8,500,280	8,999,674	538,883	62,998,303
Implementation of GAMAP -Note 32	-38,173,702		9,675,388	28,145,334	10,571,712					2,854,298		13,073,030
Change in accounting policy -Note 33										6,930		6,930
Restated balance	-	3,985,854	9,675,388	28,145,334	10,571,712	-	1,045,832	1,754,078	8,500,280	11,860,902	538,883	76,078,263
Surplus/(deficit) for the year										-10,466,294	14,993	-10,451,301
Transfer to CRR			2,167,811							-2,167,811		-
Property, plant and equipment purchased			-1,437,239							1,437,239		-
Capital grants used to purchase PPE					53,955					-53,955		-
Donated/contributed PPE						111,082				-111,082		-
Contribution to Insurance Reserve							876,078	98,329		-974,407		-
Insurance claims processed							-126,078	-140,034		266,112		-
Transfer to Housing Development Fund		908,411								-908,411		-
Offsetting of depreciation				-678,321	-793,411	-25,431			-1,244,662	2,741,825		-
Balance at 30 June 2005	**-**	**4,894,265**	**10,405,960**	**27,467,013**	**9,832,256**	**85,651**	**1,795,832**	**1,712,373**	**7,255,619**	**1,624,118**	**553,876**	**65,626,963**
2006												
Correction of error -Note 34										1,100,000		1,100,000
Change in accounting policy -Note 33										118,124		118,124
Restated balance	**-**	**4,894,265**	**10,405,960**	**27,467,013**	**9,832,256**	**85,651**	**1,795,832**	**1,712,373**	**7,255,619**	**2,842,242**	**553,876**	**66,845,087**
Surplus/(deficit) for the year										8,158,728	8,182	8,166,910
Transfer to CRR			2,917,831							-2,917,831		-
Property, plant and equipment purchased			-4,189,598							4,189,598		-
Capital grants used to purchase PPE					4,161,238					-4,161,238		-
Donated/contributed PPE						130,216				-130,216		-
Contribution to Insurance Reserve							1,311,917	101,345		-1,413,262		-
Insurance claims processed							-485,249	-255,444		740,693		-
Transfer to Housing Development Fund		1,295,738								-1,295,738		-
Asset disposals					-16,146					16,146		-
Offsetting of depreciation				-433,800	-	-44,814			-1,138,415	2,414,629		-
Balance at 30 June 2006	**-**	**6,190,003**	**9,134,193**	**27,033,213**	**13,179,748**	**171,053**	**2,622,500**	**1,558,274**	**6,117,204**	**8,443,751**	**562,058**	**75,011,997**

Explanatory Notes: Cash-Flow Statement

As indicated, the direct method is prescribed for inclusion on the face of the Cash Flow Statement to determine "Cash generated from operations". Municipalities must ensure that they will be in a position to extract operating receipts and payments in order to obtain figures for cash generated from operations.

The following treatment is recommended for:

- *Increases or decreases in consumer deposits are deemed to be a financing activity*
- *Conditional "capital" government grants, donations and public contributions are deemed to be an operating activity*

PROTEA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 R	2006 R		Note	2006 R	2005 R
		CASH FLOW FROM OPERATING ACTIVITIES			
47 970 973	63 887 454	Cash receipts from ratepayers, government and other		67 432 190	65 321 658
(52 284 773)	(55 405 260)	Cash paid to suppliers and employees		56 252 076	62 090 106
(4 313 800)	8 482 194	Cash generated from/(utilised in) operations	35	11 180 114	3 231 552
122 800	186 500	Dividends received			
3 985 231	4 962 915	Interest received		4 968 795	2 929 131
(2 372 549)	(2 273 908)	Interest paid		(2 295 003)	(2 397 543)
(2 578 318)	11 357 701	**NET CASH FROM OPERATING ACTIVITIES**		13 853 906	3 763 140
		CASH FLOWS FROM INVESTING ACTIVITIES			
(2 342 198)	(9 587 473)	Purchase of property, plant and equipment		(13 914 202)	(5 888 629)
56 032	374 100	Proceeds on disposal of property, plant and equipment		374 100	156 032
-	(150 000)	Increase in investment properties		(150 000)	-
155 673	(1 909 085)	(Increase)/decrease in non-current receivables		(1 909 085)	237 520
(3 295 605)	(4 765 332)	Increase in non-current investments		(4 765 332)	1 985 320
(5 426 098)	(12 573 512)	**NET CASH FROM INVESTING ACTIVITIES**		(20 364 519)	(3 509 757)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(1 954 210)	1 056 204	New loans raised/(repaid)		1 056 204	1 954 210
19 217	18 177	Increase in consumer deposits		18 176	19 217
2 956	(50 000)	Decrease/(increase) in short-term loans		(50 000)	2 956
(1 932 037)	1 024 381	**NET CASH FROM FINANCING ACTIVITIES**		1 024 380	1 976 383
(9 936 453)	**(3 655 708)**	**NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS**		**(5 486 233)**	**2 229 766**
23 433 747	**13 497 294**	Cash and cash equivalents at the beginning of the year		**16 581 860**	**14 352 094**
13 497 294	**9 841 586**	Cash and cash equivalents at the end of the year	36	**11 095 627**	**16 581 860**

Explanatory Notes: Mandatory Accounting Policies

Specimen Accounting Policies

The accounting policies included in the specimen consolidated annual financial statements are for guidance purposes only. The accounting policies support the transactions, balances and events included in the specimen annual financial statements.

Accounting policies are specific to individual municipalities and it is therefore not possible to provide generic accounting policies.

GAMAP 7.26 requires that uniform accounting policies should be used by associates, but if this is not practicable, that fact shall be disclosed.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

[First – time Implementation of GAMAP/GRAP]

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Group has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year, with the exception of ….. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years by the Protea Local Municipality. The differences between GAMAP and GRAP and Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants which was used by the municipal entities of the Municipality consolidated into these annual financial statements was minimal.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 30. Furthermore, the Municipality has changed its accounting policy in respect of Regional Council Levies as set out in Note 31.

Exemption from complying with …… was obtained from the Minister of Finance until ….. (date).

The Group may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Group has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

[Where a municipality has previously adopted GAMAP]

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), with the exception of ………, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). These accounting policies are consistent with those of the previous financial year, except as indicated in Note 31.

Exemption from complying with …… was obtained from the Minister of Finance until …… (date).

The Group may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Group has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The results of municipal entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other municipal entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number … dated…..) A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced when the amounts in the CRR are utilised and the accumulated surplus/(deficit) is credited by a corresponding amount.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

6.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) as required in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to ensure that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The reason is to promote consumer equity as the amounts originally contributed to the former funds were established as a charge against revenue, which was borne by consumers, and the reserve eliminates the double expensing of the original contributions to the funds and the future charging of depreciation.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance as required in terms of a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit), thereby ensuring that the benefit of the government grant is given to consumers over the useful life of the item of property, plant and equipment funded by such government grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance as required in terms of a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote consumer equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. In this way, the benefit of the public contribution and donation is passed on to consumers over the period that the item of property, plant and equipment financed from donations and public contribution is used.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

6. RESERVES (continued)

6.4 Donations and Public Contributions Reserve (continued)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.5 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the Municipality (state basis of determining balance of self-insurance reserve) and past claims history in terms of a Council Resolution XX and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

6.6 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the Compensation Commissioner, the Municipality has established a COID reserve to offset claims from employees.

Amounts are transferred to the COID Reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, (Act No. 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the Reserve is adequate to offset potential claims.

The balance of the COID Reserve is based on 0.75% of the annual remuneration of employees that qualify for COID benefits. Individual claims greater than R500 000 are reinsured.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus.

6.7 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The deficit arising from the revaluation is charged to the Statement of Financial Performance to the extent that such deficits exceed surpluses previously recognised.

The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at historical cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value of property, plant and equipment is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	Years	Other	Years
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Group has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Group's accounting policy on non-current provisions – see Accounting Policy 15 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

8. REVALUATION OF LAND AND BUILDINGS

Land is stated at revalued amounts, being its fair value at the date of revaluation. Buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

9. INVESTMENTS

9.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2 Investment in Associate

Municipality and Group

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the municipality's separate annual financial statements and these group annual financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.3 Investment in Municipal Entities

Municipality

Investments in municipal entities under the ownership control of the Municipality are carried at cost in the Municipality's unconsolidated annual financial statements.

Group

The results and assets and liabilities of municipal entities are incorporated in the group annual financial statements using the equity method of accounting.

Where the Municipality transacts with its municipal entities or its municipal entities transact with each other, unrealised gains and losses are eliminated to the extent of the Municipality's interest in the relevant municipal entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise control over the municipal entity, the equity method of accounting is discontinued. Such entity will either be accounted for as an associate, if the municipality is able to exercise significant influence, or an investment.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

9. INVESTMENTS (continued)

9.3 Investment in Municipal Entities (continued)

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.4 Interests in Joint Ventures

Municipality

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

Group

The results and assets and liabilities of jointly controlled entities are consolidated on the line by line proportionate consolidation method.

Where the Municipality transacts with its jointly controlled entities, unrealised gains and losses are eliminated to the extent of the Municipality's interest in the relevant jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

13. REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised when the prepaid equivalent of the electricity is consumed.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Interest on outstanding debtors is recognised on a time proportion basis once debtors' accounts are overdue.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

13. REVENUE RECOGNITION (continued)

13.1 Revenue from Exchange Transactions (continued)

Revenue from the sale of housing is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

13.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data is accrued. Estimates are reviewed regularly to ensure that average data is appropriate.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when the municipality assumes control over such items of property, plant and equipment.

Government grants and subsidies are recognised in accordance with legislation or where there has been compliance with the conditions of the grant and subsidy. Also see 14 below.

Contributed property, plant and equipment is recognised when the municipality assumes control over such items of property, plant and equipment. Also see 14 below.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Group has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

15. PROVISIONS

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Group.

16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

PROTEA LOCAL MUNICIPALITY
MANDATORY GROUP ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006 (continued)

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

21.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Explanatory Notes: Encouraged Accounting Policies

Municipalities may have to increase the scope of GAMAP and GRAP standards in developing group accounting policies. The reason is that it is likely that the municipal entities will use accounting policies standards, such as SA GAAP, which are more comprehensive than GAMAP and GRAP standards.

The municipality may have to adopt these encouraged accounting policies to facilitate consolidation.

PROTEA LOCAL MUNICIPALITY
ENCOURAGED ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 50 years.

2. INVESTMENTS

2.1 Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

2.2 Investments in Securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

2.3 Investments in Derivative Financial Instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

3. LEASES

The Group as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

The Group as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. RETIREMENT BENEFITS

The Group provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

5. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period that such costs are incurred.

Explanatory Notes: Notes to the Financial Statements

General Notes

- *Every note disclosing financial information must set out a comparative amount.*
- *Every page must be headed with the name of the municipality, the heading of this part of the annual financial statements and set out the year end.*

Other matters

The following disclosures as required by GAMAP 6.43 should be illustrated in the specimen:

- *A list of significant controlled entities including the name, the jurisdiction in which it operates when different from that of the controlling entity, proportion of ownership interest and, where that interest is in the form of shares, the proportion of voting power held where this is different from the proportionate ownership interest*
- *In respect of Note 10, the items of property, plant and equipment that are acquired through a business combination will need to be included in the reconciliations referred to in this note.*
- *The reconciliation should further provide for the inclusion of exchange differences in the carrying amount of an asset as required by GAMAP 4.15(b).*

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY				GROUP	
2005	**2006**			**2006**	**2005**
R	**R**			**R**	**R**
		1	**HOUSING DEVELOPMENT FUND**		
4 894 265	6 190 003		Housing Development Fund	6 190 003	4 894 265
1 394 265	2 690 003		Unappropriated Surplus	2 690 003	1 394 265
3 500 000	3 500 000		Loans extinguished by Government on 1 April 1998	3 500 000	3 500 000
			The Housing Development Fund is represented by the following assets and liabilities		
3 616 670	3 429 597		Property, plant and equipment (see note 10)	3 429 597	3 616 670
1 095 223	3 054 199		Housing selling scheme loans (see note 13)	3 054 199	1 095 223
136 528	112 476		Housing Rental Debtors (see note 15)	112 476	136 528
328 397	393 710		Unauthorised use of cash for other purposes	393 710	328 397
213 557	109 754		Bank and cash	109 754	213 557
5 390 375	7 099 736		Sub-total	7 099 736	5 390 375
(496 110)	(909 733)		Creditors	(909 733)	(496 110)
4 894 265	**6 190 003**		**Total Housing Development Fund Assets and Liabilities**	**6 190 003**	**4 894 265**
		2	**LONG-TERM LIABILITIES**		
4 747 780	4 447 780		Local Registered Stock Loans	4 447 780	4 747 780
1 095 005	977 916		Annuity Loans	977 916	1 095 005
-	1 496 000		Capitalised Lease Liability	1 496 000	-
1 438 779	1 416 072		Government Loans : Other	1 416 072	1 438 779
7 281 564	8 337 768		Sub-total	8 337 768	7 281 564
(585 196)	(1 195 400)		Less : Current portion transferred to current liabilities	(1 195 400)	(585 196)
(445 400)	-		Local Registered Stock Loans	-	(445 400)
(117 089)	(449 400)		Annuity Loans	(449 400)	(117 089)
-	(746 000)		Capitalised Lease Liability	(746 000)	-
(22 707)	-		Government Loans : Other	-	(22 707)
6 696 368	7 142 368		**Total External Loans**	7 142 368	6 696 368

Refer to Appendix A for more detail on long-term liabilities

The capitalised lease liability is secured over the item of infrastructure leased.

R2,920,486 (2004: R2,552,159) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See note 35 for more detail.

MUNICIPALITY 2005	MUNICIPALITY 2006			GROUP 2006	GROUP 2005
		3	**NON-CURRENT PROVISIONS**		
295 107	329 543		Provision for reclamation of refuse landfill site	329 543	295 107
79 798	120 947		Provision for long-service	120 947	79 798
374 905	**450 490**		**Total Non-Current Provisions**	**450 490**	**374 905**

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY				GROUP	
2005	2006			2006	2005
R	R			R	R

3 NON-CURRENT PROVISIONS (continued)

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.5 million to restore the site at the end of its useful life, estimated to be in 2008. Provision has been made for the net present value of this cost using the average cost of borrowing interest rate.

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover

Long-service	Landfill		Landfill	Long-service
		The movement in the non-current provisions are reconciled as follows: -		
		30th June 2006		
79 798	295 107	Balance at beginning of year	295 107	79 798
96 149	-	Contributions to provision	-	96 149
-	-	Expenditure incurred	-	-
-	34 436	Increase in provision due to discounting	34 436	-
(55 000)	-	Transfer to current provisions	-	(55 000)
120 947	**329 543**	**Balance at end of year**	**329 543**	**120 947**
		30th June 2005		
110 784	263 564	Balance at beginning of year	263 564	110 784
34 014	-	Contributions to provision	-	34 014
-	-	Expenditure incurred	-	-
-	31 543	Increase in provision due to discounting	31 543	-
(65 000)	-	Transfer to current provisions	-	(65 000)
79 798	**295 107**	**Balance at end of year**	**295 107**	**79 798**

MUNICIPALITY			GROUP	
2005	2006		2006	2005
R	R		R	R
		4 CONSUMER DEPOSITS		
2 759 669	2 771 241	Electricity and Water	2 771 241	2 759 669
59 707	66 312	Interest paid	66 312	59 707
2 819 376	**2 837 553**	**Total Consumer Deposits**	**2 837 553**	**2 819 376**

Included in deposits is an accrual of interest at an effective interest rate of 8% per annum (2005: 8%) which is paid to consumers when deposits are refunded.

3 125 080	**4 310 556**	**Guarantees held in lieu of Electricity and Water Deposits**	**4 310 556**	**3 125 080**

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			GROUP	
2005	2006		2006	2005
R	R		R	R
		5 PROVISIONS		
103 678	138 510	Performance bonus	399 037	323 278
65 000	55 000	Current portion of long-service provision (see note 3 above)	55 000	65 000
168 678	**193 510**	**Total Provisions**	**454 037**	**388 278**

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.
The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 42.

Long-Service	Performance Bonus	The movement in current provisions are reconciled as follows: -	Performance Bonus	Long-Service
		30th June 2006		
65 000	103 678	Balance at beginning of year	323 278	65 000
55 000	-	Transfer from non-current	-	55 000
-	306 120	Contributions to provision	378 532	-
(65 000)	(271 288)	Expenditure incurred	(302 773)	(65 000)
55 000	**138 510**	**Balance at end of year**	**399 037**	**55 000**
		30th June 2005		
8 254	264 636	Balance at beginning of year	264 636	211 395
65 000	-	Transfer from non-current	-	65 000
-	63 109	Contributions to provision	63 109	63 722
(8 254)	(224 067)	Expenditure incurred	(224 067)	(55 517)
65 000	**103 678**	**Balance at end of year**	**103 678**	**284 600**

MUNICIPALITY			GROUP	
2005	2006		2006	2005
R	R		R	R
		6 CREDITORS		
12 879 031	15 883 771	Trade creditors	19 490 785	17 304 968
106 617	160 617	Payments received in advance	160 617	106 617
71 231	86 105	Retentions	108 172	107 132
798 319	885 217	Staff leave	991 862	999 043
83 769	80 754	Other creditors	124 610	111 942
13 938 967	**17 096 464**	**Total Creditors**	**20 876 046**	**18 629 702**

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
156 032	263 291	***7.1 Conditional Grants from other spheres of Government***	263 291	156 032
-	234 860	MIG Grants	234 860	-
156 032	28 431	Provincial LED Projects	28 431	156 032
409 167	185 250	***7.2 Other Conditional Receipts***	185 250	409 167
172 067	185 250	Developers Contributions – Electricity	185 250	172 067
237 100	-	Public contributions	-	237 100
565 199	**448 541**	**Total Conditional Grants and Receipts**	**448 541**	**565 199**

See Note 22 for a reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.

8 VAT

61 659	**69 551**	VAT payable	**306 917**	**253 156**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

9 SHORT-TERM LOANS

1 650 000	**1 600 000**	Call Bonds	**1 600 000**	**1 650 000**

The call bonds are repayable on demand and are used as bridging finance for the period May to August each year pending the levying of assessment rates. The rate of interest payable on the call bonds is 150 basis points over the current overdraft rate, which is currently 10.5% per annum (2005: 13.5% per annum)

10. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of property, plant and equipment are set out in the following pages.

Land and buildings were revalued to fair value by using depreciated replacement values. The effective date of the revaluation was 30 June 2003. The revaluation was done by ABS Property Valuators, registered and independent valuators. The NHBR indices, which indicate current building costs, were used to determine replacement values

The revaluation surplus is reconciled as follows: -

2005 R	2006 R		2006 R	2005 R
5 875 045	4 931 937	Balance at beginning of year	7 255 619	8 500 280
(943 108)	(862 995)	Surplus realised	(1 138 415)	(1 244 662)
4 931 937	**4 068 942**	Balance at end of year	**6 117 204**	**7 255 619**

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30th June 2006: Municipality

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	**14 201 956**	**20 012 655**	**5 945 191**	**2 757 277**	**6 360 350**	**3 616 670**	-	**52 894 099**
Cost	*11 797 950*	*34 264 294*	*9 771 190*	*2 757 277*	*10 194 745*	*6 656 618*	-	*75 442 074*
Correction of error (note 34)	-	-	*1 100 000*	-	-	-	-	*1 100 000*
Revaluation	*5 875 045*	-	-	-	-	-	-	*5 875 045*
Accumulated depreciation	*(3 471 039)*	*(14 251 639)*	*(4 925 999)*	-	*(3 834 395)*	*(3 039 948)*	-	*(29 523 020)*
- Cost	*(2 527 931)*	*(14 251 639*	*(4 925 999)*	-	*(3 834 395)*	*(3 039 948)*	-	*(28 579 912)*
- Revaluation	*(943 108)*	-	-	-	-	-	-	*(943 108)*
Acquisitions	105 238	1 539 436	2 428 044	312 033	3 218 081	-	1 350 000	8 952 832
Capital under Construction	22 954	512 564	99 123	-	-	-	-	634 641
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(1 414 333)	(891 086)	(636 707)	-	(1 023 311)	(187 073)	(224 970)	(4 377 480)
- based on cost	*(551 338)*	*(891 086)*	*(636 707)*	-	*(1 023 311)*	*(187 073)*	*(224 970)*	*(3 514 485)*
- based on revaluation	*(862 995)*	-	-	-	-	-	-	*(862 995)*
Carrying value of disposals	-	-	(87 968)	*(71 710)*	*(89 628)*	-	-	*(249 306)*
Cost/revaluation	-	*(4 757)*	*(511 793)*	*(71 710)*	*(853 429)*	-	-	*(1 636 329)*
Accumulated depreciation	-	*4 757*	*423 825*	-	*763 801*	-	-	*1 387 023*
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	**12 915 815**	**21 173 569**	**7 747 683**	**2 997 600**	**8 465 492**	**3 429 597**	**1 125 030**	**57 854 786**
Cost	*11 926 142*	*36 311 537*	*12 886 564*	*2 997 600*	*12 559 397*	*6 461 978*	*1 350 000*	*84 493 218*
Revaluation	*5 875 045*	-	-	-	-	-	-	*5 875 045*
Accumulated depreciation	*(4 885 372)*	*(15 137 968)*	*(5 138 881)*	-	*(4 093 905)*	*(3 032 381)*	*(224 970)*	*(32 513 477)*
- Cost	*(3 079 269)*	*(15 137 968)*	*(5 138 881)*	-	*(4 093 905)*	*(3 032 381)*	*(224 970)*	*(30 707 374)*
- Revaluation	*(1 806 103)*	-	-	-	-	-	-	*(1 806 103))*

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30th June 2005: Municipality

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased infrastructure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2004	**16 234 797**	**20 476 755**	**5 924 838**	**2 757 277**	**6 158 766**	**3 998 305**	**-**	**54 607 631**
Cost	*11 603 101*	*33 965 125*	*9 133 480*	*2 757 277*	*9 152 707*	*6 656 618*	*-*	*73 268 308*
Revaluation	*5 875 045*	*-*	*-*	*-*	*-*	*-*	*-*	*5 875 045*
Accumulated depreciation	*(2 186 457)*	*(13 488 369)*	*(3 208 642)*	*-*	*(2 993 941)*	*(2 658 313)*	*-*	*(24 535 722)*
- Cost	*(2 186 457)*	*(13 488 369)*	*(3 208 642)*	*-*	*(2 993 941)*	*(2 658 313)*	*-*	*(24 535 722)*
- Revaluation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Acquisitions		201 745	605 235		1 210 470			2 017 450
Capital under construction	194 849	97 424	32 475					324 748
Increases/decreases in revaluation								
Depreciation	(1 284 582)	(763 270)	(1 717 357)	-	(954 087)	(381 635)	-	(5 100 931)
- based on cost	*(341 474)*	*(763 270)*	*(1 717 357)*	*-*	*(954 087)*	*(381 635)*	*-*	*(4 157 823)*
- based on revaluation	*(943 108)*	*-*	*-*	*-*	*-*	*-*	*-*	*(943 108)*
Carrying value of disposals	-	-	-	-	(54 799)	-	-	(54 799)
Cost/revaluation	*-*	*-*	*-*	*-*	*(168 432)*	*-*	*-*	*(168 432)*
Accumulated depreciation	*-*	*-*	*-*	*-*	*113 633*	*-*	*-*	*113 633*
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2005	**14 201 956**	**20 012 655**	**5 945 191**	**2 757 277**	**6 360 350**	**3 616 670**		**52 894 099**
Cost	*11 797 950*	*34 264 294*	*9 771 190*	*2 757 277*	*10 194 745*	*6 656 618*	*-*	*75 442 074*
Correction of error (note 34)	*-*	*-*	*1 100 000*	*-*	*-*	*-*	*-*	*1 100 000*
Revaluation	*5 875 045*	*-*	*-*	*-*	*-*	*-*	*-*	*5 875 045*
Accumulated depreciation	*(3 471 039)*	*(14 251 639)*	*(4 925 999)*	*-*	*(3 834 395)*	*(3 039 948)*	*-*	*(29 523 020)*
- Cost	*(2 527 931)*	*(14 251 639*	*(4 925 999)*	*-*	*(3 834 395)*	*(3 039 948)*	*-*	*(28 579 912)*
- Revaluation	*(943 108)*	*-*	*-*	*-*	*-*	*-*	*-*	*(943 108)*

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30th June 2006: Group

	Land and Buildings	Infra-Structure	- Community	- Heritage	- Other	- HDF	Leased Infrastructure	- Total
Carrying values at 1 July 2005	**20 462 236**	**20 435 229**	**5 945 191**	**2 757 277**	**8 192 168**	**3 616 670**	-	**61 408 771**
Cost	16 309 211	38 449 926	9 771 190	2 757 277	13 661 158	6 656 618	-	87 605 380
Correction of error (Note 34)	-	-	1 100 000	-	-	-	-	1 100 000
Revaluation	8 532 963	-	-	-	-	-	-	8 532 963
Accumulated Depreciation	4 379 939	18 014 697	4 925 999	-	5 468 990	3 039 948	-	35 829 573
- Cost	*3 102 595*	*18 014 697*	*4 925 999*	-	*5 468 990*	*3 039 948*	-	*34 552 229*
- Revaluation	*1 277 344*	-	-	-	-	-	-	*1 277 344*
Acquisitions	105 238	3 766 782	2 428 044	312 033	5 317 464	-	1 350 000	13 279 561
Capital under construction	22 954	512 564	99 123	-	-	-	-	634 641
Increases/decreased in revaluation								
Depreciation	1 938 013	2 858 320	636 707		1 888 076	187 073	224 970	7 733 159
- Cost	*799 598*	*2 858 320*	*636 707*	-	*1 888 076*	*187 073*	*224 970*	*6 594 744*
- Revaluation	*1 138 415*	-	-	-	-	-	-	*1 138 415*
Carrying value - disposals	-	-	(87 968)	(71 710)	(89 628)	-	-	(249 306)
- Cost/Revaluation	-	*(4 757)*	*(511 793)*	*(71 710)*	*(853 429)*	*(194 640)*	-	*(1 636 329)*
- Accumulated Depreciation	-	*4 757*	*423 825*	-	*763 801*	*194 640*	-	*1 387 023*
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	**18 652 415**	**21 856 255**	**7 747 683**	**2 997 600**	**11 531 928**	**3 429 597**	**1 125 030**	**67 340 508**
Cost	16 437 403	42 724 515	11 786 564	2 997 600	18 125 193	6 461 978	1 350 000	99 883 253
Correction of error (Note 34)	-	-	1 100 000	-	-	-	-	1 100 000
Revaluation	8 532 963	-	-	-	-	-	-	8 532 963
Accumulated depreciation	6 317 951	20 868 260	5 138 881	-	6 593 265	3 032 381	224 970	42 175 708
- Cost	*3 902 192*	*20 868 260*	*5 138 881*	-	*6 593 265*	*3 032 381*	*224 970*	*39 759 949*
- Revaluation	*2 415 759*	-	-	-	-	-	-	***2 415 759***

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30th June 2005: Group

	Land and Buildings	Infra-Structure	Community	Heritage	Other	HDF	Leased Infrastructure	Total
Carrying values at 1 July 2004	**22 142 716**	**23 421 694**	**6 081 777**	**2 757 277**	**9 356 130**	**3 813 200**	-	**67 572 794**
Cost	16 114 362	38 150 757	10 233 480	2 757 277	12 337 529	6 656 618	-	86 250 023
Revaluation	8 532 963	-	-	-	-	-	-	*8 532 963*
Accumulated Depreciation	2 504 610	14 729 063	4 151 703	-	2 981 399	2 843 418	-	27 210 193
- Cost	*2 472 128*	*14 729 063*	*4 151 703*	-	*2 981 399*	*2 843 418*	-	*27 177 711*
- Revaluation	*32 482*	-	-	-	-	-	-	*32 482*
Acquisitions	-	201 745	605 235	-	1 492 061	-	-	2 299 041
Capital under construction	194 849	97 424	32 475	-	-	-	-	324 748
Increases/decreased in revaluation	-	-	-	-	-	-	-	-
Depreciation	1 875 329	3 285 634	774 296	-	2 601 224	196 530	-	8 733 013
- Cost	*630 467*	-	-	-	-	-	-	*630 467*
- Revaluation	*1 244 862*	-	-	-	-	-	-	*1 244 862*
Carrying value - disposals	-	-	-	-	(54 799)	-	-	(54 799)
- Cost/Revaluation	-	-	-	-	*(168 432)*	-	-	*(168 432)*
- Accumulated Depreciation	-	-	-	-	*113 633*	-	-	*113 633*
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2005	**20 462 236**	**20 435 229**	**5 945 191**	**2 757 277**	**8 192 168**	**3 616 670**	-	**61 408 771**
Cost	16 309 211	38 449 926	9 771 190	2 757 277	13 661 158	6 656 618	-	**87 605 380**
Correction of error (Note 34)	-	-	1 100 000	-	-	-	-	**1 100 000**
Revaluation	8 532 963	-	-	-	-	-	-	**8 532 963**
Accumulated depreciation	4 379 939	18 014 697	4 925 999	-	5 468 990	3 039 948	-	**35 829 573**
- Cost	*3 102 595*	*18 014 697*	*4 925 999*	-	*5 468 990*	*3 039 948*	-	***34 552 229***
- Revaluation	*1 277 344*	-	-	-	-	-	-	***1 277 344***

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MUNICIPALITY			GROUP	
2005	**2006**		**2006**	**2005**
R	**R**		**R**	**R**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

The leased property, plant and equipment is secured as set out in Note 2.

Provision has been made for the estimated costs of restoring refuse landfill sites, included in other assets, as described in note 3.

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 2007. 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 2007.

11 INVESTMENT PROPERTY

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
850 000	1 000 000	Cost	1 000 000	850 000
-	-	Accumulated depreciation	-	-
-	-	Accumulated impairment losses	-	-
850 000	**1 000 000**	**Total Investment Property**	**1 000 000**	**850 000**

12 INVESTMENTS

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
		Listed		
3 270 034	3 335 366	RSA Government Bonds	3 335 366	3 270 034
		Unlisted		
250 000	250 000	Investment in Municipal Entities - at cost		
50 000	50 000	Investment in Landfill Services (Proprietary) Limited - at cost		
106 380	2 556 380	XYZ Local Municipal 2009 Bonds	2 556 380	106 380
406 380	2 856 380	**Total Unlisted**	2 556 380	106 380
		Financial Instruments		
3 000 000	5 250 000	Fixed Deposits	5 250 000	3 000 000
3 000 000	5 250 000	Total Cash Investments	5 250 000	3 000 000
6 676 414	**11 441 746**	**Total Investments**	**11 141 746**	**6 376 414**

Fixed deposits of R 2 622 500 (2005: R1 795 832) are ring-fenced and attributable to the Self-Insurance Reserve. Fixed deposits amounting to R2 749 680 (2005: R595 361) have also been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 37.

Market valuation of listed investments

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
3 225 776	**3 455 890**	RSA Government Bonds	**3 455 890**	**3 225 776**

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		12 INVESTMENTS (continued)		
		Council's valuation of unlisted investments		
250 000	250 000	Investment in Municipal Entities		
50 000	50 000	Landfill Services		
106 380	2 556 380	XYZ Local Municipal 2009 Bonds	2 556 380	106 380
406 380	**2 856 380**		**2 556 380**	**106 380**

Investment in Municipal Entities

Investo	***Electro Company***	
		As at 30th June 2006
75 000	175 000	Issued Share Capital (R)
75	100	Percentage owned by Council (%)
73 963	172 580	Indebtness of Municipal Entities (R)
-	186 500	Dividend received (R)
-	-	Management fees received (R)
-	-	Administration fees received (R)
		As at 30th June 2005
75 000	175 000	Issued Share Capital (R)
75	100	Percentage owned by Council (%)
73 963	201 204	Indebtness of Municipal Entities (R)
-	122 800	Dividend received (R)
-	-	Management fees received (R)
-	-	Administration fees received (R)

Investo and Electro operate in the Municipality's area of jurisdiction.

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
50 000	**50 000**	***Landfill Services (Association not for Gain) (Joint Venture)***		

Landfill Services, a Section 21 company, is an incorporated joint venture between the Protea Local Municipality and its neighbouring municipality, Bafana Local Municipality. The purpose of Landfill (Pty) Ltd is to develop and manage a landfill site that is used by both municipalities.

The following is a summary of the financial information of Landfill Services

2005	2006	
583 711	588 307	Net assets
212 548	268 479	Current liabilities
523 967	563 107	Non-current assets
272 292	293 679	Current assets

Pledged Investments

A fixed deposit amounting to R250 000 has been invested with Amalgamated Banking as security for the lease of a sewerage purification plant.

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13 INVESTMENT IN ASSOCIATE

Pro Developer (Pty) Ltd is a Provincial Government sponsored initiative to develop low cost housing. The Provincial Government owns 51% of the issued share capital. Three municipalities own the remaining 49% of the issued share capital.

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		Carrying value of investment		
40 000	40 000	Cost price	40 000	40 000
5 000	14 000	Cumulative post-establishment equity - end of year	14 000	5 000
3 000	5 000	Cumulative post-establishment equity - beginning of year	5 000	3 000
2 000	9 000	Current year	9 000	2 000
45 000	**54 000**	**Total Carrying Value**	**54 000**	**45 000**

The following is a summary of the financial information of Pro Developer (Pty) Ltd

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R	
250 002	290 911	Net assets
4 422 509	4 285 064	Current liabilities
892 599	672 078	Non-current assets
3 779 912	3 903 897	Current assets

14 LONG-TERM RECEIVABLES

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
818 059	725 029	Car loans	818 059	725 029
500	589	Sewerage connection loans	589	500
664 353	707 403	Electricity appliance purchase scheme	707 403	664 353
1 095 223	3 054 199	Housing selling scheme loans	3 054 199	1 095 223
2 578 135	4 487 220		4 487 220	2 578 135
(244 811)	(198 393)	Less : Current portion transferred to current receivables	(198 393)	(244 811)
(74 288)	(52 633)	Car loans	(52 633)	(74 288)
(70)	(65)	Sewerage connection loans	(65)	(70)
(93 009)	(77 816)	Electricity appliance purchase scheme	(77 816)	(93 009)
(77 444)	(67 879)	Housing selling scheme loans	(67 879)	(77 444)
2 333 324	**4 288 827**	**Total Receivables**	**4 288 827**	**2 333 324**

CAR LOANS
Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.

SEWERAGE CONNECTION LOANS
To encourage property owners to connect to the reticulation system, low interest rate loans are made to provide the necessary financial assistance. These loans attract interest at a rate of 5% per annum and are repayable over a maximum period of 4 years. Loans with balances of R259 (2005: R300) are repayable in 2007 whilst loans with balances of R330 (2005: R200) are repayable in 2008.

ELECTRICITY ASSISTANCE SCHEME
To encourage tenants to connect to the electricity service, low interest loans are granted to finance the cost to consumers. These loans attract interest of 2% per annum and are repayable over five years. These loans will be repayable by the year 2008.

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
		14	**LONG-TERM RECEIVABLES (continued)**		

HOUSING SELLING SCHEME LOANS
Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. These loans attract interest of 7% per annum and are repayable over 10 years. These loans will be repaid by the year 2008.

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
		15	**INVENTORY**		
-	-		Work-in-progress	-	-
96 384	36 103		Consumable stores – at cost	123 623	175 336
164 255	143 052		Maintenance materials – at cost	266 978	365 353
82 128	47 684		Spare parts – at realisable value	94 821	103 402
428 512	576 839		Water – at cost	576 839	428 512
-	-		Promotional material - at cost	935 410	777 050
-	-		Other goods held for resale – at cost	12 290	7 632
242 189	156 087		Unsold properties held for resale – at realisable value	156 087	242 189
1 013 468	**959 765**		**Total Inventory**	**2 166 048**	**2 099 474**

Included in the carrying value of unsold properties is a reversal of a write-down raised in previous financial years amounting to R56 209. The reason for the reversal is due to the increase in property prices, which has resulted in higher selling prices being obtained in relation to the previous financial year.
R50 000 of maintenance materials is pledged as security for an outsourced maintenance contract.

16 CONSUMER DEBTORS — **MUNICIPALITY AND GROUP**

	Gross Balances	Provision for Bad Debts	Net Balances
As at 30 June 2006			
Service debtors	5096934	(1 248 702	3 848 232
Rates	1199279	(124 870)	1 074 409
Electricity	1499098	(624 351)	874 747
Water	1798918	(312 176)	1 486 742
Sewerage	599639	(187 305)	412 334
Regional Service Levies	786984	-	786 984
Housing rentals	112475	-	112 475
Total	**5996393**	**(1 248 702)**	**4 747 691**
As at 30 June 2005			
Service debtors	3642876	(1 227 823)	2 415 053
Rates	857147	(184 173)	672 974
Electricity	1071434	(306 956)	764 478
Water	1285721	(491 129)	794 592
Sewerage	428574	(245 565)	183 009
Regional Service Levies	506333	-	506 333
Housing rentals	136528	-	136 528
Total	**4285737**	**(1 227 823)**	**3 057 914**

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MUNICIPALITY			GROUP	
2005	**2006**		**2006**	**2005**
R	**R**		**R**	**R**
		Rates: Ageing		
16 973	22 821	Current (0 – 30 days)	22 821	16 973
33 947	45 643	31 - 60 Days	45 643	33 947
50 920	68 465	61 - 90 Days	68 465	50 920
67 894	91 286	91 - 120 Days	91 286	67 894
585 718	859 423	121 - 365 Days	859 423	585 718
101 695	111 641	+ 365 Days	111 641	101 695
857 147	**1 199 279**	**Total**	**1199279**	**857147**
		(Electricity, Water and Sewerage): Ageing		
2 005 725	2 728 359	Current (0 – 30 days)	2 728 359	2 005 725
222 858	389 765	31 - 60 Days	389 765	222 858
167 144	194 883	61 - 90 Days	194 883	167 144
195 001	233 859	91 - 120 Days	233 859	195 001
139 286	272 836	121 - 365 Days	272 836	139 286
55 715	77 953	+ 365 Days	77 953	55 715
2 785 729	**3 897 655**	**Total**	**3897655**	**2785729**
		Regional Services Levies: Ageing		
346 560	550 889	Current (0 – 30 days)	550 889	346 560
41 294	78 698	31 - 60 Days	78 698	41 294
30 379	39 349	61 - 90 Days	39 349	30 379
35 444	47 219	91 - 120 Days	47 219	35 444
25 317	55 089	121 - 365 Days	55 089	25 317
9 337	15 740	+ 365 Days	15 740	9 337
488 331	**786 984**	**Total**	**786984**	**488331**
		Housing rentals: Ageing		
98 300	78 733	Current (0 – 30 days)	78 733	98 300
11 135	11 248	31 - 60 Days	11 248	11 135
8 192	5 624	61 - 90 Days	5 624	8 192
9 557	6 748	91 - 120 Days	6 748	9 557
6 826	7 873	121 - 365 Days	7 873	6 826
2 518	2 249	+ 365 Days	2 249	2 518
136 528	**112 475**	**Total**	**112475**	**136528**

	MUNICIPALITY AND GROUP		
Summary of Debtors by Customer Classification	**Consumers**	**Industrial Commercial**	**National Provincial Government**
	R	**R**	**R**
30th June 2006			
Current (0 – 30 days)	1 352 321	1 690 401	338 080
31 - 60 Days	210 142	262 677	52 535
61 - 90 Days	123 328	154 161	30 832
91 - 120 Days	151 645	189 556	37 911
121 - 365 Days	478 088	597 611	119 522
+ 365 Days	83 033	103 792	20 758
Sub-total (carried forward)	2 398 557	2 998 198	599 638

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	MUNICIPALITY AND GROUP		
Summary of Debtors by Customer Classification	**Consumers**	**Industrial Commercial**	**National Provincial Government**
	R	**R**	**R**
30th June 2006 (continued)			
Sub-total (brought forward)	2 398 557	2 998 198	599 638
Less: Provision for bad debts	(749 221)	(499 481)	-
Total debtors by customer classification	**1 649 336**	**2 498 717**	**599 638**
30th June 2005			
Current	994 223	1 242 777	248 558
31 - 60 Days	123 694	154 617	30 923
61 - 90 Days	102 654	128 318	25 663
91 - 120 Days	123 158	153 948	30 790
121 - 365 Days	302 859	378 574	75 714
+ 365 Days	67 707	84 634	16 926
Sub-total	1 714 295	2 142 868	428 574
Less: Provision for bad debts	(749 221)	(478 602)	-
Total debtors by customer classification	**965 074**	**1 664 266**	**428 574**

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
			Reconciliation of the bad debt provision		
1 001 756	1 227 823		Balance at the beginning of the year	1 227 823	1 001 756
1 190 243	1 093 265		Contributions to provision	1 093 265	1 190 243
(964 176)	(1 072 386)		Bad debts written off against provision	(1 072 386)	(964 176)
-	-		Reversal of provision	-	-
1 227 823	1 248 702		Balance at end of year	1 248 702	1 227 823
		17	**OTHER DEBTORS**		
56 085	32 475		Payments made in advance	32 475	56 085
44 671	-		Unauthorized expenditure (see Note 38.1)	-	44 671
-	-		Fruitless and wasteful expenditure (see Note 38.1)	-	-
674 271	815 502		Insurance claims	2 944 630	2 502 034
275 167	246 543		Amounts due by municipal entities		
2 209 581	4 204 570		Government subsidies	5 313 404	3 206 910
3 259 775	**5 299 090**		**Total Other Debtors**	**8 290 509**	**5 809 700**
		18	**SHORT-TERM INVESTMENT DEPOSITS**		
18 230 728	**14 766 450**		30 Day Deposits	**14 766 450**	**18 230 728**

Call deposits of R9 134 193 (2005: R10 405 960) are ring-fenced and attributable to the Capital Replacement Reserve.

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MUNICIPALITY			GROUP	
2005	**2006**		**2006**	**2005**
R	**R**		**R**	**R**
		19 BANK, CASH AND OVERDRAFT BALANCES		
		The Municipality has the following bank accounts:		
		Current Account (Primary Bank Account)		
		SA Bank Limited - Wanderers Branch - Account Number 07532986		
(1 083 275)	(4 927 498)	Cash book balance at beginning of year – (overdrawn)		
(4 927 498)	-	Cash book balance at end of year - overdrawn		
312 854	-1 053 280	Bank statement balance at beginning of year - (overdrawn)		
-1 053 280	-4 186 420	Bank statement balance at end of year - (overdrawn)		
		Savings Account		
		SA Bank Limited - Wanderers Branch - Account Number 105630987		
3 487	2 634	Cash book balance		
3 487	2 634	Bank statement balance		
		The Municipal Entities have separate bank accounts which are aggregated below: -		
		Cash book balance at beginning of year	3 084 566	1 039 001
		Cash book balance at end of year	1 254 041	3 084 566
		Bank statement balance at beginning of year	1 198 900	1 096 277
		Bank statement balance at end of year	1 080 704	1 214 499
		Which are disclosed in the Statement of Financial Position as follows: -		
4 736 921	**4 927 498**	Bank overdrafts	**4 927 498**	**4 736 921**
3 487	**2 634**	Bank balances and cash	**1 256 675**	**3 088 053**
-	-	Bank balances	1 254 041	3 084 566
3 487	2 634	Savings account	2 634	3 487
		20 PROPERTY RATES		
		Revenue		
4 469 230	5 631 940	Residential	5 631 940	4 469 230
3 651 931	4 223 943	Commercial	4 207 276	3 636 054
1 217 299	1 407 981	State	1 407 981	1 217 299
9 338 460	**11 263 864**	**Total Assessment Rates**	**11 247 197**	**9 322 583**
38 169	***July 2005***		***July 2005***	***Jul-04***
R000's	***R000's***	**Valuations**	***R000's***	***R000's***
279 550	355 481	Residential	355 481	279 550
209 663	266 610	Commercial	266 610	209 663
69 887	88 870	State	88 870	69 887
139 775	177 742	Municipal	177 742	139 775
698 875	**888 703**	**Total Property Valuations**	**888 703**	**698 875**

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MUNICIPALITY				GROUP	
2005	**2006**			**2006**	**2005**
R	**R**			**R**	**R**
		20	**PROPERTY RATES (continued)**		

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.017 (2005: R0.016) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. Rates are levied on an annual basis with the final date of payment being 30 November 2004 (2005: 30 November). Interest at 18% per annum is levied on outstanding rates as well as a 10 % collection charge two months after final date of payment.

21 SERVICE CHARGES

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
15 165 634	23 334 357	Sale of electricity	35 364 117	26 127 182
11 795 493	13 482 278	Sale of water	13 463 016	11 778 780
-	-	Landfill services	1 688 267	1 550 316
1 685 070	1 926 040	Refuse removal	1 926 040	1 685 070
5 055 212	5 778 119	Sewerage and sanitation charges	5 778 119	5 055 212
33 701 409	**44 520 794**	**Total Service Charges**	**58 219 559**	**46 196 560**

22 GOVERNMENT GRANTS AND SUBSIDIES

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
1 315 087	1 087 423	Equitable share	1 087 423	1 315 087
185 056	196 234	Provincial LED Projects	5 603 901	5 276 072
831 636	978 774	Provincial health subsidies	978 774	831 636
53 955	4 161 238	MIG Grant	4 161 238	53 955
2 385 734	**6 423 669**	**Total Government Grant and Subsidies**	**11 831 336**	**7476750**

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R112 (2005: R101), which is funded from this grant.

22.2 Provincial Health Subsidies

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
-	-	Balance unspent at beginning of year	-	-
831 636	978 774	Current year receipts - included in public health vote	978 774	831 636
(831 636)	(978 774)	Conditions met - transferred to revenue	(978 774)	(831 636)
-	-	Conditions still to be met - transferred to liabilities (see note 7)	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

22.3 MIG Grant

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
-	-	Balance unspent at beginning of year	-	-
53 955	4 396 098	Current year receipts	4 396 098	53 955
(53 955)	(4 161 238)	Conditions met - transferred to revenue	(4 161 238)	(53 955)
-	234 860	Conditions still to be met - transferred to liabilities (see note 7)	234 860	-

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MUNICIPALITY				GROUP	
2005	**2006**			**2006**	**2005**
R	**R**			**R**	**R**
		22	**GOVERNMENT GRANTS AND SUBSIDIES (continued)**		

22.3 MIG Grant (continued)

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). The unspent funds relate to construction work that still has to be completed, which will be done in the year ending 30 June 2007. No funds have been withheld.

22.4 Provincial LED Projects

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
-	156 032	Balance unspent at beginning of year	156 032	-
341 088	68 633	Current year receipts	4 367 466	4 434 775
-	-	Amount still to be paid - transferred to debtors (see note 17)	1 108 834	997 329
(185 056)	(196 234)	Conditions met - transferred to revenue	(5 603 901)	(5 276 072)
156 032	28 431	Conditions still to be met - transferred to liabilities (see note 7)	28 431	156 032

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). The unspent funds relate to project work that still has to be completed, which will be done in the year ending 30 June 2007.No funds have been withheld.

22.5 Changes in levels of government grants

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.

23 OTHER INCOME

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
77 305	205 186	Sale of housing	205 186	77 305
31 703	21 673	Other income	21 673	31 703
44 671	-	Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 38)	-	44 671
-	-	Administrative services rendered	31 617	30 294
153 679	**226 859**	**Total Other Income**	**258 476**	**183 973**

24 EMPLOYEE RELATED COSTS

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
14 765 996	15 576 283	Employee related costs - Salaries and Wages	20 944 769	19 498 603
4 157 683	4 394 524	Employee related costs –Social Contributions	5 314 836	4 968 987
2 855 410	3 268 254	Travel, motor car, accommodation, subsistence and allowances	3 651 717	3 193 453
707 007	775 201	Housing benefits and allowances	1 005 279	909 833
1 845 129	1 996 428	Overtime payments	2 537 558	2 322 277
63 109	306 120	Performance bonus	378 531	126 830
34 014	96 149	Long-service awards	249 534	169 231
(2 494 610)	(2 636 715)	Less: Employee costs capitalised to Property, Plant and Equipment	(2 636 715)	(2 494 610)
(5 086 343)	(5 675 697)	Less: Employee costs included in other expenses	(5 675 697)	(5 086 343)
16 847 395	**18 100 547**	**Total Employee Related Costs**	**25 769 813**	**23 608 262**

There were no advances to employees. Loans to employees are set out in note 14.

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
		24	**EMPLOYEE RELATED COSTS (continued)**		
			Remuneration of the Municipal Manager		
550 000	605 000		Annual Remuneration		
75 000	82 500		Performance Bonuses		
36 000	39 600		Car Allowance		
121 000	133 100		Contributions to UIF, Medical and Pension Funds		
782 000	860 200		**Total**		
			Remuneration of the Chief Finance Officer		
495 000	544 500		Annual Remuneration		
67 500	74 250		Performance Bonuses		
32 400	35 640		Car Allowance		
108 900	119 790		Contributions to UIF, Medical and Pension Funds		
703 800	774 180		**Total**		
			Remuneration of Individual Executive Directors		
Technical Services R	**Corporate Services R**				
			30 June 2006		
490 050	490 050		Annual Remuneration		
66 825	66 825		Performance Bonuses		
32 076	32 076		Car Allowance		
107 811	107 811		Medical and pension funds		
696 762	**696 762**		**Total**		
			30 June 2005		
445 500	445 500		Annual Remuneration		
60 750	60 750		Performance Bonuses		
29 160	29 160		Car Allowance		
98 010	98 010		Medical and pension funds		
633 420	**633 420**		**Total**		
		25	**REMUNERATION OF COUNCILLORS AND BOARD MEMBERS**		
447 876	497 640		Executive Mayor	497 640	447 876
399 375	443 750		Deputy Executive Mayor	443 750	399 375
390 150	433 500		Speaker	433 500	390 150
2 219 130	2 465 700		Mayoral Committee Members	2 465 700	2 219 130
2 403 765	2 670 850		Councillors	2 670 850	2 403 765
559 819	622 021		Councillors' pension contribution	622 021	559 819
			Board Members – Directors' fees	907 500	802 500
6 420 115	**7 133 461**		**Total Councillors' Remuneration**	**8 040 961**	**7 222 615**

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MUNICIPALITY				GROUP	
2005	**2006**			**2006**	**2005**
R	**R**			**R**	**R**
		25	**REMUNERATION OF COUNCILLORS AND BOARD MEMBERS (continued)**		

In-kind Benefits

The Executive Mayor, Deputy 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 is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

Municipality 2005 R	Municipality 2006 R	Note		Group 2006 R	Group 2005 R
		26	**DEPRECIATION**		
5 100 931	4 377 480		Depreciation on property, plant and equipment	7 733 159	8 733 013
-	-		Depreciation on investment property	-	-
5 100 931	**4 377 480**		**Total Depreciation**	**7 733 159**	**8 733 013**
		27	**INTEREST PAID**		
2 329 438	2 041 770		Long-term liabilities	2 041 770	2 329 438
6 843	7 802		Consumer deposits	7 802	6 843
-	199 406		Finance leases	199 406	-
36 268	24 930		Bank overdrafts	46 025	61 262
2 372 549	**2 273 908**		**Total Interest Paid**	**2 295 003**	**2 397 543**
		28	**BULK PURCHASES**		
4 301 022	4 919 492		Electricity (Eskom)	4 919 492	4 301 022
11 005 632	12 078 356		Electricity (Electro)	12 078 356	11 005 632
10 204 436	11 331 898		Water	11 331 898	10 204 436
25 511 090	**28 329 746**		**Total Bulk Purchases**	**28 329 746**	**25 511 090**
		29	**GRANTS AND SUBSIDIES PAID**		
629 812	651 887		Grant to Childcare	651 887	629 812
629 812	**651 887**		**Total Grants and Subsidies**	**651 887**	**629 812**

The subsidy to Childcare is to assist this registered charity undertake its tasks. The subsidy is paid on a quarterly basis. The Municipal Manager sits on the governing body of Childcare to ensure that the subsidy is used for its intended purpose.

30 GENERAL EXPENSES

Included in general expenses are the following:-

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
-	**155 329**	**30.1 Flood damage**	**155 329**	**-**

Flood damage costs resulted from unseasonal floods that occurred in 3 squatting areas. The Municipality had to provide transport, temporary shelter and food aid to affected residents until the flooding subsided and residents were able to return to their homes. The flood damage was unforeseen and has never occurred previously.

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
		30	**GENERAL EXPENSES (continued)**		
			30.2 Net exchange differences		
16 333	**-**		Loss attributable to operating activities – importation of chemicals	**-**	**16 333**
			30.3 Material losses		
513 026	**-**		Robbery from cash hall	**-**	**513026**
		31	**SURPLUS OF ASSOCIATE**		
2 000	**9 000**		Share of retained profit on the equity method	**9 000**	**2 000**
		32	**CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP**		
			The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -		
			32.1 Statutory Funds		
			Balance previously reported: -		
13 360 796			Capital Development Fund		13 360 796
20 995 536			Land Trust Fund		20 995 536
3 817 370			Parking Development Fund		3 817 370
38 173 702			Total		**38173702**
			Implementation of GAMAP		
9 675 388			Transferred to the Capital Replacement Reserve		9 675 388
28 145 334			Transferred to the Capitalisation Reserve		28 145 334
352 980			Transferred to Accumulated Surplus/(Deficit) (see 32.8 below)		352 980
38 173 702			Total		**38173702**
			32.2 Loans Redeemed and Other Capital Receipts		
11 401 888			**Balance previously reported**		**11401888**
			Implementation of GAMAP		
10 571 712			Transferred to Government Grant Reserve		10 571 712
-			Transferred to Donations and Public Contribution Reserve		-
830 176			Transferred to Accumulated Surplus/(Deficit) (see 32.8 below)		830 176
11 401 888			Total		**11401888**
			32.3 Provisions and Reserves		
			Balance previously reported		
295 320			Infrastructure Replacement Reserve		295 320
182 051			Tariff Equalization Reserve		182 051
66 206			Valuation Roll Reserve		66 206
55 100			Staff Bursary Reserve		55 100
598 677			**Total**		**598 677**
			Implementation of GAMAP		
598 677			Transferred to Accumulated Surplus/(Deficit) (see 32.8 below)		**598 677**

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R			GROUP 2006 R	GROUP 2005 R
		32	**CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP (continued)**		
			32.4 Inventory		
708 273			Balance previously reported		**708 273**
			Implementation of GAMAP		
305 195			Transferred to Accumulated Surplus/(Deficit) (see 32.8 below)		305 195
428 512			Water previously expensed now shown as inventory		428 512
(42 975)			Write-down of spare parts to realisable value		(42 975)
(80 342)			Write-down of unsold properties to realisable value		(80 342)
1 013 468			**Total**		**1 013 468**
			32.5 Non-current provisions		
-			**Balance previously reported**		**-**
			Implementation of GAMAP		
374 348			Transferred from Accumulated Surplus/(Deficit) (see 32.8 below)		374 348
263 564			Landfill		263 564
110 784			Long-service		110 784
374 348			**Total**		374 348
			32.6 Property, plant and equipment		
47 590 968			**Balance previously reported**		**47590968**
			Implementation of GAMAP		
25 677 340			Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 32.8 below)		25 677 340
73 268 308			**Total**		**73268308**
			32.7 Accumulated Depreciation		
-			**Balance previously reported**		**-**
			Implementation of GAMAP		
(2 186 457)			Backlog depreciation: Land and buildings		(2 186 457)
(13 488 369)			Backlog depreciation: Infrastructure		(13 488 369)
(3 208 642)			Backlog depreciation: Community		(3 208 642)
(2 993 941)			Backlog depreciation: Other		(2 993 941)
(2 658 313)			Backlog depreciation: Housing Development Fund		(2 658 313)
(24 535 722)			**Total (debited to Accumulated Surplus/(Deficit)) (see 32.8 below)**		**(24 535 722)**
			32.8 Accumulated Surplus/(Deficit)		
			Implementation of GAMAP		
305 195			Adjustments to inventory (see 32.4 above)		305 195
598 677			Excessive provisions and reserves no longer permitted (see 32.3 above)		598 677
(374 348)			Non-current provisions previously not recognised (see 32.5 above)		(374 348)
352 980			Transferred from statutory funds (see 32.1 above)		352 980
830 176			Transferred from Loans Redeemed and Other Capital Receipts (see 32.2 above)		830 176
25 677 340			Fair value of Property, Plant and Equipment previously not recorded (see 32.6 above)		25 677 340
(24 535 722)			Backlog depreciation (see 32.7 above)		(24 535 722)
2 854 298			**Total**		**2 854 298**

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MUNICIPALITY				GROUP	
2005	2006			2006	2005
R	R			R	R

33 CHANGE IN ACCOUNTING POLICY – LEVY INCOME RECOGNITION

During the year, the Municipality changed its accounting policy in respect of Regional Service Levies from the cash received basis to the payment due basis. The reason for the change in accounting policy is to comply with the requirements of GAMAP 9 on revenue recognition which requires municipalities to use the payment due basis.

The comparative amounts have been appropriately restated. The effect of this change in accounting policy is as follows: -

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
118 124	131 462	Increase in Regional Services Levies and surplus/(deficit) for the year	131 462	118 124
6 930	118 124	The effect of the change in accounting policy at the beginning of the year on the accumulated surplus/(deficit) is as follows: -	118 124	6 930

34 CORRECTION OF ERROR

During the year ended 30 June 2004, improvements to the library buildings were erroneously expensed as repairs and maintenance: -

The comparative amount has been restated as follows: -

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
1 105 000	-	Corrections of improvements to libraries expensed as repairs and maintenance	-	1 105 000
(5 000)	-	Depreciation	-	(5 000)
1 100 000	**-**	**Net effect on surplus/(deficit) for the year**	**-**	**1 100 000**

35 CASH GENERATED BY OPERATIONS

Municipality 2005 R	Municipality 2006 R		Group 2006 R	Group 2005 R
(10 572 264)	7 640 256	Surplus for the year	8 158 728	(10 453 301)
		Adjustment for:-		
5 100 931	4 377 480	Depreciation	7 733 159	8 733 013
(101 233)	(124 794)	Gain on disposal of property, plant and equipment	(124 794)	(101 233)
28 612	75 585	Contribution to provisions - non-current	130 585	28 612
176 278	152 879	Contribution to provisions – current	378 532	53 198
68 108	20 879	Contribution to bad debt provision	20 879	68 108
(2 000)	(9 000)	Equity accounted share of associate’s surplus	(9 000)	(2 000)
		Outside shareholder’s interest	8 182	14 993
(122 800)	(186 500)	Dividends received		
(3 985 231)	(4 962 915)	Investment income	(4 968 795)	(2 929 131)
2 372 549	2 273 908	Interest paid	2 295 003	2 397 543
(7 037 050)	**9 257 778**	**Operating surplus before working capital changes:**	**13 622 479**	**(2 190 198)**
32 916	53 703	Decrease in inventories	(66 575)	48 916
517 439	(1 710 656)	(Increase)/decrease in debtors	(1 710 655)	517 439
129 747	(2 039 315)	(Increase)/decrease in other debtors	(2 480 809)	2 854 321
101 342	(116 658)	(Decrease)/increase in conditional grants and receipts	(116 658)	65 032
1 987 302	3 157 497	Increase in creditors	2 246 344	2 022 287
(54 208)	(128 047)	Decrease in provisions	(367 773)	(104 765)
8 712	7 892	Increase in VAT	53 761	18 520
(4 313 800)	**8 482 194**	**Cash generated by/(utilised in) operations**	**11 180 114**	**3 231 552**

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36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position (also see Note 19):

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
3 487	2 634	Bank balances and cash	16 023125	21 318 781
(6 350 965)	(6 541 542)	Bank overdraft	(4 927 498)	(4 736 921)
(6 347 478)	**(6 538 908)**	**Total cash and cash equivalents**	**11 095 627**	**16 581 860**

37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
7 281 564	8 337 768	Long-term liabilities (see Note 2)	8 337 768	7 281 564
5 324 766	8 166 962	Used to finance property, plant and equipment – at cost	8 166 962	5 324 766
1 956 798	170 806	Sub- total	170 806	1 956 798
595 361	2 749 680	Cash set aside for the repayment of long-term liabilities	2 749 680	595 361
2 552 159	**2 920 486**	**Cash invested for repayment of long-term liabilities (see note 18)**	**2 920 486**	**2 552 159**

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		Reconciliation of unauthorised expenditure		
18 432	4 379	Opening balance	4 379	18 432
229 056	-	Unauthorised expenditure current year	-	229 056
(198 438)	-	Approved by Council or condoned	-	(198 438)
(44 671)	-	Transfer to receivables for recovery (note 17)	-	(44 671)
4 379	**4 379**	Unauthorised expenditure awaiting authorisation	**4 379**	**4 379**

Incident	Disciplinary steps/criminal proceedings
Unbudgeted expenditure	*Disciplinary hearing held on 7 July 2004*

38.2 Fruitless and wasteful expenditure

MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		Reconciliation of fruitless and wasteful expenditure		
96 089	-	Opening balance	-	96 089
-	-	Fruitless and wasteful expenditure current year	-	-
-	-	Condoned or written off by Council	-	-
(96 089)	-	To be recovered – contingent asset (see note 43)	-	(96 089)
-	-	Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Breach of occupational safety rules	*Disciplinary hearing on 6 October 2003*

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MUNICIPALITY			GROUP	
2005	**2006**		**2006**	**2005**
R	**R**		**R**	**R**
		38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)		
		38.3 Irregular expenditure		
		Reconciliation of irregular expenditure		
-	-	Opening balance	-	-
-	66 078	Fruitless and wasteful expenditure current year	66 078	-
-	(66 078)	Condoned or written off by Council	(66 078)	-
-	-	Transfer to receivables for recovery – not condoned	-	-
-	-	Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Theft of fuel	*Employee absconded - SAPS case number 34/2002*

		39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
		39.1 Contributions to organized local government		
-	16 557	Opening balance	16 557	-
225 076	239 510	Council subscriptions	239 510	225 076
(208 519)	(239 510)	Amount paid - current year	(239 510)	(208 519)
-	(16 557)	Amount paid - previous years	(16 557)	-
16 557	0	**Balance unpaid (included in creditors)**	**-**	**16 557**
		39.2 Audit fees		
198 320	-	Opening balance	-	308 194
88 235	92 541	Current year audit fee	309 041	266 361
(88 235)	-	Amount paid - current year	(216 500)	(266 361)
(198 320)	-	Amount paid - previous years	-	(308 194)
-	**92 541**	**Balance unpaid (included in creditors)**	**92 541**	**-**

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2006 and is payable by 31 July 2006.

39.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, SDL and UIF

88 452	118 089	Opening balance	457 876	186 132
1 069 154	1 295 431	Current year payroll deductions	3 453 297	3 004 110
(951 065)	(1 000 523)	Amount paid - current year	(2 863 130)	(2 546 234)
(88 452)	(118 452)	Amount paid - previous years	(458 239)	(186 132)
118 089	**294 545**	**Balance unpaid (included in creditors)**	**589 804**	**457 876**

The balance represents PAYE, SDL and UIF deducted from the June 2006 payroll. These amounts were paid during July 2006.

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MUNICIPALITY 2005 R	MUNICIPALITY 2006 R		GROUP 2006 R	GROUP 2005 R
		39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
		39.5 Pension and Medical Aid Deductions		
22 965	43 406	Opening balance	92 278	47 099
418 510	495 111	Current year payroll deductions and Council Contributions	843 430	730 192
(375 104)	(429 510)	Amount paid - current year	(745 628)	(637 915)
(22 965)	(43 406)	Amount paid - previous years	(92 278)	(47 099)
43 406	**65 601**	**Balance unpaid (included in creditors)**	**97 802**	**92 278**

The balance represents pension and medical aid contributions deducted from employees in the June 2006 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2006.

39.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30th June 2006	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
Councillor Smith	5 910	2 854	3 056
Councillor Ntini	12 950	5 205	7 745
Councillor Sheza	3 068	1 185	1 883
Total Councillor Arrear Consumer Accounts	**21 928**	**9 244**	**12 684**

30th June 2005	**Total**	**Outstanding less than 90 days**	**Outstanding less than 90 days**
Councillor Smith	8 605	3 396	5 209
Councillor Conradie	10 794	4 108	6 686
Councillor Nkosi	6 394	2 288	4 106
Total Councillor Arrear Consumer Accounts	**25 793**	**9 792**	**16 001**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding	**Ageing**
30th June 2006		
Councillor Adams	4 591	120 days
Councillor Zuma	3 981	150 days
Councillor Phiri	6 610	120 days
Councillor Khumalo	5 683	150 days
30th June 2005		
Councillor Adams	2 371	120 days
Councillor Zuma	529	150 days
Councillor Fourie	6 789	120 days
Councillor Khumalo	3 865	150 days

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MUNICIPALITY				GROUP	
2005	2006			2006	2005
R	R			R	R
		39	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**		

38.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has not developed a supply chain management policy due to (reason)

40 CAPITAL COMMITMENTS

2005	2006		2006	2005
		Commitments in respect of capital expenditure:		
6 647 982	8 318 833	- Approved and contracted for	8 702 810	6 647 982
3 461 987	3 945 609	Infrastructure	4 180 565	3 461 987
1 855 207	2 287 540	Community	2 287 540	1 855 207
22 100	44 600	Heritage	44 600	22 100
1 118 954	1 873 240	Other	2 022 261	1 118 954
33 834	22 764	Housing Development Fund	22 764	33 834
155 900	145 080	Investment Properties	145 080	155 900
1 648 449	2 436 520	- Approved but not yet contracted for	2 436 520	1 676 495
555 190	1 076 543	Infrastructure	1 076 543	555 190
295 421	119 545	Community	119 545	295 421
33 500	-	Heritage	-	33 500
621 945	1 195 432	Other	1 195 432	649 991
22 943	45 000	Housing Development Fund	45 000	22 943
119 450	-	Investment Properties	-	119 450
8 296 431	**10 755 353**	**Total**	**11 139 330**	**8 324 477**
		This expenditure will be financed from:		
1 244 465	1 613 303	- External Loans	1 613 303	1 244 465
1 659 286	2 151 070	- Capital Replacement Reserve	2 151 070	1 659 286
3 733 394	4 839 909	- Government Grants	4 839 909	3 733 394
746 679	967 982	- Own resources	1 351 959	774 725
912 607	1 183 089	- District Council Grants	1 183 089	912 607
8 296 431	**10 755 353**		**11 139 330**	**8 324 477**

41 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial 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. The estimated liability of the funds is R200,7 million which is adequately financed by assets of R255,4 million.
An amount of R2,3 million (2005 : R1,9 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

42 CONTINGENT LIABILITY

2005	2006		2006	2005
2 500 000	**2 500 000**	Claim for damages	**2 500 000**	**2 500 000**

PROTEA LOCAL MUNICIPALITY
NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			GROUP	
2005	2006		2006	2005
R	R		R	R

42 CONTINGENT LIABILITY (continued)

A ratepayer due to damages arising from flooding is suing the Municipality. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of R500 000. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from

43 CONTINGENT ASSET

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 38.2, civil proceedings have commenced against the employee concerned to recover an amount of R96 089. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.

44 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

<u>Description</u>

45 PRIVATE PUBLIC PARTNERSHIPS

(Record the following information to the extent possible)

- Disclose a description of the arrangement
- Set out significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows
- Provide information on the nature and extent of:

1. rights to use specified assets
2. obligations to provide or rights to expect provisions of services
3. obligations to acquire or build items of property, plant and equipment
4. obligations to deliver or rights to receive specified assets at the end of the concession period
5. renewal and termination options
6. other rights and obligations (e.g. major overhauls)

- Describe any Changes in the arrangement occurring during the period

46 EVENTS AFTER THE REPORTING DATE

The Municipality has agreed in principle to transfer its electricity function to the new Regional Electricity Distributor (RED) – Region AB. The date of transfer is proposed for 1 July 2007. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenues of the RED will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of RED – Region AB and EDI Holdings, which is the responsible authority for the implementation of REDS nationally.

47 COMPARISON WITH THE BUDGET

The comparison of the Municipality's and Group's actual financial performance with that budgeted is set out in Annexures E(1) to E(2)

EXPLANATORY NOTES: APPENDIX A

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX A

PROTEA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006 (MUNICIPALITY AND GROUP)

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/04	Received during the period	Redeemed written off during the period	Balance at 30/06/05	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS			**R**	**R**	**R**	**R**	**R**	**R**
Stock Loan @ 11.60%	28	2003/06/30	300 000	-	300 000	-	-	-
Stock Loan @ 12.75%	29	2005/06/30	-	300 000		300 000	203,612	2,145
Stock Loan @ 12.00%	30	2007/06/30	22 700	-	22 700	-	-	-
Stock Loan @ 12.00%	32	2007/06/30	100 000	-	100 000	-	-	-
Stock Loan @ 12.00%	33	2007/06/30	22 700	-	22 700	-	-	-
Stock Loan @ 12.75%	35	2007/12/31	300 000	-	300 000	-	-	-
Stock Loan @ 12.00%	37	2009/06/30	2 000	-	-	2 000	1,200	-
Stock Loan @ 10.00%	41	2009/06/30	11 000	-	-	11 000	6,850	-
Stock Loan @ 10.00%	43	2009/06/30	21 780	-	-	21 780	11,264	-
Stock Loan @ 10.00%	44	2009/06/30	10 000	-	-	10 000	7,000	-
Stock Loan @ 10.00%	45	2010/06/30	2 600	-	-	2 600	2,180	-
Stock Loan @ 10.00%	46	2005/06/30	500	-	-	500	375	-
Stock Loan @ 13.00%	50	2005/12/31	500 000	-	-	500 000	412,754	33,764
Stock Loan @ 12.00%	54	2012/12/31	900	-	-	900	666	-
Stock Loan @ 14.00%	58	2012/12/31	3 500	-	-	3 500	2,288	-
Stock Loan @ 14.00%	61	2014/12/31	100	-	-	100	84	-
Stock Loan @ 15.25%	62	2019/12/31	1 000 000	-	-	1 000 000	854,989	9,655
Stock Loan @ 13.75%	103	2021/12/31	500 000	-	-	500 000	419,331	-
Stock Loan @ 13.75%	105	2021/12/31	250 000	-	-	250 000	210,723	-
Stock Loan @ 12.75%	108	2021/12/31	2 000 000	-	-	2 000 000	1,543,970	41,982
Stock Loan @ 12.00%	112	2027/06/30	-	22 700	-	22 700	18,903	-
Stock Loan @ 12.00%	114	2027/06/30	-	100 000	-	100 000	91,878	-
Stock Loan @ 12.00%	115	2029/06/30	-	22 700	-	22 700	19,632	-
Total long-term loans			**4 747 780**	**445 400**	**745 400**	**4 447 780**	**3,807,699**	**87,546**
ANNUITY LOAN								
Sanlam @ 8%	38	2007/06/30	**1 095 005**		**117 089**	**977 916**	**1,027,436**	-
GOVERNMENT LOANS								
- Other @2-5%	70	2019/06/30	1 438 779	-	22 707	1 416 072	1,143,208	-
Total Government Loans			**1 438 779**	-	**22 707**	**1 416 072**	**2,170,644**	-
LEASE LIABILITY								
Infrastructure @18%	116	2009/06/30	0	2 242 000	746 000	1 496 000	1,125,030	-
TOTAL EXTERNAL LOANS			**7 281 564**	**2 687 400**	**1 631 196**	**8 337 768**	**7,103,373**	**87,546**

EXPLANATORY NOTES: APPENDIX B

This Appendix sets out more information on Property, Plant and Equipment (note 10).

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX B

PROTEA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006 :MUNICIPALITY

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	**Additions**	**Under Construction**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Value**
Land and Buildings										
Land	5 015 134	78 250	22 954	-	5 116 338	-	-	-	-	5 116 338
Buildings	12 657 861	26 988	-	-	12 684 849	3 471 039	1 414 333	-	4 885 372	7 799 477
	17 672 995	**105 238**	**22 954**	-	**17 801 187**	**3 471 039**	**1 414 333**	-	**4 885 372**	**12 915 815**
Infrastructure										
Drains	1 258 123	22 650	-	-	1 280 773	251 463	19 544	-	271 007	1 009 766
Roads	4 106 501	45 224	67 908	-	4 219 633	1 451 774	156 578	-	1 608 352	2 611 281
Beach Improvements	962 094	80 964	-	599	1 042 459	116 177	9 029	599	124 607	917 852
Sewerage Mains & Purification	2 442 239	728 673	354 327	-	3 525 239	1 387 006	118 767	-	1 505 773	2 019 466
Electricity Mains	3 330 326	104 818	-	-	3 435 144	2 369 383	73 626	-	2 443 009	992 135
Electricity Peak Load Equip	4 698 559	91 927	-	-	4 790 486	3 025 378	168 383	-	3 193 761	1 596 725
Water Mains & Purification	12 063 920	104 750	15 329	4 158	12 179 841	4 013 601	217 995	4 158	4 227 438	7 952 403
Reservoirs – Water	2 738 268	72 650	-	-	2 810 918	708 315	55 052	-	763 367	2 047 551
Water Meters	1 184 118	228 613	75 000	-	1 487 731	459 194	35 631	-	494 825	992 906
Water Mains	1 480 146	59 167	-	-	1 539 313	469 348	36 481	-	505 829	1 033 484
	34 264 294	**1 539 436**	**512 564**	**4 757**	**36 311 537**	**14 251 639**	**891 086**	**4 757**	**15 137 868**	**21 173 569**
Community Assets										
Parks & Gardens	2 051 950	1 008 184	99 123	109 643	3 049 614	1 109 259	188 244	104 121	1 293 382	1 756 232
Libraries	3 640 509*	713 584	-	220 854	4 133 239	1 657 487	181 533*	142 754	1 996 266	2 136 973
Recreation Grounds	1 074 833	562 717	-	0	1 637 550	397 800	67 568	-	465 368	1 172 182
Civic Buildings	4 103 898	143 559	-	181 296	4 066 161	1 761 453	199 362	176 950	1 883 865	1 982 296
	10 871 190	**2 428 044**	**99 123**	**511 793**	**12 886 564**	**4 925 999**	**636 707**	**423 825**	**5 138 881**	7 747 683
Heritage Assets										
Historical Buildings	1 563 998	-	-	-	1 563 998	-	-	-	-	1 563 998
Painting & Art Galleries	1 193 279	312 033	-	71 710	1 433 602	-	-	-	-	1 433 602
	2 757 277	**312 033**	-	**71 710**	**2 997 600**	-	-	-	-	2 997 600
Total carried forward	65 565 756	4 384 751	634 641	588 260	69 996 888	22 648 677	2 942 126	428 582	25 162 221	44 834 667

* Includes correction of error referred to in Note 33.

APPENDIX B

PROTEA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006: MUNICIPALITY

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Total brought forward	65 565 756	4 384 751	634 641	588 260	69 996 888	22 648 677	2 942 126	428 582	25 162 221	44 834 667
Housing Rental Stock										
Housing Rental 1	1 664 155	-	-	48 660	1 615 495	1 509 987	49 916	48 660	1 511 243	104 252
Housing Rental 2	4 992 463	-	-	145 980	4 846 483	1 529 961	137 157	145 980	1 521 138	3 325 345
	6 656 618	-	-	**194 640**	**6 461 978**	**3 039 948**	**187 073**	**194 640**	**3 032 381**	3 429 597
Leased Assets (Infrastructure)										
Sewerage Mains & Purify	-	1 350 000	-	-	1 350 000	-	224 970	-	224 970	1 125 030
	-	**1 350 000**	-	-	**1 350 000**	-	**224 970**	-	**224 970**	1 125 030
Other Assets										
Landfill sites	3 903 708	-	-	171 843	3 731 865	982 711	200 945	171 843	1 011 813	2 720 052
Office Equipment	811 289	483 619	-	346 242	948 666	324 667	98 078*	46 554	376 191	572 475
Furniture & Fittings	585 073	353 030	-	94 257	843 846	688 461	187 277	106 936	768 802	75 044
Bins and Containers	136 333	296 912	-	-	433 245	129 974	93 638	53 467	170 145	263 100
Emergency Equipment	837 859	624 361	-	37 173	1 425 047	296 861	131 931	75 333	353 459	1 071 588
Motor vehicles	418 930	312 180	-	63 587	667 523	148 430	65 965	37 666	176 729	490 794
Fire engines	68 167	206 770	-	-	274 937	64 987	46 819	26 734	85 072	189 865
Refuse tankers	542 537	176 515	-	22 129	696 923	344 231	93 639	53 468	384 402	312 521
Computer equipment	255 645	341 810	-	48 121	549 334	162 333	64 651	23 278	203 706	345 628
Councillors Regalia	490 734	13 494	-	-	504 228	217 363	16 894	-	234 257	269 971
Conservancy tankers	586 272	0	-	-	586 272	-	-	-	-	586 272
Watercraft	1 558 198	409 390	-	70 077	1 897 511	474 377	223 474	168 522	529 329	1 368 182
	10 194 745	**3 218 081**	-	**853 429**	**12 559 395**	**3 834 395**	**1 023 311**	**763 801**	**4 093 905**	8 465 492
Total	**82 417 119**	**8 952 832**	**634 641**	**1 636 329**	**90 368 263**	**29 523 020**	**4 377 480**	**1 387 023**	**32 513 477**	**57 854 786**

APPENDIX B

PROTEA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006: GROUP

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	**Additions**	**Under Construction**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Value**
Land and Buildings										
Land	9 203 347	78 250	22 954	-	9 304 551	-	-	-	-	9 304 551
Buildings	15 638 827	26 988	-	-	15 665 815	4 379 939	1 938 013	-	6 317 951	9 347 864
	24 842 174	**105 238**	**22 954**	**-**	**24 970 366**	**4 379 939**	**1 938 013**	**-**	**6 317 951**	**18 652 415**
Infrastructure								-		
Drains	1 258 123	22 650	-	-	1 280 773	251 463	19 544	-	271 007	1 009 766
Roads	4 106 501	45 224	67 908	-	4 219 633	1 451 774	156 578	-	1 608 352	2 611 281
Beach Improvements	962 094	80 964	-	(599)	1 042 459	116 177	9 029	(599)	124 607	917 852
Sewerage Mains & Purif	2 442 239	728 673	354 327	-	3 525 239	1 387 006	118 767	-	1 505 773	2 019 466
Electricity Generation	4 185 632	2 227 346	-	-	6 412 978	3 763 058	1 967 234	-	5 730 292	682 686
Electricity Mains	3 330 326	104 818	-	-	3 435 144	2 369 383	73 626	-	2 443 009	992 135
Electricity Peak Load Equip	4 698 559	91 927	-	-	4 790 486	3 025 378	168 383	-	3 193 761	1 596 725
Water Mains & Purification	12 063 920	104 750	15 329	(4 158)	12 179 841	4 013 601	217 995	(4 158)	4 227 438	7 952 403
Reservoirs – Water	2 738 268	72 650	-	-	2 810 918	708 315	55 052	-	763 367	2 047 551
Water Meters	1 184 118	228 613	75 000	-	1 487 731	459 194	35 631	-	494 825	992 906
Water Mains	1 480 146	59 167	-	-	1 539 313	469 348	36 481	-	505 829	1 033 484
	38 449 926	**3 766 782**	**512 564**	**(4 757)**	**42 724 515**	**18 014 697**	**2 858 320**	**(4 757)**	**20 868 260**	**21 856 255**
Community Assets										
Parks & Gardens	2 051 950	1 008 184	99 123	(109 643)	3 049 614	1 109 259	188 244	(104 121)	1 193 382	1 856 232
Libraries	3 640 509*	713 584	-	(220 854)	4 133 239	1 657 487	181 533	(142 754)	1 696 266	2 436 973
Recreation Grounds	1 074 833	562 717	-	-	1 637 550	397 800	67 568	-	465 368	1 172 182
Civic Buildings	4 103 898	143 559	-	(181 296)	4 066 161	1 761 453	199 362	(176 950)	1 783 865	2 282 296
	10 871 190	**2 428 044**	**99 123**	**(511 793)**	**12 886 564**	**4 925 999**	**636 707**	**(423 825)**	**5 138 881**	**7 747 683**
Heritage Assets										
Historical Buildings	1 563 998	-	-	-	1 563 998	-	-	-	-	1 563 998
Painting & Art Galleries	1 193 279	312 033	-	(71 710)	1 433 602	-	-	-	-	1 433 602
	2 757 277	**312 033**	**-**	**(71 710)**	**2 997 600**	**-**	**-**	**-**	**-**	**2 997 600**
Total carried forward	76 920 567	6 612 097	634 641	(588 260)	83 579 045	27 320 635	5 433 040	(428 582)	32 325 092	51 253 953

* Includes correction of error referred to in Note 32.

APPENDIX B

PROTEA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006: GROUP

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Total brought forward	76 920 567	6 612 097	634 641	(588 260)	83 579 045	27 320 635	5 433 040	-428 582)	32 325 092	51 253 953
Housing Rental Stock										
Housing Rental 1	1 664 155	-	-	(48 660)	1 615 495	1 509 987	49 916	-48 660)	1 511 243	104 252
Housing Rental 2	4 992 463	-	-	(145 980)	4 846 483	1 529 961	137 157	-145 980)	1 521 138	3 325 345
	6 656 618	-	-	**(194 640)**	**6 461 978**	**3 039 948**	**187 073**	**-194 640)**	**3 032 381**	**3 429 597**
Leased Assets (Infrastructure)			-							
Sewerage Mains & Purify	-	1 350 000	-	-	1 350 000	-	224 970	-	224 970	1 125 030
	-	**1 350 000**	-	-	**1 350 000**	-	**224 970**	-	**224 970**	**1 125 030**
Other Assets			-							
Landfill sites	3 903 708	-	-	(171 843)	3 731 865	982 711	200 945	(171 843)	1 011 813	2 720 052
Office Equipment	2 311 518	828 728	-	(346 242)	2 794 004	748 632	434 141	(46 554)	1 136 219	1 657 785
Furniture & Fittings	585 073	353 030	-	(94 257)	843 846	688 461	187 277	(106 936)	768 802	75 044
Bins and Containers	136 333	296 912	-	-	433 245	129 974	93 638	(53 467)	170 145	263 100
Emergency Equipment	837 859	624 361	-	(37 173)	1 425 047	296 861	131 931	(75 333)	353 459	1 071 588
Motor vehicles	1 850 997	1 924 350	-	(63 587)	3 711 760	875 354	566 167	(37 666)	1 403 855	2 307 905
Fire engines	68 167	206 770	-	-	274 937	64 987	46 819	(26 734)	85 072	189 865
Refuse tankers	1 076 654	318 619	-	(22 129)	1 373 144	827 937	122 139	(53 468)	896 608	476 536
Computer equipment	255 645	341 810	-	(48 121)	549 334	162 333	64 651	(23 278)	203 706	345 628
Councillors Regalia	490 734	13 494	-	-	504 228	217 363	16 894	-	234 257	269 971
Conservancy tankers	586 272	-	-	-	586 272	-	-	-	-	586 272
Watercraft	1 558 198	409 390	-	(70 077)	1 897 511	474 377	23 474	(168 522)	329 329	1 568 182
	13 661 158	**5 317 464**	-	**(853 429)**	**18 125 193**	**5 468 990**	**1 888 076**	**(763 801)**	**6 593 265**	**11 531 928**
Total	**97 238 343**	**13 279 561**	**634 641**	**(1 636 329)**	**109 516 216**	**35 829 573**	**7 733 159**	**(1 387 023)**	**42 175 708**	**67 340 508**

EXPLANATORY NOTES: APPENDIX C

This is a segmental analysis of Property, Plant and Equipment. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.

The totals of Appendix C must agree to those in Appendix B.

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX C

PROTEA LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT: MUNICIPALITY

30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Executive & Council	2 032 928	251 321	15 866	(40 908)	2 259 207	738 076	109 437	(34 676)	812 837	1 446 370
Finance & Admin	2 846 099	351 849	22 212	(57 272)	3 162 889	1 033 306	153 212	(48 546)	1 137 972	2 024 918
Planning & Development	2 439 514	301 585	19 039	(49 090)	2 711 048	885 691	131 324	(41 611)	975 404	1 735 644
Health	4 879 027	603 170	38 078	(98 180)	5 422 096	1 771 381	262 649	(83 221)	1 950 809	3 471 287
Community & Social Services	4 879 027	603 170	38 078	(98 180)	5 422 096	1 771 381	262 649	(83 221)	1 950 809	3 471 287
Housing	5 692 198	703 698	44 425	(114 543)	6 325 778	2 066 611	306 424	(97 092)	2 275 943	4 049 835
Public Safety	6 505 370	804 227	50 771	(130 906)	7 229 461	2 361 842	350 198	(110 962)	2 601 078	4 628 383
Sport & Recreation	1 626 342	201 057	12 693	(32 727)	1 807 365	590 460	87 550	(27 740)	650 270	1 157 096
Environmental Protection	1 219 757	150 792	9 520	(24 545)	1 355 524	442 845	65 662	(20 805)	487 702	867 822
Waste Management	7 318 541	904 755	57 118	(147 270)	8 133 144	2 657 072	393 973	(124 832)	2 926 213	5 206 931
Road Transport	8 131 712	1 005 283	63 464	(163 633)	9 036 826	2 952 302	437 748	(138 702)	3 251 348	5 785 479
Water	21 429 280	1 413 208	158 660	(409 082)	22 592 066	7 380 755	1 094 370	(346 756)	8 128 369	14 463 697
Electricity	13 010 739	1 608 453	101 543	(261 813)	14 458 922	4 723 683	700 397	(221 924)	5 202 156	9 256 766
Other	406 586	50 264	3 173	(8 182)	451 841	147 615	21 887	(6 935)	162 567	289 274
TOTAL	**82 417 119**	**8 952 832**	**634 641**	**(1 636 329)**	**90 368 263**	**29 523 020**	**4 377 480**	**(1 387 023)**	**32 513 477**	**57 854 786**

APPENDIX C

PROTEA LOCAL MUNICIPALITY: GROUP SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT:

30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying
	Opening Balance	**Additions**	**Under Construction**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Value**
Executive & Council	2 032 928	251 321	15 866	(40 908)	2 259 207	738 076	109 437	(34 676)	812 837	1 446 370
Finance & Admin	2 846 099	351 849	22 212	(57 272)	3 162 889	1 033 306	153 212	(48 546)	1 137 972	2 024 918
Planning & Development	2 439 514	301 585	19 039	(49 090)	2 711 048	885 691	131 324	(41 611)	975 404	1 735 644
Health	4 879 027	603 170	38 078	(98 180)	5 422 096	1 771 381	262 649	(83 221)	1 950 809	3 471 287
Community & Social Services	4 879 027	603 170	38 078	(98 180)	5 422 096	1 771 381	262 649	(83 221)	1 950 809	3 471 287
Housing	5 692 198	703 698	44 425	(114 543)	6 325 778	2 066 611	306 424	(97 092)	2 275 943	4 049 835
Public Safety	6 505 370	804 227	50 771	(130 906)	7 229 461	2 361 842	350 198	(110 962)	2 601 078	4 628 383
Sport & Recreation	1 626 342	201 057	12 693	(32 727)	1 807 365	590 460	87 550	(27 740)	650 270	1 157 096
Environmental Protection	1 219 757	150 792	9 520	(24 545)	1 355 524	442 845	65 662	(20 805)	487 702	867 822
Waste Management	7 318 541	904 755	57 118	(147 270)	8 133 144	2 657 072	393 973	(124 832)	2 926 213	5 206 931
Road Transport	8 131 712	1 005 283	63 464	(163 633)	9 036 826	2 952 302	437 748	(138 702)	3 251 348	5 785 479
Water	21 429 280	1 413 208	158 660	(409 082)	22 592 066	7 380 755	1 094 370	(346 756)	8 128 369	14 463 697
Electricity	13 010 739	1 608 453	101 543	(261 813)	14 458 922	4 723 683	700 397	(221 924)	5 202 156	9 256 766
Other	406 586	50 264	3 173	(8 182)	451 841	147 615	21 887	(6 935)	162 567	289 274
Electro	10 892 835	4 184 625	-	-	15 077 460	5 596 292	2 982 056	-	8 578 348	6 499 112
Investo	2 956 145	-	-	-	2 956 145	-	251 089	-	251 089	2 705 056
Landfill Services	972 244	142 104	-	-	1 114 348	710 261	122 534	-	832 794	281 554
TOTAL	**97 238 343**	**13 279 561**	**634 641**	**(1 636 329)**	**109 516 216**	**35 829 573**	**7 733 159**	**(1 387 023)**	**42 175 708**	**67 340 508**

EXPLANATORY NOTES: APPENDIX D

This is a segmental income statement. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.

The totals of Appendix D must agree to the total included in the Statement of Financial Performance.

A reconciling item will be inter-departmental charges. These are included in the various functions or segments but are deducted in order to reconcile to the totals shown on the face of the Statement of Financial Performance.

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX D

PROTEA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2006: MUNICIPALITY

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R
0	6 352 184	(6 352 184)	Executive & Council	0	6 627 669	(6 627 669)
3 441 592	9 528 276	(6 086 684)	Finance & Admin	4 804 016	9 941 503	(5 137 487)
1 588 427	3 176 092	(1 587 665)	Planning & Development	2 217 238	3 313 834	(1 096 596)
1 853 165	5 081 747	(3 228 582)	Health	2 586 778	5 302 135	(2 715 357)
1 058 951	4 446 529	(3 387 577)	Community & Social Services	1 478 159	4 639 368	(3 161 209)
1 323 689	2 540 874	(1 217 184)	Housing	1 847 699	2 651 067	(803 369)
2 117 903	5 716 966	(3 599 063)	Public Safety	2 956 318	5 964 902	(3 008 584)
529 476	635 218	(105 743)	Sport & Recreation	739 079	662 767	76 313
264 738	1 905 655	(1 640 917)	Environmental Protection	369 540	1 988 301	(1 618 761)
10 854 252	6 987 402	3 866 850	Waste Management	15 151 128	7 290 435	7 860 693
794 214	7 622 621	(6 828 407)	Road Transport	1 108 619	7 953 202	(6 844 583)
8 471 612	8 397 873	73 739	Water	12 080 715	8 871 413	3 209 302
20 120 077	22 232 644	(2 112 566)	Electricity	28 085 018	23 196 840	4 888 178
529 476	635 215	(105 740)	Other	739 079	662 767	76 313
52 947 572	85 259 295	(32 311 723)	Sub Total	74 163 386	89 066 203	(14 902 817)
-	(21 597 425)	21 597 425	Less Inter-Dep Charges	-	(22 534 073)	22 534 073
52 947 572	**63 661 870**	**(10 714 298)**	**Total**	**74 163 386**	**66 532 130**	**7 631 256**
		2 000	Add: Share of Associate			9 000
		(10 712 298)				**7 640 256**

APPENDIX D

PROTEA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006: GROUP

2005 Actual Income R	**2005 Actual Expenditure R**	**2005 Surplus/ (Deficit) R**		**2006 Actual Income R**	**2006 Actual Expenditure R**	**2006 Surplus/ (Deficit) R**
0	6 352 184	(6 352 184)	Executive & Council	0	6 627 669	(6 627 669)
3 318 792	9 431 307	(6 112 515)	Finance & Admin	4 617 516	9 832 194	(5 214 678)
1 588 427	3 176 092	(1 587 665)	Planning & Development	2 217 238	3 313 834	(1 096 596)
1 853 165	5 081 747	(3 228 582)	Health	2 586 778	5 302 135	(2 715 357)
1 058 951	4 446 529	(3 387 577)	Community & Social Services	1 478 159	4 639 368	(3 161 209)
1 323 689	2 540 874	(1 217 184)	Housing	1 847 699	2 651 067	(803 369)
2 117 903	5 716 966	(3 599 063)	Public Safety	2 956 318	5 964 902	(3 008 584)
529 476	635 218	(105 743)	Sport & Recreation	739 079	662 767	76 313
264 738	1 905 655	(1 640 917)	Environmental Protection	369 540	1 988 301	(1 618 761)
10 854 252	6 987 402	3 866 850	Waste Management	15 151 128	7 290 435	7 860 693
794 214	7 622 621	(6 828 407)	Road Transport	1 108 619	7 953 202	(6 844 583)
8 431 612	8 397 873	33 739	Water	12 020 715	8 871 413	3 149 302
20 063 108	22 232 644	(2 169 536)	Electricity	28 025 709	23 196 840	4 828 869
529 476	635 215	(105 740)	Other	739 079	662 767	76 313
11 961 983	11 731 934	230 049	Electro	13 188 013	12 509 885	678 128
5 101 276	5 041 305	59 971	Investo	5 418 533	5 385 805	32 728
1 555 311	1461 533	93 778	Landfill Services	1 692 693	1 690 395	2 298
71 346 373	103 397 098	(32 050 725)	Sub Total	94 166 816	108 542 679	(14 376 163)
-	(21 597 425)	21 597 425	Less Inter-Dep Charges	-	(22 534 073)	22 534 073
71 346 373	**81 799 673**	**(10 453 300)**	**Total**	**94 166 816**	**86 008 906**	**8 157 910**
		(14 994)	Less: Minorities' interests			(8 182)
		2 000	Add: Share of Associate			9 000
		(10 466 294)				**8 158 728**

EXPLANATORY NOTES: APPENDIX E(1)

This Appendix is a summary of budget variances and an explanation of major variances and is based on the Statement of Financial Performance for revenue and Appendix D for expenditure.

A consolidated budget variance is not required; instead similar schedules (not illustrated in this specimen) should be attached for each of the entities included in the consolidated annual financial statements.

The latest adjustment budget must be used to prepare this Appendix.

Variances, both monetary and percentage, have been calculated on actual in relation to budget.

Comments on variances should be provided where the variance percentage is greater than 10.

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX E(1)

PROTEA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006: MUNICIPALITY

REVENUE	2006 Actual (R)	2006 Budget (R)	2006 Variance (R)	2006 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	11 263 864	12 056 395	-792 531	-7	***(Explanations to be recorded)***
Property rates - penalties imposed and collection charges	390 829	250 800	140 029	56	
Service charges	44 520 794	43 000 000	1 520 794	4	
Regional Services Levies - turnover	462 439	450 000	12 439	3	
Regional Services Levies - remuneration	593 659	700 000	-106 341	-15	
Rental of facilities and equipment	1 087 453	1 250 000	-162 547	-13	
Interest earned - external investments	3 875 462	4 000 000	-124 538	-3	
Interest earned - outstanding debtors	1 087 453	1 400 000	-312 547	-22	
Dividends received	186 500	200 000	-13 500	-7	
Fines	1 450 000	54 328	4	4	
Licences and permits	0	100	-100	-100	
Income for agency services	2 285 067	2 200 000	85 067	4	
Government grants and subsidies	6 423 669	6 500 000	-76 331	-1	
Other income	226 859	225 500	1 359	1	
Public contributions, donated/contributed PPE	130 216	400 000	-269 784	-67	
Gains on disposal of property, plant and equipment	124 794	80 000	44 794	56	
Total Revenue	***74 163 386***	***74 162 795***	***591***	***0***	
EXPENDITURE					
Executive & Council	6 627 669	6 723 109	-95 440	-1	
Finance & Admin	9 941 503	8 965 105	976 398	11	
Planning & Development	3 313 834	3 298 652	15 182	0	
Health	5 012 845	289 290	6	6	
Community & Social Services	4 639 368	4 420 674	218 694	5	
Housing	2 606 908	44 159	2	2	
Public Safety	5 964 902	5 899 103	65 799	1	
Sport & Recreation	662 767	664 444	-1 677	0	
Environmental Protection	1 988 301	1 990 341	-2 040	0	
Waste Management	7 290 435	7 045 634	244 801	3	
Road Transport	7 953 202	7 878 234	74 968	1	
Water	8 615 000	256 413	3	0	
Electricity	24 076 107	-879 267	-4	-4	
Other	635 359	27 408	4	4	
Inter-departmental charges	-22 534 073	-24 107 520	1 234 688	-5	
Total Expenditure	***66 532 130***	***63 723 995***	***2 469 376***	4	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***7 631 256***	***10 438 800***	***2 469 967***	24	

<u>EXPLANATORY NOTES: APPENDIX E(2)</u>

This Appendix is a summary of budget variances and an explanation of major variances and is based on Appendix B.

A consolidated budget variance is not required; instead similar schedules (not illustrated in this specimen) should be attached for each of the entities included in the consolidated annual financial statements.

Variances, both monetary and percentage, have been calculated on actual in relation to budget.

The latest adjustment budget must be used to prepare this Appendix.

Comments on variances should be provided where the variance percentage is greater than 5.

This Appendix is part of the annual financial statements and is subject to audit.

APPENDIX E(2)

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

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	*(Explanations to be recorded)*
Executive & Council	251 321	15 866	267 187	275 000	-7 813	-3	
Finance & Admin	351 849	22 212	374 061	365 000	9 061	2	
Planning & Development	301 585	19 039	320 624	356 500	-35 876	-10	
Health	603 170	38 078	641 248	750 000	-108 752	-15	
Community & Social Services	603 170	38 078	641 248	598 000	43 248	7	
Housing	703 698	44 425	748 123	888 000	-139 877	-16	
Public Safety	804 227	50 771	854 998	785 400	69 598	9	
Sport & Recreation	201 057	12 693	213 750	216 000	-2 250	-1	
Environmental Protection	150 792	9 520	160 312	160 000	312	0	
Waste Management	904 755	57 118	961 873	1 000 000	-38 127	-4	
Road Transport	1 005 283	63 464	1 068 747	1 100 000	-31 253	-3	
Water	1413208	158 660	1 571 868	1 475 000	96 868	7	
Electricity	1608453	101 543	1 709 996	1 800 000	-90 004	-5	
Other	50 264	3 173	53 437	100 000	-46 563	-47	
TOTAL	**8 952 832**	**634 640**	**9 587 472**	**9 868 900**	**-281 428**	**-3**	

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants 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
		March	June	Sept	Dec	March	March	June	Sept	Dec	March	March	June	Sept	Dec	March		Yes / No	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.