

**STEVE TSHWETE LOCAL  
MUNICIPALITY**



**ANNUAL  
FINANCIAL  
STATEMENTS**

**2005/2006 Financial Year**

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## General Information

### MEMBERS OF THE MAYORAL COMMITTEE & THEIR PORTFOLIOS

#### Councillor

|                 |   |  |
|-----------------|---|--|
| I.M.T. Mahlangu | : | Executive Mayor  |
| R.T. Mabanola   | : | MMC Health, Social Services, Culture, Sport & Recreation |
| N.E. Masemola   | : | MMC Housing & Agriculture                                |
| E.F. Mathebula  | : | MMC Infrastructure Development & Service Delivery        |
| J.B. Mayaba     | : | MMC Traffic, Emergency, Transport, Safety & Security     |
| H. Pilodia      | : | MMC Economic Development, Finance & Audit                |
| A.B. Xulu       | : | MMC Administration, Human Resource & Audit               |

**Speaker** : Cllr. T.R. Mpye

**Chief Whip** : Cllr. M.A. Masina

### WARD COUNCILLORS

#### Councillor

|                |   |         |                 |   |         |
|----------------|---|---------|-----------------|---|---------|
| N. Monareng    | : | Ward 1  | J.P. Pretorius  | : | Ward 13 |
| T.J. Mokwana   | : | Ward 2  | D. Botes        | : | Ward 14 |
| L. Mahlangu    | : | Ward 3  | J. Makanya      | : | Ward 15 |
| M.G. Mathebola | : | Ward 4  | H. Pilodia      | : | Ward 16 |
| T.P. Motau     | : | Ward 5  | R. Xaba         | : | Ward 17 |
| B. Simelane    | : | Ward 6  | T.R. Mpye       | : | Ward 18 |
| G. Nkamba      | : | Ward 7  | M.T.E. Mnguni   | : | Ward 19 |
| M.T. Masango   | : | Ward 8  | E.F. Mathebula  | : | Ward 20 |
| A.B. Xulu      | : | Ward 9  | P.R. Sibanyoni  | : | Ward 21 |
| M.A. Masina    | : | Ward 10 | T.J. Morotobolo | : | Ward 22 |
| L. Zweni       | : | Ward 11 | A.S. Grobler    | : | Ward 23 |
| E.A. Swarts    | : | Ward 12 | G. Mbalane      | : | Ward 24 |

### COUNCILLORS, PROPORTIONAL

#### Councillor

|              |                |             |
|--------------|----------------|-------------|
| E.S. Bassed  | L.I. Manzini   | R. Perumall |
| D. Botha     | K.E. Masilela  | R.E. Redman |
| M.J. Brits   | C.A. McFarlane | A.G. Stroud |
| A.S. du Toit | J.N. Mgedeza   | C.T. Tonga  |
| H. Knoesen   | B.H. Mokoena   | K.P.J. Uys  |
| R. Kunene    | T.D. Motau     | R.M.D. Zulu |
| A.M. Mabena  |                |             |

## General Information

|   |          |  |
|---|----------|--|
| GRADING OF LOCAL AUTHORITY                  | :        | Grade 9  |
| AUDITORS                                    | :        | Auditor-General  |
| BANKERS                                     | :        | ABSA Bank  |
| LEGAL ADVISERS                              | Messrs : | Brandmullers<br>Van Deventer & Campher<br>Ströh Coetzee<br>Birman Serfontein       |
| REGISTERED OFFICE                           | :        | Civic Centre<br>Wanderers Avenue<br>P.O. Box 14<br>MIDDELBURG<br>1050              |
| TELEPHONE                                   | :        | (013) 249 7000   |
| FACSIMILE                                   | :        | (013) 243 2550   |
| <b>MUNICIPAL MANAGER</b>                    | :        | <b>W.D. Fouché</b>   |
| Telephone                                   | :        | (013) 249 7264   |
| E-Mail Address                              | :        | <a href="mailto:wfouche@middelburgsa.co.za">wfouche@middelburgsa.co.za</a>         |
| <b>MANAGER : FINANCE</b>                    | :        | <b>F.J. Naudé</b>  |
| Telephone                                   | :        | (013) 249 7108   |
| E-Mail Address                              | :        | <a href="mailto:fnaude@middelburgsa.co.za">fnaude@middelburgsa.co.za</a>           |
| <b>MANAGER : CORPORATE SERVICES</b>         | :        | <b>M. Mnguni</b>   |
| Telephone                                   | :        | (013) 249 7242   |
| E-Mail Address                              | :        | <a href="mailto:mmnguni@middelburgsa.co.za">mmnguni@middelburgsa.co.za</a>         |
| <b>MANAGER : PUBLIC SERVICES</b>            | :        | <b>C. Hlatshwayo</b>   |
| Telephone                                   | :        | (013) 249 7306   |
| E-Mail Address                              | :        | <a href="mailto:chlatshwayo@middelburgsa.co.za">chlatshwayo@middelburgsa.co.za</a> |
| <b>MANAGER : TECHNICAL &amp; FACILITIES</b> | :        | <b>H. Niemann</b>  |
| Telephone                                   | :        | (013) 249 7208   |
| E-Mail Address                              | :        | <a href="mailto:hniemann@middelburgsa.co.za">hniemann@middelburgsa.co.za</a>       |

## General Information

### ENQUIRIES

|                  |   |       |             |
|------------------|---|-------|-------------|
| Building Plans   | : | (013) | 249 7179    |
| Electricity      | : | (013) | 249 7223/31 |
| Water & Sewerage | : | (013) | 249 7168    |
| Consumers        | : | (013) | 249 7156    |

### PAYPOINTS

|               |           |   |       |          |
|---------------|-----------|---|-------|----------|
| Chromeville   | Telephone | : | (013) | 241 2928 |
| Hendrina      | Telephone | : | (013) | 293 0000 |
|               | Facsimile | : | (013) | 293 0388 |
| Komati        | Telephone | : | (013) | 295 3102 |
| Kwazamokuhle  | Telephone | : | (013) | 294 1212 |
| Mhluzi        | Telephone | : | (013) | 242 1030 |
| Mhluzi Ext. 5 | Telephone | : | (013) | 241 7222 |
| Nasaret       | Telephone | : | (013) | 246 1177 |
| Pullenshope   | Telephone | : | (013) | 296 1630 |
| Rietkuil      | Telephone | : | (013) | 297 1075 |
| Van Calder    | Telephone | : | (013) | 243 2400 |

## FINANCIAL REPORT

The financial statements have been prepared from the following principles:

- Standards of GRAP – which are GRAP 1, GRAP 2 and GRAP 3 and the 8 GAMAP standards;
- The new budget formats prescribed by National Treasury;
- The Municipal Finance Management Act;
- The Division of Revenue Act; and
- The specimen Municipal Annual Financial Statements issued by National Treasury.

Steve Tshwete Local Municipality, as a high capacity municipality, has implemented the prescribed new accounting standards as from 1 July 2005 with the exception of infrastructural assets where a grace period of three (3) years has been allowed for the unbundling.

Standards of GRAP change continually as new standards are issued by the Accounting Standards Board.

The operational results achieved for the past financial year are extremely favourable as per the Statement of Financial Performance with a surplus for the year that amounts to R83 149 930. This is mainly due to the implementation of the new accounting standards. Various transactions, which were previously accounted for under appropriations and suspense accounts, are now either recognised as revenue or as expenditure.

Should these transactions be excluded, the actual deficit for year is R1 144 055, which represents a budget deviation of 4,77%.

The following is a reconciliation of the surplus for the year in the Statement of Financial Performance to the actual budgeted surplus:

|  |          |                   |
|--|----------|-------------------|
| ▪ Surplus/(deficit) for the year   | R        | 83 149 930        |
| ▪ Other adjustments as recognised in the Statement of Changes in Net Assets: |          |                   |
| - Less Capital Replacement Reserve   | R        | (58 843 230)      |
| - Plus Capitalisation Reserve  | R        | 16 945 269        |
| - Plus Government Grant Reserve & Public Contributions                       | R        | 10 159 914        |
| - Less Stated Benefits Reserve   | R        | (26 257 876)      |
| - Less Insurance Reserve   | R        | (200 000)         |
| - Plus Transfer from surplus   | R        | 1 402 919         |
|  |          | <hr/>             |
| <b>Sub-Total</b>   | <b>R</b> | <b>26 356 926</b> |

## FINANCIAL REPORT

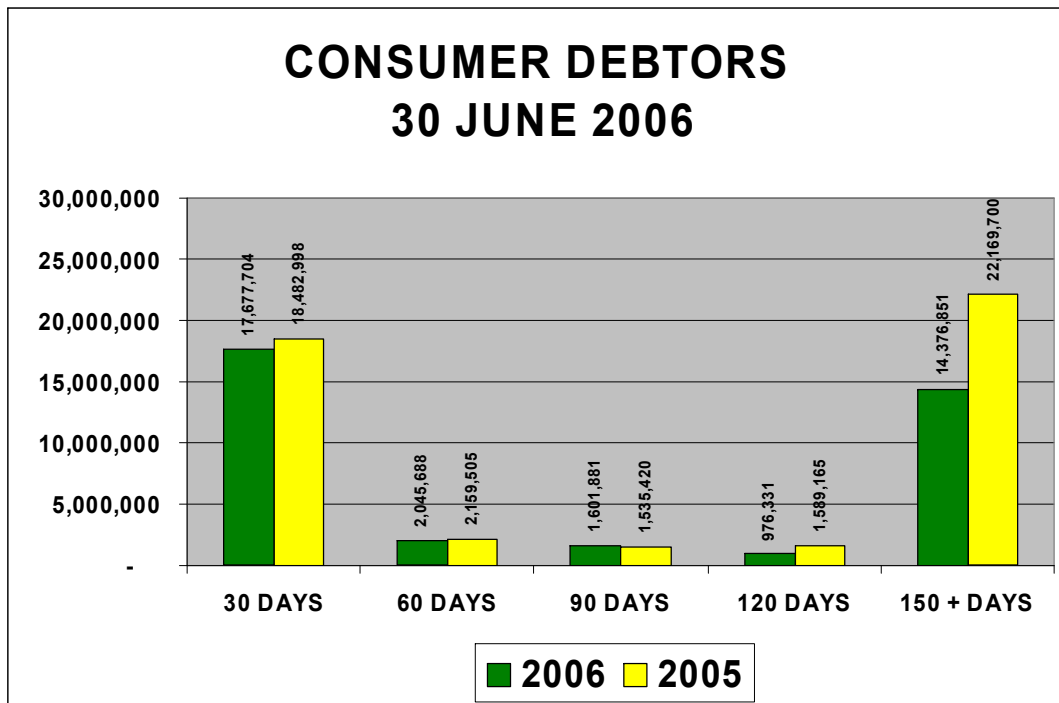
|  |   |                       |
|--|---|-----------------------|
| ▪ Additional appropriations recognised as revenue:     |   |                       |
| - Less   | Donated contributions property, plant and equipment     | R (36 823 212)        |
| - Less   | Interest received – Zero bond investments               | R (7 761 011)         |
| - Less   | Surplus stock   | R (127 691)           |
| - Less   | Sale of erven   | R (43 539 874)        |
| - Less   | Main services contributions                             | R (1 692 255)         |
| - Less   | Additional revenue from coal reserves                   | R (1 219 184)         |
|  | <b>Sub-Total</b>  | <b>R (64 806 301)</b> |
| ▪ Additional Appropriations recognised as expenditure: |   |                       |
| - Plus   | Stock losses  | R 320 165             |
| - Plus   | Leave provision   | R 1 298 055           |
| - Plus   | Provision for bad debt                                  | R 760 298             |
| - Plus   | Additional contribution:<br>Capital Replacement Reserve | R 31 767 051          |
| - Plus   | Inventory expensed on sale of erven                     | R 25 098 700          |
| - Plus   | Deficit on sale of erven                                | R 4 417 977           |
|  | <b>Actual operating deficit</b>                         | <b>R (1 144 055)</b>  |
|  | <b>Budget operating surplus</b>                         | <b>R 14 580 043</b>   |
|  | <b>Unfavourable deviation</b>                           | <b>R 15 724 098</b>   |

The budget deviation can amongst others be attributed to a favourable deviation in revenue to the amount of R2,1-million and expenditure to the amount of R8,3-million. Appendix E is a summary of budget variances with explanations for variances of more than 10%.

Operating income for the year is R434,6-million (2005: R338,2-million) which is 28,5% more than the previous year and includes operating government grants to the amount of R31,2-million and capital grants received to the amount of R49,3-million. Additional revenue to the amount of R43,5-million was recognised from the sale of erven. The operating expenditure for the year is R351,5-million (2005: R291,3-million) which is 20,67% higher than the 2004/2005 financial year.

An additional contribution had been made to the bad debt provision to the amount of R760 298 to supplement the provision for outstanding consumer debt exceeding 150 days and R2 005 710 for sundry debtors exceeding 150 days. Irrecoverable debts to the amount of R11,5-million were written off during the financial year.

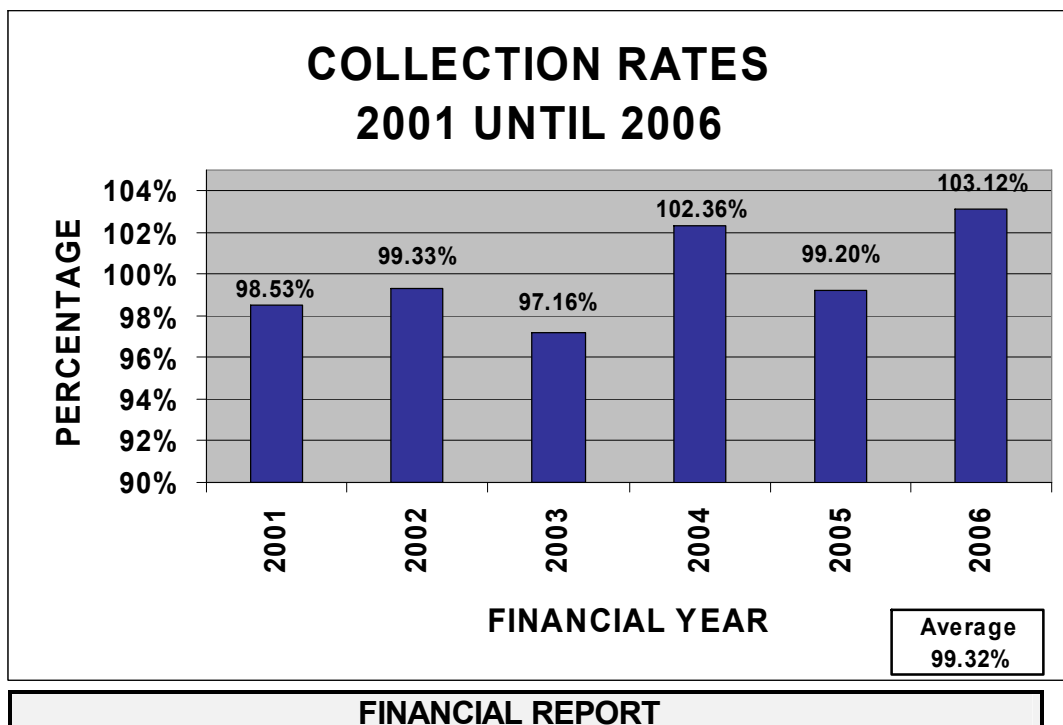
Consumer debtors has decreased from R45,9-million to R36,7-million mainly due to the debt written off during the year as well as the restatement of debtors at fair value which can graphically be presented as follows:



Cash and short term investments increased by a significant 49,25% to R257,6-million (2005: R172,6-million) over the past financial year. This is mainly the result of the strong operating performance and high collection rates for the year of 103,12% (2005: 99,02%).

The high collection rates are indicative of the strong credit control measures implemented by Council. The collection period amounted to a very healthy 23 days (2005: 33 days) with a debtors turnover rate of 7,35% (2004: 10,34%) which is in line with the accepted norms.

This can be graphically presented as follows:



Long term investments to the amount of R37,5-million (2005: R46,8-million) matured during the year to redeem external loans which amount to R36,2-million at the end of the 2005/2006 financial year. The remaining long term investments to the amount of R10,4-million serves as security for external loans to the amount of R39,2-million.

A new ten (10) year loan from SCMB of R32-million has been raised in the past financial year. This loan is intended to finance new capital infrastructural projects. Loans totaling R46,4-million were redeemed whilst the total debt decreased to R125,1-million (2005: R139,5-million).

Total debt to total income decreased to 28,67% from 41,26% previously, mainly due to the higher income and the bullet loan redemption which was recognised in the 2005/2006 financial year as in the 2004/2005 financial year. More information regarding external loans and investments are disclosed in Notes 4 and 11 and Appendix A.

Net capital expenditure for the year amounts to R92,4,6-million which is notably 34,6% higher than the previous financial year (R68,6-million). During the year R43 443 430 was spent from own funds and R12 236 543 from government grants and R36 759 708 from the Nkangala District Municipality. Assets with a carrying value of R5,7-million were disposed of during the year. The actual capital expenditure incurred is 86,43% of the budgeted amount. The deviations on the capital budget are explained in more detail in Appendix F.

In general Council has maintained a strong liquidity profile in the past financial year, with collection levels well above average. The financial position of Council remains healthy and there will be continued to keep this standard.

### **Acknowledgement**

During the year under review my department and I received valuable support and guidance from the Executive Mayor and Members of her Committee, Municipal Manager, the other Managers and Heads of Departments. Their invaluable co-operation is dearly appreciated.

All the officials in my department who provided me with loyal assistance and expressed exceptional competency without which I would not have been able to produce this report.

To all I wish to express my sincere appreciation.



**F.J. NAUDÉ (Dipl. IAC; F.I.M.F.O.)**  
**MANAGER : FINANCE**

# ACCOUNTING POLICY

## 1. OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position, performance and changes in financial status of the Steve Tshwete Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

## 2. BASIS OF PRESENTATION

2.1 The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette No. 28095 of 15 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette No. 28095 of 7 December 2005.

The Standards comprise of the following:

|          |  |
|----------|--|
| GRAP 1   | Presentation of Financial Statements                                     |
| GRAP 2   | Cash Flow Statements   |
| GRAP 3   | Accounting Policies, Changes in Accounting Estimates and Errors          |
| GAMAP 4  | The Effects of Change in Foreign Exchange Rates                          |
| GAMAP 6  | Consolidated Financial Statements and Accounting for Controlled Entities |
| GAMAP 7  | Accounting for Investments in Associates                                 |
| GAMAP 8  | Financial Reporting of Interests in Joint Ventures                       |
| GAMAP 9  | Revenue  |
| GAMAP 12 | Inventories  |
| GAMAP 17 | Property, Plant and Equipment  |
| GAMAP 19 | Provisions, Contingent Liabilities and Contingent Asset                  |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

2.2 With the exception of the Town Development Suspense Accounts and Land Trust Fund These accounting policies are

consistent with those of the previous financial year.

## **ACCOUNTING POLICY**

- 2.3 The effect of the change in accounting policy arising from the unbundling of the Town Development Suspense Accounts and Land Trust Fund is set out in Note 36. Comparative amounts have been restated retrospectively to the extent possible.

In addition, the policy is changed in respect of provision for bad debt for sundry debtors.

- 2.4 The financial statements have been prepared on the historical cost basis.

- 2.5 Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

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

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

### **3. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

### **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. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the Fund.

## ACCOUNTING POLICY

Expenditure allowed in terms of the Housing Act is expressed in the Statement of Financial Performance and a corresponding transfer is made to the Fund.

### 6. RESERVES

#### 6.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. All cash received from the Council's coal reserves is being transferred to the CRR account. All surplus cash on the sale of erven are also transferred to the CRR to set aside cash for future property developments. The cash is transferred to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

The purpose of this Reserve is to promote consumer equity by ensuring 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 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 of, 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 purchased 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 in accordance with 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).

## ACCOUNTING POLICY

The purpose of this policy is to promote community 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).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, 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 in accordance with 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 community 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.

When an item of property, plant and equipment financed from government grants is disposed of, 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 (related to specific circumstances).

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception. These surpluses arose from the differences between premiums charged against claims paid and various administrative expenditure incurred.

The Self-Insurance Reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims until

aggregated excess payment to the amount of R200 000 per annum is reached.

## **ACCOUNTING POLICY**

The Self-Insurance Reserve for electricity is mainly used for theft of distribution networks and cables, which are uncovered items in terms of the insurance contract of Council.

Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The balance of the Self-Insurance Reserve is fully cash backed and invested in fixed and negotiable deposits.

### **7. PROPERTY, PLANT & EQUIPMENT**

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Property, plant and equipment is stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

Heritage assets which are of culturally significant resources are shown at cost and 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.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

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.

|                          |
|--------------------------|
| <b>ACCOUNTING POLICY</b> |
|--------------------------|

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods gets adjusted.

Where items of property, plant and equipment 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.

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

| <u>Infrastructure Assets</u>              | <u>Years</u> |
|---|--------------|
| Roads, pavements, bridges and storm water | 10-30        |
| Street names, signs and parking meters    | 5            |
| Water reservoirs and reticulation         | 15-20        |
| Water meters                              | 7            |
| Car parks, bus terminals and taxi ranks   | 20           |
| Electricity reticulation                  | 15-30        |
| Electricity meters                        | 10           |
| Sewerage purification and reticulation    | 15-20        |
| Housing                                   | 30           |
| Street lighting                           | 20-25        |
| Refuse sites                              | 30           |
| <br>                                      |              |
| <u>Community Assets</u>                   | <u>Years</u> |
| Parks and gardens                         | 10-30        |
| Sport fields                              | 20-30        |
| Community halls                           | 30           |
| Libraries                                 | 30           |
| Recreation facilities                     | 20-30        |
| Clinics                                   | 30           |
| Fire services                             | 30           |
| Cemeteries                                | 30           |
| <br>                                      |              |
| <u>Other Assets</u>                       | <u>Years</u> |
| Motor vehicles                            | 4-7          |
| Plant and equipment                       | 2-15         |
| Security measures                         | 3-10         |
| Buildings                                 | 30           |
| IT equipment                              | 3-5          |

|                      |       |
|----------------------|-------|
| Office equipment     | 3-7   |
| Specialised vehicles | 15-20 |

## ACCOUNTING POLICY

Where the carrying amount of an item of property, plant and equipment is larger 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.

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.

### 8. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

#### *Accounts receivable*

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

## ACCOUNTING POLICY

### *Financial liabilities*

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

### *Gains and losses*

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognized or impaired through the amortisation process.

### *Investments held-to-maturity*

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

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

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

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

## 9. **LEASES**

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Property, plant and equipment subjected to finance lease agreements are capitalised at their 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.

## **ACCOUNTING POLICY**

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

### **10. INVENTORIES**

The cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction.

Consumables are written down with regard to age, condition and utility.

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

Water and purified efficient are valued at purified cost insofar as it is stored (controlled) in reservoirs at year end.

### **11. ACCOUNTS RECEIVABLE**

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

### **12. TRADE CREDITORS**

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## ACCOUNTING POLICY

### 13. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

#### Rendering of service

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or services potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

This principle also applies to tariff or charges.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

#### *Sale of goods*

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The entity retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

## ACCOUNTING POLICY

Rates, including collection charges and penalty interest

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- There has been compliance with the relevant legal requirements.

The Steve Tshwete Local Municipality uses a differentiated site value assessment rate system. According to this assessment rates are levied on the land value of properties and rebates are granted according to the usage of a particular property.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

### *Service charges*

Flat rate service charges and consumption-based service charges shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

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

Service charges relating to refuse removal are recognised on a monthly basis 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 containers are emptied during the month.

## ACCOUNTING POLICY

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.

### *Fines*

Revenue from the issuing of fines shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Revenue from fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected.

### *Government Grants*

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

### *Other grants and donations received*

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions

have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

## ACCOUNTING POLICY

Where public contributions have been received but the conditions were not met, a liability is recognised.

### *Levies*

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

### *Interest, royalties and dividends*

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement; and

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.

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.

Revenue from the recovery of unauthorized irregular, fruitless and wasteful expenditure is based on legislated procedures.

## 14. **PROVISIONS**

Provisions are recognised when the municipality 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.

## **ACCOUNTING POLICY**

### **15.       CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality 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 raised.

### **16.       PROVISION FOR BAD DEBT (accounts receivable)**

An annual contribution is made towards a bad debt provision for non-recoverable rates and service fees as well as for sundry debtors.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 150 days.

When an under recovery occurs during the year an additional contribution is made from the accumulated surplus at year-end.

Bad debts are written off during the year in which they are identified.

### **17.       CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of 32 days or daily calls.

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

### **18.       UNAUTHORISED EXPENDITURE**

Unauthorized 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 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.

## ACCOUNTING POLICY

### 19. **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. 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.

### 20. **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.

### 21. **COMPARATIVE INFORMATION**

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

### 22. **RETIREMENT BENEFITS**

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

#### (i) *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the

statement of financial performance in the year to which they relate as part of cost of employment.

## **ACCOUNTING POLICY**

(ii) *Post employment medical care benefits*

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments are debited or credited to Statement of Financial Performance in the period in which it occurs. Valuations of these obligations are carried out annually by independent qualified actuaries.

23. **BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

24. **CONSUMER DEPOSITS**

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

25. **INVESTMENT PROPERTY**

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation, is stated at cost. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

26. **EVENTS AFTER BALANCE SHEET DATE**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

**STATEMENT OF FINANCIAL POSITION**  
as at  
**30 JUNE 2006**

|  |    | 30-06-2006         | 30-06-2005         |
|--|----|--------------------|--------------------|
|  |    | R                  | R                  |
| <b>NET ASSETS &amp; LIABILITIES</b>        |    |                    |                    |
| <b>Net Assets</b>                          |    | <b>660 996 971</b> | <b>601 044 116</b> |
| Housing development Fund                   | 1  | 6 419 539          | 7 229 645          |
| Capital replacement reserve                | 2  | 210 051 408        | 167 953 022        |
| Capitalisation reserve                     | 2  | 112 180 739        | 129 123 472        |
| Government grant reserve                   | 2  | 48 416 628         | 39 612 162         |
| Donations and public contribution reserves | 2  | 105 737 628        | 77 531 341         |
| Self-insurance reserve                     | 2  | 1 631 765          | 1 008 535          |
| Accumulated surplus/(deficit)              | 3  | 176 559 264        | 178 585 938        |
| <b>Non-current liabilities</b>             |    | <b>139 504 600</b> | <b>91 355 069</b>  |
| Long-term liabilities                      | 4  | 113 246 724        | 91 355 069         |
| Post-retirement benefits                   | 4  | 26 257 876         |                    |
| <b>Current liabilities</b>                 |    | <b>85 148 434</b>  | <b>104 569 731</b> |
| Consumer deposits                          | 5  | 15 017 410         | 13 376 235         |
| Provisions                                 | 6  | 896 780            | 434 276            |
| Creditors                                  | 7  | 51 764 964         | 37 822 231         |
| Unspent conditional grants and receipts    | 8  | 5 590 513          | 4 731 886          |
| Current portion of long term liabilities   | 4  | 11 878 767         | 48 205 104         |
| <b>Total Net Assets and Liabilities</b>    |    | <b>885 650 005</b> | <b>796 968 916</b> |
| <b>ASSETS</b>                              |    |                    |                    |
| <b>Non-current assets</b>                  |    | <b>720 661 360</b> | <b>633 798 728</b> |
| Property, plant & equipment                | 10 | 467 167 461        | 421 025 005        |
| Investments property                       | 35 | 45 144 462         | 42 697 965         |
| Investments                                | 11 | 202 483 305        | 156 849 424        |
| Long-term receivables                      | 12 | 5 866 133          | 13 226 335         |
| <b>Current assets</b>                      |    | <b>164 988 645</b> | <b>163 170 187</b> |
| Inventory                                  | 13 | 40 165 072         | 63 936 512         |
| Consumer debtors                           | 14 | 22 794 778         | 23 767 139         |
| Other debtors                              | 15 | 6 600 076          | 7 089 524          |
| Current portion of long-term receivables   | 12 | 29 795 763         | 5 728 780          |
| Bank balances and cash                     | 16 | 65 632 956         | 62 648 232         |
| <b>Total Assets</b>                        |    | <b>885 650 005</b> | <b>796 968 916</b> |



**F.J. NAUDÉ (Dipl. IAC; F.I.M.F.O.)**  
**MANAGER : FINANCE**



**W.D. FOUCHÉ (B.A.; I.T.C.)**  
**MUNICIPAL MANAGER**

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended  
30 June 2006

|   |             | ACTUAL             |                    |
|---|-------------|--------------------|--------------------|
|   |             | 2006               | 2005               |
|   |             | R                  | R                  |
| <b>REVENUE</b>  |             |                    |                    |
|   | <b>Note</b> |                    |                    |
| Property rates  | 17          | 75 235 438         | 73 622 475         |
| Service charges:  |             |                    |                    |
| Electricity   | 18          | 108 269 250        | 97 385 320         |
| Refuse Removal  | 18          | 14 870 058         | 16 876 419         |
| Sewerage  | 18          | 16 797 386         | 17 099 749         |
| Water   | 18          | 26 702 547         | 24 875 200         |
| Rental of facilities and equipment  |             | 2 235 159          | 2 239 745          |
| Interest earned – external investments                                      | 21          | 18 856 010         | 15 467 199         |
| Interest earned – outstanding debtors                                       | 21          | 3 155 286          | 2 593 742          |
| Fines   |             | 3 658 474          | 3 699 497          |
| Licenses and permits  |             | 3 129 652          | 2 495 880          |
| Income for agency services  |             | 4 015 425          | 3 740 977          |
| Government grants and subsidies received – operating                        | 19          | 31 254 575         | 23 997 017         |
| Government grants and subsidies received – capital                          | 19          | 12 576 376         | 9 405 061          |
| Public contributions, donated and contributed property, plant and equipment | 20          | 36 823 212         | 16 154 589         |
| Other revenue   | 22          | 76 775 873         | 28 338 624         |
| Gain on disposal of property, plant and equipment                           |             | 303 141            | 217 962            |
| <b>Total Revenue</b>  |             | <b>434 657 860</b> | <b>338 209 455</b> |
| <b>EXPENDITURE</b>  |             |                    |                    |
|   | <b>Note</b> |                    |                    |
| Employee related costs  | 23          | 109 035 029        | 98 553 151         |
| Remuneration of councillors   | 24          | 6 013 265          | 5 650 017          |
| Bad debts   |             | 3 090 908          | 5 997 382          |
| Collection costs  |             | 364 513            | 125 385            |
| Depreciation  |             | 44 193 929         | 39 167 226         |
| Repairs and maintenance   |             | 22 556 741         | 15 879 782         |
| Interest paid   | 25          | 23 234 682         | 21 041 026         |
| Bulk purchases  |             |                    |                    |
| Electricity   | 26          | 60 724 524         | 55 367 310         |
| Water   | 26          | 2 822 666          | 2 389 937          |
| Contracted services   |             | 8 149 587          | 6 025 697          |
| Grants and subsidies paid   | 27          | 454 672            | 381 687            |
| General expenses (including abnormal expenses)                              |             | 68 569 358         | 38 610 260         |
| Loss on disposal of property, plant and equipment                           |             |                    |                    |
| Contributions to/(from) provisions  | 28          | 2 298 055          | 2 166 200          |
| <b>Total Expenditure</b>  |             | <b>351 507 930</b> | <b>291 355 060</b> |
| <b>Surplus/(deficit) for the year</b>                                       |             | <b>83 149 930</b>  | <b>46 854 395</b>  |
| <b>Appropriations for the year</b>  |             |                    |                    |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>                                   | <b>30</b>   | <b>83 149 930</b>  | <b>46 854 395</b>  |

**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended 30 June 2006

|   | Housing<br>Developmen<br>t Fund | Capital<br>Replacemen<br>t Reserve | Capitalisation<br>Reserve | Government<br>Grant<br>Reserve | Donation &<br>Public<br>Contribution<br>Reserve | Self<br>Insurance<br>Reserve | Revaluation<br>Reserve | Accumulate<br>d Surplus/<br>(Deficit) | Total              |
|---|---------------------------------|------------------------------------|---------------------------|--------------------------------|---|------------------------------|------------------------|---------------------------------------|--------------------|
|   | R                               | R                                  | R                         | R                              | R   | R                            | R                      | R                                     | R                  |
| <b>2005</b>                             |                                 |                                    |                           |                                |   |                              |                        |                                       |                    |
| Correction of error (note 32)           |                                 |                                    |                           |                                |   |                              |                        | 1 072 090                             | 1 072 090          |
| Changes in accounting policy            |                                 |                                    |                           |                                |   |                              |                        |                                       |                    |
| <b>Restated balance</b>                 | <b>5 116 044</b>                | <b>174 880 717</b>                 | <b>124 736 380</b>        |                                | <b>99 595 472</b>                               | <b>1 673 950</b>             |                        | <b>46 759 808</b>                     | <b>452 762 372</b> |
| Net surplus for the year                |                                 |                                    |                           |                                |   |                              |                        | 46 854 395                            | 48 854 395         |
| Appropriations                          |                                 |                                    |                           |                                |   |                              |                        | 20 270 448                            | 20 270 448         |
| Other income/expenditure                | 153 705                         | 20 857 650                         |                           |                                |   | (777 215)                    |                        | (20 234 140)                          |                    |
| Transfer to CRR                         |                                 | 26 440 129                         |                           |                                |   |                              |                        | (26 440 129)                          |                    |
| Property, plant & equipment purchased   |                                 | (12 569 290)                       |                           |                                |   |                              |                        | 12 569 290                            |                    |
| Capital grants used to purchase PPE     |                                 |                                    |                           | 32 014 441                     | (32 014 411)                                    |                              |                        |                                       |                    |
| Donated/contributed PPE                 |                                 |                                    |                           | 9 836 818                      | 15 965 186                                      |                              |                        | (25 802 004)                          |                    |
| Contribution to insurance reserve       |                                 |                                    |                           |                                |   | 111 800                      |                        | (111 800)                             |                    |
| Insurance claims processed              |                                 |                                    |                           |                                |   |                              |                        |                                       |                    |
| Transfer to Housing Development Fund    | (55 537)                        |                                    |                           |                                |   |                              |                        | 55 537                                |                    |
| Asset disposals                         |                                 |                                    | (79 758)                  |                                | (179 068)                                       |                              |                        | 258 826                               |                    |
| Offsetting of depreciation              |                                 |                                    | (15 129 094)              | (2 419 667)                    | (5 835 838)                                     |                              |                        | 23 384 599                            |                    |
| <b>Balance at 30 June 2005</b>          | <b>5 214 212</b>                | <b>209 609 206</b>                 | <b>109 527 528</b>        | <b>39 431 562</b>              | <b>77 531 341</b>                               | <b>1 008 535</b>             |                        | <b>77 564 830</b>                     | <b>519 887 215</b> |
| <b>2006</b>                             |                                 |                                    |                           |                                |   |                              |                        |                                       |                    |
| Changes in accounting policy (note 36)  | 2 015 433                       | (41 656 184)                       | 19 595 944                |                                |   |                              |                        |                                       | (20 044 807)       |
| Correction of error (note 29)           |                                 |                                    |                           |                                |   |                              |                        | 488 589                               | 488 589            |
| Correction of error (note 29)           |                                 |                                    |                           | 180 600                        |   |                              |                        | (180 600)                             |                    |
| Changes in accounting policy (note 36)  |                                 |                                    |                           |                                |   |                              |                        | (2 005 710)                           | (2 005 710)        |
| Changes in accounting policy (note 36)  |                                 |                                    |                           |                                |   |                              |                        | 42 697 965                            | 42 697 965         |
| Changes in accounting policy (note 36)  |                                 |                                    |                           |                                |   |                              |                        | 60 020 865                            | 60 020 865         |
| <b>Restated balance</b>                 | <b>7 229 645</b>                | <b>167 953 022</b>                 | <b>129 123 472</b>        | <b>39 612 162</b>              | <b>77 531 341</b>                               | <b>1 008 535</b>             |                        | <b>178 585 938</b>                    | <b>601 044 116</b> |
| Net surplus for the year                |                                 |                                    |                           |                                |   |                              |                        | 83 149 930                            | 83 149 930         |
| Appropriations                          | (687 465)                       | 2 760 449                          |                           |                                |   |                              |                        | 545 198                               | 2 618 182          |
| Other income/expenditure                | (142 030)                       |                                    |                           |                                |   | 837 598                      |                        | (26 115 845)                          | (25 420 278)       |
| Transfer to CRR                         |                                 | 54 141 052                         |                           |                                |   |                              |                        | (54 141 052)                          |                    |
| Property, plant and equipment purchased |                                 | (14 803 115)                       |                           |                                |   |                              |                        | 14 803 115                            |                    |
| Capital grants used to purchase PPE     |                                 |                                    |                           | 12 541 628                     |   |                              |                        | (12 541 628)                          |                    |
| Donated/contributed PPE                 |                                 |                                    |                           |                                | 36 759 708                                      |                              |                        | (36 759 708)                          |                    |
| Contributions to insurance reserve      |                                 |                                    |                           |                                |   | 200 000                      |                        | (200 000)                             |                    |
| Insurance claims processed              |                                 |                                    |                           |                                |   | (414 368)                    |                        |                                       | (414 368)          |
| Transfer to Housing Development Fund    | 19 389                          |                                    |                           |                                |   |                              |                        |                                       | 19 389             |
| Asset disposals                         |                                 |                                    | (139 494)                 | (505 677)                      | (1 624 991)                                     |                              |                        | 2 270 162                             |                    |
| Offsetting of depreciation              |                                 |                                    | (16 803 239)              | (3 231 485)                    | (6 928 430)                                     |                              |                        | 26 963 154                            |                    |
| <b>Balance at 30 June 2006</b>          | <b>6 419 539</b>                | <b>210 051 408</b>                 | <b>180 739</b>            | <b>48 416 628</b>              | <b>105 737 628</b>                              | <b>1 631 765</b>             |                        | <b>176 559 264</b>                    | <b>660 996 971</b> |



# CASH FLOW STATEMENT

for the year ended

30 JUNE 2006

|   |      | 2006                 | 2005                |
|---|------|----------------------|---------------------|
|   | Note | R                    | R                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>              |      |                      |                     |
| Cash received from ratepayers, government and others    |      | 410 710 884          | 342 153 584         |
| Cash paid to suppliers and employees                    |      | (247 327 459)        | (241 260 600)       |
| <b>Cash generated from / (utilised in) operations</b>   | 30   | <b>163 383 425</b>   | <b>100 892 984</b>  |
| Interest received                                       |      | 22 011 296           | 18 060 940          |
| Interest paid   |      | (23 234 682)         | (21 041 026)        |
| <b>Net cash from operating activities</b>               |      | <b>162 160 039</b>   | <b>97 912 898</b>   |
| <b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>             |      |                      |                     |
| Purchase of property, plant and equipment               |      | (86 955 777)         | (68 750 060)        |
| Proceeds on disposal of property, plant and equipment   |      | 303 141              | 217 962             |
| (Increase)/decrease in non-current loans                |      | (16 706 781)         | 2 690 813           |
| (Increase)/decrease in investments                      |      | (45 633 880)         | (18 473 476)        |
| <b>Net cash from investment activities</b>              |      | <b>(148 993 297)</b> | <b>(84 314 761)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>              |      |                      |                     |
| Increase/(decrease) in long term loans                  |      | (11 823 194)         | 21 792 506          |
| Increase/(decrease) in deposits                         |      | 1 641 175            | 1 542 679           |
| <b>Net cash from financing activities</b>               |      | <b>(10 182 019)</b>  | <b>23 335 185</b>   |
| <b>Increase/(decrease) in cash and cash equivalents</b> | 31   | <b>2 984 723</b>     | <b>36 933 322</b>   |
| Cash and cash equivalents at beginning of the year      |      | 62 648 232           | 25 714 909          |
| Cash and cash equivalents at end of the year            |      | 65 632 956           | 62 648 232          |

**NOTES**  
to the Statement of Financial Position  
as at 30 June 2006

|                                       | 30 June 2006       | 30 June 2005       |
|---------------------------------------|--------------------|--------------------|
|                                       | R                  | R                  |
| <b>1. HOUSING DEVELOPMENT FUND</b>    | <b>6 419 539</b>   | <b>7 229 645</b>   |
| Balance at beginning of the year      | 7 229 645          | 5 116 044          |
| Change in accounting policy           |                    | 2 015 433          |
| Contributions                         | 19 389             | 21 643             |
| Income                                | 491 001            | 200 906            |
| Operating expenditure                 | (1 320 496)        | (124 381)          |
| <b>2. NET ASSETS</b>                  | <b>478 018 168</b> | <b>437 108 172</b> |
| <b>CAPITAL REPLACEMENT RESERVE</b>    | <b>210 051 408</b> | <b>167 953 021</b> |
| <b>Capital Replacement Reserve</b>    | <b>73 346 797</b>  | <b>52 343 013</b>  |
| Balance at beginning of the year      | 52 343 013         | 33 424 897         |
| Contributions                         | 33 046 450         |                    |
| Income                                | 2 760 450          | 31 487 407         |
| Property, plant & equipment           | (14 803 115)       | (12 569 290)       |
| <b>CRR : Land Trust Fund</b>          | <b>76 784 997</b>  | <b>76 500 612</b>  |
| Balance at beginning of the year      | 76 500 612         | 71 876 028         |
| Correction of error                   |                    |                    |
| Contributions                         | 284 385            | 4 624 584          |
| Operating expenditure                 |                    |                    |
| <b>CRR : Property Development</b>     | <b>59 919 614</b>  | <b>39 109 396</b>  |
| Balance at beginning of the year      | 39 109 396         | 69 579 792         |
| Change in accounting policy           |                    | (41 656 185)       |
| Contributions                         | 20 810 218         | 11 185 789         |
| Operating expenditure                 |                    |                    |
| <b>Capitalisation Reserve</b>         | <b>112 180 739</b> | <b>129 123 472</b> |
| Balance at beginning of the year      | 129 123 472        | 124 736 380        |
| Change in accounting policy           |                    | 19 595 944         |
| Property, plant & equipment purchased |                    |                    |
| Offsetting of depreciation            | (16 803 250)       | (15 129 094)       |
| Disposal                              | (139 483)          | (79 758)           |

|   | <b>30 June 2006</b> | <b>30 June 2005</b> |
|---|---------------------|---------------------|
|   | <b>R</b>            | <b>R</b>            |
| <b>Government Grants Reserve (utilised)</b>                 | <b>48 416 628</b>   | <b>39 431 562</b>   |
| Balance at beginning of the year                            | 39 612 162          | 180 600             |
| Correction of error   |                     | 9 836 818           |
| Donated/contributed PPE                                     | 12 541 628          | (2 419 667)         |
| Offsetting of depreciation                                  | (3 231 485)         |                     |
| Disposal  | (505 677)           |                     |
| Capital grants used for PPE                                 |                     | 32 014 411          |
| <b>Donations and Public Contribution Reserve (utilised)</b> | <b>105 737 628</b>  | <b>77 531 341</b>   |
| Balance at beginning of the year                            | 77 531 341          | 99 595 472          |
| Donated/contributed PPE                                     |                     | 15 965 186          |
| Offsetting of depreciation                                  | (6 928 430)         | (5 835 838)         |
| Capital grants used for PPE                                 | 36 759 708          | (32 014 411)        |
| Disposals   | (1 624 991)         | (179 068)           |
| <b>SELF INSURANCE RESERVE</b>                               | <b>1 631 765</b>    | <b>1 008 535</b>    |
| <b>Insurance Reserve Electricity</b>                        | <b>1 005 016</b>    | <b>794 976</b>      |
| Balance at beginning of the year                            | 794 976             | 1 466 235           |
| Contributions   | 200 000             | 111 800             |
| Other income  | 65 775              |                     |
| Insurance claims processed                                  | (55 735)            | (783 060)           |
| <b>Insurance Reserve General</b>                            | <b>626 749</b>      | <b>213 560</b>      |
| Balance at beginning of the year                            | 213 560             | 207 715             |
| Other income  | 771 821             | 1 044 459           |
| Insurance claims processed                                  | (358 632)           | (1 038 614)         |

### 3. ACCUMULATED SURPLUS/(DEFICIT)

|   |                    |                    |
|---|--------------------|--------------------|
| <b>Accumulated surplus: beginning of year</b> | <b>178 585 938</b> | <b>46 759 808</b>  |
| Operating surplus/(deficit) for the year      | 83 149 930         | 46 854 395         |
| Changes in net assets                         | (85 176 604)       | (16 049 373)       |
| Change in accounting policy / error           |                    | 101 021 108        |
| <b>Accumulated surplus: end of year</b>       | <b>176 559 264</b> | <b>178 585 938</b> |

Refer to note 29 and 36 for more detail.

|  | 30 June 2006       | 30 June 2005       |
|--|--------------------|--------------------|
|  | R                  | R                  |
| <b>4. NON-CURRENT LIABILITIES</b>                        |                    |                    |
| <b>Long term liabilities</b>                             |                    |                    |
| Local registered stock loans                             | 125 125 492        | 15 220 000         |
| Annuity loans  | (11 878 767)       | 103 340 173        |
| Capitalised lease liability                              | (11 878 767)       | 21 000 000         |
| <b>Sub-Total</b>   | <b>125 125 492</b> | <b>139 560 173</b> |
| Less: Current portion transferred to current liabilities | (11 878 767)       | (48 205 104)       |
| Local registered stock loans                             | (11 878 767)       | (15 220 000)       |
| Annuity loans  | (11 878 767)       | (11 985 104)       |
| Capitalised lease liability                              | (11 878 767)       | (21 000 000)       |
| <b>Total External Loans</b>                              | <b>113 246 725</b> | <b>91 355 069</b>  |

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

R10 483 305 (2005: R9 354 132) has been invested specifically as security for the repayment of long term liabilities.

See note 11 for more detail.

**Post-employment benefits**

|                       |            |  |
|-----------------------|------------|--|
| Medical care benefits | 26 257 876 |  |
|-----------------------|------------|--|

The estimated liability of post employment medical care is R131 289 876. The municipality has taken advantage of transitional liability according to IAS 19 (AC 116) where only one fifth of this amount is recognised. The amount remaining is R105 032 000 and will be phased in over the next four (4) years. An amount of R9,4-million was contributed by Council and these contributions have been expensed.

**5. CONSUMER DEPOSITS**

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Electricity                    | 10 208 720        | 9 382 467         |
| Water                          | 2 847 264         | 2 418 379         |
| Other                          | 1 961 427         | 1 575 389         |
| <b>Total consumer deposits</b> | <b>15 017 410</b> | <b>13 376 235</b> |

No interest is paid on deposits.

|   |           |           |
|---|-----------|-----------|
| Guarantees held in lieu of electricity and water deposits | 3 826 670 | 3 627 933 |
|---|-----------|-----------|

|                                     | 30 June 2006   | 30 June 2005   |
|-------------------------------------|----------------|----------------|
|                                     | R              | R              |
| <b>6. PROVISIONS</b>                |                |                |
| Performance Bonus                   |                |                |
| <b>Balance at beginning of year</b> | 434 276        | 407 771        |
| <b>Contribution to provision</b>    | 462 504        | 368 476        |
| <b>Expenditure incurred</b>         |                | (341 971)      |
| Balance at end of year              | <b>896 780</b> | <b>434 276</b> |
| Total provisions                    | <b>896 780</b> | <b>434 276</b> |

Performance bonuses are paid one year in arrears. The assessment of eligible employees had not taken place at the reporting date. The provision is an estimate of the amount according to the performance agreements at the reporting date.

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| <b>7. CREDITORS</b>           |                   |                   |
| Trade Creditors               | 25 606 080        | 16 981 947        |
| Amounts received in advance:  |                   |                   |
| Consumer debtors              | 6 915 832         | 3 844 047         |
| Sundry debtors                | 29 068            | 246 815           |
| Other                         | 2 377 656         | 2 430 299         |
| VAT                           | 2 397 347         | 2 694 536         |
| RDP development               | 3 111 264         | 2 885 458         |
| Government grants & subsidies | 361 017           |                   |
| Staff leave                   | 4 520 978         | 4 530 141         |
| Retention money               | 2 084 153         | 1 641 183         |
| Community facilities          | 4 361 569         | 2 567 805         |
| <b>Total creditors</b>        | <b>51 764 964</b> | <b>37 822 231</b> |

|  |                  |                  |
|--|------------------|------------------|
| <b>8. CONDITIONAL GRANTS FROM GOVERNMENT</b> |                  |                  |
| Finance management grant                     | 2 794 533        | 2 824 138        |
| Municipal systems improvement grant          | 843 180          |                  |
| Municipal support grant                      | 62 811           | 236 347          |
| VUNA awards                                  | 7 50 000         | 1 000 000        |
| Local government transitional grant          | 632 641          | 632 641          |
| Municipal infrastructure grant               | 269 271          | 20 998           |
| Integrated national electricity programme    | 238 077          |                  |
| Local economic development                   |                  | 17 761           |
| <b>Total conditional grants and receipts</b> | <b>5 590 513</b> | <b>4 731 886</b> |

See note 19 for reconciliation of grants. These amounts are invested until utilised.

**30 June 2006**

**30 June 2005**

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**9. CONTINGENT LIABILITIES & CONTRACTUAL OBLIGATIONS**

Disclosure in terms of the MFMA, 2003, Section 125(2)(c).

**10. PROPERTY, PLANT & EQUIPMENT**

|   | Land and Buildings | Infrastructure     | Community Assets  | Other Assets      | Housing Development Fund | Total              |
|---|--------------------|--------------------|-------------------|-------------------|--------------------------|--------------------|
|   | R                  | R                  |                   | R                 | R                        | R                  |
| <b>Reconciliation of Carrying Value</b> |                    |                    |                   |                   |                          |                    |
| <b>Carrying values at 1 July 2005</b>   | <b>45 108 701</b>  | <b>311 761 438</b> | <b>21 335 898</b> | <b>42 218 460</b> | <b>600 509</b>           | <b>421 025 005</b> |
| Cost                                    | 58 571 396         | 528 021 165        | 30 237 322        | 103 712 240       | 1 312 550                | 721 854 673        |
| Accumulated depreciation – cost         | (13 462 695)       | (216 259 727)      | (8 901 424)       | (61 493 780)      | (712 041)                | (300 829 667)      |
| Acquisitions                            | 1 325 474          | 61 637 465         | 1 414 696         | 14 713 662        |                          | 79 091 297         |
| Capital under construction              |                    | 13 083 627         | 564 757           |                   |                          | 13 648 384         |
| Depreciation – based on cost            | (1 861 488)        | (30 532 777)       | (1 026 818)       | (10 746 744)      | (26 103)                 | (44 193 929)       |
| Carrying value of disposals             | (2 204 770)        | (30 277)           | (11)              | (168 238)         |                          | (2 403 296)        |
| Cost                                    | (2 509 062)        | (121 884)          | (14 709)          | (3 138 249)       |                          | (5 783 903)        |
| Accumulated depreciation                | 304 292            | 91 607             | 14 698            | 2 970 011         |                          | 3 380 607          |
| Other movements                         | 1 201 964          | 250 987            | (912 663)         | (540 289)         |                          |                    |
| <b>Carrying values at 30 June 2006</b>  | <b>43 569 881</b>  | <b>356 170 462</b> | <b>21 375 859</b> | <b>45 476 851</b> | <b>574 406</b>           | <b>467 167 460</b> |
| Cost                                    | 60 150 823         | 601 507 703        | 30 608 452        | 115 230 923       | 1 312 550                | 808 810 450        |
| Accumulated depreciation – cost         | (16 580 941)       | (245 337 240)      | (9 232 593)       | (69 754 072)      | (738 144)                | (341 642 991)      |
| <b>Reconciliation of Carrying Value</b> |                    |                    |                   |                   |                          |                    |
| <b>Carrying values at 1 July 2005</b>   | <b>36 171 140</b>  | <b>272 271 518</b> | <b>21 317 938</b> | <b>41 024 738</b> | <b>626 611</b>           | <b>371 411 945</b> |
| Cost                                    | 47 937 157         | 427 858 960        | 29 147 258        | 91 408 083        | 1 312 550                | 597 664 008        |
| Accumulated depreciation – cost         | (11 766 017)       | (155 587 442)      | (7 829 320)       | (50 383 345)      | (685 939)                | (226 252 063)      |
| Acquisitions                            | 9 383 552          | 63 947 870         | 3 309 985         | 11 623 573        |                          | 88 264 980         |
| Capital under construction              | 35 350             | 403 471            |                   | 76 488            |                          | 515 309            |
| Depreciation – based on cost            | (1 696 679)        | (24 967 111)       | (1 039 248)       | (11 438 087)      | (26 102)                 | (39 167 227)       |
| Carrying value of disposals             |                    |                    |                   |                   |                          |                    |
| Cost                                    |                    |                    |                   | (327 651)         |                          | (327 651)          |
| Accumulated depreciation                |                    |                    |                   | (327 651)         |                          | 327 651            |
| Other movements                         | 1 215 337          | 105 691            | (2 252 777)       | 931 747           |                          | (2)                |
| <b>Carrying values at 30 June 2006</b>  | <b>45 108 701</b>  | <b>311 761 438</b> | <b>21 335 898</b> | <b>42 218 459</b> | <b>600 509</b>           | <b>421 025 005</b> |
| Cost                                    | 58 571 396         | 528 021 165        | 30 237 322        | 103 712 240       | 1 312 550                | 721 854 673        |
| Accumulated depreciation – cost         | (13 462 695)       | (216 259 727)      | (8 901 424)       | (61 493 780)      | (712 041)                | (300 829 667)      |

Refer to Appendices B and C for more detail.

The municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in the process of itemizing all infrastructural and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. Furthermore the municipality has not assessed whether items of property, plant and equipment are impaired.

|                                    | <b>30 June 2006</b> | <b>30 June 2005</b> |
|------------------------------------|---------------------|---------------------|
|                                    | <b>R</b>            | <b>R</b>            |
| <b>11. INVESTMENTS (Unlisted)</b>  |                     |                     |
| <b>FINANCIAL INSTRUMENTS</b>       |                     |                     |
| <b>Short Term Fixed Deposits</b>   | <b>192 000 000</b>  | <b>127 899 614</b>  |
| ABSA Bank                          | 36 000 000          | 20 000 000          |
| First National Bank                | 18 000 000          | 15 000 000          |
| Investec Bank                      | 42 000 000          | 35 000 000          |
| Nedbank                            | 51 000 000          | 15 000 000          |
| Nedbank Capital                    |                     | 17 899 614          |
| Standard Bank                      | 45 000 000          | 25 000 000          |
| <b>Long Term Fixed Deposits</b>    | <b>10 483 305</b>   | <b>28 949 811</b>   |
| Standard Bank                      |                     | 19 595 679          |
| Nedbank Capital                    |                     |                     |
| ABSA Bank                          | 10 483 305          | 9 354 132           |
| <b>Total Investments</b>           | <b>202 483 305</b>  | <b>156 849 425</b>  |
| Average rate of return             | 7,83%               | 8,45 %              |
| Council's valuation of investments | 202 483 305         | 156 849 425         |

No investments have been written off during the year.

The long term investments (including Nedbank Capital) matured during the year to redeem the following external loans:

- Standard Merchant Bank (Sale and Leaseback)
- Inca (Local Government Stock)

The Absa zero bond serves as security for the Absa Annuity Loan.

Refer to Appendix A for more detail on external loans.

Disclosure in terms of the MFMA, 2003, Section 125(2)(b).

## 12. LONG TERM RECEIVABLES

|  |                   |                   |
|--|-------------------|-------------------|
| Motor car loans  | 1 032 613         | 2 454 768         |
| Housing selling scheme loans                             | 227 352           | 999 311           |
| Sale of erven loans                                      | 34 075 223        | 14 012 453        |
| Country Club loan  | 24 307            | 31 985            |
| Inyanda loan   | 288 760           | 1 359 109         |
| Engineering service loans                                | 13 640            | 97 489            |
| <b>Sub-total</b>   | <b>35 661 896</b> | <b>18 955 115</b> |
| Less: current portion transferred to current receivables | 29 795 763        | 5 728 780         |
| Motor car loans  | 533 818           | 1 042 949         |

|                                    |                  |                   |
|------------------------------------|------------------|-------------------|
| Housing selling scheme loans       | 28 134           | 139 813           |
| Sale of erven loans                | 28 926 344       | 3 505 319         |
| Country Club loan                  | 7 678            | 7 678             |
| Inyanda loan                       | 288 760          | 946 614           |
| Engineering service loans          | 11 029           | 86 407            |
| <b>Total long term receivables</b> | <b>5 866 133</b> | <b>13 226 335</b> |

**Motor car loans**

Senior personnel were previously entitled to car loans which attract interest at 8,5% per annum and which are repayable over a maximum period of five (5) years. In terms of the MFMA no new loans are granted and the existing loans will be repaid by the year 2009.

**Engineering services loans**

Off-payment arrangements are made for service connections to the reticulation system. These loans attract interest at prime rate per annum and are repayable over a maximum period of one (1) year.

**Housing selling scheme loans**

Housing loans were granted under old housing schemes to qualifying individuals in terms of the Housing Act. These loans attract differentiated interest rates and are repayable over twenty (20) years. No new loans are granted and existing loans will continue until repaid.

**Sale of erven**

Loans were given at a low interest rate of 7,5% per annum repayable over four (4) years to encourage development through the sale of vacant erven. In terms of the MFMA no new loans are granted.

|   | <b>30 June 2006</b> | <b>30 June 2005</b> |
|---|---------------------|---------------------|
|   | <b>R</b>            | <b>R</b>            |
| <b>13. INVENTORY</b>                        |                     |                     |
| Consumable stock                            | 4 175 441           | 3 915 647           |
| Unsold properties                           | 35 933 421          | 60 020 865          |
| Water at cost                               | 56 210              |                     |
| <b>Total</b>                                | <b>40 165 072</b>   | <b>63 936 512</b>   |
| Stock shortages written off during the year | 320 166             | 177 463             |

With the annual stocktaking on 30 June 2006 stock shortages to the value of R320 166 stock surpluses to the value of R127 692 realised. See note 36 for change in accounting policy.

**14. CONSUMER DEBTORS**

|                     | <b>Gross Balance</b> | <b>Provision for Bad Debt</b> | <b>Net Balance</b> |
|---------------------|----------------------|-------------------------------|--------------------|
|                     | <b>R</b>             | <b>R</b>                      | <b>R</b>           |
| <b>30 June 2006</b> |                      |                               |                    |
| Service debtors:    | <b>30 688 719</b>    | <b>10 750 474</b>             | <b>19 938 245</b>  |
| Property rates      | 12 924 941           | 6 227 039                     | 6 697 902          |
| Electricity         | 9 228 239            | 1 253 608                     | 7 974 631          |
| Water               | 4 148 045            | 1 761 477                     | 2 386 568          |

|              |                   |                   |                   |
|--------------|-------------------|-------------------|-------------------|
| Sewerage     | 2 759 924         | 1 052 726         | 1 707 198         |
| Refuse       | 1 627 570         | 455 624           | 1 171 946         |
| Estates      | 687 414           |                   | 687 414           |
| Other        | 5 302 323         | 3 133 204         | 2 169 119         |
| <b>Total</b> | <b>36 678 456</b> | <b>13 883 678</b> | <b>22 794 778</b> |

**Contribution to bad debt provision** 3 090 908

**Debt written off for the year** 11 376 930

|                |           |
|----------------|-----------|
| Property rates | 2 638 595 |
| Electricity    | 112 731   |
| Water          | 811 889   |
| Sewerage       | 988 692   |
| Refuse         | 1 120 269 |
| Other          | 5 704 754 |

| Gross Balance | Provision for Bad Debt | Net Balance |
|---------------|------------------------|-------------|
| R             | R                      | R           |

**30 June 2005**

Service debtors: **44 431 760**      **21 204 252**      **23 227 508**

|                |            |            |           |
|----------------|------------|------------|-----------|
| Property rates | 20 852 503 | 12 417 550 | 8 434 954 |
| Electricity    | 9 200 422  | 1 692 460  | 7 507 961 |
| Water          | 6 010 572  | 2 735 330  | 3 275 243 |
| Sewerage       | 4 479 897  | 2 336 126  | 2 143 771 |
| Refuse         | 3 888 366  | 2 022 786  | 1 865 580 |

Estates 1 505 078      965 448      539 630

**Total** **45 936 838**      **22 169 700**      **23 767 139**

**Contribution to bad debt provision** 5 997 382

**Debt written off for the year** 8 644 028

|                |           |
|----------------|-----------|
| Property rates | 1 628 950 |
| Electricity    | 50 214    |
| Water          | 769 988   |
| Sewerage       | 1 017 695 |
| Refuse         | 1 026 060 |
| Other          | 4 151 121 |

**30 June 2006**

R

**30 June 2005**

R

**AGEING OF CONSUMER DEBTORS**

Property Rates

|                     |           |            |
|---------------------|-----------|------------|
| Current (0-30 days) | 4 986 510 | 6 122 396  |
| 31-60 days          | 703 517   | 813 828    |
| 61-90 days          | 624 020   | 748 414    |
| 91-120 days         | 368 106   | 750 316    |
| 121-150 days        | 284 450   | 12 417 550 |
| 151+ days           | 5 958 338 |            |

**Sub-total** **12 924 941**      **20 852 504**

Services

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Current (0-30 days) | 11 024 859        | 12 360 602        |
| 31-60 days          | 987 251           | 1 036 131         |
| 61-90 days          | 720 085           | 699 500           |
| 91-120 days         | 392 097           | 696 272           |
| 121-150 days        | 311 242           | 8 786 702         |
| 151+ days           | 4 328 246         |                   |
| <b>Sub-total</b>    | <b>17 763 778</b> | <b>23 579 207</b> |

**30 June 2006**

**30 June 2005**

**R**

**R**

**Estates**

|                     |                |                  |
|---------------------|----------------|------------------|
| Current (0-30 days) |                |                  |
| 31-60 days          | 142 443        | 309 547          |
| 61-90 days          | 63 123         | 87 507           |
| 91-120 days         | 88 282         | 142 576          |
| 121-150 days        | 393 567        | 965 448          |
| 151+ days           |                |                  |
| <b>Sub-total</b>    | <b>687 414</b> | <b>1 505 078</b> |

**Other**

|                     |                  |  |
|---------------------|------------------|--|
| Current (0-30 days) | 1 666 336        |  |
| 31-60 days          | 212 477          |  |
| 61-90 days          | 194 654          |  |
| 91-120 days         | 127 847          |  |
| 121-150 days        | 103 005          |  |
| 151+ days           | 2 998 004        |  |
| <b>Sub-total</b>    | <b>5 302 323</b> |  |

**Total consumer debtors**

**36 678 456**

**45 936 789**

**Made up as follows:**

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Current (0-30 days) | 17 677 704        | 18 482 998        |
| 31-60 days          | 2 045 688         | 2 159 506         |
| 61-90 days          | 1 601 881         | 1 535 420         |
| 91-120 days         | 976 331           | 1 589 165         |
| 121-150 days        | 1 092 264         | 22 169 700        |
| 151+ days           | 13 284 587        |                   |
| <b>Total</b>        | <b>36 678 456</b> | <b>45 936 789</b> |

**15. OTHER DEBTORS**

|                           |           |           |
|---------------------------|-----------|-----------|
| Other debtors             | 3 135 764 | 3 526 419 |
| Government capital grants | 174 208   | 786 400   |
| Sundry debtors            | 4 207 352 | 5 337 317 |
| Deposits                  | 12 250    | 12 250    |
| Other public donations    | 23 419    |           |
| Insurance                 | 908 579   | 432 848   |

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Provision for other debt             | (1 861 496)      | (2 005 710)      |
| <b>Total Other Debtors</b>           | <b>6 600 076</b> | <b>7 089 524</b> |
| <b>Debt written off for the year</b> | <b>144 214</b>   | <b>157 216</b>   |

See note 36 for change in accounting policy.

See note 29 for correction of error.

**30 June 2006**

**30 June 2005**

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16. **BANK CASH AND OVERDRAFT BALANCES**

The municipality has the following bank accounts:

**Absa Bank : Nelspruit**

Account number : 1040 000 077

Type : cheque account

**Current account (primary bank account)**

|   |                   |                   |
|---|-------------------|-------------------|
| Bank statement balance at beginning of year | 75 372 450        | 32 944 696        |
| Bank statement balance at end of year       | 71 907 389        | 75 372 450        |
| Cash book balance at beginning of year      | 62 627 446        | 25 694 754        |
| Increase/(decrease) in cash book balance    | 2 973 454         | 36 932 692        |
| <b>Cash book balance at end of year</b>     | <b>65 600 900</b> | <b>62 627 446</b> |
| <b>Petty cash</b>                           |                   |                   |
| Balance at beginning of year                | 20 785            | 20 155            |
| Increase/(decrease) of petty cash           | 11 270            | 630               |
| <b>Balance at end of year</b>               | <b>32 055</b>     | <b>20 785</b>     |
| <b>Total cash resources</b>                 | <b>65 632 956</b> | <b>62 648 232</b> |

Disclosure in terms of the MFMA, 2003, Section 125(2)(a).

17. **PROPERTY RATES**

|                   | <b>Site Valuations</b> | <b>Revenue 2005/2006</b> | <b>Revenue 2004/2005</b> |
|-------------------|------------------------|--------------------------|--------------------------|
|                   | R                      | R                        | R                        |
| <b>Middelburg</b> |                        |                          |                          |
| Residential       | 347 172 834            | 62 339 220               | 54 820 424               |
| Pensioners        | 8 026 500              | 1 434 756                | 2 574 045                |
| Commercial        | 172 179 606            | 30 522 418               | 29 775 964               |
| Exempted          | 20 368 100             | 2 601 959                | 2 799 387                |

**Total**

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| <b>547 747 040</b> | <b>96 898 354</b> | <b>89 969 820</b> |
|--------------------|-------------------|-------------------|

**Government**

Middelburg

26 901 095

5 081 079

4 693 703

Hendrina

352 444

124 765

115 250

Pullenshope

18 750

11 115

**Total****27 253 539****5 216 959****4 808 953****Site  
Valuations****Revenue  
2005/2006****Revenue  
2004/2005****R****R****R****Hendrina**

Residential

13 045 822

4 587 361

4 013 088

Pensioners

264 900

118 598

332 328

Commercial

1 809 452

635 220

571 983

Exempted

118 400

45 265

34 460

**Total****15 238 574****5 386 443****4 951 859****Blinkpan**

Residential

1 588 150

296 629

Commercial

99 300

18 756

**Total****1 687 450****315 385****Komati**

Residential

670 828

673 443

634 632

Pensioners

26 860

30 758

17 898

Commercial

152 596

152 352

138 884

**Total****850 284****856 553****791 414****Rietkuil**

Residential

1 682 416

715 044

661 059

Pensioners

14 580

5 840

4 847

Commercial

551 786

234 399

216 521

**Total****2 248 782****955 283****882 427****Pullenshope**

Residential

1 612 020

959 267

896 129

Pensioners

42 590

22 611

11 980

Commercial

470 372

277 637

255 488

**Total****2 124 982****1 259 515****1 163 597**

**Presidentsrus**

|              |                  |               |               |
|--------------|------------------|---------------|---------------|
| Residential  | 2 066 580        | 27 770        | 33 790        |
| Commercial   | 324 250          | 3 909         | 5 566         |
| <b>Total</b> | <b>2 390 830</b> | <b>31 679</b> | <b>39 356</b> |

| <b>Site Valuations</b> | <b>Revenue 2005/2006</b> | <b>Revenue 2005/2004</b> |
|------------------------|--------------------------|--------------------------|
| R                      | R                        | R                        |

**Kranspoort**

|              |                  |               |               |
|--------------|------------------|---------------|---------------|
| Residential  | 8 974 689        | 87 774        | 81 808        |
| Commercial   | 224 546          | 1 775         | 2 028         |
| <b>Total</b> | <b>9 199 235</b> | <b>89 550</b> | <b>83 836</b> |

**Rural Areas**

|              | <b>Site Valuations</b> |                |                |
|--------------|------------------------|----------------|----------------|
| Commercial   | 13 996 055             | 827 265        | 446 243        |
|              | <b>Improvements</b>    |                |                |
|              | 141 873 820            |                | 316 873        |
| <b>Total</b> | <b>155 869 875</b>     | <b>827 265</b> | <b>763 116</b> |

**Sub-Total**


---

**111 836 985      103 454 378**

Less:

**Income Forgone****(28 042 184)      (25 260 356)**

Middelburg

|             |              |              |
|-------------|--------------|--------------|
| Residential | (26 637 577) | (24 043 330) |
| Government  | (1 177 017)  | (1 089 570)  |
| Hendrina    |              |              |
| Residential | (78 633)     | (98 817)     |
| Government  | (23 487)     | (21 697)     |
| Blinkpan    |              |              |
| Residential | (106 668)    |              |
| Komati      |              |              |
| Residential | (12 378)     | (3 577)      |
| Pullenshope |              |              |
| Residential | (4 532)      | (2 396)      |
| Government  | (720)        |              |
| Rietkuil    |              |              |
| Residential | (1 171)      | (969)        |

Less: **Indigent Support**

MP313 area

**(8 559 363)      (4 571 547)****Final Total**


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**75 235 438      73 622 475**

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**VALUATIONS**

|                  |                       | <b>2005/2006</b>   | <b>2004/2005</b>   |
|------------------|-----------------------|--------------------|--------------------|
| Residential      | Site valuation        | 385 188 769        | 379 154 868        |
| Government       | Site valuation        | 27 272 289         | 27 253 539         |
| Commercial       | Site valuation        | 189 807 963        | 188 553 335        |
| Rural Commercial | Improvement valuation | 141 873 820        | 142 638 120        |
|                  |                       | <b>744 142 841</b> | <b>737 599 862</b> |

|                                 | <b>30 June 2006</b> | <b>30 June 2005</b> |
|---------------------------------|---------------------|---------------------|
|                                 | <b>R</b>            | <b>R</b>            |
| <b>18. SERVICE CHARGES</b>      |                     |                     |
| Sale of electricity             | 108 269 250         | 97 385 320          |
| Sale of water                   | 26 702 547          | 24 875 200          |
| Refuse removal                  | 14 870 058          | 16 876 419          |
| Sewerage and sanitation charges | 16 797 386          | 17 099 749          |
| <b>Total service charges</b>    | <b>166 639 241</b>  | <b>156 236 688</b>  |

#### 19. GOVERNMENT SUBSIDIES & GRANTS

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Operating Grants</b>                              | <b>31 196 155</b> | <b>23 997 017</b> |
| Equitable share                                      | 25 752 531        | 16 365 063        |
| Provincial health subsidies                          | 4 345 160         | 4 895 745         |
| Finance management grant (FMG)                       | 766 348           | 1 520 993         |
| Local government transition grant (LGTF)             |                   | 346 769           |
| Local government capacity building grant             | 173 535           | 563 653           |
| Provincial local economic projects (LED)             | 17 761            | 304 794           |
| Municipal systems improvement grant (MSIG)           | 140 820           |                   |
| <b>Capital Grants</b>                                | <b>12 634 795</b> | <b>9 405 061</b>  |
| Finance management grant (FMG)                       | 263 258           |                   |
| Department of provincial and local government (DPLG) | 300 000           |                   |
| Municipal infrastructural grant (MIG)                | 9 883 214         | 8 614 963         |
| Integrated national electrification grant (INEP)     | 2 188 323         | 790 098           |
| <b>Total Government Grants &amp; Subsidies</b>       | <b>43 830 950</b> | <b>33 402 078</b> |

### **Equitable Share**

This grant is an unconditionally grant and is partially utilised for the provision of indigent support through free basic services. Registered indigents receive a rebate of 100% on discounted assessment rates and a monthly subsidy of R108 (2005: R72) on the cost of other services which are funded from this grant.

|  | <b>30 June 2006</b> | <b>30 June 2005</b> |
|--|---------------------|---------------------|
|  | <b>R</b>            | <b>R</b>            |
| <b>Provincial Health Subsidy</b>                 |                     |                     |
| Current year receipts                            | 4 345 160           | 4 895 745           |
| Conditions met – transferred to revenue          | (4 345 160)         | (4 895 745)         |
| <b>Unspent amount transferred to liabilities</b> | <b></b>             | <b></b>             |
| (see note 8)                                     |                     |                     |

The municipality renders health services on behalf of the provincial government and is refunded approximately 51,7% of total expenditure incurred. This grant has been used exclusively to fund clinical services. The conditions of this grant have been met and there was no delay or withholding of the subsidy.

### **Finance Management Grant**

|  |                      |                  |
|--|----------------------|------------------|
| Balance unspent at beginning of year             | 2 824 138            | 3 345 131        |
| Current year receipts                            | 1 000 000            | 1 000 000        |
| Conditions met – transferred to revenue          | (1 029 606)          | (1 520 993)      |
| <b>Unspent amount transferred to liabilities</b> | <b>2 794<br/>532</b> | <b>2 824 138</b> |
| (see note 8)                                     |                      |                  |

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

### **Local Government Transition Grant (LGTF)**

|  |                |                |
|--|----------------|----------------|
| Balance unspent at beginning of year             | 632 641        | 979 410        |
| Current year receipts                            |                |                |
| Other expenditure                                |                |                |
| Conditions met – transferred to revenue          |                | (346 769)      |
| <b>Unspent amount transferred to liabilities</b> | <b>632 641</b> | <b>632 641</b> |
| (see note 8)                                     |                |                |

This grant was used to implement new systems as provided in the Municipal Systems Act, 2000. Other than the unspent amount, the conditions of the grant were met.

### **Local Government Capacity Building Grant**

|                                      |         |
|--------------------------------------|---------|
| Balance unspent at beginning of year | 236 347 |
|--------------------------------------|---------|

|  |               |                |
|--|---------------|----------------|
| Current year receipts                            |               | 800 000        |
| Conditions met – transferred to revenue          | (173 535)     | (563 653)      |
| <b>Unspent amount transferred to liabilities</b> | <b>62 812</b> | <b>236 347</b> |
| (see note 8)                                     |               |                |

This grant was used to build in-house capacity to perform their functions and improve governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

|   | 30 June 2006   | 30 June 2005   |
|---|----------------|----------------|
|   | R              | R              |
| <b><i>Municipal Systems Improvement Grant</i></b> |                |                |
| Balance unspent at beginning of year              | 250 000        |                |
| Current year receipts                             | 734 000        | 250 000        |
| Conditions met – transferred to revenue           | (140 820)      |                |
| <b>Unspent amount transferred to liabilities</b>  | <b>843 180</b> | <b>250 000</b> |
| (see note 8)                                      |                |                |

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

***Local Economic Development***

|  |          |               |
|--|----------|---------------|
| Balance unspent at beginning of year             | 17 761   | 322 556       |
| Current year receipts                            |          |               |
| Conditions met – transferred to revenue          | (17 761) | (304 794)     |
| <b>Unspent amount transferred to liabilities</b> |          | <b>17 761</b> |
| (see note 8)                                     |          |               |

Provincial LED projects grants are used for the planning and implementation of job creation and poverty alleviation projects.

***Municipal Infrastructure Grant (MIG)***

|  |                |               |
|--|----------------|---------------|
| Balance unspent at beginning of year             | 20 998         |               |
| Current year receipts                            | 9 957 278      | 8 455 361     |
| Conditions met – transferred to revenue          | (9 883 214)    | (8 614 963)   |
| Spent amount – transferred to debtors            | 174 209        | 180 600       |
| <b>Unspent amount transferred to liabilities</b> | <b>269 271</b> | <b>20 998</b> |
| (see note 8)                                     |                |               |

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

***Integrated National Electrification Grant (INEP)***

|  |                |           |
|--|----------------|-----------|
| Balance unspent at beginning of year             |                |           |
| Current year receipts                            | 2 354 400      | 790 098   |
| Conditions met – transferred to revenue          | (2 116 323)    | (790 098) |
| <b>Unspent amount transferred to liabilities</b> | <b>238 077</b> |           |

(see note 8)

This grant was used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were met and no funds have been withheld.

**30 June 2006**

R

**30 June 2005**

R

***Vuna Awards 2003***

|  |                |                |
|--|----------------|----------------|
| Balance unspent at beginning of year             | 750 000        | 750 000        |
| Current year receipts                            |                |                |
| Conditions met – transferred to revenue          |                |                |
| <b>Unspent amount transferred to liabilities</b> | <b>750 000</b> | <b>750 000</b> |

(see note 8)

This grant is observed as a contribution to the construction of a Multi-Purpose Community Centre.

***Department of Provincial and Local Government (DPLG)***

|  |           |  |
|--|-----------|--|
| Balance unspent at beginning of year             |           |  |
| Current year receipts                            | 300 000   |  |
| Conditions met – transferred to revenue          | (300 000) |  |
| <b>Unspent amount transferred to liabilities</b> |           |  |

(see note 8)

This grant was used to erect a mini water purification/package plant to provide water in the rural area. The conditions of the grant were met and no funds have been withheld.

20. **PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT**

|  |                   |                   |
|--|-------------------|-------------------|
| Nkangala District Municipality                       | 36 759 708        | 15 965 186        |
| Other grants   | 63 504            | 189 403           |
| <b>Total donated property, plant &amp; equipment</b> | <b>36 823 212</b> | <b>16 154 589</b> |

21. **INTEREST EARNED**

**EXTERNAL INVESTMENTS**

|                      |                   |                   |
|----------------------|-------------------|-------------------|
|                      | <b>18 856 010</b> | <b>15 467 199</b> |
| Current account      | 4 794 999         | 3 578 671         |
| External investments | 14 061 011        | 11 888 528        |

**30 June 2006**

**30 June 2005**

**R**

**R**

**OUTSTANDING DEBTORS**

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
|                              | <b>3 155 286</b>  | <b>2 593 742</b>  |
| Sundry loans                 | 15 572            | 290 203           |
| Sundry debtors               | 104 314           | 664 622           |
| Sale of erven                | 1 188 819         |                   |
| Services:                    | 891 777           | 787 297           |
| Electricity                  | 304 543           | 187 750           |
| Sewerage                     | 186 375           | 200 279           |
| Refuse Removal               | 101 911           | 168 626           |
| Water                        | 298 948           | 230 641           |
| Property rates               | 954 804           | 851 620           |
| <b>Total interest earned</b> | <b>22 011 296</b> | <b>18 060 940</b> |

In terms of Council's accounting policy interest earned on external investments are allocated to the Capital Replacement Reserve.

22. **OTHER REVENUE**

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Building plan fees          | 913 419           | 574 857           |
| Connection fees             | 3 910 850         | 3 443 610         |
| Entrance fees               | 156 313           | 173 313           |
| Internal fees               | 6 741 318         | 6 713 748         |
| Community service fees      | 720 321           | 988 712           |
| Sale of coal (coal rights)  | 16 740 611        | 13 956 383        |
| Refund skills development   | 751 513           | 541 887           |
| Festival fees               | 86 600            | 100 900           |
| Sundry income               | 1 423 653         | 1 845 215         |
| Dumping site fees           | 465 678           |                   |
| Admin fees                  | 1 386 596         |                   |
| Sale of erven               | 41 786 745        |                   |
| Main services contributions | 1 692 255         |                   |
| <b>Total</b>                | <b>76 775 873</b> | <b>28 338 624</b> |

23. **EMPLOYEE RELATED COSTS**

|                       |            |            |
|-----------------------|------------|------------|
| Salaries and wages    | 87 264 217 | 79 058 628 |
| Social contributions: | 23 399 726 | 21 235 163 |

|                                    |                    |                   |
|------------------------------------|--------------------|-------------------|
| Pension deductions                 | 14 527 408         | 13 195 199        |
| Medical aid funds                  | 4 691 816          | 4 024 730         |
| Group insurance                    | 697 337            | 595 326           |
| Housing subsidy                    | 1 554 283          | 1 690 065         |
| Unemployment Insurance Fund        | 781 843            | 685 384           |
| Workmen's compensation             | 1 147 039          | 1 044 459         |
| Less: employee cost capitalized    | (937 404)          | (1 086 190)       |
| Less: employee cost to operating   | (691 510)          | (654 450)         |
| <b>Total employee related cost</b> | <b>109 035 029</b> | <b>98 553 151</b> |

**30 June 2006**

**R**

**30 June 2005**

**R**

### Remuneration of Managers

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Municipal Manager                | 700 764          | 732 134          |
| Annual remuneration              | 700 764          | 657 994          |
| Performance bonus                |                  | 74 140           |
| Manager : Finance                | 595 649          | 638 067          |
| Annual remuneration              | 595 649          | 559 294          |
| Performance bonus                |                  | 78 773           |
| Manager : Corporate Services     | 595 649          | 622 312          |
| Annual remuneration              | 595 649          | 559 294          |
| Performance bonus                |                  | 63 018           |
| Manager : Public Services        | 595 649          | 622 312          |
| Annual remuneration              | 595 649          | 559 294          |
| Performance bonus                |                  | 63 018           |
| Manager : Technical & Facilities | 595 649          | 622 312          |
| Annual remuneration              | 595 649          | 559 294          |
| Performance bonus                |                  | 63 018           |
| <b>Total</b>                     | <b>3 083 360</b> | <b>3 237 137</b> |

During the year no performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act

Disclosure in terms of the MFMA, 2003, Section 124(1)(c).

### 24. REMUNERATION OF COUNCILLORS

|                           |           |         |
|---------------------------|-----------|---------|
| Executive Mayor           | 233 259   | 220 576 |
| Speaker                   | 186 608   | 176 461 |
| Mayoral Committee members | 1 049 670 | 992 598 |
| Chief Whip                | 72 894    |         |

|  |                  |                  |
|--|------------------|------------------|
| Councillors                            | 2 116 226        | 2 053 902        |
| Pension fund                           | 528 900          | 491 836          |
| Medical aid                            | 201 117          | 211 574          |
| Housing subsidy                        | 318 406          | 289 352          |
| Travelling allowances                  | 889 499          | 832 367          |
| Cellphone allowances                   | 379 186          | 346 753          |
| UIF                                    | 37 500           | 34 598           |
| <b>Total councillor's remuneration</b> | <b>6 013 265</b> | <b>5 650 017</b> |

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

The Executive Mayor has use of a Council owned vehicle and driver for official duties.

The Executive Mayor has a personal assistant to assist her in her duties.

Disclosure in terms of the MFMA, 2003, Section 124(1)(a)

**CERTIFICATION  
BY THE MUNICIPAL MANAGER  
ON COUNCILLORS' REMUNERATION**

I, **WILHELM DIEDERICK FOUCHÉ**, municipal manager, certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 28231, dated 14 November 2005.



**W.D. FOUCHÉ  
MUNICIPAL MANAGER**

|                          | 30 June 2006      | 30 June 2005      |
|--------------------------|-------------------|-------------------|
|                          | R                 | R                 |
| 25. <b>INTEREST PAID</b> |                   |                   |
| Local government stock   | 2 496 080         | 2 496 080         |
| Annuity loan             | 15 057 807        | 13 426 963        |
| Lease liability          | 5 440 795         | 5 117 981         |
| External loan cost       | 240 000           |                   |
| <b>Total</b>             | <b>23 234 682</b> | <b>21 041 024</b> |

26. **BULK PURCHASES**

|              |                   |                   |
|--------------|-------------------|-------------------|
| Electricity  | 60 724 524        | 55 367 310        |
| Water        | 2 822 666         | 2 389 937         |
| <b>Total</b> | <b>63 547 190</b> | <b>57 757 247</b> |

|                    |        |        |
|--------------------|--------|--------|
| Electricity losses | 13,33% | 9,36%  |
| Water losses       | 19,33% | 20,65% |

**30 June 2006**

R

**30 June 2005**

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27. **GRANT AND SUBSIDIES PAID**

|   |                |                |
|---|----------------|----------------|
| Middelburg Tourist Information          | 85 000         | 80 000         |
| Middelburg Country Club                 | 7 678          | 7 678          |
| Assessment rates: Various organisations | 138 032        | 127 509        |
| Recreation Club                         | 6 000          | 5 000          |
| Animal care : SPCA                      | 125 000        | 120 000        |
| Columbus Marathon                       | 15 000         | 15 000         |
| Welfare organisation                    | 21 000         | 2 000          |
| Arts & culture organisation             | 21 000         | 20 000         |
| Elderly organisation                    | 21 000         | 4 500          |
| Local Economic Development              | 14 961         |                |
| <b>Total</b>                            | <b>454 672</b> | <b>381 687</b> |

Disclosure in terms of the MFMA, 2003, Section 123(l)(b).

28. **CONTRIBUTIONS TO/(FROM)  
PROVISIONS & RESERVES**

|  |                  |                  |
|--|------------------|------------------|
| Staff leave                              | 2 298 055        | 2 166 200        |
| Housing Development Fund                 |                  |                  |
| Asset Financing Reserve                  |                  |                  |
| <b>Total contributions to provisions</b> | <b>2 298 055</b> | <b>2 166 200</b> |
| <b>Contributions to/(from) Reserves</b>  |                  |                  |
| Self-Insurance Reserve                   |                  |                  |

Staff leave is an accrual and the full staff leave obligation at year end has been raised as a current liability regardless how the obligation will be settled at a future date. See note 7.

29. **CORRECTION OF ERROR**

During the year ended 30 June 2005 dumping site levies were not recognised as revenue.

The comparative amount has been restated as follows:

Correction of income 488 589

During the year ended 30 June 2005, asset number Y0923 was recognised as work in progress from a MIG grant. No depreciation reserve was created.

The comparative amount has been restated as follows:

Correction of Government Grant Reserve (180 600)

**Net effect on surplus/(deficit) for the year**

**307 989**

**30 June 2006**

**30 June 2005**

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**30. CASH GENERATED BY OPERATIONS**

**Net surplus for the year 83 149 930 46 854 395**

Adjustment for:

Depreciation charges 44 193 929 38 839 573

Gain on disposal of property, plant and equipment (303 141) (217 962)

Contributions to provisions Contributions to bad debt (3 090 908) (2 803 861)

Contribution to Insurance Reserve Interest received (22 011 296) (18 060 940)

Interest paid 23 234 685 21 041 026

Non-operating income (26 611 615) 22 507 797

Non-operating expenditure 24 324 728 (6 627 238)

**Operating surplus before working capital changes 122 886 312 101 532 790**

(Increase)/decrease in inventories 23 771 440 (991 308)

(Increase)/decrease in debtors 972 361 684 740

(Increase)/decrease in other debtors 489 448 1 834 355

Increase/(decrease) in creditors 15 263 864 (2 167 593)

Increase/(decrease) in contingent liabilities

**Cash generated by operations 163 383 425 100 892 984**

**31. CASH AND CASH EQUIVALENTS**

Balance at the end of the year 62 648 232 25 714 909

Balance at the beginning of the year 65 632 955 62 648 232

**Net increase/(decrease) in cash and cash equivalents 2 984 723 36 933 323**

**32. UTILISATION OF LONG TERM LIABILITIES RECONCILIATION**

Long term liabilities (see note 4) (125 125 491) (139 560 174)

Used to finance property, plant and equipment at cost 121 901 258 137 082 631

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Sub-Total</b>  | <b>(3 224 234)</b>  | <b>(2 477 543)</b>  |
| Cash set aside for the repayment of long term liabilities (see note 11) | 10 483 305          | 46 849 425          |
| Cash set aside for the acquiring of property, plant & equipment         | 3 224 234           | 2 477 543           |
| <b>Cash invested for the repayment of long term liabilities</b>         | <b>10 483 305</b>   | <b>46 849 425</b>   |
|   | <b>30 June 2006</b> | <b>30 June 2005</b> |
|   | <b>R</b>            | <b>R</b>            |

### 33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Approved and contracted for</b>            | <b>14 965 997</b>    | <b>2 468 512</b>     |
| Land and buildings                            | 9 688 376            | 230 000              |
| Infrastructure                                | 5 277 621            | 438 512              |
| Community assets                              | Other assets         | 1 800 000            |
| Other assets                                  | Specialised vehicles | Specialised vehicles |
| Specialised vehicles                          | <b>11 662 300</b>    | <b>4 376 693</b>     |
| <b>Approved but not yet contracted for</b>    | <b>11 662 300</b>    | <b>4 376 693</b>     |
| Land and buildings                            | 50 000               | 314 650              |
| Infrastructure                                | 7 073 392            | 725 243              |
| Community assets                              | 2 737 408            | 3 305 000            |
| Other assets                                  | 1 801 500            | 31 800               |
| Specialised vehicles                          | Total                | Total                |
| <b>Total</b>                                  | <b>26 628 297</b>    | <b>6 845 205</b>     |
| <b>This expenditure will be financed from</b> |                      |                      |
| External loans                                | 8 665 741            | 2 629 893            |
| Capital replacement reserve                   | 14 550 413           | 4 215 312            |
| Government grants                             | 3 412 143            | Total                |
| <b>Total</b>                                  | <b>26 628 297</b>    | <b>6 845 205</b>     |

### 34. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Section 125(1)(b)

- **Contribution to SALGA**

|   |           |           |
|---|-----------|-----------|
| Opening balance                               |           |           |
| Council membership fees payable               | 458 943   | 503 227   |
| Amount paid current year                      | (458 943) | (503 227) |
| Amount paid previous                          |           |           |
| <b>Balance unpaid (included in creditors)</b> |           |           |

**MFMA 125(1)(b) to (c)**

**30 June 2006**

**30 June 2005**

R

R

▪ **Audit Fees**

|   |           |           |
|---|-----------|-----------|
| Opening balance                               |           |           |
| Council membership fees payable               | 541 216   | 308 227   |
| Amount paid current year                      | (541 216) | (308 227) |
| Amount paid previous                          |           |           |
| <b>Balance unpaid (included in creditors)</b> |           |           |

▪ **VAT**

**Output Tax**

|                 |             |             |
|-----------------|-------------|-------------|
| Opening balance | (2 694 535) | (2 495 731) |
| Closing balance | (2 397 347) | (2 694 535) |

**Input Tax**

|   |              |              |
|---|--------------|--------------|
| Opening balance                           |              | 826 949      |
| Amount received from SARS                 |              | (826 949)    |
| Amount payable to SARS                    | 13 279 178   | 11 818 906   |
| Amount paid current year                  | (13 279 178) | (11 818 906) |
| Amount refundable                         |              |              |
| <b>Balance outstanding (to)/from SARS</b> |              |              |

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. VAT input receivables and VAT output receivable are shown in notes 14 and 7 respectively. All VAT returns have been submitted by the due date throughout the year.

▪ **Pay as You Earn (PAYE)**

|                            |              |              |
|----------------------------|--------------|--------------|
| Opening balance            |              |              |
| Current payroll deductions | 12 058 146   | 11 687 267   |
| Amount paid current year   | (12 058 146) | (11 687 267) |
| <b>Balance unpaid</b>      |              |              |

▪ **Unemployment Insurance Fund (UIF)**

|                            |             |             |
|----------------------------|-------------|-------------|
| Opening balance            |             |             |
| Current payroll deductions | 1 646 041   | 1 453 673   |
| Amount paid current year   | (1 646 041) | (1 453 673) |
| <b>Balance unpaid</b>      |             |             |

**30 June 2006**

R

**30 June 2005**

R

▪ **Medical Aid**

|                            |             |             |
|----------------------------|-------------|-------------|
| Opening balance            |             |             |
| Current payroll deductions | 8 252 065   | 6 741 720   |
| Amount paid current year   | (8 252 065) | (6 741 720) |
| <b>Balance unpaid</b>      |             |             |

▪ **Pension Fund**

|                            |              |              |
|----------------------------|--------------|--------------|
| Opening balance            |              |              |
| Current payroll deductions | 20 167 306   | 19 428 199   |
| Amount paid current year   | (20 167 306) | (19 428 199) |
| <b>Balance unpaid</b>      |              |              |

▪ **Disclosure concerning councillors**

Section 124(1)(b)

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June 2006:

|  | <b>Total<br/>30 June<br/>2006</b> | <b>Outstanding<br/>less than<br/>90 days</b> | <b>Outstanding<br/>more than<br/>90 days</b> | <b>30 June<br/>2005</b> |
|--|-----------------------------------|--|--|-------------------------|
| Councillor Nkamba TG<br>Account 86-5739-7-X    | 507                               | 275  | 232  |                         |
| Councillor Jooma MS<br>Account 90-1128-9-X     |                                   |  |  | 804                     |
| Councillor Mahlangu ITM Account<br>80-0227-0-X | 296                               | 259  | 37   | 796                     |
| <b>Total</b>                                   | <b>802</b>                        | <b>533</b>                                   | <b>269</b>                                   | <b>1 600</b>            |

During the year the following councillors had arrear accounts outstanding for more than 90 days:

**Highest  
amount  
outstanding**

**Ageing**

**During  
2005**

Councillor Jooma MS  
Account 90-1128-9-X

---

1 018

150 days

In terms of this section, any arrears by individual councillors to the municipality for rates and services, which at any time during the relevant financial year was outstanding for more than 90 days, including the names of those councillors must be disclosed.

### Section 64(3)

#### ▪ Outstanding consumer accounts

Government institutions

|                                    | Arrear           | Current        | Outstanding<br>30 June<br>2006 | Arrear         | Current        | Outstanding<br>30 June<br>2005 |
|------------------------------------|------------------|----------------|--------------------------------|----------------|----------------|--------------------------------|
| Other government institutions      | 90 930           | 108 330        | 199 260                        | 109 412        | 147 694        | 257 106                        |
| Department of Public Works (Other) | 233 248          | 215 270        | 448 518                        | 94 653         | 72 768         | 167 421                        |
| Department of Education & Schools  | 1 381 606        | 223 458        | 1 605 065                      | 810 115        | 203 189        | 1 013 304                      |
| Department of Public Works (Roads) | 92 665           | 45 679         | 138 344                        | 299 076        | (144 190)      | 154 886                        |
| <b>Total</b>                       | <b>1 798 450</b> | <b>592 738</b> | <b>2 391 188</b>               | <b>279 461</b> | <b>279 461</b> | <b>1 592 717</b>               |

In terms of the section, National Treasury was informed of the arrear accounts of schools for periods of more than 30 days.

|                                | 30 June 2006      | 30 June 2005      |
|--------------------------------|-------------------|-------------------|
|                                | R                 | R                 |
| <b>35. INVESTMENT PROPERTY</b> |                   |                   |
| Property at cost               | 42 697 965        | 42 697 965        |
| Additions                      | 2 446 497         |                   |
| <b>Total</b>                   | <b>45 144 462</b> | <b>42 697 965</b> |

See note 36 for changes in accounting policy.

#### **36. CHANGE IN ACCOUNTING POLICY IMPLEMENTATION OF GAMAP INVENTORY**

|  |                   |
|--|-------------------|
| Balance previously reported  | 3 915 647         |
| Implementation of GAMAP<br>Transferred to accumulated<br>surplus/(deficit) |                   |
| ▪ Unsold properties  | 60 020 865        |
| <b>Total</b>   | <b>63 936 512</b> |

#### **INVESTMENT PROPERTY**

|  |                   |
|--|-------------------|
| Balance previously reported  |                   |
| Implementation of GAMAP<br>Transferred to accumulated<br>surplus/(deficit) |                   |
| ▪ Investment property at cost  | 42 697 965        |
| <b>Total</b>   | <b>42 697 965</b> |

**30 June 2006**

R

**30 June 2005**

R

**SUNDRY DEBTORS**

Balance previously reported

Implementation of GAMAP  
Transferred to accumulated  
surplus/(deficit)

- Contribution to bad debt for  
sundry debtors

2 005 710

**Total****2 005 710****PROPERTY, PLANT AND  
EQUIPMENT**

Balance previously reported

Implementation of GAMAP  
Transferred to reserves

- Infrastructural assets previously  
not recorded

441 069 813

(20 044 808)

**Total****421 025 005****FUNDS AND RESERVES**

Balance previously reported

Implementation of GAMAP  
Transferred to property, plant and  
equipment

- Housing Development Fund
- Capital Replacement Reserve
- Capitalisation Reserve

324 350 946

2 015 433

(41 656 185)

19 595 944

**Total****304 306 138****ACCUMULATED SURPLUS**

Balance previously reported

- Adjustment to inventory
- Creation of investment property
- Additional provision bad debt :  
sundry debtors
- Adjustment to dumping site levies

77 564 830

60 020 865

42 697 965

(2 005 710)

307 989

**Total****178 585 939**

**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2006

| <i>External Loans</i>               | Loan No.     | Redeemable | Balance at 30 June 2005 | Interest paid during the period | Received during the period | Redeemed or written off during the period | Balance at 30 June 2006 | Carrying value of Property, Plant & Equipment | Other costs in accordance with the MFMA |
|-------------------------------------|--------------|------------|-------------------------|---------------------------------|----------------------------|---|-------------------------|---|---|
|                                     |              |            | R                       | R                               | R                          | R   | R                       | R   | R                                       |
| <b>LOCAL GOVERNMENT STOCK</b>       |              |            |                         |                                 |                            |   |                         |   |   |
| INCA @ 16,40%                       | MIDD-00-0001 | 30-06-2006 | 15 220 000              | 2 496 080                       |                            | 15 220 000                                |                         | 9 216 085                                     |   |
| <b>Total Local Government Stock</b> |              |            | <b>15 220 000</b>       | <b>2 496 080</b>                |                            | <b>15 220 000</b>                         |                         | <b>9 216 085</b>                              |   |
| <b>ANNUITY LOANS</b>                |              |            |                         |                                 |                            |   |                         |   |   |
| DBSA @ 13,41%                       | LALF 15309   | 31-12-2009 | 3 093 686               | 398 084                         |                            | 540 395                                   | 2 553 291               | 568 567                                       |   |
| DBSA @ 11,25%                       | LALF 11902   | 30-06-2009 | 114 892                 | 12 288                          |                            | 24 190                                    | 90 702                  | 297 959                                       |   |
| DBSA @ 10,05%                       | LALF 11903   | 30-06-2007 | 47 851                  | 4 267                           |                            | 22 755                                    | 25 096                  | 143 085                                       |   |
| INCA @ 12,80%                       | MIDD-00-0003 | 31-12-2012 | 25 882 267              | 3 245 253                       |                            | 2 227 345                                 | 23 654 922              | 18 819 131                                    |   |
| INCA @ 12,35%                       | MIDD-00-0002 | 30-09-2006 | 1 359 109               | 108 873                         |                            | 1 070 349                                 | 288 760                 |   |   |
| ABSA @ 14,40%                       | 40-5934-1607 | 24-11-2011 | 43 711 593              | 6 145 606                       |                            | 4 485 550                                 | 39 226 043              | 40 134 597                                    |   |
| INCA @ 12,50%                       | MIDD-00-0004 | 30-06-2019 | 29 130 775              | 3 616 887                       |                            | 843 595                                   | 28 287 180              | 28 113 754                                    |   |
| SCMB @ 9,62%                        | 87016-348242 | 01-09-2015 |                         | 1 526 549                       | 32 000 000                 | 1 000 502                                 | 30 999 498              | 31 546 293                                    | 240 000                                 |
| <b>Total Annuity Loans</b>          |              |            | <b>103 340 173</b>      | <b>15 057 807</b>               | <b>32 000 000</b>          | <b>10 214 681</b>                         | <b>125 125 492</b>      | <b>119 623 386</b>                            | <b>240 000</b>                          |
| <b>LEASE LIABILITY</b>              |              |            |                         |                                 |                            |   |                         |   |   |
| SCMB @ 15,95%                       | 9705384      | 07-05-2006 | 21 000 000              | 5 440 795                       |                            |   |                         | 11 034 325                                    |   |
| <b>Total External Loans</b>         |              |            | <b>139 560 173</b>      | <b>22 994 682</b>               | <b>32 000 000</b>          | <b>46 434 681</b>                         | <b>125 125 492</b>      | <b>139 873 796</b>                            | <b>240 000</b>                          |

**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
for the year ended 30 June 2006

|  | HISTORICAL COST    |                      |                    |                  |                    | ACCUMULATED DEPRECIATION |                      |                  |                    | Carrying Value     | Budget Additions 2006 |
|--|--------------------|----------------------|--------------------|------------------|--------------------|--------------------------|----------------------|------------------|--------------------|--------------------|-----------------------|
|  | Opening Balance    | Additions/ Transfers | Under Construction | Disposals        | Closing Balance    | Opening Balance          | Additions/ Transfers | Disposals        | Closing Balance    |                    |                       |
|  | R                  | R                    | R                  | R                | R                  | R                        | R                    | R                | R                  |                    |                       |
| <b>INFRASTRUCTURE</b>                  | <b>529 333 715</b> | <b>60 524 795</b>    | <b>13 083 627</b>  | <b>121 884</b>   | <b>602 820 253</b> | <b>216 971 768</b>       | <b>29 195 223</b>    | <b>91 607</b>    | <b>246 075 384</b> | <b>356 744 868</b> | <b>78 793 262</b>     |
| Roads, pavements, bridges & stormwater | 208 794 975        | 24 433 532           | 4 087 659          | 50 631           | 237 265 535        | 99 064 714               | 12 163 669           | 41 835           | 111 186 548        | 126 078 987        | 30 607 640            |
| Water reservoirs & reticulation        | 109 398 489        | 7 550 543            | 448 932            |                  | 117 397 964        | 50 721 080               | 5 512 619            |                  | 56 233 699         | 61 164 265         | 7 417 879             |
| Car parks, bus terminals & taxi ranks  | 2 057 745          | 1 770 272            | 2 910              |                  | 3 830 927          | 869 789                  | 667 780              |                  | 1 537 569          | 2 293 358          | 340 000               |
| Electricity reticulation               | 127 782 603        | 5 870 697            | 4 682 118          |                  | 138 335 418        | 37 712 129               | 6 183 193            |                  | 43 895 323         | 94 440 096         | 17 085 112            |
| Sewerage purification & reticulation   | 54 388 168         | 12 485 865           | 1 019 117          |                  | 67 893 150         | 20 469 445               | 2 698 201            |                  | 23 167 646         | 44 725 504         | 9 226 128             |
| Housing                                | 9 423 638          | (3 186 971)          |                    | 1 820            | 6 234 847          | 4 098 535                | (1 634 124)          | 1 819            | 2 462 592          | 3 772 255          |                       |
| Street lighting                        | 11 506 948         | 8 249 474            |                    | 24 493           | 19 731 929         | 2 341 483                | 502 035              | 12 002           | 2 831 516          | 16 900 413         | 8 213 868             |
| Refuse sites                           | 1 449 716          |                      | 1 932 932          |                  | 3 382 648          | 355 908                  | 48 061               |                  | 403 969            | 2 978 679          | 2 899 700             |
| Other (town planning & development)    | 4 531 433          | 3 351 383            | 909 959            | 44 940           | 8 747 835          | 1 338 684                | 3 053 790            | 35 951           | 4 356 523          | 4 391 312          | 3 002 935             |
| <b>COMMUNITY ASSETS</b>                | <b>30 237 322</b>  | <b>(178 918)</b>     | <b>564 757</b>     | <b>14 709</b>    | <b>30 608 452</b>  | <b>8 901 424</b>         | <b>345 866</b>       | <b>14 698</b>    | <b>9 232 593</b>   | <b>21 375 859</b>  | <b>9 518 250</b>      |
| Establishment of parks & gardens       | 7 817 876          | (1 209 341)          | 49 513             |                  | 6 658 048          | 2 480 378                | (585 763)            |                  | 1 894 615          | 4 763 433          | 733 600               |
| Sports fields                          | 2 976 201          | 4 199 129            |                    | 10 744           | 7 164 586          | 1 126 908                | 1 510 662            | 10 735           | 2 626 835          | 4 537 751          | 1 200 000             |
| Community halls                        | 2 203 367          | 120 724              | 515 244            |                  | 2 839 335          | 519 469                  | 171 226              |                  | 690 695            | 2 148 640          | 6 305 000             |
| Libraries                              | 3 972 296          | (83 455)             |                    |                  | 3 888 841          | 1 562 131                | 129 194              |                  | 1 691 325          | 2 197 516          |                       |
| Recreational facilities                | 3 820 777          | (3 057 964)          |                    | 3 965            | 758 848            | 1 603 821                | (989 656)            | 3 963            | 610 202            | 148 646            | 145 000               |
| Clinics                                | 3 911 843          | (343 867)            |                    |                  | 3 567 976          | 463 568                  | 65 443               |                  | 529 011            | 3 038 965          |                       |
| Museums & art galleries                | 422 206            | (304 531)            |                    |                  | 117 675            | 168 922                  | (101 891)            |                  | 67 032             | 50 643             |                       |
| Other (fire services & cemeteries)     | 5 112 756          | 500 387              |                    |                  | 5 613 143          | 976 227                  | 146 651              |                  | 1 122 878          | 4 490 265          | 1 134 650             |
| <b>OTHER ASSETS</b>                    | <b>148 172 904</b> | <b>16 745 819</b>    |                    | <b>5 647 310</b> | <b>159 271 413</b> | <b>69 896 060</b>        | <b>13 740 899</b>    | <b>3 274 302</b> | <b>80 362 657</b>  | <b>78 908 756</b>  | <b>16 880 736</b>     |
| Other motor vehicles                   | 21 294 099         | 4 388 323            |                    | 626 247          | 25 056 175         | 12 123 402               | 3 508 427            | 616 552          | 15 015 277         | 10 040 898         | 2 958 000             |
| Plant & equipment                      | 41 002 946         | 1 350 505            |                    | 1 032 465        | 41 320 986         | 24 194 313               | 2 959 198            | 877 585          | 26 275 925         | 15 045 061         | 6 142 781             |
| Office equipment                       | 4 465 372          | 1 121 280            |                    | 150 978          | 5 435 674          | 3 982 094                | 377 821              | 147 630          | 4 212 285          | 1 223 389          | 1 696 645             |
| Abattoirs                              |                    | 72 233               |                    |                  | 72 233             |                          | 54 323               |                  | 54 323             | 17 910             |                       |
| Security measures (including fencing)  | 4 811 165          | 1 649 854            |                    | 18               | 6 461 001          | 3 244 088                | 1 166 368            | 16               | 4 410 440          | 2 050 561          | 957 700               |
| Civic land & buildings                 | 43 522 691         | (4 588 414)          |                    | 58 290           | 38 875 987         | 9 871 375                | 511 164              | 47 180           | 10 335 359         | 28 540 628         | 1 318 000             |
| Other land & buildings                 | 15 048 705         | 8 676 902            |                    | 2 450 772        | 21 274 836         | 3 591 320                | 2 911 373            | 257 111          | 6 245 582          | 15 029 253         | 659 519               |
| Other (including IT)                   | 18 027 926         | 4 075 136            |                    | 1 328 541        | 20 774 521         | 12 889 469               | 2 252 224            | 1 328 228        | 13 813 464         | 6 961 057          | 3 148 091             |
| <b>SPECIALISED VEHICLES</b>            | <b>14 110 732</b>  | <b>1 999 601</b>     |                    |                  | <b>16 110 333</b>  | <b>5 060 415</b>         | <b>911 942</b>       |                  | <b>5 972 357</b>   | <b>10 137 976</b>  | <b>1 750 000</b>      |
| Refuse                                 | 8 505 730          | 621 554              |                    |                  | 9 127 284          | 3 392 055                | 741 189              |                  | 4 133 245          | 4 994 039          |                       |
| Fire                                   | 5 605 002          | 1 378 047            |                    |                  | 6 983 049          | 1 668 360                | 170 752              |                  | 1 839 112          | 5 143 937          | 1 750 000             |
| <b>TOTAL</b>                           | <b>721 854 673</b> | <b>79 091 297</b>    | <b>13 648 384</b>  | <b>5 783 903</b> | <b>808 810 450</b> | <b>300 829 668</b>       | <b>44 193 930</b>    | <b>3 380 607</b> | <b>341 642 991</b> | <b>467 167 460</b> | <b>106 942 248</b>    |

**APPENDIX C**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**  
for the year ended 30 June 2006

|  | HISTORICAL COST    |                     |                    |                  |                    | ACCUMULATED DEPRECIATION |                     |                  |                    | Carrying Value     | Budget Additions 2005 |
|--|--------------------|---------------------|--------------------|------------------|--------------------|--------------------------|---------------------|------------------|--------------------|--------------------|-----------------------|
|  | Opening Balance    | Additions/Transfers | Under Construction | Disposals        | Closing Balance    | Opening Balance          | Additions/Transfers | Disposals        | Closing Balance    |                    |                       |
|  | R                  | R                   |                    | R                | R                  | R                        | R                   | R                | R                  |                    |                       |
| <b>EXECUTIVE COUNCIL</b>               | <b>1 431 127</b>   | <b>2 487 722</b>    |                    | <b>20 321</b>    | <b>3 898 529</b>   | <b>857 164</b>           | <b>1 332 430</b>    | <b>20 293</b>    | <b>2 169 301</b>   | <b>1 729 228</b>   | <b>1 067 855</b>      |
| Executive Council                      | 1 431 127          | 2 487 722           |                    | 20 321           | 3 898 529          | 857 164                  | 1 332 430           | 20 293           | 2 169 301          | 1 729 228          | 1 067 855             |
| <b>FINANCE &amp; ADMINISTRATION</b>    | <b>70 905 965</b>  | <b>7 173 897</b>    |                    | <b>3 432 419</b> | <b>74 647 444</b>  | <b>30 130 252</b>        | <b>4 020 279</b>    | <b>1 843 606</b> | <b>32 306 925</b>  | <b>42 340 519</b>  | <b>8 514 486</b>      |
| Finance                                | 3 595 098          | 4 678 793           |                    | 911 370          | 7 362 522          | 2 893 950                | 3 486 554           | 910 992          | 5 469 512          | 1 893 010          | 1 51 060              |
| Information technology                 | 6 555 757          | (1 411 643)         |                    | 8 146            | 5 135 967          | 4 811 771                | (2 138 575)         | 8 141            | 2 665 055          | 2 470 912          | 1 767 945             |
| Human resources                        | 220 854            | 54 178              |                    | 20 446           | 254 586            | 210 999                  | 8 636               | 20 269           | 199 367            | 55 220             | 149 460               |
| Property services                      | 50 040 689         | 4 208 520           |                    | 2 131 278        | 52 117 931         | 15 182 271               | 2 355 267           | 543 261          | 16 994 277         | 35 123 654         | 4 599 116             |
| Other & admin                          | 10 493 566         | (355 950)           |                    | 361 178          | 9 776 438          | 7 031 260                | 308 397             | 360 943          | 6 978 714          | 2 797 724          | 846 905               |
| <b>PLANNING &amp; DEVELOPMENT</b>      | <b>6 120 058</b>   | <b>(422 291)</b>    | <b>865 200</b>     | <b>705 370</b>   | <b>5 857 598</b>   | <b>1 606 344</b>         | <b>835 522</b>      | <b>89 324</b>    | <b>2 352 542</b>   | <b>3 505 056</b>   | <b>3 068 850</b>      |
| Planning & development                 | 6 120 058          | (422 291)           | 865 200            | 705 370          | 5 857 598          | 1 606 344                | 835 522             | 89 324           | 2 352 542          | 3 505 056          | 3 068 850             |
| <b>ROAD TRANSPORT</b>                  | <b>211 526 139</b> | <b>27 276 987</b>   | <b>3 909 961</b>   | <b>86 943</b>    | <b>242 626 145</b> | <b>103 271 283</b>       | <b>14 169 278</b>   | <b>78 061</b>    | <b>117 362 500</b> | <b>125 263 644</b> | <b>29 977 430</b>     |
| Vehicle licensing & testing            | 1 880 144          | 89 837              |                    | 75 901           | 1 894 081          | 1 013 128                | 195 248             | 67 026           | 1 141 351          | 752 730            | 48 640                |
| Roads & stormwater                     | 208 041 928        | 27 157 288          | 3 907 051          | 11 042           | 239 095 225        | 101 603 471              | 13 887 082          | 11 035           | 115 479 519        | 123 615 706        | 29 648 790            |
| Roads other                            | 1 604 067          | 29 862              | 2 910              |                  | 1 636 839          | 654 683                  | 86 947              |                  | 741 631            | 895 208            | 280 000               |
| <b>HEALTH</b>                          | <b>7 052 051</b>   | <b>358 850</b>      |                    | <b>19 767</b>    | <b>7 391 134</b>   | <b>2 323 733</b>         | <b>472 356</b>      | <b>19 725</b>    | <b>2 776 364</b>   | <b>4 614 770</b>   | <b>375 856</b>        |
| Clinics                                | 6 009 301          | 306 618             |                    | 10 860           | 6 305 058          | 1 950 049                | 343 996             | 10 827           | 2 283 217          | 4 021 841          | 264 756               |
| Health other                           | 1 042 750          | 52 232              |                    | 8 907            | 1 086 075          | 373 684                  | 128 360             | 8 898            | 493 146            | 592 929            | 111 100               |
| <b>COMMUNITY &amp; SOCIAL SERVICES</b> | <b>14 738 421</b>  | <b>879 341</b>      | <b>560 003</b>     | <b>38 653</b>    | <b>16 139 112</b>  | <b>4 382 823</b>         | <b>789 752</b>      | <b>35 993</b>    | <b>5 136 582</b>   | <b>11 002 531</b>  | <b>7 697 500</b>      |
| Libraries & archives                   | 5 415 050          | 234 735             |                    | 26 736           | 5 623 050          | 2 674 625                | 236 037             | 24 287           | 2 886 375          | 2 736 675          | 222 950               |
| Community halls & facilities           | 3 010 944          | 111 746             | 515 244            | 11 917           | 3 626 017          | 823 814                  | 164 033             | 11 706           | 976 140            | 2 649 877          | 6 404 550             |
| Cemeteries & crematoriums              | 6 312 427          | 532 860             | 44 759             |                  | 6 890 046          | 884 385                  | 389 682             |                  | 1 274 067          | 5 615 979          | 1 070 000             |
| <b>PUBLIC SAFETY</b>                   | <b>18 881 415</b>  | <b>4 112 593</b>    | <b>180 608</b>     | <b>375 525</b>   | <b>22 799 091</b>  | <b>8 387 532</b>         | <b>1 388 712</b>    | <b>339 390</b>   | <b>9 436 854</b>   | <b>13 362 237</b>  | <b>4 327 544</b>      |
| Fire                                   | 11 905 548         | 2 967 288           |                    | 128 777          | 14 744 060         | 4 081 559                | 671 514             | 92 669           | 4 660 403          | 10 083 657         | 2 840 834             |
| Traffic                                | 6 975 866          | 1 145 305           | 180 068            | 246 748          | 8 055 031          | 4 305 973                | 717 198             | 246 721          | 4 776 451          | 3 278 580          | 1 486 710             |
| <b>SPORT &amp; RECREATION</b>          | <b>38 671 840</b>  | <b>2 051 434</b>    | <b>49 513</b>      | <b>647 807</b>   | <b>40 124 979</b>  | <b>16 697 418</b>        | <b>2 483 186</b>    | <b>528 136</b>   | <b>18 652 469</b>  | <b>21 472 511</b>  | <b>3 306 250</b>      |
| Sport & recreation                     | 38 671 840         | 2 051 434           | 49 513             | 647 807          | 40 124 979         | 16 697 418               | 2 483 186           | 528 136          | 18 652 469         | 21 472 511         | 3 306 250             |
| <b>WASTE WATER MANAGEMENT</b>          | <b>61 454 049</b>  | <b>10 991 884</b>   | <b>280 307</b>     | <b>74</b>        | <b>72 726 166</b>  | <b>22 154 589</b>        | <b>2 852 034</b>    | <b>63</b>        | <b>25 006 560</b>  | <b>47 719 606</b>  | <b>10 411 248</b>     |
| Sewerage                               | 61 325 400         | 10 991 884          | 280 307            | 74               | 72 597 517         | 22 115 292               | 2 847 746           | 63               | 24 962 975         | 47 634 542         | 10 411 248            |
| Public toilets                         | 128 649            |                     |                    |                  | 128 649            | 39 297                   | 4 288               |                  |                    |                    |                       |
| <b>WASTE MANAGEMENT</b>                | <b>15 448 859</b>  | <b>126 130</b>      | <b>1 932 932</b>   | <b>1 005</b>     | <b>17 506 916</b>  | <b>6 255 505</b>         | <b>858 513</b>      | <b>1 001</b>     | <b>7 113 017</b>   | <b>10 393 899</b>  | <b>2 969 700</b>      |
| Solid waste                            | 15 448 859         | 126 130             | 1 932 932          | 1 005            | 17 506 916         | 6 255 505                | 858 513             | 1 001            | 7 113 017          | 10 393 899         | 2 969 700             |
| <b>HOUSING</b>                         | <b>10 117 720</b>  | <b>22 336</b>       |                    | <b>123 917</b>   | <b>10 016 138</b>  | <b>5 170 771</b>         | <b>267 354</b>      | <b>123 910</b>   | <b>5 314 215</b>   | <b>4 701 923</b>   | <b>145 110</b>        |
| Housing                                | 10 117 720         | 22 336              |                    | 123 917          | 10 016 138         | 5 170 771                | 267 354             | 123 910          | 5 314 215          | 4 701 923          | 145 110               |
| <b>WATER</b>                           | <b>114 320 559</b> | <b>8 198 400</b>    | <b>1 187 742</b>   | <b>30 002</b>    | <b>123 676 699</b> | <b>52 643 515</b>        | <b>6 100 184</b>    | <b>26 984</b>    | <b>58 716 714</b>  | <b>64 959 985</b>  | <b>7 973 009</b>      |
| Water distribution                     | 83 874 830         | 6 707 491           | 448 932            |                  | 91 031 253         | 33 423 690               | 4 684 505           |                  | 38 108 195         | 52 923 058         | 6 524 329             |
| Water storage                          | 30 445 729         | 1 490 909           | 738 810            | 30 002           | 32 645 446         | 19 219 825               | 1 415 679           | 26 984           | 20 608 520         | 12 036 926         | 1 448 680             |
| <b>ELECTRICITY</b>                     | <b>151 186 470</b> | <b>15 834 013</b>   | <b>4 682 118</b>   | <b>302 101</b>   | <b>171 400 499</b> | <b>46 948 739</b>        | <b>8 624 329</b>    | <b>274 121</b>   | <b>55 298 947</b>  | <b>116 101 553</b> | <b>27 107 410</b>     |
| Electricity distribution               | 142 225 383        | 7 723 864           | 4 573 347          | 302 101          | 154 220 492        | 45 385 863               | 8 241 371           | 274 121          | 53 353 114         | 100 867 379        | 18 893 542            |
| Street lighting                        | 8 961 087          | 8 110 149           | 108 771            |                  | 17 180 007         | 1 562 876                | 382 957             |                  | 1 945 833          | 15 234 174         | 8 213 868             |
| <b>TOTAL</b>                           | <b>721 854 673</b> | <b>79 091 297</b>   | <b>13 648 384</b>  | <b>5 783 903</b> | <b>808 810 450</b> | <b>300 829 668</b>       | <b>44 193 930</b>   | <b>3 380 607</b> | <b>341 642 991</b> | <b>467 167 460</b> | <b>106 942 248</b>    |

**APPENDIX D**  
**DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2006

| 2005<br>Actual<br>Income | 2005<br>Actual<br>Expenditure | 2005<br>Surplus/<br>(Deficit) |                                   | 2006<br>Actual<br>Income | 2006<br>Actual<br>Expenditure | 2006<br>Actual<br>Surplus/<br>(Deficit) |
|--------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------|-------------------------------|---|
| R                        | R                             | R                             |                                   | R                        | R                             | R                                       |
| <b>10 666 468</b>        | <b>16 972 919</b>             | <b>(6 306 451)</b>            | <b>Executive &amp; Council</b>    | <b>16 275 651</b>        | <b>22 785 943</b>             | <b>(6 510 293)</b>                      |
| 10 666 468               | 16 792 919                    | (6 306 451)                   | Executive & Council               | 16 275 651               | 22 785 943                    | (6 510 293)                             |
| <b>153 410 922</b>       | <b>64 329 356</b>             | <b>89 081 566</b>             | <b>Finance &amp; Admin</b>        | <b>204 837 642</b>       | <b>90 487 581</b>             | <b>114 350 061</b>                      |
| 124 285 703              | 26 525 535                    | 97 760 168                    | Finance                           | 138 260 839              | 28 626 939                    | 109 633 900                             |
| 3 212 282                | 3 231 385                     | (19 103)                      | Human Resources                   | 3 490 759                | 3 502 877                     | (12 117)                                |
| 2 740 526                | 3 920 507                     | (1 179 981)                   | Information Technology            | 1 661 236                | 2 953 426                     | (1 292 190)                             |
| 5 925 741                | 8 032 680                     | (2 106 939)                   | Property Services                 | 48 576 524               | 35 345 604                    | 13 230 920                              |
| 17 246 669               | 22 619 249                    | (5 372 580)                   | Other Admin                       | 12 848 284               | 20 058 736                    | (7 210 451)                             |
| <b>2 175 818</b>         | <b>4 288 063</b>              | <b>(2 112 245)</b>            | <b>Planning &amp; Development</b> | <b>1 779 053</b>         | <b>5 337 973</b>              | <b>(3 558 920)</b>                      |
| 2 175 818                | 4 288 063                     | (2 112 245)                   | Planning & Development            | 1 779 053                | 5 337 973                     | (3 558 920)                             |
| <b>4 913 406</b>         | <b>9 983 140</b>              | <b>(5 069 734)</b>            | <b>Health</b>                     | <b>4 351 377</b>         | <b>11 256 360</b>             | <b>(6 904 983)</b>                      |
| 4 699 942                | 8 361 341                     | (3 661 399)                   | Clinics                           | 4 350 245                | 9 409 671                     | (5 059 426)                             |
| 213 464                  | 1 621 799                     | (1 408 335)                   | Health Other                      | 1 132                    | 1 846 688                     | (1 845 557)                             |
| <b>3 349 788</b>         | <b>6 113 075</b>              | <b>(2 763 288)</b>            | <b>Community Services</b>         | <b>478 692</b>           | <b>6 549 713</b>              | <b>(6 071 021)</b>                      |
| 223 242                  | 3 061 272                     | (2 838 030)                   | Libraries                         | 80 189                   | 2 963 325                     | (2 883 137)                             |
| 53 414                   | 803 441                       | (750 027)                     | Community Halls & Facilities      | 62 170                   | 851 094                       | (788 924)                               |
| 3 073 132                | 2 248 362                     | 824 770                       | Cemeteries                        | 336 333                  | 2 735 293                     | (2 398 960)                             |
| <b>523 913</b>           | <b>3 324 058</b>              | <b>(2 800 145)</b>            | <b>Housing</b>                    | <b>754 172</b>           | <b>3 819 129</b>              | <b>(3 064 956)</b>                      |
| 523 913                  | 3 324 058                     | (2 800 145)                   | Housing                           | 754 172                  | 3 819 129                     | (3 064 956)                             |
| <b>2 639 470</b>         | <b>7 760 165</b>              | <b>(5 120 695)</b>            | <b>Public Safety</b>              | <b>4 526 183</b>         | <b>20 252 029</b>             | <b>(15 725 846)</b>                     |
| 2 639 470                | 7 760 165                     | (5 120 695)                   | Fire Services                     | 1 004 627                | 8 318 357                     | (7 313 730)                             |
|                          |                               |                               | Other                             | 3 521 556                | 11 933 672                    | (8 412 116)                             |

**APPENDIX D**  
**DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2006

| 2005<br>Actual<br>Income | 2005<br>Actual<br>Expenditure | 2005<br>Surplus/<br>(Deficit) |                                  | 2006<br>Actual<br>Income | 2006<br>Actual<br>Expenditure | 2006<br>Actual<br>Surplus/<br>(Deficit) |
|--------------------------|-------------------------------|-------------------------------|----------------------------------|--------------------------|-------------------------------|---|
| R                        | R                             | R                             |                                  | R                        | R                             | R                                       |
| <b>4 496 879</b>         | <b>25 177 263</b>             | <b>(20 680 384)</b>           | <b>Parks &amp; Recreation</b>    | <b>5 185 959</b>         | <b>28 039 816</b>             | <b>(22 853 857)</b>                     |
| 4 496 879                | 25 177 263                    | (20 680 384)                  | Parks & Recreation               | 5 185 959                | 28 039 816                    | (22 853 857)                            |
| <b>41 185 720</b>        | <b>36 045 295</b>             | <b>5 140 425</b>              | <b>Waste Management</b>          | <b>52 083 849</b>        | <b>41 043 097</b>             | <b>11 040 752</b>                       |
| 20 699 709               | 15 956 862                    | 4 742 847                     | Sewerage                         | 29 557 650               | 18 310 731                    | 11 246 919                              |
|                          | 690 193                       | (690 193)                     | Public Toilets                   |                          | 795 016                       | (795 016)                               |
| 20 486 011               | 19 398 239                    | 1 087 772                     | Refuse Removal                   | 22 526 198               | 21 937 350                    | 588 848                                 |
| <b>18 733 447</b>        | <b>46 167 598</b>             | <b>(27 434 151)</b>           | <b>Roads Transport</b>           | <b>28 394 971</b>        | <b>39 575 189</b>             | <b>(11 180 218)</b>                     |
| 8 817 503                | 30 109 585                    | (21 292 082)                  | Roads                            | 21 172 019               | 33 682 615                    | (12 510 596)                            |
| 9 879 337                | 15 315 095                    | (5 435 758)                   | Vehicle Licenses & Traffic       | 7 186 346                | 5 125 229                     | 2 061 117                               |
| 36 606                   | 742 918                       | (706 312)                     | Transport Other                  | 36 606                   | 767 345                       | (730 739)                               |
| <b>30 106 625</b>        | <b>22 895 407</b>             | <b>7 211 218</b>              | <b>Water</b>                     | <b>34 920 399</b>        | <b>26 334 191</b>             | <b>8 586 208</b>                        |
| 29 923 640               | 13 853 741                    | 16 069 899                    | Water Distribution               | 34 620 399               | 16 162 008                    | 18 458 391                              |
| 182 985                  | 9 041 666                     | (8 858 681)                   | Water Purification               | 300 000                  | 10 172 183                    | (9 872 183)                             |
| <b>113 755 096</b>       | <b>96 046 819</b>             | <b>17 708 278</b>             | <b>Electricity</b>               | <b>134 123 811</b>       | <b>109 080 808</b>            | <b>25 043 003</b>                       |
| 112 424 904              | 91 908 277                    | 20 516 627                    | Electricity Distribution         | 126 558 498              | 104 579 649                   | 21 978 849                              |
| 1 330 192                | 4 138 542                     | (2 808 350)                   | Street Lighting                  | 7 565 313                | 4 501 159                     | 3 064 154                               |
| <b>385 957 553</b>       | <b>339 103 158</b>            | <b>46 854 395</b>             | <b>Sub-Total</b>                 | <b>487 711 760</b>       | <b>404 561 830</b>            | <b>83 149 930</b>                       |
| (47 748 098)             | (47 748 098)                  |                               | Less: Inter-Departmental Charges | (53 053 899)             | (53 053 899)                  |   |
| <b>338 209 455</b>       | <b>291 355 060</b>            | <b>46 854 395</b>             | <b>Total</b>                     | <b>434 657 860</b>       | <b>351 507 930</b>            | <b>83 149 930</b>                       |

**APPENDIX E**  
**UNAUDITED ACTUAL OPERATING VERSUS BUDGET**  
for the year ended 30 June 2006

|   | 2006<br>Actual<br>R | 2006<br>Budget<br>R | 2006<br>Variance<br>R | 2006<br>Variance<br>% | Explanations of significant variances greater than<br>10% versus budget  |
|---|---------------------|---------------------|-----------------------|-----------------------|--|
| <b>REVENUE</b>  |                     |                     |                       |                       |  |
| Property rates  | 75 235 438          | 75 860 567          | (625 129)             | (0,82)                |  |
| Service charges : Electricity   | 108 269 250         | 106 366 297         | 1 902 953             | 1,79                  |  |
| Refuse removal  | 14 870 058          | 15 445 621          | (575 563)             | (3,73)                |  |
| Sewerage  | 16 797 386          | 16 812 036          | (14 650)              | (0,09)                |  |
| Water   | 26 702 547          | 26 921 439          | (218 892)             | (0,81)                |  |
| Rental of facilities and equipment  | 2 235 159           | 2 109 522           | 125 637               | 5,96                  |  |
| Interest earned – external investments                                      | 18 856 010          | 10 547 210          | 8 308 800             | 78,78                 | Interest received on zero bond investments was not included in the budget and is now recognised as revenue.                            |
| Interest earned – outstanding debtors                                       | 3 155 286           | 1 514 764           | 1 640 522             | 108,30                | Interest increased because of the restatement of debtors at fair value.  |
| Fines   | 3 658 474           | 3 831 250           | (172 776)             | (4,51)                |  |
| Licenses & permits  | 3 129 652           | 2 658 530           | 471 122               | 17,72                 | Increase in licensing fees resulted in more revenue.   |
| Revenue for agency services   | 4 015 425           | 3 675 000           | 340 425               | 9,26                  |  |
| Government grants & subsidies – operating                                   | 31 254 575          | 32 388 693          | (1 134 118)           | (3,50)                |  |
| Government grants & subsidies – capital                                     | 12 576 376          | 13 946 250          | (1 369 874)           | (9,82)                |  |
| Public contributions, donated and contributed property, plant and equipment | 36 823 212          |                     | 36 823 212            | 100,00                | Nkangala District Municipality donated assets is now recognised as revenue.  |
| Other revenue   | 76 775 873          | 30 569 734          | 46 206 139            | 151,15                | The sale of erven was not budgeted for, but due to the change in accounting standards, the sale of erven is now recognised as revenue. |
| Gains on disposal of property, plant & equipment                            | 303 141             | 500 000             | (196 859)             | (39,37)               | Less revenue was received on the auction for the sale of redundant equipment than was anticipated.                                     |
| <b>Total Revenue</b>  | <b>434 657 860</b>  | <b>343 146 913</b>  | <b>91 510 947</b>     | <b>26,67</b>          |  |

**APPENDIX E**  
**UNAUDITED ACTUAL OPERATING VERSUS BUDGET**  
for the year ended 30 June 2006

|   | 2006<br>Actual<br>R | 2006<br>Budget<br>R | 2006<br>Variance<br>R | 2006<br>Variance<br>% | Explanations of significant variances greater than<br>10% versus budget  |
|---|---------------------|---------------------|-----------------------|-----------------------|--|
| <b>EXPENDITURE</b>                              |                     |                     |                       |                       |  |
| Employee related costs                          | 109 035 029         | 111 808 644         | (2 773 615)           | (2,48)                |  |
| Remuneration of councillors                     | 6 013 265           | 6 021 920           | (8 655)               | (0,14)                |  |
| Bad debts                                       | 3 090 908           | 2 330 610           | 760 298               | 32,62                 | An additional amount was provided for bad debts under other debtors which was not budgeted for.  |
| Collection costs                                | 364 513             | 284 375             | 80 138                | 28,18                 | More debtors were handed over to the debt collectors than expected.  |
| Depreciation                                    | 44 193 929          | 42 409 846          | 1 784 083             | 4,21                  |  |
| Repairs & maintenance                           | 22 556 741          | 24 108 031          | (1 551 290)           | (6,43)                |  |
| Interest of external borrowings                 | 23 234 682          | 23 285 583          | (50 901)              | (0,22)                |  |
| Bulk purchases : Electricity                    | 60 724 524          | 58 003 690          | 2 720 834             | 4,69                  |  |
| Water   | 2 822 666           | 3 048 100           | (225 434)             | (7,40)                |  |
| Contracted services                             | 8 149 587           | 8 797 620           | (648 033)             | (7,37)                |  |
| Grants & subsidies paid                         | 454 672             | 750 078             | (295 406)             | (39,38)               | In terms of Council's policy, grants can only be paid to registered umbrella organisations. Not all the organisations which were budgeted for, managed to register, resulting in less grants and subsidies paid. |
| General expenses                                | 68 569 358          | 47 886 641          | 20 682 717            | 43,19                 | Inventories for land available for sale were created, which were not budgeted for and is disclosed as a change in accounting policy.   |
| Loss on disposal of property, plant & equipment |                     |                     |                       |                       |  |
| Contributions to/(transfers from) provisions    | 2 298 055           | 1 067 297           | 1 230 758             | 115,32                | Additional provision for staff leave was made in terms of the accounting policy.   |
| <b>Total Expenditure</b>                        | <b>351 507 930</b>  | <b>329 802 435</b>  | <b>21 705 495</b>     | <b>6,58</b>           |  |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>       | <b>83 149 930</b>   | <b>13 344 478</b>   | <b>69 805 452</b>     | <b>523,10</b>         |  |



**APPENDIX F**  
**UNAUDITED ACTUAL CAPITAL VERSUS BUDGET**  
**Acquisition of Property, Plant and Equipment**  
**for the year ended 30 June 2006**

|                                     | 2006<br>Actual<br>R | 2006<br>Under<br>Construction<br>R | 2006<br>Total<br>Additions<br>R | 2006<br>Budget<br>R | 2006<br>Variance<br>R | 2006<br>Variance<br>% | Explanations of significant variances greater than 5% versus budget  |
|-------------------------------------|---------------------|------------------------------------|---------------------------------|---------------------|-----------------------|-----------------------|--|
| <b>EXECUTIVE &amp; COUNCIL</b>      | <b>958 379</b>      |                                    | <b>958 379</b>                  | <b>1 072 955</b>    | <b>(114 576)</b>      | <b>(10,68)</b>        |  |
| Executive & Council                 | 958 379             |                                    | 958 379                         | 1 072 955           | (114 576)             | (10,68)               | Savings realised on purchase of vehicle, photocopy machine and furniture.  |
| <b>FINANCE &amp; ADMINISTRATION</b> | <b>7 789 969</b>    |                                    | <b>7 789 969</b>                | <b>8 514 485</b>    | <b>(724 516)</b>      | <b>(8,51)</b>         |  |
| Finance                             | 1 096 161           |                                    | 1 096 161                       | 1 151 059           | (54 898)              | (4,77)                |  |
| Information Technology              | 1 541 860           |                                    | 1 541 860                       | 1 767 945           | (226 085)             | (12,79)               | Savings realised on disaster recovery, communication, development on Intranet and anti-virus packages.                           |
| Human Resources                     | 45 553              |                                    | 45 553                          | 149 460             | (103 907)             | (69,52)               | Finger print recorders rolled over to 2006/2007.   |
| Property Services                   | 4 322 877           |                                    | 4 322 877                       | 4 599 116           | (276 239)             | (6,01)                | Savings realized on PABX, replacement of lift, upgrading Rates Hall and fencing 24 Hour Control Centre rolled over to 2006/2007. |
| Other & Admin                       | 783 518             |                                    | 783 518                         | 846 905             | (63 387)              | (7,48)                | Savings realised on purchases to upgrade vehicle fleet, PABX system.   |
| <b>PLANNING &amp; DEVELOPMENT</b>   | <b>61 595</b>       | <b>865 200</b>                     | <b>926 795</b>                  | <b>3 068 850</b>    | <b>(2 142 055)</b>    | <b>(69,80)</b>        |  |
| Planning & Development              | 61 595              | 865 200                            | 926 795                         | 3 068 850           | (2 142 055)           | (69,80)               | Town planning rural villages not executed.   |
| <b>ROAD TRANSPORT</b>               | <b>27 805 318</b>   | <b>3 909 961</b>                   | <b>31 715 279</b>               | <b>29 989 400</b>   | <b>1 725 839</b>      | <b>5,75</b>           |  |
| Vehicle Licensing & Testing         | 51 149              |                                    | 51 149                          | 60 650              | (9 501)               | (15,67)               | Savings realised on purchases of bulk filer.   |
| Roads & Stormwater                  | 27 754 169          | 3 907 051                          | 31 661 220                      | 29 648 790          | 2 012 430             | 6,79                  | Assets from Nkangala District Municipality capitalised, not included in budget (w/p previous year).                              |
| Roads Other                         |                     | 2 910                              | 2 910                           | 280 000             | (277 090)             | (98,96)               | Project upgrading taxi facilities rolled over to 2006/2007.  |
| <b>HEALTH</b>                       | <b>356 526</b>      |                                    | <b>356 526</b>                  | <b>376 262</b>      | <b>(19 736)</b>       | <b>(5,25)</b>         |  |
| Clinics                             | 260 909             |                                    | 260 909                         | 264 850             | (3 941)               | (1,49)                |  |
| Health Other                        | 95 617              |                                    | 95 617                          | 111 412             | (15 795)              | (14,18)               | Savings realised on portable dust sampler, palisade fencing project rolled over to 2006/2007.                                    |

**APPENDIX F**  
**UNAUDITED ACTUAL CAPITAL VERSUS BUDGET**  
**Acquisition of Property, Plant and Equipment**  
**for the year ended 30 June 2006**

|  | 2006<br>Actual<br>R | 2006<br>Under<br>Construction<br>R | 2006<br>Total<br>Additions<br>R | 2006<br>Budget<br>R | 2006<br>Variance<br>R | 2006<br>Variance<br>% | Explanations of significant variances greater than 5% versus budget                     |
|--|---------------------|------------------------------------|---------------------------------|---------------------|-----------------------|-----------------------|---|
| <b>COMMUNITY &amp; SOCIAL SERVICES</b> | <b>829 793</b>      | <b>560 003</b>                     | <b>1 389 796</b>                | <b>7 697 500</b>    | <b>(6 307 704)</b>    | <b>(81,94)</b>        |   |
| Libraries & Archives                   | 213 978             |                                    | 213 978                         | 222 950             | (8 972)               | (4,02)                |   |
| Community Halls & Facilities           | 96 485              | 515 244                            | 611 729                         | 6 404 550           | (5 792 821)           | (90,45)               | Building of community hall Extension 5 – roll over 2006/2007.                           |
| Cemeteries & Crematoriums              | 519 330             | 44 759                             | 564 089                         | 1 070 000           | (505 911)             | (47,28)               | Develop cemeteries rural rolled over 2006/2007.   |
| <b>PUBLIC SAFETY</b>                   | <b>3 596 500</b>    | <b>180 608</b>                     | <b>3 777 108</b>                | <b>4 327 544</b>    | <b>(550 436)</b>      | <b>(12,72)</b>        |   |
| Fire                                   | 2 744 496           |                                    | 2 744 496                       | 2 840 834           | (96 338)              | (3,39)                |   |
| Traffic                                | 852 004             | 180 608                            | 1 032 612                       | 1 486 710           | (454 098)             | (30,54)               | Upgrade traffic signals rolled over 2006/2007.  |
| <b>SPORT &amp; RECREATION</b>          | <b>2 217 881</b>    | <b>49 513</b>                      | <b>2 267 394</b>                | <b>3 306 250</b>    | <b>(1 038 856)</b>    | <b>(31,42)</b>        |   |
| Sport & Recreation                     | 2 217 881           | 49 513                             | 2 267 394                       | 3 306 250           | (1 038 856)           | (31,42)               | Park erf 3061, resurfacing play courts and graded soccer fields rolled over 2006/2007.  |
| <b>WASTE WATER MANAGEMENT</b>          | <b>11 043 528</b>   | <b>280 307</b>                     | <b>11 323 835</b>               | <b>10 410 068</b>   | <b>913 767</b>        | <b>8,78</b>           |   |
| Sewerage                               | 11 043 528          | 280 307                            | 11 323 835                      | 10 411 248          | 913 767               | 8,78                  | Assets from Nkangala District Municipality not included in budget (w/p previous years). |
| Public Toilets                         |                     |                                    |                                 |                     |                       |                       |   |
| <b>WASTE MANAGEMENT</b>                | <b>123 037</b>      | <b>1 932 932</b>                   | <b>2 055 969</b>                | <b>2 969 700</b>    | <b>(913 731)</b>      | <b>(30,77)</b>        |   |
| Solid Waste                            | 123 037             | 1 932 932                          | 2 055 969                       | 2 969 700           | (913 731)             | (30,77)               | Garden refuse sites project rolled over 2006/2007.                                      |
| <b>HOUSING</b>                         | <b>102 352</b>      |                                    | <b>102 352</b>                  | <b>145 110</b>      | <b>(42 758)</b>       | <b>(29,47)</b>        |   |
| Housing                                | 102 352             |                                    | 102 352                         | 145 110             | (42 758)              | (29,47)               | Savings realized on trailer bought, firearms did not realise.                           |
| <b>WATER</b>                           | <b>8 059 596</b>    | <b>1 187 742</b>                   | <b>9 247 338</b>                | <b>7 973 009</b>    | <b>1 274 329</b>      | <b>15,98</b>          |   |
| Water Distribution                     | 6 750 236           | 448 932                            | 7 199 168                       | 6 589 329           | 609 839               | 9,25                  | Assets from Nkangala District Municipality in budget (w/p previous year).               |
| Water Storage                          | 1 309 360           | 738 810                            | 2 048 170                       | 1 383 680           | 664 490               | 48,02                 | Assets from Nkangala District Municipality in budget (w/p previous year).               |
| <b>ELECTRICITY</b>                     | <b>16 146 823</b>   | <b>4 682 118</b>                   | <b>20 828 941</b>               | <b>27 107 410</b>   | <b>(6 278 469)</b>    | <b>(23,16)</b>        |   |
| Electricity Distribution               | 8 036 674           | 4 682 118                          | 12 718 792                      | 18 893 542          | (6 174 750)           | (32,68)               | Projects rolled over to 2006/2007.  |
| Street Lighting                        | 8 110 149           |                                    | 8 110 149                       | 8 213 868           | (103 719)             | (1,26)                |   |
| <b>TOTAL</b>                           | <b>79 091 297</b>   | <b>13 648 384</b>                  | <b>92 739 681</b>               | <b>106 958 583</b>  | <b>(14 218 902)</b>   | <b>(13,29)</b>        |   |

**APPENDIX G**  
**DEVIATION FROM PROCUREMENT PROCESSES**  
**Supply Chain Regulation 36(2)**  
**for the year ended 30 June 2006**

| <b>Department</b>        | <b>Supplier</b>               | <b>Amount<br/>(VAT incl.)<br/>R</b> | <b>Reason for deviation</b>   |
|--------------------------|-------------------------------|-------------------------------------|---|
| Traffic Services         | Middelburg Nissan             | 3 261,77                            | Only agent of Nissan Almera parts – vehicle under warranty.   |
| Traffic Services         | Solly's Middelburg            | 1 434,07                            | Only agent and company that has the necessary equipment to maintain the necessary services for the patrol vehicle – vehicle under warranty. |
| Traffic Services         | Middelburg Nissan             | 1 132 ,40                           | Only agent that has the necessary equipment for the patrol vehicle – vehicle under warranty.  |
| Town Engineer            | Elster                        | 11 358,72                           | Elster is the sole supplier of the Elster Kent water connection drill bits.   |
| Information Technologies | Eclipse Network               | 119 917,74                          | Other suppliers cannot quote the Microsoft products under select agreement.   |
| Town Engineer            | Elster                        | 77 689,00                           | The Kent water meters are used and they did not want to deviate and use other products.   |
| Town Engineer            | Ingersoll Rand                | 23 796,65                           | Ingersoll Rand is the sole supplier and has been appointed as service provider to repair the compactor.                                     |
| Town Engineer            | Elster                        | 45 697,80                           | The Kent water meters are used and they did not want to deviate and use other products.   |
| Information Technologies | Open Spatial Solutions        | 59 841,45                           | They are the sole suppliers.  |
| Human Resources          | Asindo HR                     | 3 580,63                            | They are the only supplier that could provide the service.  |
| Town Engineer            | Onduka                        | 30 420,00                           | Sole supplier of this polyelectrolyte.  |
| Town Engineer            | Betram                        | 28 818,06                           | Sole supplier of the Amalooloo prefab structure of which more than 320 were erected in Doornkop.  |
| Information Technologies | TGIS                          | 35 516,00                           | Sole supplier on the development of the IMIS Integrator which link several modules on the GIS.  |
| Information Technologies | Total Geo-Spatial Information | 28 500,00                           | Sole supplier for the product.  |

**APPENDIX G**  
**DEVIATION FROM PROCUREMENT PROCESSES**  
**Supply Chain Regulation 36(2)**  
**for the year ended 30 June 2006**

| <b>Department</b>        | <b>Supplier</b>              | <b>Amount<br/>(VAT incl.)<br/>R</b> | <b>Reason for deviation</b>   |
|--------------------------|------------------------------|-------------------------------------|---|
| Town Engineer            | Elster                       | 52 965,00                           | The Kent water meters are used and they did not want to deviate and use other products. |
| Town Engineer            | Elster                       | 31 779,00                           | The Kent water meters are used and they did not want to deviate and use other products. |
| Town Electrical Engineer | Vero Test                    | 7 000,00                            | The only supplier that can test and locate the cable fault.                             |
| Town Electrical Engineer | Alstom                       | 343 859,00                          | The equipment must be serviced by the manufacturers themselves.                         |
| Town Engineer            | DLM                          | 25 000,00                           | Only supplier that can provide us with these flow meters.                               |
| Finance                  | Merlin Gerin SA (Pty) Ltd    | 27 521,93                           | Only supplier.  |
| Town Engineer            | Flender                      | 9 500,00                            | Sole supplier of the Flender Gearbox.   |
| Town Electrical Engineer | Sectional Poles (Pty) Ltd    | 97 530,00                           | Sole supplier that can be appointed to do the work.                                     |
| Town Engineer            | Concor Technicrete (Pty) Ltd | 15 078,83                           | Only supplier of the Amorflex 180 in the Middelburg area.                               |
| Human Resources          | Open Spatial Solutions       | 36 765,00                           | The sole provider that can perform this task.   |
| Traffic Services         | Digicore Fleet Management    | 1 770,69                            | The sole supplier of the C-Track System.  |
| Health Services          | JEF Gerber                   | 13 680,00                           | Sole supplier of computer software.   |
| Town Engineer            | Sudchemie                    | 16 425,00                           | Sole supplier.  |
| Town Engineer            | Onduka                       | 30 420,00                           | Sole supplier.  |
| Town Engineer            | Sudchemie                    | 65 700,00                           | Sole supplier.  |
| Town Engineer            | Sherenco                     | 201,67                              | Sole supplier of Stihl.   |
| Public Relations         | AC Bracy                     | 13 894,32                           | Sole supplier of maps.  |
| Parks and Recreation     | East Auto & Tractor          | 1 662,50                            | Sole supplier.  |

|                      |                     |          |                |
|----------------------|---------------------|----------|----------------|
| Parks and Recreation | East Auto & Tractor | 1 382,42 | Sole supplier. |
|----------------------|---------------------|----------|----------------|

**APPENDIX G**  
**DEVIATION FROM PROCUREMENT PROCESSES**  
**Supply Chain Regulation 36(2)**  
**for the year ended 30 June 2006**

| <b>Department</b>        | <b>Supplier</b>        | <b>Amount<br/>(VAT incl.)<br/>R</b> | <b>Reason for deviation</b>            |
|--------------------------|------------------------|-------------------------------------|--|
| Town Engineer            | WJ Mobile Auto Elect   | 257,24                              | Sole supplier.                         |
| Town Engineer            | Betram                 | 28 818,06                           | Sole supplier of toilet structures.    |
| Town Electrical Engineer | Verotest               | 3 192,00                            | Only service provider and distributor. |
| Parks and Recreation     | Sherenco               | 84 562,00                           | Sole provider of Stihl.                |
| Town Electrical Engineer | Multi Power System     | 1 002,06                            | Manufacturer of equipment.             |
| Information Technologies | Open Spatial Solutions | 59 841,45                           | Sole supplier of the spares.           |
| Town Secretary           | Barloworld             | 2 320,90                            | Sole supplier.                         |
| Parks and Recreation     | Middelburg Nissan      | 304,15                              | Sole agent.                            |
| Parks and Recreation     | Sherenco               | 9 199,00                            | Sole agent.                            |
| Parks and Recreation     | Sherenco               | 5 221,37                            | Sole agent.                            |
| Parks and Recreation     | Sherenco               | 5 604,53                            | Sole agent.                            |
| Parks and Recreation     | Sherenco               | 601,92                              | Sole agent.                            |
| Parks and Recreation     | JHI                    | 4 474,50                            | Only two quotations received.          |
| Parks and Recreation     | Sherenco               | 4 120,19                            | Sole agent.                            |
| Parks and Recreation     | Eastvaal Auto          | 2 423,88                            | Sole agent.                            |
| Parks and Recreation     | Solly's Middelburg     | 2 580,03                            | Sole agent.                            |
| Parks and Recreation     | MP Tyres               | 803,00                              | Only one quotation received.           |
| Parks and Recreation     | Supa Quick             | 704,66                              | Agents for Venter trailers.            |
| Parks and Recreation     | Mid Air                | 1 504,80                            | Agents for Bosch.                      |
| Parks and Recreation     | Sherenco               | 1 689,00                            | Sole agent.                            |

|                          |                    |        |             |
|--------------------------|--------------------|--------|-------------|
| Town Electrical Engineer | Solly's Middelburg | 673,19 | Sole agent. |
|--------------------------|--------------------|--------|-------------|

**APPENDIX G**  
**DEVIATION FROM PROCUREMENT PROCESSES**  
**Supply Chain Regulation 36(2)**  
**for the year ended 30 June 2006**

| <b>Department</b>        | <b>Supplier</b>    | <b>Amount<br/>(VAT incl.)<br/>R</b> | <b>Reason for deviation</b>      |
|--------------------------|--------------------|-------------------------------------|----------------------------------|
| Fire Services            | TJJ Bester Auto    | 1 013,46                            | Only one quote on emergency.     |
| Fire Services            | Selco              | 1 478,00                            | Sole agent.                      |
| Fire Services            | Flash Fire         | 1 444,00                            | Sole manufacturer of value keys. |
| Town Engineer            | Goscor             | 1 624,82                            | Sole agent.                      |
| Town Engineer            | Supra Toyota       | 806,22                              | Sole agent.                      |
| Town Engineer            | ESP                | 222,12                              | Sole agent                       |
| Town Engineer            | Solly's Middelburg | 620,58                              | Sole agent.                      |
| Town Engineer            | Digicore           | 4 960,51                            | Contract with Council.           |
| Finance (Central Stores) | Procol             | 2 252,64                            | Sole agent.                      |
| Finance (Central Stores) | Procol             | 1 688,00                            | Sole agent for aqualok.          |
| Solid Waste Disposal     | Solly's Middelburg | 453,71                              | Sole agent.                      |
| Town Engineer            | Goscor             | 1 006,85                            | Sole agent.                      |
| Town Engineer            | Enviro             | 2 009,00                            | Sole supplier of slag locally.   |
| Town Engineer            | Sensus Metering    | 2 970,00                            | Sole supplier of Sensus meters.  |
| Town Engineer            | DLM                | 500,00                              | Only supplier working on site.   |
| Town Engineer            | Middelburg Nissan  | 2 015,51                            | Sole agent for Nissan spares.    |
| Town Engineer            | Aquatronics        | 5 186,89                            | Only supplier of value box.      |
| Town Electrical Engineer | Linegear 2000      | 380,00                              | Sole supplier of tap links.      |
| <b>Total</b>             |                    | <b>1 513 730,59</b>                 |                                  |