



MALUTI-A-PHOFUNG MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 37, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances, and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial Local Government's determination in accordance with this Act.

S Makhubu
Municipal Manager

Date

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MALUTI-A-PHOFUNG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R	Note	R	R
NET ASSETS AND LIABILITIES				
709 691 327	747 529 815		759 361 695	709 691 327
Net assets				
53 578	56 787	1	56 787	53 578
18 331 739	24 592 849		24 592 849	18 331 739
-	-		-	-
339 458 115	418 021 784		418 021 784	339 458 115
-	-		-	-
-	-		-	-
-	-		-	-
351 847 896	304 858 395		316 690 275	351 847 896
28 023 241	24 277 156		24 277 156	28 023 241
Non-current liabilities				
19 500 673	15 723 777	2	15 723 777	19 500 673
4 850 946	4 850 947	3	4 850 947	4 850 946
3 671 622	3 702 433	4	3 702 433	3 671 622
26 149 730	44 260 598		53 743 073	26 149 730
Current liabilities				
8 113 412	1 268 141	5	8 935 565	8 113 412
4 665 934	22 901 080	6	24 716 131	4 665 934
8 945 203	1 186 288	7	1 186 288	8 945 203
2 837 054	13 612 627	15	13 612 627	2 837 054
1 588 127	5 292 463	2	5 292 463	1 588 127
763 864 298	816 067 569		837 381 924	763 864 298
Total Net Assets and Liabilities				
ASSETS				
669 377 670	657 134 334		660 890 846	669 377 670
Non-current assets				
514 494 530	590 867 882	9	594 624 394	514 494 530
154 275 381	65 915 653	10	65 915 653	154 275 381
607 759	350 798	11	350 798	607 759
94 486 629	158 933 236		176 491 079	94 486 629
Current assets				
2 414 486	2 208 972	12	4 594 542	2 414 486
38 075 845	126 086 544	13	133 763 367	38 075 845
44 980 080	10 341 033	14	17 832 667	44 980 080
956 752	256 961	11	256 961	956 752
8 033 097	20 013 277	8	19 426 327	8 033 097
26 370	26 449	15	617 215	26 370
763 864 298	816 067 569		837 381 924	763 864 298
Total Assets				

MALUTI-A-PHOFUNG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R		R	R
		REVENUE		
66 509 870	97 152 966	Property rates	97 152 966	66 509 870
118 210 796	82 353 211	Service charges	103 398 853	118 210 796
75 488 154	64 079 672	- Electricity	64 079 672	75 488 154
21 328 841	9 267 441	- Water	27 541 760	21 328 841
13 240 596	1 534 786	- Refuse Removal	1 534 786	13 240 596
8 153 206	7 471 312	- Sewerage	10 242 635	8 153 206
9 580 690	14 335 110	Interest earned - external investments	14 335 110	9 580 690
5 561 188	4 819 195	Interest earned - outstanding debtors	4 819 195	5 561 188
10 228 411	6 741 714	LED Income	6 741 714	10 228 411
-	-	Income for agency services	-	-
1 610 139	22 549 293	Project Income Other	22 549 293	1 610 139
182 330 104	177 096 385	Government grants and subsidies	148 844 375	182 330 104
4 902 998	6 750 373	Other income	22 001 829	4 902 998
-	-	Gains on disposal of property, plant and equipment	-	-
398 934 198	411 798 248	Total Revenue	419 843 335	398 934 198
		EXPENDITURE		
69 340 961	79 593 507	Employee related costs	98 464 974	69 340 961
9 573 586	10 402 852	Remuneration of Councillors	10 402 852	9 573 586
22 325 811	26 338 000	Bad debts	26 338 000	22 325 811
-	-	Collection costs	-	-
6 455 255	5 157 219	Contributions	5 157 219	6 455 255
37 186 565	42 618 904	Depreciation	43 004 794	37 186 565
24 597 998	19 629 157	Repairs and maintenance	25 846 045	24 597 998
5 222 456	4 904 522	Interest paid	6 473 397	5 222 456
65 901 531	66 736 563	Bulk purchases	68 571 669	65 901 531
-	-	Contracted services	-	-
-	-	Grants and subsidies paid	-	-
86 425 718	110 428 090	General expenses	77 763 072	86 425 718
-	7 920 193	MIG Operational expenses	7 920 193	-
3 733 401	6 478 194	Community Projects	6 478 194	3 733 401
-	-	Loss on disposal of property, plant and equipment	-	-
330 763 282	380 207 200	Total Expenditure	376 420 408	330 763 282
68 170 916	31 591 048	SURPLUS / (DEFICIT) FOR THE YEAR	43 422 928	68 170 916

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

MALUTI-A-PHOFUNG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY		Note	ECONOMIC ENTITY
2006 R			2006 R
	CASH FLOW FROM OPERATING ACTIVITIES		
327 991 902	Cash receipts from ratepayers, government and other		321 455 483
293 647 747	Cash paid to suppliers and employees		280 809 285
34 344 155	Cash generated from/(utilised in) operations	26	40 646 198
14 335 110	Interest received - external investments		14 335 110
4 819 195	Interest received - other		4 819 195
(4 904 522)	Interest paid		(6 473 397)
<u>48 593 938</u>	NET CASH FROM OPERATING ACTIVITIES		<u>53 327 106</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
(118 992 257)	Purchase of property, plant and equipment		(123 134 659)
-	Proceeds on disposal of property, plant and equipment		
256 961	(Increase) / decrease in non-current receivables		256 961
88 359 728	(Increase) / decrease in non-current investments		88 359 728
<u>(30 375 568)</u>	NET CASH FROM INVESTING ACTIVITIES		<u>(34 517 970)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
(3 776 897)	New loans raised/(repaid)		(3 776 897)
30 811	Increase / (decrease) in consumer deposits		30 811
(3 696 792)	Increase / (decrease) in provisions		(4 878 324)
-	Increase / (decrease) in short-term loans		-
<u>(7 442 877)</u>	NET CASH FROM FINANCING ACTIVITIES		<u>(8 624 409)</u>
<u>10 775 493</u>	NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>10 184 727</u>
<u>(2 810 685)</u>	Cash and cash equivalents at the beginning of the year		<u>(2 810 685)</u>
<u>(13 586 178)</u>	Cash and cash equivalents at the end of the year	35	<u>(12 995 412)</u>

MALUTI-A-PHOFUNG MUNICIPALITY

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

	NOTES	Pre-GAMAP Reserves and Funds R	Housing Develop. Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Donations & Public Contribution Reserve R	Self-Insurance Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2005											
Balance at 01 July 2004		(313 764 907)	51 762	-	-	-	-	-	-	129 449 169	(184 263 976)
Implementation of GAMAP		313 764 907	-	14 331 521	-	299 433 386	-	-	-	197 364 159	824 893 973
Change in accounting policy	32	-	-	-	-	-	-	-	-	-	-
Restated balance		-	51 762	14 331 521	-	299 433 386	-	-	-	326 813 328	640 629 997
Surplus / (deficit) for the year		-	-	-	-	-	-	-	-	68 170 916	68 170 916
Prior year adjustments		-	-	-	-	-	-	-	-	888 598	888 598
Transfer to CRR		-	-	4 000 218	-	-	-	-	-	(4 000 218)	-
PPE purchased		-	-	-	-	69 352 402	-	-	-	(69 352 402)	-
Capital grants used to purchase PPE		-	-	-	-	-	-	-	-	-	-
Donated / contributed PPE		-	-	-	-	-	-	-	-	-	-
Insurance claims processed		-	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund		-	1 816	-	-	-	-	-	-	-	1 816
Asset disposals		-	-	-	-	-	-	-	-	-	-
Offsetting of depreciation		-	-	-	-	(29 327 674)	-	-	-	29 327 674	-
Balance at 30 June 2005		-	53 578	18 331 739	-	339 458 115	-	-	-	351 847 896	709 691 327
2006											
Balance at 01 July 2005		-	53 578	18 331 739	-	339 458 115	-	-	-	351 847 896	709 691 327
Change in accounting policy	32	-	-	-	-	-	-	-	-	-	-
Restated balance		-	53 578	18 331 739	-	339 458 115	-	-	-	351 847 896	709 691 327
Surplus / (deficit) for the year		-	-	-	-	-	-	-	-	31 591 048	31 591 048
Prior year adjustments		-	-	-	-	-	-	-	-	6 247 440	6 247 440
Transfer to CRR		-	-	6 261 110	-	-	-	-	-	(6 261 110)	-
PPE purchased		-	-	-	-	-	-	-	-	-	-
Capital grants used to purchase PPE		-	-	-	-	112 210 080	-	-	-	(112 210 080)	-
Donated / contributed PPE		-	-	-	-	-	-	-	-	-	-
Insurance claims processed		-	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund		-	3 209	-	-	-	-	-	-	(3 209)	-
Offsetting of depreciation		-	-	-	-	(33 646 410)	-	-	-	33 646 410	-
Balance at 30 June 2006		-	56 787	24 592 849	-	418 021 784	-	-	-	304 858 395	747 529 815

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

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

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 30.

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

- Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.
- Income is accrued when collectable and measurable.
- Certain direct income is accrued when it is received, such as traffic fines and certain licenses
- Expenditure is accrued in the year it is incurred.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

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

4 HOUSING DEVELOPMENT FUND

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

5 RESERVES

5.1 Capital Replacement Reserve (CRR)

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

ACCOUNTING POLICIES

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

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. 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, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance 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). 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 government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 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, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.5 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses caused by lighting. The excess on this claims are large sums of monies. The balance of the self-insurance fund is invested in short-term cash investments.

ACCOUNTING POLICIES

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

5.6 Revaluation Reserve

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

6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

	<u>Years</u>	<u>Other</u>	<u>Years</u>
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

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

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

ACCOUNTING POLICIES

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

7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

8 INVESTMENTS

8.1 Financial Instruments

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

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

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

9 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost, determined on the weighted average and net realisable value.

10 ACCOUNTS RECEIVABLE

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

11 TRADE CREDITORS

Trade creditors are stated at their nominal value.

12 REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

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

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

ACCOUNTING POLICIES

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

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised in the separate financial statements of the Municipality on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

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

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

12.2 Revenue from non-exchange transactions

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

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

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

13 CONDITIONAL GRANTS AND RECEIPTS

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

ACCOUNTING POLICIES**14 PROVISIONS**

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

15 CASH AND CASH EQUIVALENTS

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

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

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

16 UNAUTHORISED EXPENDITURE

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

17 IRREGULAR EXPENDITURE

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

18 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.

19 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions.

ACCOUNTING POLICIES**20 COMPARATIVE INFORMATION***20.1 Current year comparatives:*

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

20.2 Prior year comparatives:

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

21 INVESTMENT PROPERTY

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

22 INVESTMENTS

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

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

23 LEASES*The Municipality as the Lessee*

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

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

The Municipality as Lessor

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

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

24 RETIREMENT BENEFITS

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

25 BORROWING COSTS

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

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R		R	R
1 HOUSING DEVELOPMENT FUND				
53 578	56 787	Housing Development Fund	56 787	53 578
53 578	56 787	Unappropriated Surplus	56 787	53 578
-	-	Loans extinguished by Government	-	-
53 578	56 787	Total Housing Development Fund Assets and Liabilities	56 787	53 578
2 LONG-TERM LIABILITIES				
15 342 949	14 451 546	Annuity Loans	17 538 591	15 342 949
2 267 683	3 087 045	Capitalised Lease Liability	15 723 777	2 267 683
3 478 168	3 477 648	Government Loans : Other	3 477 648	3 478 168
21 088 800	21 016 239	Sub-total	36 740 016	21 088 800
1 588 127	5 292 463	Less : Current portion transferred to current liabilities	5 292 463	1 588 127
806 396	929 348	Annuity Loans	929 348	806 396
781 731	885 467	Capitalised Lease Liability	885 467	781 731
-	3 477 648	Government Loans : Other	3 477 648	-
19 500 673	15 723 777	Total External Loans	31 447 553	19 500 673
Refer to Appendix A for more detail on long-term liabilities				
The capitalised lease liability is secured over the item motor vehicles leased under the finance lease.				
3 NON-CURRENT PROVISIONS				
2 533 266	4 850 946	Opening Balance	4 850 946	2 533 266
2 317 680	2 386 159	Contributions during the year	2 386 159	2 317 680
-	(2 386 159)	Expenditure during the year	(2 386 159)	-
4 850 946	4 850 947	Provisions for valuations	4 850 946	4 850 946
4 CONSUMER DEPOSITS				
3 671 622	3 702 433	Electricity and Water	3 702 433	3 671 622
-	-	Interest paid	-	-
3 671 622	3 702 433	Total Consumer Deposits	3 702 433	3 671 622
-	-	Guarantees held in lieu of Electricity and Water Deposits	-	-
5 PROVISIONS				
7 497 879	1 000 899	Leave provision	1 000 899	7 497 879
615 533	267 242	Audit provision	267 242	615 533
-	-	Provisions other	7 667 424	-
8 113 412	1 268 141	Total Provisions	8 935 565	8 113 412
6 CREDITORS				
2 577 451	3 251 276	Trade creditors	3 251 276	2 577 451
2 014 902	2 627 168	Payments received in advance	2 627 168	2 014 902
73 581	294 529	Other creditors	21 601 619	73 581
-	16 728 108	Unidentified direct deposits	16 728 108	-
4 665 934	22 901 080	Total Creditors	44 208 171	4 665 934

Note should be taken that creditors totalling R1 7322 237 for Long

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005 R	2006 R		2006 R	2005 R
		outstanding orders (R1 207 329) and for take-on-balances from Finstel (524 908) were written off during the year under review.		
		7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
8 945 203	1 186 288	7.1 Conditional Grants from other spheres of Government	1 186 288	8 945 203
8 945 203	1 186 288	MIG Grants	1 186 288	8 945 203
-	-	Provincial LED Projects	-	-
-	-	7.2 Other Conditional Receipts	-	-
-	-	Developers Contributions – Electricity	-	-
-	-	Public contributions	-	-
8 945 203	1 186 288	Total Conditional Grants and Receipts	1 186 288	8 945 203
		8 VAT		
8 033 097	20 013 277	VAT receivable (payable)	20 013 277	8 033 097
		VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
		9 PROPERTY, PLANT AND EQUIPMENT		
		Cost		
549 635 200	621 445 387	Opening balance	621 445 387	549 635 200
71 810 187	118 992 257	Additions / (disposals)	123 134 659	71 810 187
621 445 387	740 437 643	Closing balance	744 580 045	621 445 387
		Accumulated Depreciation		
69 764 292	106 950 857	Opening balance	106 950 857	69 764 292
37 186 565	42 618 904	Additions / (disposals)	43 004 794	37 186 565
106 950 857	149 569 761	Closing balance	149 955 651	106 950 857
514 494 530	590 867 882	Property, Plant and Equipment at Book Value	594 624 394	514 494 530
		Also see Appendix B for more details		

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005 R	2006 R		2006 R	2005 R
		CAR LOANS		
		Senior staff members were entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 5 years. These loans are repayable in the year 2009. No new loans were issued during the year in terms of the provisions of the MFMA.		
		12 INVENTORY		
2 414 486	2 208 972	Inventories	4 594 542	2 414 485
2 414 486	2 208 972	Total Inventory	4 594 542	2 414 485
		Inventory is valued at the lower of cost and net realisable value.		
		13 CONSUMER DEBTORS		
6 646 538	13 522 487	Current (0 – 30 days)	21 199 310	6 646 538
4 990 847	10 153 958	31 - 60 Days	10 153 958	4 990 847
4 242 375	8 631 179	61 - 90 Days	8 631 179	4 242 375
4 717 689	9 598 214	91 - 120 Days	9 598 214	4 717 689
81 999 793	166 829 889	121 - 365 Days	166 829 889	81 999 793
102 597 242	208 735 727	Sub-total	216 412 550	102 597 242
(64 521 396)	(82 649 184)	Less: Provision for bad debts	(82 649 184)	(64 521 396)
38 075 845	126 086 544	Total debtors by customer classification	133 763 367	38 075 845
		14 OTHER DEBTORS		
44 980 080	9 341 033	Other Debtors	17 832 667	44 980 080
-	1 000 000	Guarantees in lieu of Electricity	-	-
-	-	Unauthorized expenditure	-	-
-	-	Fruitless and wasteful expenditure	-	-
-	-	Government subsidies	-	-
44 980 080	10 341 033	Total Other Debtors	17 832 667	44 980 080
		15 BANK, CASH AND OVERDRAFT BALANCES		
		<i>The Municipality has the following bank accounts:</i>		
		Current Account (Primary Bank Account)		
		First National Bank - Phuthaditjhaba.		
		Account Number : 62026153221		
2 368 398	(2 837 054)	Cash Book Balance at beginning of year		2 368 398
(2 837 054)	(13 612 627)	Cash Book Balance at end of year	(13 612 627)	2 837 054
3 551 804	2 495 033	Bank statement balance at beginning of year		3 551 804
2 495 033	4 139 452	Bank statement balance at end of year		2 495 033
		Savings Account		
		First National Bank - Phuthaditjhaba.		
		Account Number : 62045863009		
346 839	170 673	Bank statement balance at beginning of year		346 839
170 673	2 655 128	Bank statement balance at end of year		170 673
		Taf Account		
		First National Bank - Phuthaditjhaba.		
		Account Number : 62051344829		
8 041	25 264	Bank statement balance at beginning of year		8 041
25 264	37 412	Bank statement balance at end of year		25 264

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R		R	R
		<u>Current Account (Old Phuthaditjhaba Account)</u>		
		First National Bank - Phuthaditjhaba.		
		Account Number : 28-2000-0121		
91 701	168 883	Bank statement balance at beginning of year		91 701
168 883	-	Bank statement balance at end of year		168 883
		<i>(Account was closed on 22 January 2006 with a balance of R168883.31)</i>		
		16 PROPERTY RATES		
		<u>Actual</u>		
-	-	Residential	-	-
-	-	Commercial	-	-
-	-	State	-	-
-	-	Total Assessment Rates	-	-
-	-	Residential	-	-
-	-	Commercial	-	-
-	-	State	-	-
-	-	Municipal	-	-
-	-	Total Property Valuations	-	-
		17 SERVICE CHARGES		
75 488 154	64 079 672	Sale of electricity	64 079 672	75 488 154
21 328 841	9 267 441	Sale of water	12 038 764	21 328 841
13 240 596	1 534 786	Refuse removal	1 534 786	13 240 596
8 153 206	7 471 312	Sewerage and sanitation charges	7 471 312	8 153 206
118 210 796	82 353 211	Total Service Charges	103 398 853	118 210 796
		18 GOVERNMENT GRANTS AND SUBSIDIES		
122 326 168	100 044 120	Equitable share	100 044 120	122 326 168
-	17 262 767	DME	17 262 767	-
-	16 499 787	DWAF	16 499 787	-
2 086 789	2 000 000	Financial Management Grant	2 000 000	2 086 789
57 917 147	41 289 711	MIG Grant	41 289 711	57 917 147
182 330 104	177 096 385	Total Government Grant and Subsidies	148 844 375	182 330 104
		18.1 Equitable Share		
		In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All consumers receive a monthly subsidy of 6kl of water and 50kw electricity, which is funded from this grant.		
		18.2 MIG Grant		
-	-	Balance unspent at beginning of year	-	-
66 862 350	42 475 998	Current year receipts	42 475 998	66 862 350
57 917 147	41 289 711	Conditions met - transferred to revenue	41 289 711	57 917 147
8 945 203	1 186 288	Conditions still to be met - transferred to liabilities	1 186 288	8 945 203

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY		ECONOMIC ENTITY	
2005 R	2006 R	2006 R	2005 R
-	-	-	-
4 902 998	6 750 373	22 001 829	4 902 998
4 902 998	6 750 373	22 001 829	4 902 998
<p>This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.</p>			
<p>18.3 Changes in levels of government grants</p>			
<p>Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</p>			
<p>19 OTHER INCOME</p>			
<p>Sale of housing</p>			
<p>Other income</p>			
<p>Total Other Income</p>			
<p>20 EMPLOYEE RELATED COSTS</p>			
58 610 508	62 504 707	81 376 174	58 610 508
1 567 946	4 365 482	4 365 482	1 567 946
3 192 525	4 155 816	4 155 816	3 192 525
878 124	805 356	805 356	878 124
5 091 858	7 762 146	7 762 146	5 091 858
-	-	-	-
69 340 961	79 593 507	98 464 974	69 340 961
<p>Municipal Manager</p>			
305 341	283 071	283 071	305 341
-	25 445	25 445	-
101 142	75 428	75 428	101 142
75 969	-	-	75 969
26 449	132 895	132 895	26 449
508 901	516 839	516 839	508 902
<p>Chief Financial Officer</p>			
-	361 367	361 367	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	361 367	361 367	-
<p>Director: Municipal Infrastructure</p>			
273 699	260 974	260 974	273 699
-	21 536	21 536	-
85 914	103 397	103 397	85 914
29 532	35 166	35 166	29 532
23 812	32 103	32 103	23 812
412 957	453 176	453 176	412 957
<p>Director: Community Services</p>			
240 695	249 320	249 320	240 695
-	20 920	20 920	-
100 890	105 183	105 183	100 890
38 511	42 923	42 923	38 511
21 063	66 244	66 244	21 072

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005 R	2006 R		2006 R	2005 R
401 159	484 590	Total	484 590	401 168
Director: Development Planning and Housing				
228 692	236 887	Annual Remuneration	236 887	228 692
-	19 877	Performance Bonuses	19 877	-
91 075	75 692	Car Allowance	75 692	91 075
41 325	26 124	Medical and Pension Funds	26 124	41 325
20 062	64 948	Other	64 948	20 062
381 154	423 528	Total	423 528	381 154
Director: Public Safety				
212 378	219 988	Annual Remuneration	219 988	212 378
-	18 459	Performance Bonuses	18 459	-
74 301	70 972	Car Allowance	70 972	74 301
48 582	50 525	Medical and Pension Funds	50 525	48 582
18 702	56 767	Other	56 767	18 702
353 963	416 712	Total	416 712	353 963
Director: Parks, Sport, Recreation, Arts and Culture				
259 750	267 023	Annual Remuneration	267 023	259 750
-	44 201	Performance Bonuses	44 201	-
93 212	76 352	Car Allowance	76 352	93 212
57 305	10 596	Medical and Pension Funds	10 596	57 305
22 650	66 274	Other	66 274	22 650
432 917	464 444	Total	464 444	432 917
Director: Corporate Services				
299 866	259 182	Annual Remuneration	259 182	299 866
-	20 920	Performance Bonuses	20 920	-
100 288	155 274	Car Allowance	155 274	100 288
-	-	Medical and Pension Funds	-	-
1 004	29 392	Other	29 392	1 004
401 158	464 768	Total	464 768	401 158
Strategic Manager				
279 125	213 968	Annual Remuneration	213 968	279 125
-	23 260	Performance Bonuses	23 260	-
120 399	99 243	Car Allowance	99 243	-
46 212	9 995	Medical and Pension Funds	9 995	46 212
50 664	10 112	Other	10 112	50 664
496 400	356 579	Total	356 579	376 001
Director: Local Economic Development and Tourism				
-	201 990	Annual Remuneration	201 990	-
-	-	Performance Bonuses	-	-
-	28 850	Car Allowance	28 850	-
-	8 485	Medical and Pension Funds	8 485	-
-	-	Other	-	-
-	239 325	Total	239 325	-
21 REMUNERATION OF COUNCILLORS				
390 467	491 021	Executive Mayor's Allowance	491 021	390 467
322 598	390 809	Speaker's Allowance	390 809	322 598
2 445 042	2 976 569	Mayoral Committee Members	2 976 569	2 445 042
5 455 635	5 857 031	Council Members' Allowances	5 857 031	5 455 635
535 700	687 422	Councillors Pension Contributions	687 422	535 700
9 149 442	10 402 852		10 402 852	9 149 442

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R		R	R
		<i>In-kind Benefits</i>		
		The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
		22 INTEREST PAID		
5 222 456	4 904 522	Long-term liabilities	6 473 397	5 222 456
-	-	Consumer deposits	-	-
-	-	Finance leases	-	-
-	-	Bank overdrafts	-	-
5 222 456	4 904 522	Total Interest on External Borrowings	6 473 397	5 222 456
		23 BULK PURCHASES		
65 901 531	66 634 398	Electricity	66 736 563	65 901 531
-	102 165	Water	1 835 106	-
65 901 531	66 736 563	Total Bulk Purchases	68 571 669	65 901 531
		24 GRANTS AND SUBSIDIES PAID		
-	37 010 134	Grant paid to Maluti-a-Phofung Water	37 010 134	-
-	37 010 134	Total Grants and Subsidies	37 010 134	-
		25 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
		The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -		
		25.1 Statutory Funds		
		Balance previously reported: -		
30 689 058	-	Capital Development Fund	-	30 689 058
14 331 521	-	Redemption fund	-	14 331 521
7 733 429	-	Erven Fund	-	7 733 429
52 754 008	-	Total	-	52 754 008
		Implementation of GAMAP		
-	-	Transferred to the Capital Replacement Reserve	-	-
14 331 521	-	Transferred to the Capitalisation Reserve	-	14 331 521
38 422 487	-	Transferred to Accumulated Surplus/(Deficit)	-	38 422 487
52 754 008	-	Total	-	52 754 008
		25.2 Loans Redeemed and Other Capital Receipts		
		Balance previously reported		
394 110 708	-		-	394 110 708
		Implementation of GAMAP		
299 433 386	-	Transferred to Government Grant Reserve	-	299 433 386
-	-	Transferred to Donations and Public Contribution Reserve	-	-
94 677 321	-	Transferred to Accumulated Surplus/(Deficit)	-	94 677 321
394 110 708	-	Total	-	394 110 708
		25.3 Provisions and Reserves		
		Balance previously reported		
-	-	Redemption fund	-	-
4 850 946	-	Valuation Roll Reserve	-	4 850 946
4 850 946	-	Total	-	4 850 946

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005 R	2006 R		2006 R	2005 R
<u>4 850 946</u>	-	Implementation of GAMAP	-	<u>4 850 946</u>
		Transferred to Non-current provisions		
		25.4 Property, plant and equipment		
		Balance previously reported		
		Implementation of GAMAP		
		Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit)		
		Total		
		25.5 Accumulated Depreciation		
		Balance previously reported		
		Implementation of GAMAP		
967 371		Backlog depreciation: Land and buildings	967 371	
97 724 472		Backlog depreciation: Infrastructure	97 724 472	
432 888		Backlog depreciation: Community	432 888	
7 826 126		Backlog depreciation: Other	7 826 126	
-		Backlog depreciation: Housing Development Fund	-	
<u>106 950 857</u>	-	Total (debited to Accumulated Surplus/(Deficit))	<u>106 950 857</u>	
		25.6 Accumulated Surplus/(Deficit)		
		Implementation of GAMAP		
-		Adjustments to inventory	-	
-		Excessive provisions and reserves no longer permitted	-	
9 341		Non-current provisions previously not recognised	9 341	
38 422 487		Transferred from statutory funds	38 422 487	
24 913 029		Transferred from Loans Redeemed and Other Capital Receipts	24 913 029	
-		Fair value of Property, Plant and Equipment previously not recorded	-	
134 173 614		Backlog depreciation	134 173 614	
<u>197 518 471</u>		Total	<u>197 518 471</u>	
		26 CASH GENERATED BY OPERATIONS		
68 170 916	31 591 048	Surplus for the year	43 422 928	68 170 916
		Adjustment for:-		
37 186 565	42 618 904	Depreciation	43 004 794	37 186 565
-	-	Loss / (Gain) on disposal of property, plant and equipment	-	-
-	-	Contribution to provisions - non-current	-	-
6 455 255	5 157 219	Contribution to provisions – current	5 157 219	6 455 255
22 325 811	26 338 000	Bad debts	26 338 000	22 325 811
-	-	Equity accounted share of associate's surplus	-	-
-	-	Outside shareholder's interest	-	-
-	-	Dividends received	-	-
(9 580 690)	(14 335 110)	Investment income	(14 335 110)	(9 580 690)
(5 561 188)	(4 819 195)	Interest earned other	(4 819 195)	(5 561 188)
5 222 456	4 904 522	Interest paid	6 473 397	5 222 456
<u>124 219 124</u>	<u>91 455 387</u>	Operating surplus before working capital changes:	<u>105 242 032</u>	<u>124 219 124</u>
(33 905)	205 513	(Increase) / decrease in inventories	(2 180 057)	(33 905)
(52 024 970)	(88 010 698)	(Increase) / decrease in debtors	(95 687 521)	(52 024 970)
-	35 338 838	(Increase) / decrease in other debtors	27 847 204	-
-	(7 758 915)	(Decrease) / increase in conditional grants and receipts	(7 758 915)	-
12 637 888	21 939 482	Increase / (decrease) in creditors	23 754 533	12 637 888
-	(6 845 271)	Increase / (decrease) in provisions	822 153	-
-	(11 980 180)	(Increase) / decrease in VAT	(11 393 230)	-
<u>84 798 137</u>	<u>34 344 155</u>	Cash generated by/(utilised in) operations	<u>40 646 198</u>	<u>84 798 137</u>

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005 R	2006 R		2006 R	2005 R
		- CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT		
	411 798 248	Total Revenue	419 843 335	
	-	Adjusted for non-cash items		
		- Gains on disposal of Property Plant and Equipment		
	-	Adjusted for items presented separately		
	(14 335 110)	- Dividends Received	(14 335 110)	
	(4 819 195)	- Interest received on investments	(4 819 195)	
		- Interest received other		
	(88 010 698)	Adjusted for changes in working capital		
	35 338 838	- (Increase) / decrease in consumer debtors	(95 687 521)	
	(11 980 180)	- (Increase) / decrease in other debtors	27 847 204	
	<u>327 991 902</u>	- (Increase) / decrease in VAT receivable	<u>(11 393 230)</u>	
			<u>321 455 483</u>	
		- CASH PAID TO SUPPLIERS AND EMPLOYEES		
	380 207 200	Total expenditure	376 420 408	
	(42 618 904)	Adjusted for non-cash items		
	(5 157 219)	- Depreciation	(43 004 794)	
	(26 338 000)	- Contributions	(5 157 219)	
		- Bad debts	(26 338 000)	
	(4 904 522)	Adjusted for items presented separately		
		- Interest paid	(6 473 397)	
	(21 939 482)	Adjusted for changes in working capital		
	7 758 915	- (Increase) / decrease in creditors	(23 754 533)	
	-	- (Increase) / decrease in unspent conditional grants	7 758 915	
	6 845 271	- Increase / (decrease) in VAT payable		
	(205 513)	- (Increase) / decrease in provisions	(822 153)	
	<u>293 647 747</u>	- Increase / (decrease) in inventory	<u>2 180 057</u>	
			<u>280 809 285</u>	
		27 CASH AND CASH EQUIVALENTS		
		Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
	26 449	Bank balances and cash		
	(13 612 627)	Bank overdraft		
	<u>(13 586 178)</u>	Total cash and cash equivalents		
		28 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
		Long-term liabilities (see Note 2)		
		Used to finance property, plant and equipment – at cost		
		Sub- total		
		Cash set aside for the repayment of long-term liabilities		
		Cash invested for repayment of long-term liabilities (see note 18)		
		UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL		
		29 EXPENDITURE DISALLOWED		
		<u>31.1 Unauthorised expenditure</u>		
		Reconciliation of unauthorised expenditure		
	-	Opening balance	-	
	-	Unauthorised expenditure current year	-	
	-	Approved by Council or condoned	-	

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY					
2005 R	2006 R		2006 R	2005 R				
	-	Transfer to receivables for recovery (note 17)	-					
	-	Unauthorised expenditure awaiting authorisation	-					
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Disciplinary steps/criminal proceedings</th> </tr> <tr> <td style="text-align: left;">None</td> <td style="text-align: left;">N/A</td> </tr> </table>	Incident	Disciplinary steps/criminal proceedings	None	N/A		
Incident	Disciplinary steps/criminal proceedings							
None	N/A							
		31.2 Fruitless and wasteful expenditure						
		Reconciliation of fruitless and wasteful expenditure						
	-	Opening balance	-					
	-	Fruitless and wasteful expenditure current year	-					
	-	Condoned or written off by Council	-					
	-	To be recovered – contingent asset (see note 42)	-					
	-	Fruitless and wasteful expenditure awaiting condonement	-	-				
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Disciplinary steps/criminal proceedings</th> </tr> <tr> <td style="text-align: left;">None</td> <td style="text-align: left;">N/A</td> </tr> </table>	Incident	Disciplinary steps/criminal proceedings	None	N/A		
Incident	Disciplinary steps/criminal proceedings							
None	N/A							
		31.3 Irregular expenditure						
		Reconciliation of irregular expenditure						
	-	Opening balance	-					
	-	Fruitless and wasteful expenditure current year	-					
	-	Condoned or written off by Council	-					
	-	Transfer to receivables for recovery – not condoned	-					
	-	Irregular expenditure awaiting condonement	-	-				
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Disciplinary steps/criminal proceedings</th> </tr> <tr> <td style="text-align: left;">None</td> <td style="text-align: left;">N/A</td> </tr> </table>	Incident	Disciplinary steps/criminal proceedings	None	N/A		
Incident	Disciplinary steps/criminal proceedings							
None	N/A							
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE								
30 MANAGEMENT ACT								
31.1 Contributions to organized local government								
		Opening balance						
	196 983	Council subscriptions						
	431 980	Amount paid - current year						
	-	Amount paid - previous years						
	-	Balance unpaid (included in creditors)						

MALUTI-A-PHOFUNG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY			ECONOMIC ENTITY	
2005	2006		2006	2005
R	R		R	R
		<p>The latest actuarial valuations of the Municipal Councillors Pension Fund was on 30 June 1997 and reflected a surplus of R22 706 000.</p>		
		<p>32 CONTINGENT LIABILITY</p>		
		<p>NONE</p>		
		<p>33 CONTINGENT ASSET</p>		
		<p>NONE</p>		
		<p>34 IN-KIND DONATIONS AND ASSISTANCE</p>		
		<p>NONE</p>		
		<p>35 PRIVATE PUBLIC PARTNERSHIPS</p>		
		<p>NONE</p>		
		<p>36 EVENTS AFTER THE REPORTING DATE</p>		
		<p>NONE</p>		
		<p>37 COMPARISON WITH THE BUDGET</p>		
		<p>The comparison of the Municipality's and Economic entity's actual financial performance with that budgeted is set out in Annexures E(1) to E(2)</p>		

MALUTI-A-PHOFUNG MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan No	Issued	Interest Rate	Redeemable	Balance at 01/07/05	Received during the year	Redeemed or written off during the year	Balance at 30/06/06
					R	R	R	R
ANNUITY LOANS								
Free State Municipal Pension Fund	25006	1985	11.500%	30/06/2007	207,641		98,023	109,618
Free State Municipal Pension Fund	25007	1986	10.000%	30/06/2006	66,204		66,204	0
Development Bank of South Africa	11018.103	1997	15.000%	30/09/2012	2,232,275		177,333	2,054,942
Development Bank of South Africa	11019.105	1997	15.000%	31/12/2015	1,405,197		61,321	1,343,876
Development Bank of South Africa	11021.102	1998	15.000%	31/12/2015	364,650		15,912	348,738
Development Bank of South Africa	11076.103	2000	15.000%	30/06/2018	1,521,567		42,646	1,478,921
Development Bank of South Africa	11076.202	2000	15.000%	30/06/2018	1,566,855		43,915	1,522,940
Development Bank of South Africa	11084.103	1998	15.000%	31/12/2015	3,456,773		150,848	3,305,925
Development Bank of South Africa	11827.102	1989	16.000%	31/12/2008	261,688		60,997	200,691
Development Bank of South Africa	13768.102	2001	15,632%	31/12/2020	1,279,252		22,350	1,256,902
Development Bank of South Africa	13768.202	2001	15,632%	31/12/2020	1,117,865		19,532	1,098,333
Development Bank of South Africa	13768.302	2002	15,632%	31/12/2021	1,460,434		21,634	1,438,800
Free State Development Corporation	6009010335	2005	Flexible	03/12/2009	402,548		110,688	291,860
					15,342,949	0	891,403	14,451,546
OTHER LOANS								
ABSA bank		1999	Flexible	01/08/2004	2,500,000			2,500,000
Future Bank Corporation	1997	1998	Flexible	31/12/2007	978,168		520	977,648
					3,478,168	0	520	3,477,648

MALUTI-A-PHOFUNG MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan No	Issued	Interest Rate	Redeemable	Balance at 01/07/05	Received during the year	Redeemed or written off during the year	Balance at 30/06/06
LEASES								
ABSA	61377420	2003	15.734%	06/2008	40,015		11,758	28,257
ABSA	61379741	2003	15.500%	06/2008	103,125		29,341	73,784
ABSA	61379733	2003	14.222%	06/2008	93,359		26,610	66,749
ABSA	61866898	2003	15.734%	06/2008	286,343		77,683	208,660
ABSA	61866901	2003	15.734%	06/2008	286,343		77,683	208,660
ABSA	61866910	2003	15.734%	06/2008	286,343		77,683	208,660
ABSA	61868394	2003	15.500%	06/2008	401,711		111,708	290,003
ABSA	63122802	2003	15.500%	01/2009	422,854		80,923	341,931
ABSA	60120434	2002	18.338%	08/2005	33,291		9,773	23,518
ABSA	60120469	2002	18.338%	08/2005	33,291		9,773	23,518
ABSA	60120450	2002	18.338%	08/2005	33,291		9,773	23,518
ABSA	60120442	2002	18.338%	08/2005	33,291		9,773	23,518
Ford Credit	62689892	2003	18.338%	11/2008	71,392		17,316	54,076
ABSA	61390460	2003	18.338%	05/2006	35,821		35,821	0
Ford Credit	62689906	2003	18.338%	08/2005	71,392		17,316	54,076
ABSA	61390478	2003	18.338%	08/2005	35,821		35,821	0
ABSA	69307901	2006	14.496%	08/2011		193,637	32,963	160,674
ABSA	69307910	2006	14.475%	01/2011		191,274	32,554	158,720
ABSA	69307928	2006	14.475%	01/2011		191,274	32,554	158,720
ABSA	68643746	2005	11.371%	10/2010		189,407	30,916	158,491
ABSA	68643738	2005	11.641%	10/2010		113,740	23,285	90,455
ABSA	68643304	2005	11.640%	10/2010		113,740	23,254	90,486
ABSA	68643290	2005	11.640%	10/2010		113,740	23,254	90,486
ABSA	68648128	2005	11.005%	10/2010		115,740	24,059	91,681
ABSA	68648110	2005	11.005%	10/2010		115,740	24,059	91,681
ABSA	68648101	2005	11.005%	10/2010		115,740	24,059	91,681
ABSA	68648098	2005	11.005%	10/2010		115,740	24,059	91,681
ABSA	68648080	2005	11.005%	10/2010		115,740	24,059	91,681
ABSA	68648071	2005	11.005%	10/2010		115,740	24,059	91,681
					2,267,683	1,801,252	981,890	3,087,045
					21,088,800	1,801,252	1,873,813	21,016,239

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2006

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Land and Buildings										
Land	8,959,309	3,842,390	-	-	12,801,700	0	0	-	0	12,801,699
Buildings	3,372,624	12,698,577	-	-	16,071,201	967,371	143,847	-	1,111,218	14,959,983
	12,331,933	16,540,968	-	-	28,872,901	967,371	143,847	-	1,111,218	27,761,682
Infrastructure										
Drains	5,882,167	-	-	-	5,882,167	1,270,359	199,785	-	1,470,145	4,412,023
Roads	47,863,967	13,823,955	-	-	61,687,923	17,339,438	3,890,742	-	21,230,180	40,457,743
	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	101,437,687	23,776,011	-	-	125,213,698	22,490,173	5,083,155	-	27,573,328	97,640,370
Electricity Mains	297,627,981	22,203,494	-	-	319,831,475	36,087,446	22,185,108	-	58,272,554	261,558,921
Electricity Peak Load Equipment	61,959,274	8,704,405	-	-	70,663,680	3,845,676	2,961,873	-	6,807,550	63,856,130
Water Mains & Purification	4,358,820	-	-	-	4,358,820	1,637,996	217,817	-	1,855,813	2,503,008
Reservoirs-Water	1,132,779	1,033,889	-	-	2,166,668	838,323	56,639	-	894,962	1,271,706
Water Meters	23,841,356	15,430,347	-	-	39,271,703	2,943,451	1,369,708	-	4,313,158	34,958,545
Water Mains	41,371,077	9,162,832	-	-	50,533,909	10,645,953	2,272,691	-	12,918,644	37,615,265
Pedestrian Malls	110,619	-	-	-	110,619	90,815	5,531	-	96,346	14,273
Security Measures	2,384,722	234,986	-	-	2,619,708	534,844	658,553	-	1,193,397	1,426,311
	587,970,450	94,369,919	-	-	682,340,370	97,724,472	38,901,604	-	136,626,076	545,714,294
CommunityAssets										
Parks & Gardens	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	4,179,206	4,346,699	-	-	8,525,905	322,643	240,540	-	563,182	7,962,723
Civic Buildings	184,738	-	-	-	184,738	110,245	6,158	-	116,403	68,335
	4,363,944	4,346,699	-	-	8,710,643	432,888	246,698	-	679,586	8,031,057
HeritageAssets										
Historical Buildings	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	884	-	-	-	884	536	177	-	713	171
	884	-	-	-	884	536	177	-	713	171
Total carried forward										

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2006

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Housing Rental Stock										
Housing Rental 1	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)										
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Landfill sites	950,979	-	-	-	950,979	197,940	31,699	-	229,639	721,340
Office Equipment	873,197	176,575	-	-	1,049,772	824,622	177,791	-	1,002,412	47,360
Furniture & Fittings	1,010,268	360,405	-	-	1,370,674	296,973	176,872	-	473,845	896,828
Bins and Containers	2,250	-	-	-	2,250	319	450	-	769	1,481
Emergency Equipment	170,810	-	-	-	170,810	307,551	34,162	-	341,713	-170,903
Motor vehicles	8,024,039	2,028,166	-	-	10,052,205	3,167,733	1,733,421	-	4,901,154	5,151,051
Fire engines	10,812	5,439	-	-	16,251	1,574	1,727	-	3,301	12,950
Refuse tankers	-	-	-	-	-	-	-	-	-	-
Computer equipment	4,766,479	1,056,511	-	-	5,822,990	1,757,903	948,509	-	2,706,412	3,116,578
Computer Software	137,448	-	-	-	137,448	80,855	45,152	-	126,007	11,441
Councillors Regalia	-	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	831,892	107,575	-	-	939,467	1,190,120	176,795	-	1,366,915	-427,448
	16,778,175	3,734,671	-	-	20,512,846	7,825,590	3,326,578	-	11,152,168	9,360,678
Total	621,445,387	118,992,257	-	-	740,437,643	106,950,857	42,618,904	-	149,569,761	590,867,882

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2006

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	111,515	59,961	-	-	171,476	26,740	17,330	-	44,070	127,406
Finance & Admin	4,654,223	3,110,459	-	-	7,764,682	2,676,332	823,316	-	3,499,648	4,265,034
Planning & Development	9,110,889	662,389	-	-	9,773,278	99,892	120,782	-	220,673	9,552,604
Health	79,407	-	-	-	79,407	142,977	15,881	-	158,858	-79,451
Community & Social Services	339,822	1,118,394	-	-	1,458,216	58,694	63,250	-	121,944	1,336,273
Housing	7,752	-	-	-	7,752	3,577	1,550	-	5,127	2,625
Public Safety	1,123,680	567,330	-	-	1,691,010	1,606,561	291,529	-	1,898,090	-207,080
Sports & Recreation	5,321,178	4,429,836	-	-	9,751,014	661,832	331,295	-	993,127	8,757,887
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	950,979	-	-	-	950,979	200,370	31,699	-	232,069	718,910
Waste Water Management	103,345,299	32,776,624	-	-	136,121,922	22,621,702	5,200,919	-	27,822,621	108,299,301
Road & Transport	61,936,478	19,732,298	-	-	81,668,776	22,027,001	5,844,040	-	27,871,041	53,797,735
Water	70,824,320	25,627,068	-	-	96,451,388	16,067,237	3,924,874	-	19,992,112	76,459,276
Electricity	363,499,669	30,907,899	-	-	394,407,568	40,668,005	25,942,205	-	66,610,211	327,797,358
Other	140,175	-	-	-	140,175	89,937	10,232	-	100,170	40,006
TOTAL	621,445,387	118,992,257	-	-	740,437,643	106,950,857	42,618,904	-	149,569,761	590,867,883

MALUTI-A-PHOFUNG MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2006

	2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)
	R	R	R
Community and Social Services	42,071	11,552,297	(11,510,226)
Electricity	64,839,020	112,028,336	(47,189,316)
Executive and Council	-	31,890,964	(31,890,964)
Finance and Administration	221,383,690	100,853,369	120,530,321
Health	4,225	1,966,824	(1,962,599)
Housing	-	908,756	(908,756)
Planning and Development	104,749,114	24,122,183	80,626,931
Public Safety	827,918	19,732,372	(18,904,453)
Roads Transport	65,288	16,400,514	(16,335,226)
Sport and Recreation	1,497,890	9,122,743	(7,624,853)
Waste Management	7,798,892	17,837,643	(10,038,751)
Waste Water Management	1,297,438	23,057,039	(21,759,601)
Water	9,311,248	10,752,706	(1,441,459)
TOTAL	<u>411,816,795</u>	<u>380,225,748</u>	<u>31,591,048</u>

MALUTI-A-PHOFUNG MUNICIPALITY

APPENDIX E

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

REVENUE	2006 Actual	2006 Budget	2006 Variance	2006 Variance (%)	Reasons for variances greater than 10% versus Budget
REVENUE					
Property rates	97,152,966	101,029,536.00	-3,876,569.53	-4%	
Service charges	82,353,211	98,093,412.00	-15,740,201.12	-16%	
Interest earned - external investments	14,335,110	8,400,000.00	5,935,109.79	71%	
Interest earned - outstanding debtors	4,819,195	6,500,000.00	-1,680,804.80	-26%	
LED Income	6,741,714	6,741,714.36	-	0%	
Income for agency services	-	-	-		
Project Income Other	22,549,293	22,549,292.88	-	0%	
Government grants and subsidies	177,096,385	178,282,672.82	-1,186,287.70	-1%	
Other income	6,750,373	4,071,420.00	2,678,952.89	66%	
Gains on disposal of property, plant and equipment	-	-	-		
Total Revenue	411,798,248	425,668,048			
EXPENDITURE					
Employee related costs	79,593,507	81,087,272	(1,493,764)	-2%	
Remuneration of Councillors	10,402,852	10,402,852	-	0%	
Bad debts	26,338,000	39,830,093	(13,492,093)	-34%	
Collection costs	-	-	-		
Contributions	5,157,219	3,928,727	1,228,492	31%	
Depreciation	42,618,904	-	42,618,904	0%	
Repairs and maintenance	19,629,157	10,911,545	8,717,612	80%	
Interest paid	4,904,522	2,346,782	2,557,740	109%	
Bulk purchases	66,736,563	62,000,000	4,736,563	8%	
Contracted services	-	-	-		
Grants and subsidies paid	-	-	-		
General expenses	110,428,090	101,791,600	8,636,490	8%	
MIG Operational expenses	7,920,193	7,920,193	-	0%	
Community Projects	6,478,194	6,478,194	-	0%	
Loss on disposal of property, plant and equipment	-	-	-		
Total Expenditure	380,207,200	326,697,258			
NET SURPLUS/(DEFICIT) FOR THE YEAR	31,591,048	98,970,790			