

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

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Tswelopele Municipality

General Information

for the year ended 30 June 2006

Members of the Tswelopele Municipal Council

K R Phukuntsi (Me)	Mayor (from 8 March 2006)
M M Snyer	Mayor (until 7 March 2006)
S D Phara	Speaker (from 8 March 2006)
T P Matlakala	Speaker (Deceased - 22 February 2006)
T E Tjabane (Me)	Member of the Executive Committee (from 8 March 2006)
C Horn	Member of the Executive Committee (from 8 March 2006)
K D Kopamotse	Member of the Executive Committee (until 7 March 2006)
M J Taljaard	Member of the Executive Committee (until 7 March 2006)
M J Taljaard	Member (from 8 March 2006)
M M Snyer	Member (from 8 March 2006)
K D Motshabi (Me)	Member (from 8 March 2006)
D E Liphooko (Me)	Member (from 8 March 2006)
N E Mphirime (Me)	Member (from 8 March 2006)
M S Bonokwane (Me)	Member
P J Coetzer	Member
M M Masiu	Member (until 7 March 2006)
T A Matlakala (Me)	Member
F T Matsholo	Member
M J Ngexe	Member
N S Ngonelo	Member (until 7 March 2006)
K R Phukuntsi (Me)	Member (until 7 March 2006)
T M J Vinger (Me)	Member (until 7 March 2006)

Municipal Manager

K S Motsoeneng (BA.LLB)

Chief Financial Officer

J W Young (B.Com.)

Grading of Local Authority

Grade 4

Auditors

Auditor-General

Bankers

ABSA

Tswelopele Municipality

General Information (continued)

for the year ended 30 June 2006

Registered Office

Physical address:

Civic Centre
Bosman Street
Bultfontein
9670

Postal address:

PO Box 3
Bultfontein
9670

Telephone number:

051 - 853 1111

Fax number:

051 - 853 1332

E-mail address:

logov@tswelopele.org

Map of Tswelopele Municipal Area

A map of the Municipal area is available at the Council's offices.

FOREWORD

The past year has been a very difficult year from a financial and planning point of view. I am however glad to report that the Tswelopele Municipality and its personnel were able to maintain a high standard of performance and in the end realise most of the goals set. Through savings on a number of expenses, Council was once again able to limit tariff increases. We however regret to announce that during the past year the accumulated surplus on the operating account decreased from R 4,145,330 to R 620,765.

During the year the installation of the long awaited water bourne sewerage system was completed. Council was also able to upgrade the electricity network and roads and streets. The development of new infrastructure is a priority because it is a life policy for future economic development.

We are very grateful for the economic growth experienced in our towns. Confidence shown by investors is indicative of the success of Council to make Tswelopele attractive for investments.

Council is prepared to face the challenges of the future. In this regard we know we can rely on the support of all the people of Tswelopele. With the assistance of my fellow Councillors and our personnel we will always strive to make Tswelopele a better place to live in for all our people.

In conclusion I would like to express my appreciation to the Executive Committee, the Municipal Manager, Departmental Heads and all other personnel for their support, co-operation and hard work during the past year.

KR Phukuntsi (Me)
Mayor
31 August 2006

Tswelopele Municipality

Approval of Financial Statements

for the year ended 30 June 2006

The annual financial statements set out on pages 15 to 28 were approved by the Municipal Manager on 2006.

Municipal Manager (KS Motsoeneng)

Chief Financial Officer (JW Young)

Report of Smit Kruger to the Members of Tswelopele Municipality

for the year ended 30 June 2006

We have compiled the financial statements of the Tswelopele Municipality for the year ended 30 June 2006 as set out on pages 15 to 28 in accordance with South African Auditing Standards applicable to compilation engagements.

Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no opinion thereon.

DJ Smit

Smit Kruger

31 August 2006

Report of the Auditor-General to the Tswelopele Municipality
for the year ended 30 June 2006

The Auditor-General will issue his report upon finalisation of the audit.

Tswelopele Municipality

Report of the Chief Financial Officer

for the year ended 30 June 2006

Introduction

It is a pleasure to present the report for the 2005/2006 financial year.

1 OPERATING RESULTS

Details of the operating results per classification, department and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

Income	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Budget 2006 R	Variance Actual/Budget %
Operating Income for the year	42,051,168	38,558,686	(8.31)	40,036,700	(3.69)
Opening Surplus	769,142	4,145,330			
Total	42,820,310	42,704,016		40,036,700	
Expenditure					
Operating Expenditure for the year	38,710,692	41,782,685	(7.94)	40,031,700	(4.37)
Sundry transfers	(35,712)	300,566			
Closing Surplus	4,145,330	620,765		5,000	
Total	42,820,310	42,704,016		40,036,700	

1.1 Rates and General Services

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Budget 2006 R	Variance Actual/Budget %
Income	28,703,308	24,284,838	(15.39)	29,136,700	(16.65)
Expenditure	(27,161,648)	(29,230,112)	(7.62)	(32,261,700)	9.40
Surplus/(Deficit)	1,541,660	(4,945,274)		(3,125,000)	
Surplus/(Deficit) as a % of total Income	3.67	(12.83)		(7.81)	

Tswelopele Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2006

1.2 Trading Services

1.2.1 Water

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Budget 2006 R	Variance Actual/Budget %
Income	5,554,546	5,747,626	3.48	4,300,000	33.67
Expenditure	(4,711,045)	(4,970,087)	(5.50)	(3,294,000)	(50.88)
Surplus	843,501	777,539		1,006,000	
Surplus as a % of total Income	2.01	2.02		2.51	

1.2.2 Electricity

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Budget 2006 R	Variance Actual/Budget %
Income	7,678,964	8,439,872	9.91	6,600,000	27.88
Expenditure	(6,837,999)	(7,582,486)	(10.89)	(4,576,000)	(65.70)
Surplus	840,965	857,386		2,024,000	
Surplus as a % of total Income	2.00	2.22		5.06	

1.2.3 Game farming

	Actual 2005 R	Actual 2006 R	Variance 2005/2006 %	Budget 2006 R	Variance Actual/Budget %
Income	114,350	86,350	(24.49)	100,000	(13.65)
Surplus	114,350	86,350		100,000	
Surplus as a % of total Income	0.27	0.22		0.25	

Tswelopele Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2006

2 CAPITAL EXPENDITURE AND FINANCING

During the year fixed assets amounting to R 20,272,691 were acquired. This is 22% less than the previous year and consist of the following:

	Actual 2005 R	Budget 2006 R	Actual 2006 R
Community Services	2,272,104	15,000,000	346,172
Public Buildings & Equipment	568,939	288,300	613,625
Administration	178,200	-	-
Sanitation	-	-	-
Roads and Streets	234,768	500,000	-
Electricity Network, Equipment & Vehicles	482,253	2,240,700	2,820,241
High Mast Lighting	191,800	1,800,000	-
Water	325,881	716,988	368,446
Sewerage Network	19,113,999	11,944,694	14,202,038
Upgrading and rehabilitation of roads	2,581,276	1,704,523	1,922,169
	<u>25,949,220</u>	<u>34,195,205</u>	<u>20,272,691</u>

The following resources were utilised to finance the Fixed Assets:

	Actual 2005 R	Budget 2006 R	Actual 2006 R
Contributions from Operating Income	1,002,921	868,300	384,856
Assets not previously capitalised	2,447	-	-
Contributions from Government, Province and District Municipality	19,769,908	23,377,000	8,750,845
Other sources (Loans and Funds)	5,173,944	9,949,905	11,136,990
	<u>25,949,220</u>	<u>34,195,205</u>	<u>20,272,691</u>

Details of capital expenditure and financing are shown in Appendices B and C.

3 EXTERNAL LOANS, INVESTMENTS AND CASH

The current and comparative figures for external loans, investments and cash are as follows:

	2006 R	2005 R
External loans	(15,358,277)	(5,606,579)
External investments	11,640,335	10,193,771
Cash on hand and in Bank	37,464	750,087
Bank overdraft	-	(747,247)

R 1,520,000 of Council's investment serves as security for the overdraft facilities. More information regarding external loans, investments and cash are disclosed in notes 3, 6, and Appendix B to the financial statements

Tswelopele Municipality

Report of the Chief Financial Officer (continued)

for the year ended 30 June 2006

4 FUNDS, RESERVES AND PROVISIONS

The current and comparative figures for the Capital Development Fund and other funds are as follows:

	2006 R	2005 R
Provisions	2,480,062	2,225,745
Capital Development Fund	4,633,911	4,420,748
Erven Trust Fund	3,667,679	3,245,231

More information regarding funds and provisions are disclosed in notes 1,2 and Appendix A to the financial statements

5 DISTRIBUTION OF REVENUE

The equitable share was utilised as indicated in the financial statements. The Conditional Financial Management Grant of R 250,000 was not expended in this financial year.

6 POST BALANCE SHEET EVENTS

No events have taken place between the date of the financial statements and the date of this report which could have had an effect on the financial statements as disclosed.

7 APPRECIATION

I would like to thank the Mayor, Speaker, Members of the Executive Committee, Councillors, the Municipal Manager, Departmental Heads and all officials for the support given to me and the staff of my own office and in particular to our external consultants for their assistance and support during the year.

.....
Chief Financial Officer

.....
Date

Tswelopele Municipality

Accounting Policies

for the year ended 30 June 2006

1 Basis of presentation

- 1.1 The financial statements have been prepared to conform to standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (second edition 1996, as amended).
- 1.2 The financial statements are prepared on the historical cost basis adjusted for fixed assets, as more fully described in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous years, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
 - Income is accrued when collectable and measurable.Certain direct income is accrued when received, i.e. traffic fines and certain licences.
 - Expenditure is accrued in the year in which it is incurred.

2 Consolidation

The financial statements include the Rates- and General Services, Trading Services and different funds and provisions. All inter-departmental charges are set-off against each other.

3 Fixed assets

- 3.1 Fixed assets are stated:
 - at historical cost; or
 - at valuation (based on the market price at the date of acquisition), where assets have been acquired by certain grants or donations.Fixed assets with a value of less than R 1000 are not capitalised.

3.2 Depreciation

The balance shown under the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist.

By way of this "Provision" assets are written down immediately or over the period of the long term loan being the source of finance of the particular asset or group of assets.

Tswelopele Municipality

Accounting Policies (continued)

for the year ended 30 June 2006

3.2 Depreciation (continued)

Apart from advances from the various Council funds, assets may also be acquired through:

- Appropriation from income, where the full cost of the asset forms an immediate and direct charge against operating income. Provision for additional depreciation is deemed unnecessary.
- Grants and donations where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 The net proceeds from the sale of immovable property are credited to the Erven Trust Fund. The net proceeds from the sale of other assets are credited to income.

3.4 Fixed assets are financed from different sources, i.e. internal loans, operating income, endowments and internal advances. These loans and advances are redeemed over a period equal to the expected lives of the assets. Interest is charged to the service concerned at the ruling interest rate applicable at the time of the approval of loans or advances.

4 Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis and net realisable value after due provision for obsolescence has been made.

5 Funds and reserves

5.1 Capital Development Fund

No contributions were made to this fund. Interest was credited to the fund.

5.2 Erven Trust Fund

The net proceeds from the sale of immovable property are credited to this Fund. This Fund is utilised for financing projects of a lasting non-productive nature as prescribed in Sec.85(1)(b) of the Local Government Ordinance, 1962 (Ordinance no 8 of 1962).

Tswelopele Municipality

Accounting Policies (continued)

for the year ended 30 June 2006

6 Provisions

Provision was made for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

The provision for bad debts refers to current assets and is therefore disclosed as a deduction from debtors.

7 Retirement benefits

- 7.1 The retirement benefit plan is subject to the Pension Fund Act of 1956, with pensions being calculated either on the fixed contribution or the fixed benefit method. Current contributions by the Municipality are charged against operating income on the basis of current service cost. Unfavourable experience adjustments and the cost of insurance of the increased benefits are written off over the smallest of the remaining service period or over five years. Favourable experience adjustments are retained in the retirement plan.

- 7.2 Tswelopele Municipality and its employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund, SAMWU Provident Fund and Sala Pension Fund, whilst the Councillors contribute to the Pension Fund for Municipal Councillors. All five the funds provide retirement benefits to employees and/or Councillors concerned.

8 Surplus and deficits

Any surplus or deficit originating from the electricity or water services are transferred to Rates and General Services.

9 Treatment of administrative and other overhead costs

The cost of internal auxiliary services are debited against the different services and are in accordance with IMTA's Report on Accounting for Support Services (1990).

10 Leased assets

Fixed assets held under finance leases are only capitalised at the end of the term of the lease.

Leases are treated as operating leases and the relevant rentals are charged to the operating account.

Tswelopele Municipality

Accounting Policies (continued)

for the year ended 30 June 2006

11 Investments

Investments are made in accordance with the requirements of Section 84 of the Local Government Ordinance, 1962 (Ordinance no 8 of 1962) and policy prescribed by the Local Government Transition Act, (Act no 209 of 1993).

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in the Circular issued by Provincial Legislature.

12 Income recognition

12.1 Electricity and water charges

All meters are read and billed monthly. Where meters can not be read during a particular month a provisional bill is issued with the necessary adjustments made in the month when the meters are indeed read.

13 Assessment rates

The Council applies a differentiated rates system. According to this system assessment rates are charged on the value of the land (Bultfontein and Hoopstad) and improvements (Hoopstad). Certain rebates are granted according to the use to which a particular property is put. Further relief is granted to the aged and the needy.

Tswelopele Municipality

Balance Sheet

as at 30 June 2006

	Note	2006 R	2005 R
Capital Employed			
Funds and Reserves			
Statutory Funds	1	8,301,590	7,665,979
Accumulated Surplus		620,765	4,145,330
		<u>8,922,355</u>	<u>11,811,309</u>
Long Term Liabilities	2	14,612,177	5,455,554
Consumer Deposits	3	275,425	224,478
Total Capital Employed		<u>23,809,957</u>	<u>17,491,341</u>
Employment of Capital			
Fixed Assets	4	15,772,000	5,606,583
Investments	5	212,454	212,454
Long Term Debtors	6	-	26,048
		<u>15,984,454</u>	<u>5,845,085</u>
Net Current Liabilities		7,825,503	11,646,256
Current Assets			
Inventory	7	998,124	873,086
Debtors	8	7,692,944	9,771,179
Cash and bank		37,464	750,087
Short Term portion of Long Term Debtors		-	71,546
Short Term Investments	5	11,427,881	9,981,317
Current Liabilities		12,330,910	9,800,959
Provisions	9	2,480,062	2,225,745
Creditors	10	9,104,748	7,424,189
Short Term portion of Long Term Liabilities	2	746,100	151,025
Total Employment of Capital		<u>23,809,957</u>	<u>17,491,341</u>

Tswelopele Municipality

Income Statement

for the year ended 30 June 2006

Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
2005 R	2005 R	2005 R	2005 R		2006 R	2006 R	2006 R	2006 R
28,703,308	27,161,648	1,541,660	(1,079,700)	Rates and	24,284,838	29,230,112	(4,945,274)	(3,125,000)
15,783,720	14,710,644	1,073,076	(362,500)	General Services	9,870,432	15,281,515	(5,411,083)	(3,999,000)
2,460,809	2,147,975	312,834	(871,200)	Community Services	1,004,591	731,890	272,701	-
10,458,779	10,303,029	155,750	154,000	Subsidised Services	13,409,815	13,216,707	193,108	874,000
				Economic Services				
13,347,860	11,549,044	1,798,816	1,084,500	Trade Services	14,273,848	12,552,573	1,721,275	3,130,000
42,051,168	38,710,692	3,340,476	4,800	Total	38,558,686	41,782,685	(3,223,999)	5,000
				Appropriations for the year				
		35,712		(See note 16)			(300,566)	
		3,376,188		Net Surplus/(Deficit) for the year			(3,524,565)	
		769,142		Opening accumulated				
		4,145,330		Surplus			4,145,330	
				Accumulated Surplus			620,765	

Tswelopele Municipality

Cash Flow Statement

for the year ended 30 June 2006

	Note	2006	2005
		R	R
Cash retained from operating activities		<u>11,254,934</u>	<u>28,102,191</u>
Cash generated by Operations	17	(38,605,188)	(19,098,902)
Investment Income	15	747,149	645,410
Increase/(Decrease) in Working Capital	18	<u>21,454,355</u>	<u>4,235,183</u>
		(16,403,684)	(14,218,309)
Less: External Interest Paid		<u>(1,539,439)</u>	<u>(352,667)</u>
Cash available from/(utilised in) Operations		<u>(17,943,123)</u>	<u>(14,570,976)</u>
Cash contributions from Government and Public Bodies		28,763,057	42,448,765
Fixed Assets sold		<u>435,000</u>	<u>224,402</u>
Cash utilised in investing activities			
Investment in Fixed Assets		<u>(20,272,691)</u>	<u>(25,949,220)</u>
Net cash flow		<u>(9,017,757)</u>	<u>2,152,971</u>
Cash effects of financing activities			
Increase/(Decrease) in Long Term Loans	19	9,751,698	4,977,793
(Increase)/Decrease in Investments	20	(1,446,564)	(4,576,258)
(Increase)/Decrease in Bank and Cash on Hand	21	<u>712,623</u>	<u>(2,554,506)</u>
Net cash utilised		<u>9,017,757</u>	<u>(2,152,971)</u>

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
1 Statutory Funds		
Capital Development Fund	4,633,911	4,420,748
Erven Trust Fund	<u>3,667,679</u>	<u>3,245,231</u>
	<u>8,301,590</u>	<u>7,665,979</u>
1.1 See Appendix A		
2 Long Term Liabilities		
Development Bank of South Africa	15,358,277	5,566,749
ABSA	-	39,830
	<u>15,358,277</u>	<u>5,606,579</u>
Less: Current Portion transferred to Current Liabilities - note 2.1	<u>(746,100)</u>	<u>(151,025)</u>
	<u>14,612,177</u>	<u>5,455,554</u>
2.1 See Appendix B		
The loans bear interest at rates that varies between 9% and 18.7% per annum, the loans are unsecured and expire between 2006 and 2024.		
3 Consumer Deposits		
Water	54,944	34,519
Electricity	<u>220,481</u>	<u>189,959</u>
	<u>275,425</u>	<u>224,478</u>
3.1 No guarantees are kept in lieu of electricity deposits.		
4 Fixed Assets		
Fixed Assets at the Beginning of the Year	106,921,706	81,760,897
Capital Expenditure	20,272,691	25,949,220
Less: Assets written-off, transferred or disposed off	<u>(492,507)</u>	<u>(112,845)</u>
Total Fixed Assets	126,701,890	107,597,272
Less: Loans Redeemed and Other Capital Receipts	<u>(110,929,890)</u>	<u>(101,990,689)</u>
Net Fixed Assets	<u>15,772,000</u>	<u>5,606,583</u>
4.1 See Appendix C and Section 2 of the Chief Financial Officer's Report.		
5 Investments		
Unlisted		
Senwes Funds - note 5.1 to 5.5	212,454	212,454
Short Term Investments (ABSA Money Market Fund) - note 5.5	<u>11,427,881</u>	<u>9,981,317</u>
	11,640,335	10,193,771
Less: Transfer of Short Term Investments	<u>(11,427,881)</u>	<u>(9,981,317)</u>
	<u>212,454</u>	<u>212,454</u>
5.1 Unlisted Investments	212,454	212,454
5.2 Management's Valuation of Unlisted Investments	285,981	200,184
5.3 Average Gross Rate on Investments	6.42%	6.33%
5.4 Ordinance 8 of 1962 and the Local Government Transition Act (209 of 1993) require that funds, trust funds and other be invested in prescribed instruments.		
5.5 No investments have been written off during the year. A short term investment of R 1,520,000 has been pledged as security for the overdraft facilities of the Council.		
Investment in Senwes and Senwesbel Shares		
Issued Share Capital - Senwes Limited	180,789,308	201,347,832
Issued Share Capital - Senwesbel Limited	83,576,501	88,674,482
Percentage owned by Council - Senwes Limited	0.01%	0.01%
Percentage owned by Council - Senwesbel Limited	0.01%	0.01%
Indebtness of Senwes Limited	-	-
Dividends received - Senwes Limited	12,593	23,457
Dividends received - Senwesbel Limited	64,751	37,564
Management Fees received	-	-
Administration Fees received	-	-

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
6 Long Term Debtors		
Vehicle Loans	-	64,321
Housing Loans - Public	-	33,273
	<u>-</u>	<u>97,594</u>
Less: Short Term Portion of Long Term Debtors - note 6.1	-	(71,546)
	<u>-</u>	<u>26,048</u>
6.1 Transferred to Current Assets.		
7 Inventory		
Inventory consists of consumables, materials and game - note 7.1	<u>998,124</u>	<u>873,086</u>
7.1 Adequate provision has been made for obsolete stock.		
8 Debtors		
Consumer Debtors	21,463,799	41,823,157
Sundry Debtors	1,633,887	3,598,317
	<u>23,097,686</u>	<u>45,421,474</u>
Less: Provision for Bad Debts (Excluding VAT)	(13,658,150)	(31,330,208)
Less: Provision for VAT on Bad Debts	(1,746,592)	(4,320,087)
	<u>7,692,944</u>	<u>9,771,179</u>
8.1 Bad Debts : R 25,824,532 (2005: R 7,149,743). This represents 67% (2005: 17%) of total operating income for the year.		
8.2 Days outstanding in debtors are in excess of 120 days (2005 : 120 + days).		
9 Provisions		
Audit Fees	580,000	517,392
Leave Reserve	1,900,062	1,708,353
Bad Debts - Current Year	13,658,150	31,330,208
	<u>16,138,212</u>	<u>33,555,953</u>
Less: Provision transferred to Debtors - note 9.2	(13,658,150)	(31,330,208)
	<u>2,480,062</u>	<u>2,225,745</u>
9.1 Note: See note 8		
9.2 See Appendix A		
10 Creditors		
Trade and Sundry Creditors	1,549,211	904,063
Deposits	682,089	793,928
Amounts Received in Advance	6,873,448	5,726,198
	<u>9,104,748</u>	<u>7,424,189</u>
11 Bank, Cash and Overdraft Balances		
The Municipality has the following bank accounts:		
11.1 Current Account (Primary Bank Account)		
ABSA Bank Limited - Bultfontein Branch Account Number 810142227		
Cash Book Balance - Beginning of the Year - Dt (Cr)	747,247	(1,807,259)
Cash Book Balance - End of the Year - Dt	<u>34,624</u>	<u>747,247</u>
Bank Statement Balance - Beginning of the Year - Cr (Dt)	2,174,898	(340,506)
Bank Statement Balance - End of the Year - Cr - note 11.1.1	<u>2,059,307</u>	<u>2,174,898</u>
11.2 Money Market Fund		
ABSA Bank Limited - Bultfontein Branch Account Number 9108352550		
Cash Book Balance - End of the Year	11,427,881	9,981,317
Bank Statement Balance - End of the Year - note 11.1.1	<u>11,427,881</u>	<u>9,981,317</u>

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
11.1.1	The overdraft is secured by a limited cession of R 1,520 000 of the ABSA investment.	
12	Assessment Rates	
	Valuation 30.06.2006 R	Actual Income 2006 R
	Government 36,192,100	589,901
	Residential and Other 58,156,980	2,538,251
	<u>94,349,080</u>	<u>3,128,152</u>
12.1	Valuation of land and improvements is performed every five years. The last general valuation came into effect on 1 July 1996. The MEC for Local Government and Housing has however granted extension of time for the new valuations to be executed.	
12.2	The assessment rates are levied on the following basis: Land : Bultfontein 36.0c/R (2005: 32.7c/R); Hoopstad 7.93c/R (2005:7.21c/R) Improvements: Bultfontein nil/R (2005: nil/R); Hoopstad 0.99c/R (2005:0.90c/R) Rebates are given to the Central and Provincial Government	
	2006 R	2005 R
13	Councillors' Remuneration	
	Mayor's Allowance 229,198	220,124
	Speaker's Allowance 148,424	158,499
	Councillors' Allowances 545,445	504,810
	Executive Committee Members' Allowances 112,697	100,402
	Pension Fund Contributions 86,748	79,351
	<u>1,122,512</u>	<u>1,063,186</u>
13.1	Benefits In-kind The Executive Mayor and Speaker are full-time councillors. They are entitled to offices and secretarial support by the Council.	
13.2	The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).	
14	Auditor's Fees	
	Current Year 580,000	517,392
	(Over) Provision Previous Year 100,409	(78,406)
	<u>680,409</u>	<u>438,986</u>
15	Finance Transactions	
	Total External Interest received or paid:	
	Interest received 747,149	645,410
	Interest paid (1,539,439)	(352,667)
	<u>(792,290)</u>	<u>292,743</u>
	Capital Expenses debited against Operating Account:	
	Interest :	352,667
	- External 1,539,439	352,667
	Redemption: 204,358	66,151
	- External 204,358	66,151

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
16 Appropriations		
Appropriation Account:		
Accumulated Surplus: Beginning of the Year	4,145,330	769,142
Operating (Deficit)/Surplus for the Year	(3,223,999)	3,340,476
Appropriations for the Year:	(300,566)	35,712
Adjustments Previous Years	(300,566)	35,712
Accumulated Surplus : End of the Year	620,765	4,145,330
17 Cash generated by Operations		
(Deficit)/Surplus for the Year	(3,223,999)	3,340,476
Assets not previously capitalised	-	2,447
Adjustments in respect of:		
Previous Years' Operating Transactions	(300,566)	35,712
Appropriations charged against Income:	6,703,796	7,842,249
Capital Development Fund	-	399,775
Provisions and Reserves	6,753,940	6,663,955
Capital Expenditure	384,856	1,002,921
Fixed Assets sold	(435,000)	(224,402)
Capital Charges:	1,743,797	418,818
Interest paid:	1,539,439	352,667
- External Loans	1,539,439	352,667
Redemption:	204,358	66,151
- External Loans	204,358	66,151
Grants and Subsidies received	(19,211,736)	(22,548,859)
Operating Income credited against:		
- Statutory Funds	435,000	224,402
- Trust Funds	-	(112)
Non-operating Expenditure debited against:		
- Accumulated Funds	(579,799)	(133,762)
- Provisions and Reserves	(24,171,681)	(8,280,273)
	(38,605,188)	(19,098,902)
18 (Increase)/Decrease in Working Capital		
(Increase)/Decrease in Inventory	(125,038)	(109,852)
(Increase)/Decrease in Debtors	19,847,887	(308,755)
Increase/(Decrease) in Creditors	1,731,506	4,653,790
	21,454,355	4,235,183
19 Increase/(Decrease) in Long Term Liabilities		
Loans repaid	9,751,698	4,977,793
20 (Increase)/Decrease in Cash Investments		
Investments at the Beginning of the Year	10,193,771	5,617,513
Less: Investments at the End of the Year	11,640,335	10,193,771
	(1,446,564)	(4,576,258)
21 (Increase)/Decrease in Cash and Bank		
Cash and Bank Balance at the Beginning of the Year	750,087	(1,804,419)
Less: Cash and Bank Balance at the End of the Year	37,464	750,087
	712,623	(2,554,506)
22 Retirement Benefits - Pension Fund		
Fund	Date of last actuarial valuation	Finding
Free State Municipal Pension Fund	30-Jun-05	Financial position: Sound
SAMWU National Provident Fund	30-Jun-05	No surpluses available
SALA Pension Fund	30-Jun-05	Deficit - 6.8%
Free State Municipal Provident Fund	30-Jun-04	Financial position: Sound
23 Contingent Liabilities and Contractual Obligations		
23.1 Leave Pay Outstanding at 30 June 2006 : R 1,900,062 (2005: R 1,708,353) Provision for Leave Pay: R 657,940 (2005: R 925,563)		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
24 Capital Commitments		
Commitments in respect of capital expenditure:		
- Approved and contracted for	17,815,205	24,418,491
- Approved but not yet contracted for	16,380,000	15,380,000
	<u>34,195,205</u>	<u>39,798,491</u>
This expenditure will be financed from:		
- Internal sources	868,300	1,245,000
- External sources	33,326,905	38,553,491
	<u>34,195,205</u>	<u>39,798,491</u>
25 Capital Development and Erven Trust Fund		
25.1 No internal advances were made to borrowing services		
26 Government Grants and Subsidies		
Equitable Share	17,242,500	20,356,237
Central Government Grants	9,219,210	4,170,276
Provincial Government Grants	1,205,883	1,072,791
Grants from the District Municipality	445,873	7,475,751
Health and Ambulance Subsidies	838,022	1,592,221
DBSA Grant	740,911	5,242,477
	<u>29,692,399</u>	<u>39,909,753</u>
26.1 Equitable share		
In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigent community members and free basic water and electricity to the remainder of the community. All consumers receive a monthly subsidy which is credited to their accounts.		
26.2 Central Government Grants		
26.2.1 Skills Development Grant		
Opening Balance	(51,651)	-
Current year receipts	(15,000)	(120,617)
Transferred to Income Statement	66,651	68,966
Closing Balance	<u>-</u>	<u>(51,651)</u>
This grant was utilised to defray training costs incurred by the Municipality. The conditions of the grant have been met and no monies have been withheld.		
26.2.2 Grant for the building of VIP Toilets		
Opening Balance	(2,954)	(405,000)
Transferred to income/expenditure	2,954	402,046
Closing Balance	<u>-</u>	<u>(2,954)</u>
This grant was utilised for the building of toilets in the Hoopstad area. The conditions of the grant have been met and no monies have been withheld.		
26.2.3 Grant for the upgrading of the sewerage network - Tikwana and Phahameng		
Opening Balance	(820,482)	-
Adjustment of opening balance	(361,712)	-
Current year receipts	-	(4,049,659)
Transferred to fixed assets	1,182,194	3,229,177
Closing Balance	<u>-</u>	<u>(820,482)</u>
This grant was utilised for the upgrading of the sewerage network in the above area. The conditions of the grant have been met and no monies have been withheld.		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
26.2.4 MIG Grant - Sewerage (Phahameng)		
Opening Balance	(3,851,514)	-
Current year receipts	(9,204,210)	(5,242,477)
Transferred to income/expenditure	203,072	-
Transferred to fixed assets	6,639,338	1,390,963
Closing Balance - (transferred to creditors - note 10)	<u>(6,213,314)</u>	<u>(3,851,514)</u>
<p>This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3 Provincial Government Grants		
26.3.1 Grant for the erection of five high mast lights		
Opening Balance	3,768	(240,000)
Current year receipts	(883)	-
Transferred to income/expenditure	(2,885)	46,958
Transferred to fixed assets	-	191,800
Transferred to creditors	-	5,010
Closing Balance	<u>-</u>	<u>3,768</u>
<p>This grant was utilised for the installation of high mast lights in Tikwana. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.2 Financial Management Grant		
Opening Balance	(250,000)	-
Current year receipts	(250,000)	(250,000)
Transferred to income/expenditure	307,342	-
Closing Balance - (transferred to creditors - note 10)	<u>(192,658)</u>	<u>(250,000)</u>
<p>This grant is exclusively for the training of personnel in the Financial Department to enable them to implement the Municipal Finance Management Act. No monies have been withheld.</p>		
26.3.3 Grant for the purchase and repair of vehicles and equipment		
Opening Balance	(14,756)	-
Current year receipts	-	(200,000)
Transferred to income/expenditure	14,756	185,244
Closing Balance	<u>-</u>	<u>(14,756)</u>
<p>This grant was utilised to purchase and repair vehicles and equipment necessary for improved service delivery. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.4 Establishment Fund Grant		
Opening Balance	-	(1,025)
Transferred to income/expenditure	-	1,025
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised to develop policies and address identified shortcoming. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.5 IDP Grant		
Opening Balance	-	(116,611)
Transferred to income/expenditure	-	116,611
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised to finance the review of the IDP and other related expenditure. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.6 Capacity Building Grant		
Opening Balance	(116,170)	(151,000)
Transferred to income/expenditure	91,200	34,830
Closing Balance - (transferred to creditors - note 10)	<u>(24,970)</u>	<u>(116,170)</u>
<p>This grant was utilised to review the performance measurement system and other policies. The conditions of the grant have been met and no monies have been withheld.</p>		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
26.3.7 Grant for town planning and surveyance - Tikwana		
Opening Balance	(10,917)	(58,900)
Transferred to income/expenditure	2,185	47,983
Transferred to Erven Trust Fund	8,732	-
Closing Balance	<u>-</u>	<u>(10,917)</u>
<p>This grant was utilised for town planning and surveyance of stands. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.8 Grant for town planning and surveyance - Tikwana		
Opening Balance	-	-
Current year receipts	(221,000)	(138,200)
Transferred to fixed assets	221,000	138,200
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for town planning and surveyance of stands. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.9 Grant for the upgrading of bulk water supply - Hoopstad		
Opening Balance	-	-
Current year receipts	-	(284,591)
Transferred to fixed assets	-	284,591
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised to upgrade the bulk water supply network in Hoopstad. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.10 Financial Grant		
Opening Balance	(139,000)	-
Current year receipts	-	(200,000)
Transferred to income/expenditure	9,122	6,500
Transferred to fixed assets	-	54,500
Closing Balance - (transferred to creditors - note 10)	<u>(129,878)</u>	<u>(139,000)</u>
<p>This grant was utilised to purchase a folding machine. The conditions of the grant have been met and no monies have been withheld.</p>		
26.3.10 MSIG Grant		
Opening Balance	-	-
Current year receipts	(734,000)	-
Transferred to income/expenditure	315,517	-
Transferred to fixed assets	272,929	-
Closing Balance - (transferred to creditors - note 10)	<u>(145,554)</u>	<u>-</u>
<p>This grant was utilised to improve infrastructure. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4 Grants from the District Municipality		
26.4.1 Grant for the development of sportfacilities		
Opening Balance	-	-
Current year receipts	-	(1,875,181)
Transferred to fixed assets	-	1,875,181
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for the upgrading of sportfacilities in both towns. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4.2 Grant for the paving of sidewalks		
Opening Balance	87,058	(13,138)
Current year receipts	-	(998,597)
Transferred to fixed assets	-	1,098,793
Transferred to project (26.4.3)	(87,058)	-
Closing Balance	<u>-</u>	<u>87,058</u>
<p>This grant was utilised for the paving of sidewalks in both the towns. The conditions of the grant have been met and no monies have been withheld.</p>		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
26.4.3 Grant for the paving of roads - Tikwana		
Opening Balance	357,676	-
Balance transferred (Grant for the paving of sidewalks)	87,058	-
Current year receipts	(395,873)	(1,438,129)
Transferred to income/expenditure	(53,929)	-
Transferred to fixed assets	5,068	1,795,805
Closing Balance	<u>-</u>	<u>357,676</u>
<p>This grant was utilised for the paving of roads in the Tikwana area. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4.4 Grant to service loan no. 3 - Hoopstad		
Opening Balance	-	-
Current year receipts	(50,000)	(50,000)
Transferred to income/expenditure	50,000	50,000
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised to repay the above loan. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4.6 Grant for upgrading of the sewerage network		
Opening Balance	(24,529)	(54,811)
Transferred to fixed assets	-	30,282
Transferred to Capital Development Fund	24,529	-
Closing Balance	<u>-</u>	<u>(24,529)</u>
<p>This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4.7 Grant for upgrading of the sewerage network - Phahameng		
Opening Balance	-	-
Current year receipts	-	(2,635,290)
Transferred to fixed assets	-	2,635,290
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.</p>		
26.4.8 Grant for the installation of streetlights - Tikwana		
Opening Balance	-	-
Current year receipts	-	(478,554)
Transferred to fixed assets	-	478,554
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for the installation of streetlights in the Tikwana area. The conditions of the grant have been met and no monies have been withheld.</p>		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
26.5 Health and Ambulance Subsidies		
Opening Balance	825,138	585,671
Adjustment opening balance	(63,046)	-
Current year receipts	(838,022)	(1,592,221)
Transferred to income/expenditure	404,630	1,831,688
Closing Balance - (transferred to debtors - note 8)	<u>328,700</u>	<u>825,138</u>
<p>The health and ambulance services have been taken over by the Department of Health and the Province. The subsidies are utilised to defray the expenses incurred by the Municipality and for the rental of Municipal buildings.</p>		
26.6 DBSA Grant		
Opening Balance	-	-
Current year receipts	(740,911)	-
Transferred to income/expenditure	234,724	-
Transferred to fixed assets	339,115	-
Closing Balance - (transferred to creditors - note 10)	<u>(167,072)</u>	<u>-</u>
<p>This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.</p>		
27 Employee Related Costs		
Salaries	12,473,217	12,573,808
Contributions - UIF, Pension and Medical Aid Fund,	2,813,728	2,782,744
Housing subsidies	65,963	81,371
Industrial Council Levies	6,408	4,880
Other allowances	680,553	410,134
Overtime	489,006	377,525
Protective Clothing	93,128	39,169
Travel, Subsistence and Car allowances	1,386,229	1,359,727
Workmen's Compensation Commissioner	146,497	88,016
	<u>18,154,729</u>	<u>17,717,374</u>
27.1 No advances were made to employees.		
27.2 Remuneration of the Municipal Manager		
Annual Remuneration	148,500	388,403
Performance Bonuses	-	-
Car Allowance	55,245	85,446
Contributions - UIF, Medical and Pension Funds	27,492	61,772
	<u>231,237</u>	<u>535,621</u>
27.2.1 The Municipal Manager was appointed on 17 January 2006.		
27.3 Remuneration of the Deputy Municipal Manager		
Annual Remuneration	294,000	278,280
Performance Bonuses	-	-
Car Allowance	103,783	96,742
Contributions - UIF, Medical and Pension Funds	60,066	56,911
	<u>457,849</u>	<u>431,933</u>
27.4 Remuneration of the Chief Financial Officer		
Annual Remuneration	282,000	264,000
Performance Bonuses	-	-
Car Allowance	88,131	85,529
Contributions - UIF, Medical and Pension Funds	57,657	54,045
	<u>427,788</u>	<u>403,574</u>
27.5 Remuneration of the Manager Corporate Services		
Annual Remuneration	115,000	54,996
Performance Bonuses	-	-
Car Allowance	38,800	34,861
Contributions - UIF, Medical and Pension Funds	24,445	23,062
	<u>178,245</u>	<u>112,919</u>
27.5.1 The Manager Corporate Services was appointed on 1 February 2006.		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R
27.6 Remuneration of the Technical Manager		
Annual Remuneration	-	324,156
Performance Bonuses	-	-
Car Allowance	-	62,259
Contributions - UIF, Medical and Pension Funds	-	28,807
	<u>-</u>	<u>415,222</u>
27.6.1 The position of Technical Manager was vacant during the financial year.		
27.7 Remuneration of the Manager Community Services		
Annual Remuneration	264,550	253,500
Performance Bonuses	-	-
Car Allowance	111,433	106,730
Contributions - UIF, Medical and Pension Funds	51,805	43,344
	<u>427,788</u>	<u>403,574</u>
28 Unauthorised, Irregular, Fruitless and Wasteful Expenditure		
28.1 Irregular Expenditure		
Reconciliation of irregular expenditure		
Opening Balance	-	-
Irregular Expenditure Current Year	-	509,327
Approved or Condoned by Council	-	(509,327)
Transferred to Debtors for Recovery (note 8)	-	-
	<u>-</u>	<u>-</u>
Incident	Actions taken	
No tenders were obtained.	Council Approval - CMM 6.4 - 29/11/05.	
28.2 Fruitless and Wasteful Expenditure		
Reconciliation of unauthorised expenditure		
Opening Balance	-	-
Fruitless and Wasteful Expenditure Current Year	-	26,927
Approved or Condoned by Council	-	(26,927)
Transferred to Debtors for Recovery (note 8)	-	-
	<u>-</u>	<u>-</u>
Incident	Actions taken	
Interest paid, fines and legal fees	Council Approval - CMM 6.10 - 31/08/05	
29 Additional Disclosures in terms of the Municipal Finance Management Act		
29.1 Contributions to Organised Local Government		
Opening Balance	-	-
Council Subscriptions	6,408	4,880
Amount paid - Current Year	(6,408)	(4,880)
Closing Balance	<u>-</u>	<u>-</u>
29.2 Audit Fees		
Opening Balance	517,392	491,000
Audit Fee - Current Year (Provision)	580,000	517,392
Amount paid/Written back - Current Year	100,409	(78,406)
Amount paid - Previous Year	(617,801)	(412,594)
Closing Balance - Included in Provisions (note 9)	<u>580,000</u>	<u>517,392</u>
29.3 VAT		
VAT (Refundable)/Payable	<u>(363,844)</u>	<u>(1,238,799)</u>
29.3.1 The above figure represents the net amount of VAT output and VAT input receivable. Not all VAT returns have been submitted on the due date.		

Tswelopele Municipality

Notes to the financial statements

for the year ended 30 June 2006

	2006 R	2005 R	
29.4 Levies - District Municipality			
Opening Balance	-	-	
Levies- Current Year	46,295	40,959	
Amount paid - Current Year	<u>(46,295)</u>	<u>(40,959)</u>	
Closing Balance	<u>-</u>	<u>-</u>	
29.5 PAYE and UIF			
Opening Balance	47,507	14,101	
Payroll deductions - Current Year	(1,621,859)	(1,690,263)	
Amount paid - Current Year	<u>1,618,281</u>	<u>1,723,669</u>	
Closing Balance - Included in Debtors (note 8)	<u>43,929</u>	<u>47,507</u>	
29.6 Pension Fund and Medical Aid Fund Deductions			
Opening Balance	-	-	
Payroll deductions and Council Contributions - Current Year	3,383,312	3,798,322	
Amount paid - Current Year	<u>(3,383,312)</u>	<u>(3,798,322)</u>	
Closing Balance	<u>-</u>	<u>-</u>	
29.7 Councillors' arrear consumer accounts			
The accounts of the following Councillors were outstanding as year end: -			
30 June 2005	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor MM Snyer	8,197	8,197	-
Councillor FT Matsholo	4,727	4,727	-
30 June 2006			
Councillor MM Snyer	4,952	4,952	-
Councillor FT Matsholo	554	554	-
Councillor NE Mphirime (Me)	1,356	1,356	-
Councillor SD Phara	1,062	1,062	-
Councillor DE Liphooko (Me)	1,168	1,168	-
Councillor TE Tjabane (Me)	3,246	3,246	-
29.8 Non-compliance with the Municipal Finance Management Act			
29.8.1 Chapter 7, section 53(1)(c)(ii)			
The service delivery and budget implementation plan was not approved by the mayor within 28 days after the approval of the budget.			
29.8.2 Chapter 7, section 53(1)(c)(iii)			
The annual performance agreements of the municipal manager and all senior managers were not concluded.			
29.8.3 Chapter 7, section 53(2)			
The mayor did not report the failure to approve the service delivery and budget implementation plan and to approve and sign the performance agreements.			
29.8.4 Chapter 7, section 53(3)(a) and (b)			
Service delivery targets, performance indicators and performance agreements were not made public.			
29.8.5 Chapter 8, section 69(3)			
The accounting officer did not submit a draft service delivery and budget implementation plan and performance agreements to the mayor.			
29.8.6 Chapter 8, section 75			
The accounting officer did not display the documents required in terms of this section on the website of the municipality.			
29.8.7 Chapter 12, section 127(2)			
The mayor did not table the annual report of the municipality.			
29.8.8 Chapter 12, section 127(3)(a) and (b)			
The mayor did not submit a written explanation setting out the reasons for failure to submit the annual report.			
29.8.9 Chapter 12, section 127(5)			
The accounting officer did not publicise the annual report and did not submit the report to the Auditor-General.			
29.8.10 Chapter 12, section 130(1)			
No meeting was held with the public or any organs of state with regard to the annual report.			

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Appendix A

Statutory Funds, Reserves and Trust Funds

	Balance 01.07.2005	Contributions 2006	Interest 2006	Other Income & Adjustments 2006	Expenditure 2006	Balance 30.06.2006
	R	R	R	R	R	R
Statutory Funds						
Capital Development Fund	4,420,748	-	430,859	24,529	(242,225)	4,633,911
Erven Trust Fund	3,245,231	-	316,290	443,732	(337,574)	3,667,679
	<u>7,665,979</u>	<u>-</u>	<u>747,149</u>	<u>468,261</u>	<u>(579,799)</u>	<u>8,301,590</u>
Provisions						
Audit Fees	517,392	580,000	-	-	(617,801)	479,591
Audit Fees Adj previous years	-	-	-	100,409	-	100,409
Audit Fees	517,392	580,000	-	100,409	(617,801)	580,000
Accrued Leave Pay	1,708,353	657,940	-	-	(466,231)	1,900,062
Sub Total	<u>2,225,745</u>	<u>1,237,940</u>	<u>-</u>	<u>100,409</u>	<u>(1,084,032)</u>	<u>2,480,062</u>
Bad Debts	31,330,208	5,516,000	-	-	(23,188,058)	13,658,150
	<u>33,555,953</u>	<u>6,753,940</u>	<u>-</u>	<u>100,409</u>	<u>(24,272,090)</u>	<u>16,138,212</u>

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Appendix B

External Loans

Public and Other External Loans	Interest Rate	Loan No	Date approved	Year of Settlement	Balance 01.07.2005 R	Received 2006 R	Adjustment 2006 R	Redeemed/ Written Off 2006 R	Balance 30.06.2006 R
Development Bank of South Africa					5,566,749	9,956,056	-	(164,528)	15,358,277
Sewerage	13.45%	3	07.04.81	2009	505,540	-	-	(31,545)	473,995
Electricity	11.25%	37	10.11.76	2008	17,265	-	-	(5,131)	12,134
Sewerage	11.90%	38	29.06.04	2024	5,043,944	9,956,056	-	(127,852)	14,872,148
ABSA Bank					39,830	-	-	(39,830)	-
Camps	18.70%	25	31.03.86	2006	8,424	-	-	(8,424)	-
Electricity	18.70%	25	31.03.86	2006	31,406	-	-	(31,406)	-
Total External Loans					5,606,579	9,956,056	-	(204,358)	15,358,277

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Appendix C

Analysis of Fixed Assets

Expenditure 2005	Service	Balance at 01.07.2005	Expenditure 2006	Redeemed, transferred or written-off 2006	Balance at 30.06.2006
R		R	R	R	R
24,949,286	Rates and General Services	74,089,441	17,084,004	479,553	90,693,892
5,835,287	Community Services	39,222,929	2,881,966	331,384	41,773,511
-	Ambulance - Phahameng	102,171	-	-	102,171
178,200	Administration	378,556	-	-	378,556
(31,000)	Town Land	1,670,250	125,172	78,000	1,717,422
-	Creche	39,480	-	-	39,480
-	Council Property	380,694	-	-	380,694
44,929	Camps and Pound - Bultfontein	96,530	-	-	96,530
5,920	Camps and Pound - Hoopstad	347,199	-	-	347,199
11,146	City and Community Hall - Bultfontein	593,425	29,224	-	622,649
-	City and Community Hall - Hoopstad	983,984	30,796	-	1,014,780
-	Civil Protection	6,486	-	-	6,486
-	Communal Land	105,138	-	-	105,138
50,598	Parks and Cemeteries - Bultfontein	603,866	15,674	18,500	601,040
-	Parks and Cemeteries - Hoopstad	116,549	15,674	-	132,223
568,939	Public Buildings and Equipment	3,207,826	522,257	102,171	3,627,912
1,804,310	Public Works - Bultfontein	11,576,199	771,983	77,213	12,270,969
1,011,734	Public Works - Hoopstad	12,587,975	1,150,186	-	13,738,161
717,561	Sports Grounds - Bultfontein	1,713,856	-	-	1,713,856
1,441,950	Sports Grounds - Hoopstad	2,160,283	-	-	2,160,283
-	Swimming Pool - Bultfontein	77,917	-	-	77,917
31,000	Unsold Erven - Hoopstad	948,921	21,000	55,500	914,421
-	Planning - Hoopstad	153,259	-	-	153,259
-	Unsold Houses - Phahameng	289,289	-	-	289,289
-	Unsold Stands - Bultfontein	36,510	-	-	36,510
-	Unsold Stands - Phahameng	1,046,566	200,000	-	1,246,566
-	Subsidised Services	580,169	-	140,142	440,027
-	Clinic - Bultfontein	269,281	-	106,584	162,697
-	Clinic - Phahameng	226,596	-	33,558	193,038
-	Fire Brigade - Bultfontein	14,463	-	-	14,463
-	Fire Brigade - Hoopstad	17,472	-	-	17,472
-	Health	21,220	-	-	21,220
-	Library - Hoopstad	28,365	-	-	28,365
-	Library - Bultfontein	2,772	-	-	2,772
19,113,999	Economic Services	34,286,343	14,202,038	8,027	48,480,354
-	Development	19,438	-	8,027	11,411
-	Refuse	358,523	-	-	358,523
14,628,849	Sewerage - Bultfontein	21,183,996	10,045,906	-	31,229,902
4,485,150	Sewerage - Hoopstad	11,422,944	4,156,132	-	15,579,076
-	Water Bourne Sewerage	1,301,442	-	-	1,301,442
24,949,286	Balance c/f	74,089,441	17,084,004	479,553	90,693,892

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Analysis of Fixed Assets (continued)

Expenditure 2005	Service	Balance at 01.07.2005	Expenditure 2006	Redeemed, transferred or written-off 2006	Balance at 30.06.2006
R		R	R	R	R
24,949,286	Balance b/f	74,089,441	17,084,004	479,553	90,693,892
999,934	Trading Services	32,832,265	3,188,687	12,954	36,007,998
-	Abattoir	429,240	-	-	429,240
482,253	Electricity - Bultfontein	2,362,287	2,672,749	10,274	5,024,762
191,800	Electricity - Hoopstad	1,868,655	147,492	-	2,016,147
-	Farming	361,585	-	-	361,585
-	Game Farming	124,325	-	-	124,325
-	Water - Bultfontein	15,652,422	107,003	152,845	15,606,580
325,881	Water - Hoopstad	12,033,751	261,443	(150,165)	12,445,359
25,949,220	Total Fixed Assets	106,921,706	20,272,691	492,507	126,701,890
20,981,325	Less: Loans Redeemed and other Capital Receipts	101,315,123	10,107,274	492,507	110,929,890
66,150	Loans Redeemed and Advances Paid	451,436	204,366	236,500	419,302
1,015,268	Contributions ex Operating Income	13,924,776	384,856	(70,356)	14,379,988
1,002,921		13,924,776	384,856	166,144	-
2,447	Asset not previously capitalised	-	-	-	-
9,900	Loans redeemed and transferred	-	-	(236,500)	14,379,988
-	Other sources	5,274,949	339,115	128,228	5,485,836
130,000	Contributions from Funds	1,151,955	428,093	-	1,580,048
19,769,907	Contributions from Government and District Municipality	79,783,846	8,750,844	135,034	88,399,656
-	Revaluation	28,600	-	-	28,600
-	Grants	699,561	-	63,101	636,460
4,967,895	Net Fixed Assets	5,606,583	10,165,417	-	15,772,000

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Appendix D

Analysis of Operating Income and Expenditure

Actual 2005 R		Actual 2006 R	Budget 2006 R
Income			
22,548,859	Grants and Subsidies	19,211,736	17,416,900
20,356,237	- Central Government	17,242,500	17,242,000
1,831,688	- Provincial Government	1,919,236	124,900
360,934	- Other	50,000	50,000
19,502,308	Operating Income	19,346,950	22,619,800
2,446,850	- Assessment Rates	3,128,152	3,075,000
6,185,469	- Sale of Electricity	6,065,994	6,600,000
3,356,484	- Sale of Water	2,883,944	4,300,000
7,513,505	- Other Services and Charges	7,268,860	8,644,800
<u>42,051,167</u>		<u>38,558,686</u>	<u>40,036,700</u>
Expenditure			
17,263,120	Salaries, Wages and Allowances	17,608,400	18,558,000
9,828,929	General Expenses:	10,843,940	9,306,700
4,429,949	- Purchase of Electricity	4,553,041	4,495,000
581,392	- Purchase of Water	321,628	650,000
4,817,588	- Other General Expenses	5,969,271	4,161,700
2,865,550	Repairs & Maintenance & Fuel	3,612,391	3,450,200
1,002,920	Contributions to Fixed Assets	384,856	868,300
393,733	Capital Charges	1,742,963	457,000
7,356,440	Contributions	7,590,135	7,391,500
<u>38,710,692</u>		<u>41,782,685</u>	<u>40,031,700</u>

Tswelopele Municipality

Financial Statements

for the year ended 30 June 2006

Appendix E

Detailed Income Statement

Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
2005	2005	2005		2006	2006	2006	2006
R	R	R		R	R	R	R
28,703,308	27,161,648	1,541,660	Rates and General Services	24,284,838	29,230,112	(4,945,274)	(3,125,000)
15,783,720	14,710,644	1,073,076	Community Services	9,870,432	15,281,515	(5,411,083)	(3,999,000)
2,877,900	1,588,787	1,289,113	Assessment Rates	3,128,152	702,800	2,425,352	2,714,000
634,346	125,208	509,138	Camps	484,380	127,728	356,652	269,200
-	1,175,323	(1,175,323)	Community Services	126,058	1,305,697	(1,179,639)	(1,109,000)
431	2,074,423	(2,073,992)	Council's General Account	149,419	2,969,942	(2,820,523)	(2,107,000)
2,133	21	2,112	Licences	1,804	-	1,804	-
100,879	993,537	(892,658)	Parks and Cemeteries	86,380	1,080,639	(994,259)	(1,199,000)
123,827	2,433,945	(2,310,118)	Public Works	212,025	2,693,105	(2,481,080)	(2,956,000)
71,377	100,444	(29,067)	Properties	59,454	118,964	(59,510)	(31,000)
-	75,769	(75,769)	Sports Grounds	-	43,373	(43,373)	(100,000)
34,408	641,247	(606,839)	Town Hall	62,500	769,703	(707,203)	(769,000)
11,154,071	3,450,119	7,703,952	Town Treasurer	4,302,938	3,074,641	1,228,297	2,420,800
-	1,267,473	(1,267,473)	Municipal Manager	309,571	1,447,172	(1,137,601)	(1,132,000)
784,348	784,348	-	Welfare	947,751	947,751	-	-
2,460,809	2,147,975	312,834	Subsidised Services	1,004,591	731,890	272,701	-
1,831,689	1,518,855	312,834	Health	404,630	131,929	272,701	-
153,456	153,456	-	Fire Brigade	124,526	124,526	-	-
475,664	475,664	-	Library	475,435	475,435	-	-
10,458,779	10,303,029	155,750	Economic Services	13,409,815	13,216,707	193,108	874,000
3,525,520	3,462,751	62,769	Refuse Removal	4,693,763	4,624,717	69,046	608,000
6,933,259	6,840,278	92,981	Sewerage	8,716,052	8,591,990	124,062	266,000
13,347,860	11,549,044	1,798,816	Trading Services	14,273,848	12,552,573	1,721,275	3,130,000
7,678,964	6,837,999	840,965	Electricity	8,439,872	7,582,486	857,386	2,024,000
114,350	-	114,350	Game Farming	86,350	-	86,350	100,000
5,554,546	4,711,045	843,501	Water	5,747,626	4,970,087	777,539	1,006,000
<u>42,051,168</u>	<u>38,710,692</u>	<u>3,340,476</u>	Total	<u>38,558,686</u>	<u>41,782,685</u>	<u>(3,223,999)</u>	<u>5,000</u>
		35,712	Appropriations for previous years (See note 16)			(300,566)	
		3,376,188	Net Surplus/(Deficit) for the year			(3,524,565)	
		769,142	Opening Accumulated Surplus			4,145,330	
		<u>4,145,330</u>	Accumulated Surplus			<u>620,765</u>	

Tswelopele Municipality

Statistical Information

for the year ended 30 June 2006

Appendix F

General Statistics		2006	2005
i) Population		64,684	64,684
ii) Valuation of property : rateable	Land	R12,031,580	R12,031,580
	Improvements	R160,611,980	R160,611,980
Valuation of property : non rateable	Land	R10,441,052	R10,441,052
	Improvements	R38,448,050	R38,448,050
iii) Date of Valuation		1996/1997	1996/1997
iv) Number of stands - residential and commercial		8,968	8,968
v) Assessment rate on land: Bultfontein		R 0.3600	R 0.3270
	Hoopstad	R 0.0793	R 0.0721
Assessment rate on Improvements: Hoopstad / R		R 0.99	R 0.90
vi) Number of employees		203	200
vii) Area (Town land)		5 780ha	5 780ha
Electricity Statistics			
i) Units purchased (kWh)		22,251,467	23,911,249
ii) Units sold		20,532,018	20,889,601
iii) Units lost in distribution		1,719,449	3,021,648
iv) Percentage loss in distribution		8%	13%
v) Cost per unit sold		R 0.22	R 0.21
vi) Income per unit sold		R 0.30	R 0.30
Water Statistics			
i) Units purchased (kl)		1,804,881	2,551,510
ii) Units sold (kl)		1,633,791	2,217,282
iii) Units lost in distribution		171,090	334,228
iv) Percentage loss in distribution		9%	13%
v) Cost per unit sold		R 0.20	R 0.26
vi) Income per unit sold		R 1.77	R 1.51

**Report of the Auditor-General on Performance Measurement to the Tswelopele
Municipality**
for the year ended 30 June 2006

The Auditor-General will issue his report upon finalisation of the audit.