



Ngwathe

MUNICIPALITY

The home of harmony, prosperity and growth

Annual Report
2005 – 2006

AKNOWLEDGEMENTS

This annual report is published by the Ngwathe Local Municipality. It reviews all activities of the Municipality for the period July 2005 to June 2006. Every effort has been made to ensure that the facts are correct.

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FOREWORD

by the Mayor: Councillor BV Mangwana

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Herewith our Annual Report for the period July 2005 to June 2006. We submit this report as a new Council that only served the last three months of the 2005/2006 since we only came into office in March 2006. Much of the report, therefore, will contain most of the work done by our foregoing Council.

Important advances have made since the submission of the 2003-2004 Annual Report. We have made significant strides in the delivery of basic services. In the past year, we have made sure that a total of 100% households have access to water on site while 95% have access to waterborne sanitation while 98% have access to solid waste removal. In addition to the many roads maintained and upgraded, a total of 3,8km of ring road was tarred. Further, a total of 98% households have access to electricity.

The implementation of our housing programme is particularly crucial to building communities. This year, a total of 1297 houses were built while 1156 were certified as complete. We have also developed various policy frameworks and instruments to ensure that development in our communities happens in an orderly and sustainable manner. The frameworks include spatial development framework, land allocation policy, Housing policy and Sector Plan. These constitute various elements of a broader municipal strategy for sustainable development in the community.

We have also invested significantly in the rehabilitation and improvement of our sports and recreational facilities. A number of our community parks, cemeteries and sports grounds are benefiting from this investment.

Improvements also continue to be made to our planning, performance management and budgeting systems. An

'IDP Review and Budgeting Cycle' and the SDBIP were introduced to ensure proper alignment between planning and budgeting. Innovations have also been introduced to give content to the notion of 'Peoples Budget Process'. In this regard, we have ensured that extensive consultations are undertaken with communities before the final adoption of the annual budget. This is a forum created to present the community with the possibility to meaningfully review and influence budget priorities. Mayoral Imbizos continued to serve as important mechanisms to receive feedback from communities on the implementation of the IDP.

Various measures have also been taken to improve human resources and financial management. The Council ensured that virtually all of middle and top management posts are filled. This has given us the possibility to operate at full capacity as we implement our IDP. In filling the posts, we continued to strive to meet our transformation and equity targets as set out in our Employment Equity Plan. As a result, this year about 78% of top management is Black. More still needs to be done however to increase the representation of women and the disabled in the top management structures. There has been some improvement though on the gender with 2 women out of 5 senior managers. We can do more though.

While we continue to experience challenges on the financial viability side, especially the low levels of services payment, over-reliance on grants and huge salary bill on the budget, there have been some improvements. In particular, in 2005 we managed to collect about R70m in rates and taxes owed by government. As a result we have also been able to significantly reduce outstanding debts to our creditors especially statutory ones. We have also purchased a new financial system that would go some way towards improving financial management in the municipality.

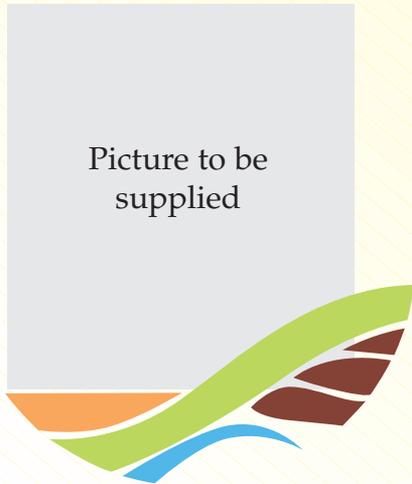
All these would not have been possible without collective leadership of the outgoing and incoming Councils, the support of the Municipal Manager and the rest of staff. I would therefore like to thank everybody for putting shoulder to the wheel and make things happen for the people of Ngwathe.

With many challenges ahead I wish to affirm that we have indeed taken the baton and will continue to make further advances in accelerating service delivery to our people.

Clr BV Mangwana
Mayor

OVERVIEW

by the Municipal Manager: Sandile Msibi



It is again with great sense of pleasure that we present our 2005-2006 Annual Report. The Report represents a true reflection on the work done, challenges and achievements during the period under review.

The 2003-2004 Annual Report reflected how we were beginning to embed the new structures and systems and laying bases for an efficient organization ready to deliver on its mandate. This year the Report will reflect on the further maturation of our systems as we enter the consolidation phase of our local government transformation project.

The Report reflects on the performance of our various programmes as we endeavor to meet the needs of our people articulated in our IDP and other policies and strategies. It will show significant strides made in:

- Strengthening our structures and consolidating our systems;
- Creating a vibrant organization and accelerating transformation;
- Stabilizing finances and ensuring viability
- Accelerating the delivery of basic services;
- Stimulating the economy and creating jobs;
- Providing housing and integrating our communities;
- Providing various community services to our people; and
- Promoting good governance and deepening democracy

Important achievements have been made in the above regard. Obviously these could not have been possible without the support of our political leadership and staff. I would therefore like to convey my sincere gratitude to the outgoing and incoming Mayor, Executive Committee and the entire Council for visionary, incisive leadership and guidance as well as our staff for their unwavering commitment to serve the people of Ngwathe.

As we move forward, we will take note of the weaknesses and challenges identified in our work to ensure all round improvement in the coming year. We owe this to the community we are meant to serve.

On behalf of staff, I wish to assure the new Council, of our continued readiness to play our part in the mission to bring a better life to all the people of Ngwathe.

Sandile Msibi
Municipal Manager

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CHAPTER 1: Overview of Ngwathe

1.1 Geographic Profile

The area of jurisdiction of the Ngwathe Local Municipality is situated in the northern part of the Northern Free State District Municipality region. The former Parys, Vredefort, Heilbron, Koppies and Edenville Transitional Local Councils and section of the former Koepel, Kroonkop and Vaal Dam Transitional Rural Councils are included in the Ngwathe Region. The total estimated residents in the urban areas, according to Council preferred data, is 141 783. The general tendency of migration from rural to urban areas is also occurring in the area, as is the case in the rest of the Free State Province. The majority of the rural population is active within the agricultural sector.

The Parys town area is situated approximately 38 km west of Sasolburg and 60 km south of the Gauteng Metropolitan Area. The town is located next to the Vaal River that serves as the border between the Free State and the Northwest Province. The unique nature and environmental assets of Parys present an exceptional tourism potential. The ideal location of Parys in a regional context, regarding the close proximity to the Gauteng Metropolitan Area and North West Province, further contributes to this fact. Regarding the population distribution in the former Parys District, 90,18% of the population resides in the urban areas and 9,82 % in the rural areas. The area is thus more urbanised than the average in the Free State (66% urban & 34% rural). From the economic structure of the region, it is evident that more employment opportunities exist in the urban areas of the Parys District than work opportunities relating to the rural areas such as agriculture.

The Vredefort town area is located approximately 50 km west of Sasolburg, 72 km south of the Gauteng Metropolitan Area and 76 km from Kroonstad. The former N1 primary access route between Kroonstad and Parys, extends through Vredefort. Regarding the population distribution in the former Vredefort District, 71,87% of the population resides in the urban areas and 28,13% in the rural areas. The area is thus more urbanised than the average in the Free State (66% urban & 34% rural). This tendency is further aggravated as an increasing number of farming labourers, settle in the urban area.

The Greater Heilbron is located approximately 53 km south of Sasolburg and 320 km north-east of Bloemfontein. Other larger centres such as Vereeniging, Vanderbijlpark and Kroonstad are all

within 100 km from Heilbron. The primary access route between Sasolburg and the Eastern Free State stretches adjacent to Heilbron. The Bethlehem / Vereeniging railway line additionally link the industries of Heilbron to the Gauteng area. Regarding the population distribution in the Heilbron District, 62,74% of the population resides in the urban areas and 37,26% in the rural areas. The area is thus less urbanised than the average in the Free State (66% urban & 34% rural).

The communities of Koppies and Kwakwatsi are situated approximately 70 km south of Sasolburg, 61 km north of Kroonstad and 280 km north of Bloemfontein. Other larger centres such as Vereeniging and Vanderbijlpark are all within 90 km from Koppies. The strategic national railway line from the Cape Provinces to the Gauteng Province stretches through Koppies. A large number of the inhabitants of Kwakwatsi are also employed in the Sasolburg area. Kwakwatsi can thus be labelled as a satellite residential town to the surrounding industrial areas. Regarding the population distribution in the former Koppies District, 57,41% of the population resides in the urban areas and 42,59% in the rural areas. The area is thus less urbanised than the average in the Free State (66% urban & 34% rural).

Edenville is situated approximately 42 km north-east of Kroonstad and 40km south west of Heilbron. Other towns like Steynsrus, Lindley, Koppies and Petrus Steyn are all within 50km from Edenville. Regarding the population distribution in the former Kroonstad District (which includes Edenville), 77,26% of the population of the district resides in the urban areas and 22,74% in the rural areas. The district is thus more urbanised than the average in the Free State (66% urban & 34% rural). This could be ascribed to the prominence of the economic sectors in the Kroonstad urban area and therefore not representative of Edenville where the agricultural sector is the most prominent.

The Vaal River forms the northern boundary of the area, which also serves as the boundary between the Free State and Gauteng and Northwest Province. Other prominent topographical features include the Vredefort Dome, a fascinating exposure of ancient granites emerging from the thick cover of the later Karoo sediments. The form of the dome consists of a central cone of granite surrounded by concentric ridges of quartzite belonging to the Witwatersrand System. The Renoster River also drains through the region and is dammed up in the vicinity of Koppies in a series of dams namely

Weltevrede, Rooipoort and Koppies Dams. The above rivers together with the respective dams are prominent water sources for agricultural purposes in the region.

1.2 Demographic Profile



The population size of Parys is estimated at 10 950. Estimation is based on the number of occupied residential sites and the average household size of 3,5. The annual growth rate in this neighbourhood is 0,5%. Of the existing 3 043 residential sites, 2 376 sites are occupied. The population size of Tumahole is estimated at 61 160 with an annual growth rate of approximately 5%. This estimation is based on an average occupation per residential site of 7,2, as it was determined to be an accurate value in the case of Tumahole. The most recent extension of Tumahole of 998 erven has also been occupied. The population size of Schonkenville is estimated at 840 with an annual growth rate of approximately 5%. This estimation is based on an average occupation per residential site of 3,8, as it was determined to be an accurate value in the case of Schonkenville. Of the existing 733 sites in Schonkenville, all erven are occupied.

The annual growth rate in the Heilbron neighbourhoods is 2,59%. Of the existing 831 residential sites, 770 sites are occupied. The population size of Phiritona is estimated at 30 912 with an annual growth rate of approximately 4,65%. This estimation is based on an average occupation per residential site of 6, as it was determined to be an accurate value in the case of Phiritona. The population size of Sandersville is estimated at 2 100 with an annual growth rate of approximately 5,95%.

The population size of Vredefort is estimated at

Residential Area	Population (Council Preferred Data)
Parys	10 950
Tumahole	61 160
Schonkenville	840
Sub total	72 950
Heilbron	2 700
Phiritona	30 912
Sub total	33 612
Vredefort	1 300
Mokwallo	13 340
Vredeshoop	460
Sub total	15 100
Koppies	927
Kwakwatsi	15 500
Sub total	16 427
Edenville	402
Ngwathe	3 292
Sub total	3 694
TOTAL	141 783

1300. This estimation is based on the amount of occupied residential sites and an average household size of 3,1. The annual growth rate in this neighbourhood is at present 1,2%. Of the existing 630 residential sites, 420 sites are occupied. The population size of Mokwallo is estimated at 13 340 with an annual growth rate of approximately 8%. This estimation is based on an average occupation per residential site of 5,1 as it was determined to be an accurate value in the case of Mokwallo. Together with the most recent extension of 1133 residential erven, only 250 erven are unoccupied. The population size of Vredeshoop is estimated at 460 with an annual growth rate of approximately 5%. This estimation is based on an average occupation per residential site of 4,8, as it was determined to be an accurate value in the case of Vredeshoop. All 96 sites in Vredeshoop, are occupied.

The population size of Koppies is estimated at 927. Estimation is based on the amount of occupied residential sites and an average household size of 2,7. The annual growth rate in this neighbourhood is 0,5%. Of the existing 454 residential sites, 338 sites are occupied. The population size of Kwakwatsi is estimated at 15 500 with an annual growth rate of approximately 5%. This estimation is based on an average occupation per residential site of 5,8 as it was determined to be an accurate value in the case of Kwakwatsi. Although erven in the most recent extension (476 erven) is not yet occupied, they have been allocated and will be occupied as soon as services will be available. The latter excludes an official waiting list of 200 families.

The population size of Edenville is estimated at 402. Estimation is based on the amount of occupied residential sites and the average household size of 1,4. The annual growth rate in this neighbourhood is at present negative at -2,7%. Of the existing 310 residential sites, 250 sites are developed. Due to the negative growth rate, many of the developed erven are unoccupied at present. The population size of Ngwathe is estimated at 3 292 with an annual growth rate of 3,7%. This estimation is based on an average occupation per residential site of 3, as it was determined to be an accurate value in the case of Ngwathe. Together with a new extension recently planned of 378 residential erven, 1 070 residential sites in Ngwathe are occupied.

1.3 Regional Gender and Age Distribution

In order to establish a scenario of the age structure in the region, the percentages of different age categories were studied and summarised in the following table. A large portion of the population (43.4%) is composed of the age category between 0-19 years of age. This implicates a typical "fertility distribution". The specific age distribution implicates a future average to high population growth under normal conditions. A fairly low percentage (68%) of the region's population is composed of the age category 65 years and older. This is typical of a low "mortality distribution". Changes in this sector of the population will thus not have a severe effect on the total population. Both tendencies emphasise that

population growth could, under normal conditions, be expected in the region. A large part of the population is subsequently composed of the age group 20-49 (44%). It implicates the stronger economic base of the region in comparison to the rest of the Free State and it can be determined that a larger part of the economic independent sector of the provincial population resides in the region. The phenomena is explained in view of:

- the more developed character of the region,
- by implication more job opportunities and
- the strategic location of the region in terms of the mining and industrial sectors in adjacent provinces.

Exact predictions regarding population growth are complicated in view of uncertain migration patterns and the long-term impact of AIDS. It is also important to distinct between traditionally low cost residential and high cost residential areas. Traditional high cost residential areas tend to have a low "fertility distribution" while low cost residential areas in return have a high "fertility distribution". This phenomenon was generally depicted throughout the region as the low cost residential areas experienced rapid growth in contrast with the high cost residential areas where moderate to slow growth was experienced. It can generally be expected, according to the current status, that an increase in the population will occur in both of the concerned communities.

Table 8
Gender and Age Breakdown
(Source: Stats SA 2001)

Gender	Ngwathe
Male	56519
Female	57067

Age Breakdown	Ngwathe
0-4	11067
5-14	25254
15-34	41461
35-64	32571
Over 65	8456
Age Unknown	

1.4 Economic Profile

Parys has a strong commercial component and provide a wide range of services regarding health, education and professional services to the district. The contribution of these sectors is therefore substantial. The Parys District has unique nature and environmental assets like the Vaal River with several islands in the proximity of Parys and the Vredefort Dome that present exceptional tourism potential. Large areas of the Parys District are underlain with undifferentiated granite that is exploited directly to the north of Parys that further contribute to Parys being a prominent service and economic centre. Parys has a well-developed airfield that supports commercial and tourism development in the area.

The Greater Vredefort is the only town that formed the former Vredefort District. The most prominent economic sector, is the agricultural sector. Commercial activities in the town are the only other sector that contributes to the Gross Geographical Product (GGP) of the district. When comparing the contribution of the district to the contribution of the other districts in the Northern Free State, it is conspicuous how small it is. This is, however, attributed to the fact that in all the other districts, two or more towns contribute to the GGP while Vredefort is the only town situated in the former Vredefort District. Because the agricultural sector is the most prominent economic sector, there are very limited work opportunities in town with the consequent high unemployment rate. This is aggravated by the population growth in specifically the Mokwallo residential area. It is envisaged that Vredefort will remain functioning only as a service town to the surrounding agricultural community.

The former Heilbron District is predominantly an agricultural area although major manufacturing industries contribute largely to the Gross Geographic Product of the District. The agriculture and manufacturing industries have a direct influence on the per capita expenditure and employment opportunities of the greater urban area concerned. The national head office of Clover SA is based in Heilbron and a vast range of products are manufactured there. Products are daily distributed nationally which emphasises the scale of operation of Clover SA in Heilbron. Other

industries such as Simba, Tudor, Peter's Knitwear and Michrochem are amongst other, producing in Heilbron. These industries are significant employment sectors in the community. The study area is also in close proximity of the coal mining and coal-related industries of Sasolburg.

As previously mentioned, the Greater Koppies is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. The three well-established and developed irrigation schemes subsequently enhance the agricultural character of the area. The Greater Koppies strategic location between the larger centres of Kroonstad and Sasolburg, mainly influence growth and development within the community. These factors contribute to the relatively low level of economic activity in the area. The current bentonite exploitation near Koppies and the current initiative for coal mining in the vicinity of Koppies provide significant future growth potential. Koppies is becoming well familiar for its tourist attractions. Specific reference is made to the R82 Battlefield Route that consists of several historical battlefields that are envisaged to be further developed as well as the Koppies Dam Nature Reserve. National annual angling competitions are held at the Koppies Dam.

Edenville is located in an area of agricultural significance and mainly provides basic services in this regard to the surrounding rural areas. The main road linking Kroonstad and Heilbron, stretches adjacent to the area. The area is influenced to a great extent by Kroonstad as a large service centre in close proximity. The most prominent economic sectors contributing to the Gross Geographical Product of the District, include general government, finance and real estate and transport. This is ascribed to the influence of Kroonstad, as a large service centre in the concerned district. The large contribution by general government is attributed to the prominent function of several Government and Para-Statal institutions in Kroonstad. The prominence of these sectors is due to the large turnover in the real estate sector, specifically as a result of the above-mentioned. Future development of Edenville is not foreseen. Edenville will remain functioning as service town to the surrounding agricultural community.

Table 3
Application of Agricultural Land : Ngwathe Region
 (Source: Department of Agriculture, 2004)

District	Parys District		Vredefort District		Heilbron District		Koppies District		Kroonstad District (incl. Edenville)		Total Area	
	ha	%	ha	%	ha	%	ha	%	ha	%	ha	%
Area unavailable for Agriculture	5 126	5	5 939	4	10 705	3	5 031	3	12 742	3	39 543	3
Area present under cultivation	44 727	48	55 048	41	145 703	41	89 843	58	191 789	46	527 110	46
Area available for cultivation	212	1	410	1	7 140	2	154	1	689	1	8 605	1
Area present under grazing	42 935	46	72 703	54	195 152	54	60 372	38	210 980	50	582 142	50
DISTRICT TOTAL AREA	93 000	8	134 100	12	358 700	31	155 400	13	416 200	36	1 157 400	100

Table 3 gives an overview of the agricultural potential of the Ngwathe Region. Accordingly 46% of the area is currently under cultivation and 50% under grazing. Approximately 1% of the area cannot be utilised for agricultural purposes due to topographical limitations. Regarding the former Parys and Vredefort District 48% and 41% of the areas respectively is under cultivation. Regarding

the Koppies District, the largest percentage of the area is under cultivation (58%) while the area under grazing is 38% which emphasise the agricultural significance of the area. In the Kroonstad District the area under grazing (50%) is almost the same as the area utilised for cultivation (46%). The latter even division between grazing and cultivation is also evident in the Heilbron District.

Table 4
Economic Structure: Contribution to the Gross Geographical Product (GGP)
 (Source: Central Statistical Services, 2002)

Gross Geographical Product	Parys District (Rand)	Vredefort District (Rand)	Heilbron District (Rand)	Koppies District (Rand)	Kroonstad/Edenville District (Rand)
Agriculture, Forestry, Fishing	30 589 000	18 796 000	48 496 000	45 303 000	123 673 000
Mining and Quarrying	0	0	0	0	0
Manufacturing	39 446 000	3 275 000	34 916 000	2 298 000	63 720 000
Electricity, Water	4 489 000	484 000	1 362 000	641 000	26 141 000
Construction	6 699 000	51 000	4 955 000	4 675 000	27 420 000
Trade, Catering	53 202 000	7 570 000	27 755 000	13 646 000	194 136 000
Transport, Communication	11 119 000	1 764 000	6 230 000	4 282 000	193 927 000
Finance, Real Estate	44 655 000	3 448 000	19 887 000	9 661 000	225 546 000
Community Services	4 502 000	18 000	3 552 000	752 000	15 384 000
Less Imputations	6 869 000	20 000	3 057 000	1 793 000	50 570 000
General, Government	24 814 000	7 705 000	31 892 000	12 029 000	244 940 000
Other products	5 584 000	1 671 000	5 191 000	2 432 000	17 560 000
TOTAL CONTRIBUTION	231 968 000	44 802 000	187 293 000	97 512 000	1 183 017 000

The economic structure of the former Parys, Vredefort, Heilbron, Koppies and Kroonstad (including Edenville) Districts are presented by means of the Gross Geographical Product (GGP) in the above table, as provided by the Central Economic Advisory Service (1994 data). Accordingly, the agricultural, manufacturing and tourism sectors of the region contribute to the largest portion of the total GGP.

1.5 Community Economic Realities

The following general tendencies could be derived from the contents of the following two tables:

- The larger sections of individuals of the community resort under the lower income groups and 21% receives an annual income of R 6000-00 and below.
- It is subsequently of concern that an extreme high percentage of individuals (57%) do not receive any income.
- An exceedingly small percentage (approximately 1,5%) of individuals receive an annual income of R 72 000-00 and higher.
- A similar situation could be determined examining the annual household income in the region.
- The larger part (approximately 40%) of households in the region receives an annual income of R 6 000-00 and below.
- However, a significantly smaller percentage of households (9%) do not receive any income at all. It is to be mentioned that although most households in the region do receive some form of income, an average annual income of R 6 000-00 per household is extremely low and indicates an average monthly income of only R 500-00 per family.
- The larger section (32%) of households in the region receives an annual income of R 6 000-00 to R 30 000-00.
- Comparing the different Local Municipalities in the region, it appears as if the annual individual income in the Moqhaka region is the highest and similar to that is the annual household income.

Table 6
Annual Individual Income
(Source: Stats SA 2001)

Annual Individual Income	Ngwathe
None	36387
1-400	7781
401-800	6733
801-1600	1574
1601-3200	1666
3201-6400	1162
6401-12800	362
12801-25600	155
25601-51200	57
51201-102400	42
102401-204800	21
Over 204801	5

Annual Household Income	Ngwathe
None	3 010
R1-2400	3 201
R2400-6000	7 821
R6001-12000	4 756
R12001-18000	2 795
R18001-30000	2 386
R30001-42000	1 159
R42001-54000	805
R54001-72000	726
R72001-96000	406
R96001-132000	389
R132001-192000	232
R192001-360000	?131
Over R360000	49
Unspecified	1 709
N A	38

1.6 Service Profile

PHYSICAL: INFRASTRUCTURE AND SERVICES SUMMARY

	Bulk Water	Internal Water (Reticulation Network)	Bulk Sewerage	Internal Sewerage (Water Borne)	Bulk Electricity	Internal Electricity (Network)	Cemeteries	Refuse Dumping Sites
Parys	Upgrading of water works and pump equipment and pipes between reservoirs	200 meters	Upgrading of sewer works	4000 erven	Upgrade bulk electricity network, new 11kV switching station	Area lighting	New site	
Tumahole								
Schonkenville								
Edenville		250 erven 700 meters		310 erven	Upgrade bulk supply and distribution	Area lighting	New site	New site
Ngwathe				1448 erven	250 erven Area lighting			
Vredefort	5 Ml Reservoir	2237 erven 1000 meters	Relocation of sewer works & rising mains and pump station	3250 erven	Upgrade bulk supply and network, new 11kV switching station	400 erven Area lighting	New site	New site
Mokwallo								
Vredeshoop								
Heilbron	4 Ml Reservoir	200 erven 1000 meters	New sewerage plant and upgrade bulk network in Sandersville	1798 erven	Upgrade substation and MV ring feed, new 6,6kV switching station	200 erven Area lighting Area lighting	New site	New site
Phiritona								
Sandersville								
Koppies	Upgrading of water works, new reservoir, improve water withdrawal system	300 erven 200 meters	Outfall sewer pipeline and upgrade bulk sewer system	876 erven	Upgrade main substation and rural electrical feeder lines	500 erven Area lighting	New site	New site
Kwakwatsi								

CHAPTER 2: Governance and Management Structures

2.1 Governance Structures

Political Management

The Ngwathe Municipality has an Executive Type system of governance. This is a system where the decision making powers are vested in Council who can in turn delegate some of those to the Mayor working with an Executive Committee decided by Council.

The Municipal Council

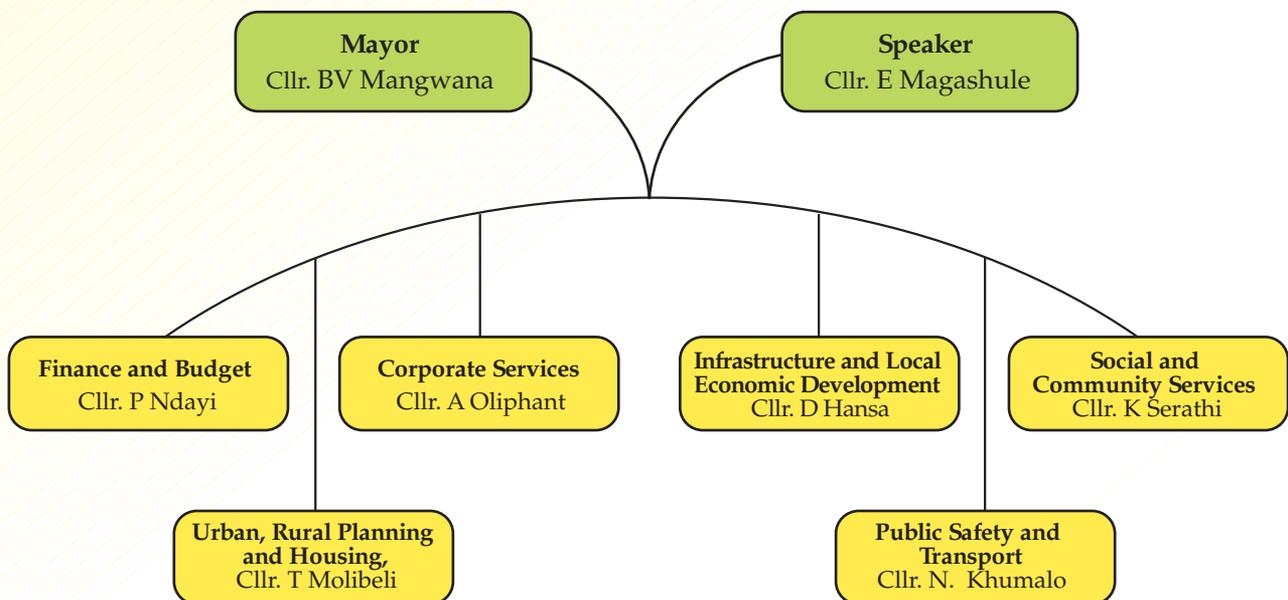
The political composition of the Municipal Council is as follows:

- African National Congress (30)
- Democratic Alliance (5)
- Pan African Congress (1)
- Rate Payers Association (1)
- Freedom Front Plus (1)

Portfolio Committees	Chairperson	Number of members
Finance and Budget	Cllr. P. Ndayi	6
Corporate Services	Cllr. A. Oliphant	6
Infrastructure and Local Economic Development	Cllr. D. Hansa	5
Social and Community Services	Cllr. K. Serathi	6
Urban, Rural Planning and Housing	Cllr. T. Molibeli	6
Public Safety and Transport	Cllr. N. Khumalo	6

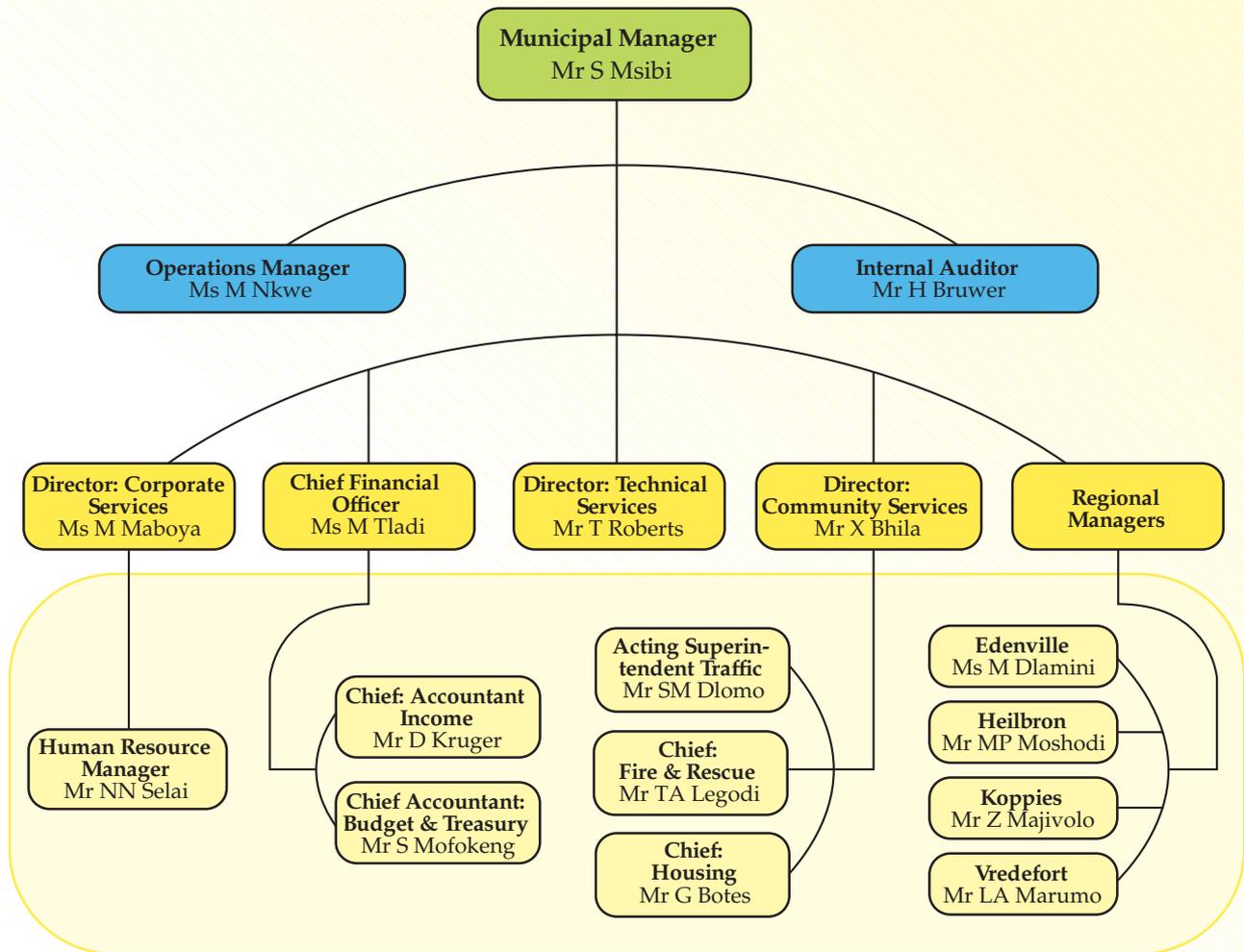
Ward Committees

The municipality has ensured that a total of 17 ward committees are established and function well.



2.2 Management Structures

Following the amalgamation of the former municipality of Parys, Heilbron, Koppies, Edenville and Vredefort, the Ngwathe ended up with staff compliment of 917. As a result of the organisational review explained earlier, the municipality adopted the organisational structure below:



CHAPTER 3: Vision and Strategy

3.1 Vision

To create sustainable growth where all communities live in harmony and prosperity.

3.2 Strategic Objectives

- To create an enabling environment that stimulates economic growth.
- To facilitate the provision of adequate, equitable and affordable services to all communities.
- To provide effective, transparent, accountable and coherent local government to the community.
- To promote a safe and healthy environment.
- To encourage the involvement of communities in matters of local government.

CHAPTER 4: Our Programmes

The municipality is administratively organised into 5 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Finance
- Technical Services
- Community Services
- Corporate Services

4.1 Office of the Municipal Manger

Programme Objective	Key Focus Areas
To provide overall management and lead strategic programmes of the municipality	<ul style="list-style-type: none"> • LED • IDP • Internal Audit • Security Services • IT Services

4.2 Finance

This programme is responsible for the general management of finances of the municipality.

Programme Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	<ul style="list-style-type: none"> • Credit Control, Billing and Collections • Taxes and service charges • Budgetary controls • Budgeting and Financing • Administration of assets and loans • Insurance and public management • Banking and Investments • Management Accounting • Payroll • Meter reading

4.3 Technical Services

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Programme Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	<ul style="list-style-type: none"> • Water and Sanitation • Electricity • Road and Stormwater • Waste management • Mechanical services

4.4 Community Services

This programme attends to social issues involved in the development of Ngwathe community

Programme Objective	Key Focus Areas
To ensure that social services are effectively provided to the community of Ngwathe Municipality.	<ul style="list-style-type: none">• Social Development• Housing• Property Management• Traffic• Sport and Recreation• Emergency Services• Arts and Culture• Cemeteries• Legal Services

4.5 Corporate Services

This programme is meant to provide organisational support services to the municipality.

Programme Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the community of Ngwathe Municipality.	<ul style="list-style-type: none">• Human Resource management/ development• Corporate Management Support• Administrative Services• Councillor and Committee Support• Archives Services• Performance Management

CHAPTER 5: Summary of Performance

Executive Summary

The current reporting period, 2005-2006 essentially marks the end of the first five years of the new local government system while ushering in the second. The report, therefore, reflects on the work the municipality continued to do to consolidate policies, systems and structures in the last part of the consolidation phase.

The report also records important advances made in service delivery and the overall improvement in the quality of lives of the poor. Below is a summary of the performance of the municipality in respect of various areas including:

- Service Delivery
- Institutional capacity building and development
- Local economic development
- Transformation
- Financial viability

Percentage of households with access to basic level of water, sanitation, electricity and solid waste removal	Basic water – 100% all units Basic sanitation – 95% Electricity – 98% Solid waste – 98%
Percentage of households earning less than R1100 per month with access to free basic services	29%
Percentage of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP	57%
The number of jobs created through municipality's local economic development initiatives including through capital projects	219
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	8 representing 78%
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	1.3% of the salary bill 0.4% of the total budget
Financial viability as expressed by the following ratios Debt coverage : $A = \frac{B-C}{D}$ Where A represents debt coverage, B total operating revenue received and C operating grants	0.68
Outstanding service debtor to revenue $A = \frac{B}{C}$ Where A represents outstanding service debtors to revenue, B total outstanding service debtors and C annual revenue actually received for services	1.21
Cash flow: $A = \frac{B+C}{D}$ Where A represents cost coverage, B all available cash at a particular time, C investments and D monthly fixed operating expenditure	68%

CHAPTER 6: Performance Review - 2005/2006

Performance review of the municipality will be undertaken in relation to institutional transformation, Human Resource Management, Economic Growth and Development, Service Delivery, Sustainable Development, Social Development Governance and Democracy and financial viability.

6.1 Institutional Transformation

Challenges

With much of the institutional re-organisation and integration of structures having happened and new organisational systems bedding down, for the period under review, the municipality was faced with the following challenges:

- Strengthening strategic planning frameworks;
- Ensuring alignment of planning and budgeting processes; and
- Ensuring effective implementation of the IDP and monitoring thereof.

Key priorities

For the period under review, the municipality had the following priorities:

- Develop the new five year IDP and sector plans
- Ensure the alignment of the IDP to the budget
- Monitor budget and ensure effective implementation of the IDP

Key performance indicators

- New five year IDP and sector plans developed
- Alignment of IDP to budget happened
- IDP priorities implemented

Key performance highlights

The new IDP was successfully developed. The IDP sets out a vision and identifies priorities and strategy for Council to improve living conditions of the poor over the next five years. The municipality has also successfully conducted analysis of sector plans in accordance with the applicable legislation, regulations and guidelines. The Sector Plans are meant to give detailed and focused attention to the specifics of particular sectors involved with the development of communities.

To align the IDP to the budget, the municipality introduced various measures. First, within the context of nationally set planning cycles, the municipality ensured that the IDP process is completed ahead of the budgeting process to ensure that the budget is informed by the IDP priorities. Further, the municipality, in accordance with the MFMA, developed the Service Delivery Budget Implementation Plan (SDBIP) which essentially translates IDP and budget priorities into actual deliverables to serve as basis for the performance agreements of senior managers. In fact the SDBIP represents the most concrete way of linking the plans to the budget and the performance management system.

To ensure effective implementation of the IDP, the municipality established the Operations Unit or Manager post. This was to ensure that there is organization-wide coordination in the implementation of IDP provide technical support while ensuring effective monitoring thereof. Through the assistance of the Operations Manager, the municipality managed to compile Business Plans to access grant funding for various capital projects.

To ensure effective monitoring, the municipality finalized its scorecard containing indicators to be used in tracking performance. Reporting systems are being fine tuned.

6.2 Human Resources Management

Challenges

Having developed policies and systems in the provinces, the municipality was still faced with the following challenges at the beginning of the 2005/2006 financial year:

- Development and finalisation of various outstanding human resource policies like Skills Development, Employment Equity, Employer Assistance etc;
- Transformation in certain critical divisions in the municipality;
- Organisation still not functioning at optimum capacity at various levels;
- Continuing fragmentation and lack of uniformity in various human resources policies and system;
- Inadequate management systems and controls to enhance professionalism, discipline, customer service, excellence and compliance with legislation; and
- Review of by-laws not complete.

Key priorities

For this financial year, the municipality set itself the following priorities:

- Develop a comprehensive set of Human Resource Policies and implement them.
- Develop Employment Equity Plan.
- Implement Performance Management System.
- Develop a Communication Policy.
- Revise municipal by-laws.
- Improve labour relations in the municipality.
- Improve working conditions for employees.
- Improve management and use of municipal facilities.
- Establish Employee Assistance Programme.
- Build capacity and fill critical posts.
- Strengthen internal control and system.

Key performance indicators

- Human resource policies like Replacement, HIV/AIDS and Language policies developed and implemented.
- Equity Plan developed and implemented.
- Performance Management System implemented across the organisation.
- A new brand for the municipality developed and communicated.
- Municipal by-laws revised and adopted by Council.
- Local Labour Forum established and functional.
- SALGBC agreements implemented and Occupational Health Committees in place.

- Accessibility to Council buildings improved, Entrance Control System installed, Vehicle Management System developed.
- Employee Assistance Programme established.
- Workplace Skills Plan developed and implemented, and fill critical posts.
- Internal controls and systems.

Performance Highlights

In respect of the human resources policies, a tender was issued in an attempt to procure the services of an external service provider to assist the municipality. However, due to unavoidable circumstances, the tender was withdrawn. The municipality is thus currently evaluating options for accomplishing the project in a cost-efficient manner without compromising the quality.

For this financial year, the municipality developed its Employment Equity Plan. As a tool of transformation, the plan sought to outline the equity targets the municipality set itself to achieve as well as strategies to do so. In line with the Plan, important strides have been made. For starters, municipality now has 2 African females at senior management level since the appointment of an African female Director of Financial Services. At other levels, equity quotas have also been significantly impacted upon with 40% of recruits being female, 100% being black and 40% of those promoted being females while the municipality is doing fairly well in employment equity stakes more should still be done to increase the number of the disabled in the staff establishment.

Performance management system continues to be implemented albeit at senior management level. The municipal manager and other Section 57 employees signed performance agreements with scorecards attached. The agreements were mainly informed by the Service Delivery and Budget Implementation Plan (SDBIP).

Ordinarily, the performance agreements should primarily be informed by the organisation-wide municipal scorecard in the case of municipal manager and departmental scorecards in the instance of other senior managers. It is for this reason that the municipality worked with Vantage Holdings – a consulting firm appointed by the Department of Local Government and Housing to assist local municipalities to develop performance management systems. Vantage Holdings facilitated workshops with the municipality primarily to assist in the development of the municipal and departmental scorecards. The scorecard was finally developed and adopted by Council.

To brand the municipality and communicate effectively, a Communication Office was established early in 2006. The branding of the municipality happened under the theme 'Vusa Ngwathe'. The key objectives of branding the municipality were to:

- Have a recognizable corporate identity
- Attract investors
- Unite the community behind a common identity
- Encourage community participation

Following extensive consultations with the community, business and other stakeholders, the logo below was designed and finally adopted by Council.



The home of harmony, prosperity and growth

The municipality planned to revise and update its by-laws. In the course of undertaking the project, the municipality decided to approach the province who had indicated the possibility of availing standard by-laws to local municipalities for adaptation and adoption. The municipality is thus in the process of interacting with the province to assess the extent to which the by-laws would be applicable and determine what the municipality needs to do moving forward. A process plan in this regard has been developed. A by-law on rules and orders has however been drafted and is awaiting Council approval.

On labour issues, the municipality established the Local Labour Forum. Although the Forum has had teething problems, it has functioned well overall. The Forum serves as a platform for labour and management to attend to issues requiring immediate attention and can be resolved outside formal labour relations processes. The municipality has also used the Forum to communicate important decisions and information affecting employees or labour. For instance, the municipality used the Forum to brief labour on the organisational Rights Agreement and its implications.

The Local Labour Forum has had to deal with a variety of issues including:

- Skills development
- Health and Safety
- Working Conditions
- Overtime payments
- Bonuses
- Medical Aid
- Transfer of Staff
- Parity etc.

Although the Forum exists and has assisted a great deal towards stabilising labour relations, in the municipality, the municipality has had a fair share of labour conflicts to deal with.

These included the August 2005 national strike and the 12 July 2005 illegal strike in Heilbron. The municipality put in place measures to successfully manage and control the effects of strikes. In particular, management made sure that workers understood their rights, obligations and consequences of involvement in such strikes. In the case of the illegal strike, the municipality made sure that those who got involved were appropriately dealt with in line with the applicable legislation.

The municipality was also brought to the CCMA a few times this financial year. The cases involved unfair dismissals, unfair labour practice. Certificates of arbitration were issued in two cases while a settlement was reached in another.

In an attempt to improve conditions of work, the municipality ensured that the conditions of service are standardised and aligned to SALGBC agreements. Further, an audit of conditions of work at all employment centres was conducted and a comprehensive report compiled. Following this and after further interactions with labour in the LLE, the municipality introduced various measures and took decisions to correct the situation where problems were raised. These included the establishment of the Occupational Health and Safety Committees, appointment of additional staff to take the pressure off the burdened staff, rearrangement of shifts, development of parity strategy, payment of shift allowances and bonuses etc. These have gone some way towards improving conditions of work for employees.

To improve Council buildings and facilities management, the municipality developed various policies and strategies. First, it developed a policy on the use of community halls. The policy sets out guidelines on how the halls will be used, rented out, maintained etc. The

policy seeks to ensure greater transparency, increased accessibility to communities, regulation and control in the use of these facilities.

Similarly, the municipality developed a strategy on the management and control of public toilets. The strategy seeks to ensure greater transparency, increased accessibility to communities, regulation and control in the use of public toilets.

In addition, the municipality is looking at a long-term framework for managing Council facilities. To this end, the municipality has developed a strategy to outsource these facilities moving forward. The implications and implementation frameworks for this strategy are being carefully considered by the municipality taking into account issues of community accessibility, efficiency, transparency and sustainability.

On the training and skills development front, the municipality continued to make great strides. As per the Skills Development Act, the municipality developed the Workplace Skills Plan detailing training targets and strategies to achieve those. A total of 1,2% of the total salary bill was budgeted for training and development. In accordance with the plan, the municipality ensured that 18 learners completed the LED learnership, that 125 learners were enrolled on the construction learnership registered with CETA, and the 26 unemployed learners participated in the skills programme on plumbing. Further, a skills programme on paying for unemployed learners has also been implemented.

At the end, 1,3% of the total salary bill was spent on training. In addition, 16% of the grants were claimed from

LGWSETA in rebates. These are a reflection of the amount of work the municipality put into training of staff in the year under review.

To strengthen internal controls and systems, the municipality introduced various measures to improve good governance, a register for the declaration of interests by Councillors has been developed and introduced. This will ensure that, among others, conflict of interest is avoided as envisaged in applicable legislation. Further the codes of conduct for Councillors and employees have been translated into Sotho and Afrikaans. This is to make these accessible and thereby create propensity for compliance, general discipline and professionalism.

To ensure efficiency in the switchboard/telephone service, the municipality introduced hunting facilities. To improve record keeping, a new registry system was developed and introduced. The leave system and controls are in place are aligned to the SALBGC conditions. Personnel files have also been updated.

Efforts have also been made to ensure that critical posts are filled to enable the municipality to operate at full capacity. In this regard, the municipality has ensured that all senior manager posts were filled following the appointment of Directors of Community Services and Financial Services. Further, 28 permanent posts were filled together with additional 57 temporary ones. A total of 23 were confirmed in acting positions while 17 were transferred. These measures have increased capacity in critical areas while creating overall stability in the organisation.

6.3 Economic growth and development

Challenges

As in previous years, the municipality continued to face the following challenges in the current financial year;

- Slow rate of economic growth and development
- High rates of unemployment estimated at at
- Local economy primarily driven by government and the services sector.
- Poor rates of investment in the local economy
- Weak and stagnant tourism industry
- Weak institutional capacity to driven economic growth
- Absence of strategic and policy frameworks to guide economic development

Key strategic priorities

- Undertake a comprehensive overview of the local economy and mobilize all stakeholders
- Develop a Local Economic Development Strategy/Plan
- Build internal institutional capacity to drive economic development programmes
- Positioning Ngwathe as a centre that attracts tourists

Key performance indicators

- SMME Summit convened and resolutions implemented
- LED Strategy/Plan developed and implemented
- Fully capacitated LED Unit established and functional
- Negwathe positioning Strategy/Plan developed

Performance Highlights

During the latter part of the financial year, the municipi-

pality hosted the SMME Summit. The Summit took stock of the current economic situation in the municipality, the challenges facing the SMME's and considered strategies moving forward. Some of the strategies included the need to establish Business Service and Tender Advice Centres as well as establishing informal trading areas where SMME's will operate within a supportive environment. Some of these recommendations will be taken forward in the coming financial year.

In respect of the development of the LED Strategy, the municipality deemed it prudent to secure the services of external professionals to assist with the process. To this end, the municipality compiled terms of reference and all other preparatory work to serve as basis for procuring the external services. It is expected that the actual process of developing the LED Strategy will in earnest commence in the coming financial year.

As alluded to earlier, the municipality has a chronic shortage of capacity in the area of economic development both in terms of personnel and skills. While the municipality has established the Operations Unit wherein the LED work is located more still needs to be done by way of moving or appointing more personnel to attend to this strategic area of work. In relation to skills, the municipality has completed a learnership that produced 18 graduates. This certainly lays an important skills base for economic development.

The declaration of Vredefort Dome as a World Heritage Site holds important economic implications and prospects for the municipality and the Fezile Dabi region as a whole. Work is currently underway to find ways position the municipality potentially as a Dome Town/City.

6.4 Social development

Challenges

For the year under review, the municipality was faced with the following challenges:

- High rates of HIV/AIDS incidence among pregnant women
- Slow pace in the provision of housing to the poor (Backlogs stand at 1000)
- Poor state of recreational facilities
- Low levels of literacy and numeracy
- traffic and fire equipment
- Limited cemetery space
- Poor road workings and signage for effective traffic management
- Strategic poor state of landfills for waste management

Key strategic priority

- Implement the HIV/AIDS Strategy
- Increase the pace of the provision of housing
- Upgrade and maintain recreational facilities
- Improve access and use of libraries
- Upgrade traffic and fire equipment
- Upgrade the cemetery capacity in the area
- Improve waste management in the area
- road workings and signage for effective traffic management

Key performance indicators

- HIV/AIDS projects implemented
- Number of ervens allocated housing sector plan

developed, number of housing support centres established and number of houses built

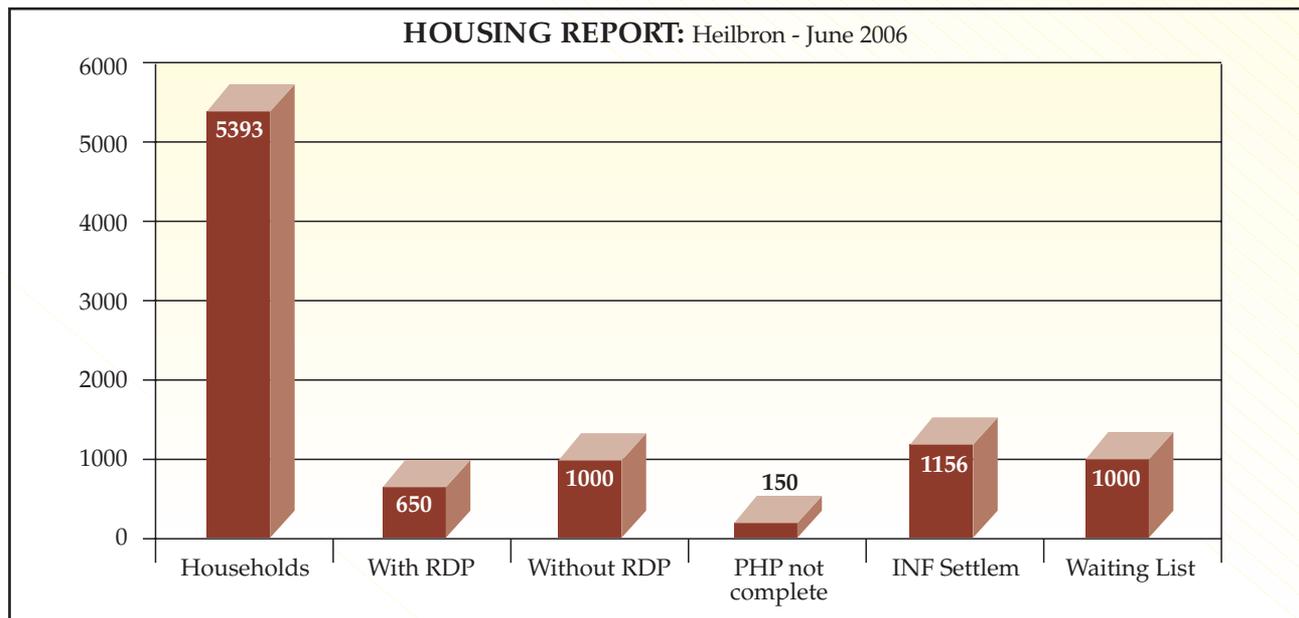
- Number of sports and recreational facilities upgraded and maintained
- Number of people using libraries and number of libraries upgraded or maintained
- Traffic and equipment procured
- Cemeteries established upgraded/maintained
- Road working upgraded

Performance Highlights

The municipality developed and finalised its HIV/AIDS Strategy and Programme. The Strategy focuses mainly on Aids education, prevention and care. As far as implementation is concerned, the municipality has been particularly active in supporting HIV/AIDS awareness by the Fezile Dabi District Municipality.

The municipality drafted and completed its Housing Sector Plan. The Plan basically outlines approaches, strategies and targets for the housing provision this financial year. Among the Strategies were the need to provide land for housing development, develop a policy framework for the use of erven, service sites allocated for housing development and establish Housing Support Centres.

For the year under review, a total of 1800 housing were allocated. Of these 1297 houses were and 1156 certified completed. A great deal still needs to be done, however, the following graph is an example of the serious housing backlogs that still exist in Heilbron.



As far as recreational is concerned, the municipality has established 4 new parks in the townships. This brings the number of parks to a total of 34 (Parys not included). The municipality also continues to clean its parks. This year alone at total of 11 parks were cleaned.

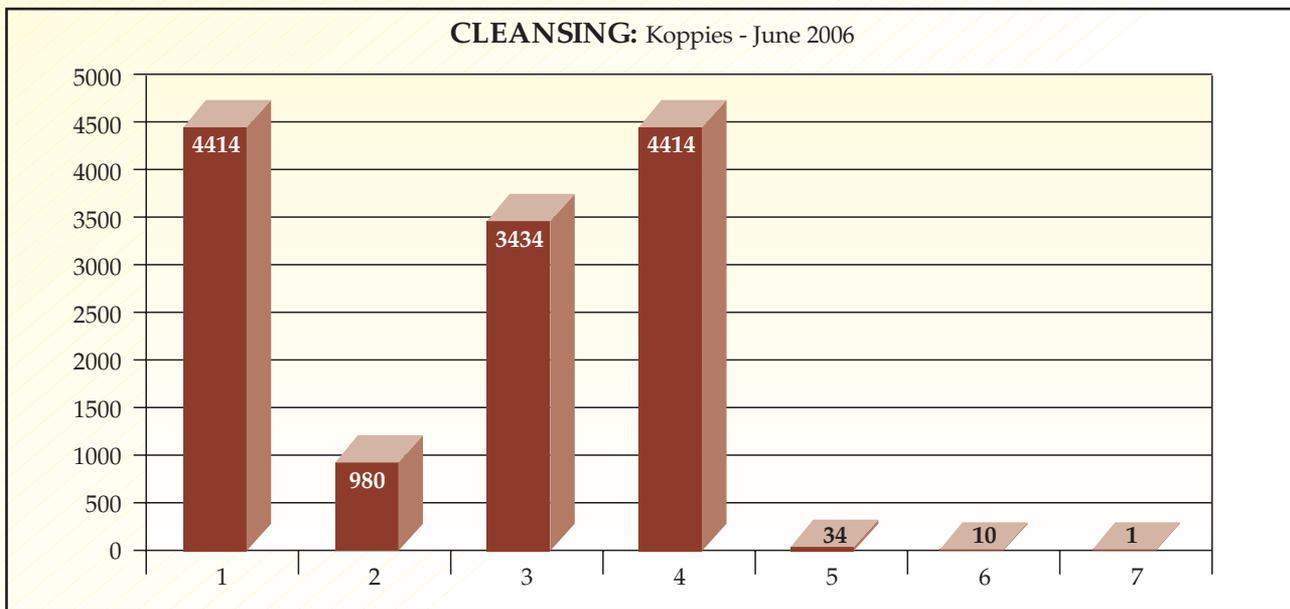
More work still needs to be done to equitably provide parks in all the areas. Of particular concern is the fact that Edenville does not have even a single park. The table below sadly reflects the state of affairs.

	Jan - May 2006
Total number of parks	0
Town	0
Township	0
Cleaned office gardens	2
New improved	0
Nurseries	0

The municipality continues to run and manage libraries to ensure that they continue to respond to the legacy of low levels of literacy and numeracy. This year has seen unprecendant growth in the membership of libraries. Records reveal that at the end of the year membership of libraries stood at 10 060.

The municipality has erected security fence around 6 libraries. The libraries have also seen innovations intended to extend the library services to the community. These include the establishment of Community Information Service in the Parys library, the extension of library services to crèches to promote reading among young children as well as story telling initiative in the libraries.

As far as environmental management, the municipality has ensured that 100% of households have their refuse removed once a week. Below are examples of Koppies and Vredefort.



CLEANSING: Vredefort

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total no. of houses	4700	4700	4700	4700	4700	4700
No. refuse bins	3000	3000	3000	3000	3000	3000
No. without refuse bins	816	816	816	816	816	816
Total no. of houses serviced per week	4700	4700	4700	4700	4700	4700
Total no. of illegal dumping sites	1	2	2	2	2	2
Dumping sites attended	1	1	0	0	0	0
Total no. of landfill	1	1	1	1	1	1
Total no. of landfills cleaned	1	1	1	1	1	1

The tables show that the municipality still needs to do a lot more to provide households with refuse bins.

The municipality has also appointed Enviro – Fill to manage land fills. Enviro- Fill continues to service the sites. The municipality however still has a large number of illegal dumps in its area as it the above tables show.

As far as traffic and fire, the municipality has now

integrated its traffic department to serve the whole of Ngwathe community. Traffic by-laws are also being consolidated to ensure uniform application of traffic rules across the municipal area. The municipality is also participating in the Shova Kalula – a national initiative to encourage use of bicycles by young people and thereby ease traffic congestion on the roads. New vehicles have also been purchased to ensure effective policing and traffic control.

6.5 Service Delivery

Challenges

- Ensuring that all households have access to basic level of services
- Meeting infrastructure needs with limited resources
- Limited and ageing infrastructure with repeated leakages
- Ensuring cost recovery for the services delivered
- Ensuring high customer satisfaction

Key strategic priorities

- Increase household connection to running water
- Increase household connection to waterborne sanitation and eradicate the bucket system
- Increase household connection to electricity
- Provision and maintenance of roads and stormwater
- Maintenance of water, sewerage, electricity and road network infrastructure

Key performance indicators

- Number of households connected to basic water services
- Number of households connected to basic sanitation services
- Number of households connected to basic electricity
- Kilometers of roads constructed, upgraded or maintained
- Number of leaks, bursts or portholes fixed, repaired, replaced in the water, sewerage, electricity and road infrastructure

Performance Highlights

At the beginning of the financial year the following projects were in progress:

PROJECTS: 2005/2006 Financial Year

Town and Project Description	Project Cost (R)	Consultant	% BEE	Contractor	% BEE	%Progress
Internal waterborne sewer phase 2 - 4 towns	7 800 000	Stewart S	0		100	100
Internal waterborne sewer phase 2 - Tumahole		Stewart S	0	Kopano Ke Matla	100	100
Internal waterborne sewer phase 2 - Phiritona	2 433 000	Stewart S	0	P & Z JV	100	100
Internal waterborne sewer phase 2 - Kwakwatsi		Stewart S	0	Impuma	100	100
Internal waterborne sewer phase 2 - Mokwallo	2 094 000	Stewart S	0	Thiza	100	100
Waternet & House Connec - Ngwathe - Edenville	1 000 000	Copad	100	Thiza	100	100
Upgrading green & water Str pipelines VE	450 000	Copad	100	Kopano Ke Matla	100	100
Rising mains and pumpstation VE	425 000	Copad	100	Kopano Ke Matla	100	100
VIP toilets Ngwathe - Endenvill	460 000	Copad	100	MGM	100	100
Implement Maint master plan electrical	900 00	Lyon	0	TSS & Chimurenza	100	100
Rural Elect feeder lines - phase 3 - Koppies	500 000	Lyon	0	Siza Mekaar	50	100
Main intake substation and feeders - Koppies	2 000 000	Lyon	0	Malesela	100	100
Elect prepaid meters - phase 1 - Koppies	320 000	Lyon	0	Raising Stars	100	100
Cemetries - 5 Towns	2 325 294	LMV & Proper	50	Pegas, Phido, Sezanane	100	100
Preventative Maintenance Elec	900 000	Lyon	0	Chimurenza	100	100
Bulk water supply - Heilbron	4 000 000	Proper	50	Kearabetswe	100	100
Bulk water supply - Vredefort				Kopano Ke Matla	100	100
Waterborne sewer system - Koppies	7 500 000	Proper	50	Thiza JV	100	30
Upgrading of water purif works - Parys	5 700 000	Phumelela	50	Metsi project	50	50
Waterborne Sewer - Mokwallo	2 094 000	Molekoka	100	Izingwenya	100	100
Waterborne Sewer - Phritiona	2 453 000	Molekoka	100	Jemito	100	100
Storm water V Drains - Parys	175 850	Stewart S	0	GHT Session Nkhuma	100	100
Storm water V Drains - Parys	510 000	Stewart S	0	Bryn Construction	100	100
Construct Gravel RDS & Stormwater - Tumahole	5 829 493	TN Molefe	100	Umbutho	100	100
House connections Phiritona 750 Stands	400 000	Stewart S	0	Kearabetswe	100	100
Elect Reticul house connec - Mokwallo	2 436 000	Lyon	0	Siza Mekaar	50	100
VIP's Edenville	1 094 000	Copad	100	-	-	100

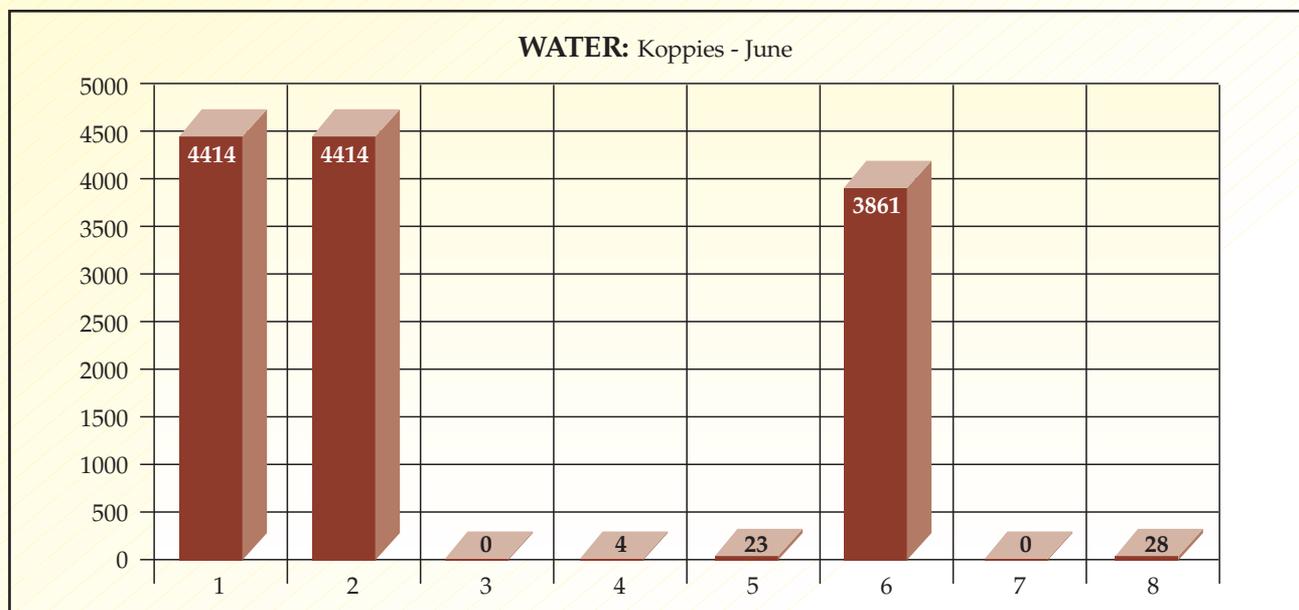
The table below represents a summary of infrastructure service delivery in Ngwathe for the 2005/06 financial year.

REGION	WATER		SANITATION		ELECTRICITY		STORMWATER ROAD AND GRAVELLED	
	Potable water	Communal taps	Waterborne sewerage	Buckets	Connected households	Not electrified	Tarred streets	Gravelled streets
Koppies	4414 hh	4	3564 hh	85 hh	4330 hh	84 hh	23	147 km
Heilbron	6585 hh	32	5652 hh	1253 hh	–	–	92	121
Edenville	1303 hh	–	207 suction tanks	868	1365 hh	27 hh	2	95
Parys	14636 hh	–	6 suction tanks	2286	14636	–	51	366
Vredefort	3520		2850	1469	4293	350	40	162
TOTAL								

6.6 Water Provision

The table above and documented statistics show that the municipality is making great strides in delivering water to the Ngwathe community. Just over 30 000 households have access to potable water. This means that an average, more than 95 of households in the five regions of the municipality have access to potable water. This is not to hide the fact that while in some case household access is 100% there is still dire need in others. Examples are Koppies and Vredefort. The latter shows that the municipality has still a lot to do in the area of water provision.

The municipality has had to deal with a number of problems related to water infrastructure networks. These included a large number of pipe bursts and leakages. These are clearly indicative of continuing difficulties of ageing infrastructure in the area. This hazards important financial implications for the municipality moving forward.



WATER: Vredefort

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total number of sites	4700	4700	4700	4700	4700	4700
Total number of households supplied	3520	3520	3520	3520	3520	3520
Total number without water	1180	1180	1180	1180	1180	1180
Total number of faulty metres	150	0	150	150	150	150
Meter leakages	11	11	11	11	11	11

6.7 Basic Sanitation

The municipality has also ensured that civil works on the water plant in Parys were completed the Basic sanitation.

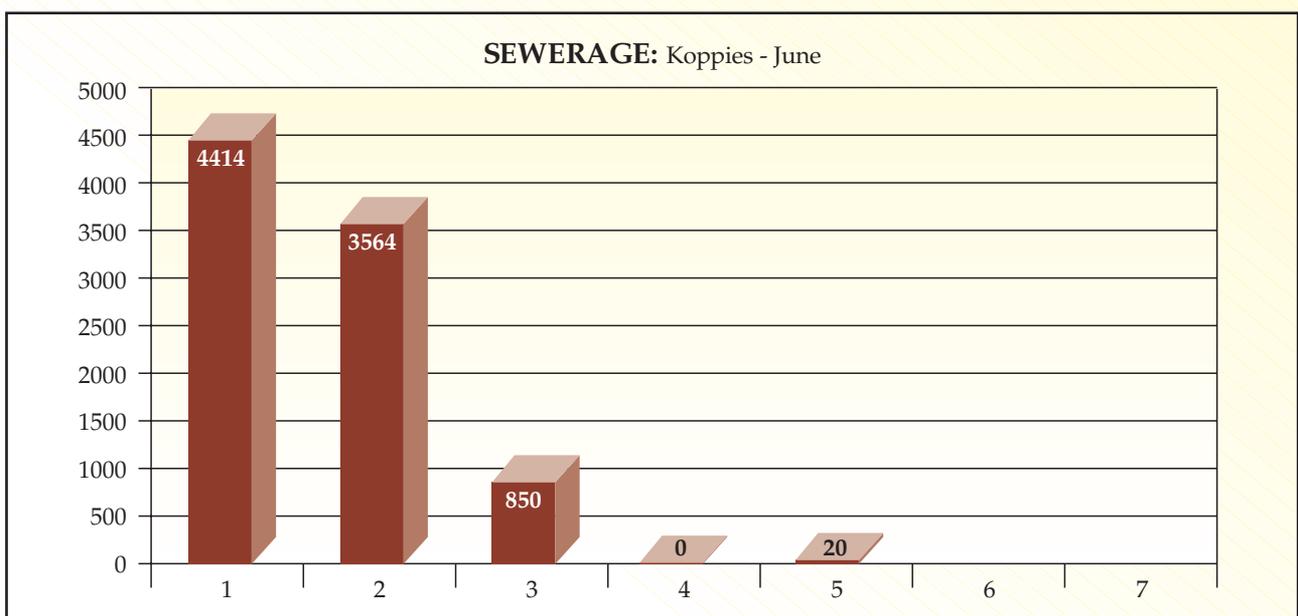
Again the table above and statistics documented elsewhere show that the municipality is making steady progress towards providing the community with basic sanitation. It is however clear that some areas have better sanitation than others. In particular, Koppies, Heilbron and Parys appear to be doing well.

Vredefort seems to pose particular challenges. Close to half of its households are without waterborne sewerage. Even more worrying, is the fact that about 1470 households are on bucket system. Below once again illustrate the stark differences between Koppies and Vredefort.

The municipality has however applied for funds from the Municipal Infrastructure Grant to assist with accelerating the process of eradicating the bucket system in its area of jurisdiction.

Funds have also been applied for the provision of sanitation in Tumahole (5236), Phiritona (1528), KwaKwatsi (2067), Mokwallo (1698) and Ngwathe (855).

Similar to water networks, the municipality also experienced a high rate of blockages in the sewerage network infrastructure. An average of 20 blockages were experienced in each region with exception of Parys that encountered about 92 blockages. This is another signal or either inadequate capacity or ageing infrastructure.



SEWERAGE: Vredefort

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total number of sites	4700	4700	4700	4700	4700	4700
Total number of waterborne	2850	2850	2850	2850	2850	2850
Total number of buckets	1469	1469	957	957	957	897
Total number of VIPs	65	65	65	65	65	65
Total number of blockage	20	0	21	12	7	17
Sewerage purified (meter reading)	0	0	0	0	0	0
Suction pits	96	197	60	180	180	33

6.8 Electricity Provision

The provision of electricity to households is one of the key highlights of the performance of the municipality. In virtually all the areas the delivery statistics indicate performance exceeding the stated number of households in each region. However, even in this area, Vredefort still

lags behind compared to the rest. While statistics show that while on average each of the regions will have less than 100 households with electricity, Vredefort shows more than 350 households without electricity.

ELECTRICITY: Vredefort

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total number of sites	4700	4700	4700	4700	4700	4700
Total no. of houses with electricity	4293	4293	4293	4293	4293	4293
Total no. of houses without electricity	350	350	350	350	350	350
Total number of vaulty meters	75	118	118	118	118	118
Total number of prepaid meters	4050	4050	4050	4050	4050	4050
Total number of conventional meters	243	243	243	243	243	243

6.9 Roads and Stormwater

The table above and statistics show that this is the one area the municipality still has a lot to do. While work has been done to tar some of the streets, including the 3,8 km ring road constructed in Tumahole, most streets remain untarred or graveled to be direct. It would however seem that some areas are better than others. The graphs below show that Heilbrons streets more tarred (92) than other areas while Edenville is the worst (2).

The municipality has also repaired a number of potholes in Parys, maintained roads in Koppies and Heilbron and cleaned stormwater canals in Heilbron (8), Edenville(1) and Vredefort (21). Further, the municipality has applied for funds from MIG for, among others, paring of roads.

ROAD REPORT: Heilbron - June 2006

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total number of roads	213	213	213	213	213	213
Total number of streets	92	92	92	92	92	92
Total number of gravel streets	121	121	121	121	121	121
Total number of maintained streets	4	4	6	0	8	10
Total number of stormwater cleaned	0	0	5	7	6	8

ROADS: Edenville - June 2006

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Total number of streets	97	97	97	97	97	97
Tarred	2	2	2	2	2	2
Gravel	95	95	95	95	95	95
Maintained	0	0	0	0	0	0
Stormwater cleaned	1	1	1	1	1	1
Road markings and signs	0	0	0	0	0	0
Street names	14	14	14	14	14	14

6.10 Financial Viability

Challenges

At the beginning of the financial year, the municipality was faced with the following challenges:

- Low levels of payment for services (service debts stood at R39 m)
- Inadequate financial management systems and controls
- Cash flow crisis resulting in the municipality operating on overdraft and unable to pay creditors
- Continuous qualified audit reports and too many audit queries from the Auditor-General (as well as poor response to these)
- Poor compliance with the MSMA
- Asset register not fully consolidated and updated
- Low levels of internal capacity to manage finances

Key strategic priorities

- Ensure compliance with MFMA, GAMAP and GRAP starting with the formulation of the budget to financial reporting
- Implement Credit Control policies and thereby ensure maximum collection of revenue due to the municipality
- Replace the financial management system and implement financial accounting controls
- Compile consolidated and updated asset register
- Train and build capacity of staff

Key performance indicators

- Level of compliance with MFMA, GAMAP and GRAP
- Percentage increase in the collection of revenue due to the municipality
- New financial management system in place and functional

- Percentage increase in the financial health of the municipality
- Updated Asset register in place
- Qualified audit report and reduction in the number of audit queries
- Staff trained in various financial management areas

Performance Highlights

For the period under review, the municipality managed the budgetary process in a participatory and transparent manner and ensured the budget was finalized and adopted by Council timeously in compliance with the MFMA. In addition the SDBIP was compiled to concretely align the budget to the IDP in line with the requirement of MFMA. Also, the Medium Term Expenditure and Revenue Framework was also compiled.

Further, the municipality ensured, in compliance with the MFMA, GAMAP and GRAP, that the 2004/05 financial statement was compiled and sent to the Auditor-General. Budget adjustment report was also compiled and adopted by Council in line with the MFMA.

The biggest challenge the municipality continues to face is low levels of payment for rates and services. As alluded to earlier the total services debt stands at R39 m. This is despite the fact the municipality has done much it could to improve payment levels. Some of the credit control measures the municipality implemented this year included development of a proper valuation roll, improvements in the billing system, implementation of indigent policy, disconnections, handing over of accounts and follow ups in the form of letters and phone calls.

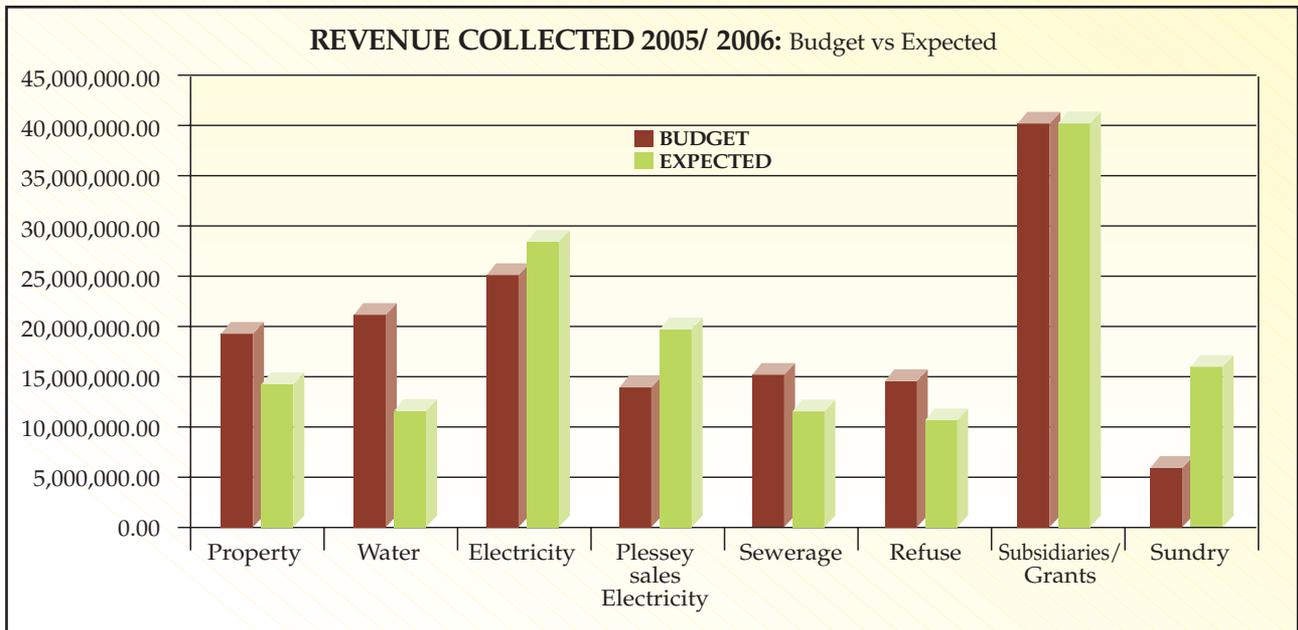
The debt collection levels in the last 6 months of the year shows a steady decline in revenue collection. The table below illustrates the point.

REVENUE COLLECTED

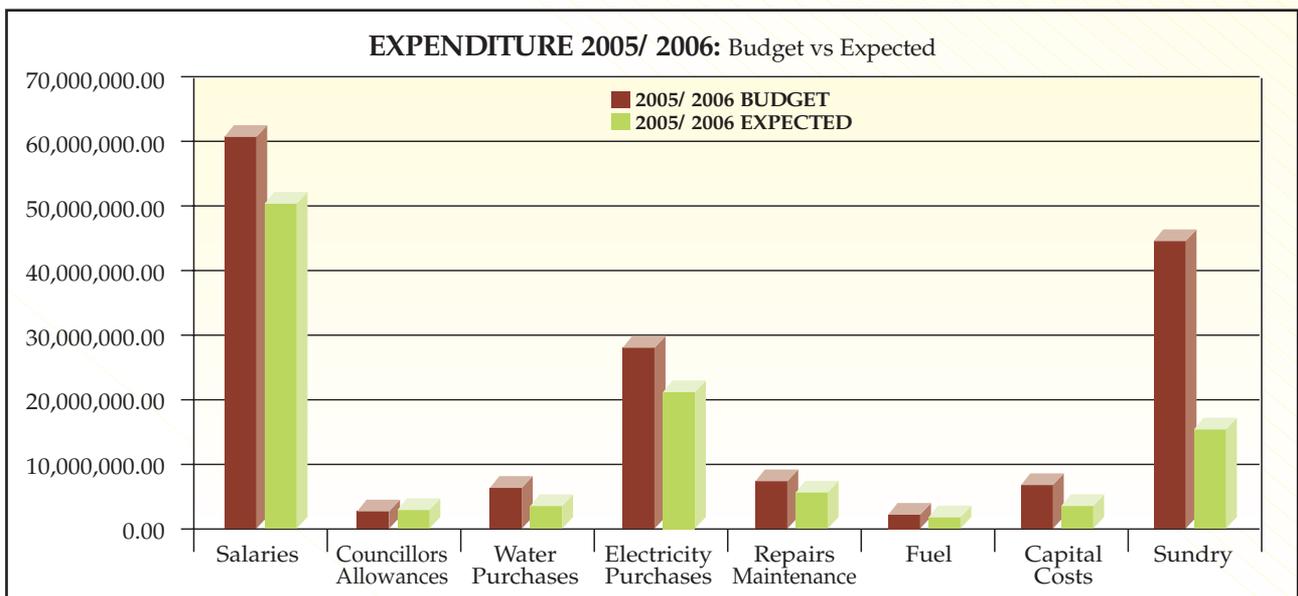
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Property Rates	1,217,290.00	827,520.00	1,016,299.03	1,172,845.32	1,222,645.16	1,774,513.18
Water	722,699.00	651,861.00	844,645.29	1,121,645.44	1,547,801.35	1,200,613.77
Electricity	1,831,164.00	2,218,993.00	1,980,892.59	2,178,560.87	2,732,025.44	2,015,218.62
Plessey Sales - Electricity	1,767,912.00	1,236,305.00	1,834,269.21	1,773,531.82	1,602,058.11	1,496,845.37
Sewerage	631,330.00	560,252.00	691,222.25	1,156,010.50	1,282,871.91	1,178,297.87
Refuse	476,310.00	417,169.00	540,078.69	1,157,910.68	1,456,200.69	1,126,067.01
Subsidiaries/Grants	–	–	–	13,514,347.00	–	–
Sundry	948,685.00	605,666.00	887,115.00	1,142,812.36	1,148,620.74	1,441,323.81

The financial health of the municipality does not look great either. With the municipality not receiving all the revenue due to it, excessive reliance on grant funding (as

the graph shows) and much of revenue still going into payment of salaries as graph below shows, the financial viability in serious doubt.



	Property	Water	Electricity	Plessey sales Electricity	Sewerage	Refuse	Subsidiaries/ Grants	Sundry
Budget	19,739,650.00	22,375,700.00	25,180,833.00	13,936,400.00	15,441,000.00	14,582,300.00	40,543,042.00	6,785,250.00
Expected	14,811,659.74	13,368,400.01	27,796,850.79	19,552,588.76	12,134,031.27	11,600,489.20	40,543,041.00	16,478,343.24



2005/ 2006	Property	Water	Electricity Electricity	Plessey sales	Sewerage	Refuse Grants	Subsidiaries/	Sundry
Budget	61,148,860.00	2,489,200.00	6,103,300.00	28,062,800.00	7,164,115.00	2,080,800.00	6,810,620.00	44,630,449.00
Expected	50,918,638.80	2,741,796.46	3,520,418.78	21,629,815.00	5,380,478.00	1,181,322.31	3,286,117.00	15,334,654.10

The municipality however seems to be turning the corner in respect of payment of creditors. While the municipality still owe Eskom higher sums, it seems to have done well in reducing credit to statutory bodies like SARS, UIF etc. which were a nemesis for a long time.

The graph below illustrates the point.

	Bulk Electricity	Bulk Water Purchase	SARS	Loans	Pension	Medical Aid	UIF	SAMWU	Other salary deduction	Other Creditors	SDR	Compensation Commission	Total
Current	3,291,991	451,591	725,881	755,015	347,643	334,710	68,997	339,757	803,093	136,632	-	-	7,255,310
30 Days	-	-	-	48,547	-	-	-	-	-	678,363	-	-	726,911
60 Days	-	-	-	48,547	-	-	-	-	-	140,937	-	-	189,485
60+ Days	-	-	-	-	-	-	-	-	-	1,976,647	252,395	185,343	3,414,387
Total	3,291,991	451,591	725,881	852,111	347,643	334,710	68,997	339,757	803,093	2,932,58	252,395	1,185,344	11,586,09

While the process of compiling and updating the asset register has started, the work is not complete yet. The municipality is yet to have an asset register necessary not only to comply with financial legislation but to better position it to generate needed revenue and manage finance better. This is however receiving high level and urgent attention in the municipality.

The municipality has however replaced the old financial system. The new system, which complies with the requirements of MFMA, GRAP and GAMAP, has already started to help the municipality to generate reliable financial information, generate accurate financial reports while introducing efficiencies in the overall management of finances.

The municipality further continues to grapple with the perennial problem of building internal capacity to manage finances better. A combination of on-service training, mentoring and formal training have been used to increase financial management competency in the municipality.

6.11 Sustainable Development

Challenges

- Ensuring orderly and environmentally sustainable development.
- Aligning planning frameworks across the entire area of Ngwathe.
- Provision of adequate housing to the poor.

Mission

To create an enabling environment that stimulates sustainable development.

Achievements

The municipality developed its first IDP in 2002 fully compliant with the Municipal Systems Act. The IDP represented the first attempt of a comprehensive development plan for the municipality. The municipality has managed to revise the IDP annually.

To integrate the municipal areas and also ensure the orderly and environmentally sustainable development, the municipality completed the development of a Spatial Development Framework. The Spatial Development Framework spatially presents the municipality in all its

dimensions and thereby lay basis for the municipality to ensure that previously disadvantage communities are spatially integrated into the core centres of economy and development in the area.

To ensure orderly and environmentally sustainable, the municipality aligned the Land Use Management and Planning and Township Establishment regulations. It ascertained that all housing developments were subjected to planning and township establishment processes and that all houses were inspected to ensure compliance with building regulations. Geo technical reports were also generated where applicable and necessary.

As part of the overall strategy to ensure orderly and sustainable development, municipality identified housing as a critical tool. To this extent, the municipality completed a Housing Sector Plan as required by national legislation. In accordance with the Plan, the municipality managed to build a total of 1 800 houses in 2005.

Various pieces of land are being identified for development.

The municipality is also in the process of integrating and consolidating its land use management schemes.

6.12 Governance and Democracy

Background

The Ngwathe Local Municipality inherited a situation where:

- There was no sufficient involvement of communities in governance and municipal affairs in general; and
- There was no structured interface between the Municipality and other spheres of government.

Challenges

- Ensuring maximum participation of all key stakeholders in the development of IDPs, the budgeting process, implementation and monitoring of programmes.
- Improve the functionality of ward committees.
- To encourage the involvement of communities in matters of local government.

Key Strategies

- Ensure active involvement of communities in the planning and budgeting process;
- Build capacity of community structures to effectively engage in local governance and development processes; and
- Encourage civic responsibility and voluntarism.

Achievements

- The Municipality has successfully completed the establishment of ward committees in the whole of Ngwathe Municipal area. A programme of support under the leadership of the Speaker has been developed and is being rolled out. The support programme includes training of members of ward committees on their roles and how to engage in planning, budgeting and service delivery processes.
- A Community Participation Framework has also been developed. Included in the framework are guidelines for ward committees, responsibilities for councillors, and processes for community based planning.
- The Municipality has consequently ensured active involvement of ward community in the formulation and review of the IDP and Budget.

CHAPTER 7: Challenges and the road ahead

Having highlighted achievements, the municipality still has to confront the following challenges moving forward:

8.1 Institutional transformation and development

- Ensuring coordinated implementation of the IDP throughout the organisation;
- Improving alignment of the IDP to daily programmes in the municipality;
- Mobilising additional resources for the implementation of the IDP;
- Ensuring proper monitoring and reporting on the implementation of the IDP, and
- Ensuring full implementation of the performance management system

8.2 Human resources management

- Development and finalisation of various outstanding Human Resource policies like Skills Development, Employment Equity, Employee Assistance.
- Ensuring proper alignment of structures, posts and functions for greater organisational effectiveness.
- Strengthening organisational synergies between the head quarters and regional offices.
- Consolidating internal organisational and management controls and systems to enhance professionalism, discipline, customer service, excellence and compliance with legislation.
- Fill all vacant posts to enable the organisation to function at optimal level.

8.3 Economic growth and development

- Implementation of the SMME Summit resolutions.
- The formulation of the LED Strategy.
- Establishment of a fully capacitated LED Unit.
- Positioning the area to optimize economic potential of the Vredefort Dome.
- Supporting existing economic activities and invest in critical sectors to mobilise investments and promote growth and create jobs.
- Marketing the Municipality to attract investments and enhance the tourism sector.

8.4 Service Delivery

- Mobilise additional resources to wipe out infrastructure backlogs.
- Ensure procurement of plant and machinery for efficient infrastructure maintenance
- Finalise and implement alternative service delivery mechanisms relating to electricity distribution.

8.5 Sustainable development

- Finalising the review of the SDF and ensure implementation.
- Formalisation of informal settlements.

8.6 Social development

- Improve door to door refuse collection
- Eradication of refuse dumps.
- Development and maintenance of parks.
- Development of commonages, town lands and pounds.
- Development of sports and recreational facilities.
- Accelerate the delivery of housing.
- Empowerment of youth, women and the disabled.
- Development of programmes on social development issues
- Implementation of Integrated Environmental Programme.

8.7 Governance and Democracy

- Development of the Community Participation Framework
- Development of By-Laws for the Municipality

8.8 Financial viability

- Billing compounded by valuation and incorrect meter reading remains a problem.
- Not collecting revenue all due to the Municipality, including income from rental stock is collected.
- Internal financial management controls still weak.
- Poor levels of capacity to enforce credit control and manage income and expenditure persist.
- Municipality still receives qualified audit opinions from the Auditor-General.
- Compliance with financial management regulations and laws still has to improve.

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APPROVAL OF FINANCIAL STATEMENTS:

The annual financial statements set out on pages 4 to 37 were approved by the Municipal Manager on 31 August 2006 and will be tabled for noting at the council meeting scheduled for 26 October 2006. This is in line with MFMA Circular No 36 issued by National Treasury.

It is hereby certified that the salaries, allowances and benefits of Councillors as disclosed in note 14.1 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER
S.J. MSIBI

CHIEF FINANCIAL OFFICER
M.S. TLALI

FOREWORD OF THE CHAIRPERSON

As a symbol of achievement and as a model of leaving an indelible mark in the history of the reconstruction of our Municipality, I am pleased to report that Ngwathe Local Municipality Management maintained good progress towards achieving the target of completing the financial statements as set out in the Municipal Finance Management Act of 2003.

In this regard, I would like to report my sincere appreciation to the Municipal Manager and his team for his leadership and contribution towards improving the financial position of Ngwathe Local Municipality. As an Accounting Officer, he is responsible for the preparation and presentation of the financial statements which is relevant and reliable, the integrity of the information contained therein, the maintenance of effective control measures and compliance regulations contained elsewhere in this financial statements. With the acquisition of a new financial management system, we are positive and encouraged that this will assist towards quality reporting and compliance.

The Municipal Manager is responsible for the preparation and presentation of financial statements that are relevant and reliable, the integrity of the information contained therein, the maintenance of effective control measures, compliance with relevant laws and regulations, and the related financial information contained elsewhere in this financial statements.

In the last quarter of this financial year, the Municipality formally adopted the new logo and vision and mission of the Municipality.

CHAIRMAN OF THE EXECUTIVE COMMITTEE

CHIEF FINANCIAL OFFICER'S REPORT

I am pleased to present the financial report for the year 2005/06.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and other Senior Managers to control their budgets and ensure the effective application of financial resources in rendering services to the community.

The annual financial statements for 2005/06 have been prepared in accordance with section 122 to 125 of the MFMA.

The more salient features of the Council's operating activities are dealt with below.

1. OPERATING RESULTS

Details of the operating results per department, classification 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 Rates & General and Trading services for the year ended 30 June 2006 is as follows:

	ACTUAL 2006 R	ACTUAL 2006 R	VARIANCE 2005/ 2006 %	BUDGET 2006 R	VARIANCE ACTUAL/ BUDGET %
INCOME					
Operating income	163 232 706	17 772 903	0,37	158 584 175	3,31
	15 446 014	163 837 421	15,06		
	178 678 720	181 610 324		158 584 175	
EXPENDITURE					
Opening (surplus)/deficit	20 897 273	15 446 014	(26,09)		
Operating expenditure	148 528 256	164 409 539	10,69	158 490 144	3,73
Sundry Transfers	9 253 191	1 754 771	(81,04)		
	178 678 720	181 610 324		158 490 144	

As can be seen total operating income is over budget by R5.2 million (3.31%) and expenditure was over target by R5.9 million (3.73%).

The council's accumulated deficit has increased from R15.4 million to R17.7 million during the year. The year's operations yielded a deficit of R 0.5 million as set out in Appendix E.

1.1 RATES AND GENERAL SERVICES

	ACTUAL 2006 R	ACTUAL 2006 R	VARIANCE 2005/ 2006 %	BUDGET 2006 R	VARIANCE ACTUAL/ BUDGET %
Income	84 123 338	90 946 523	8,11	83 443 322	8,99%
Expenditure	90 873 542	100 670 395	10,78	98 606 666	2,09%
Surplus/ (Deficit)	(6 750 204)	(9 723 872)	44,05	(15 163 344)	(35,87)%
Surplus/ (Deficit) as % of Total Income	(8.02)%	(10.69)%		(18,17)%	

The above figures indicate income yielded an increase against budget of R7.5 million whereas expenditures is R2 million above the estimate.

The rate and general department have performed well when measured against the budget with R1.4 million additional from rates being the principal contributor. More detail available in Appendices "D" and "E".

1.2 TRADING SERVICES

	ACTUAL 2006 R	ACTUAL 2006 R	VARIANCE 2005/ 2006 %	BUDGET 2006 R	VARIANCE ACTUAL/ BUDGET %
Income	79 109 368	72 890 898	(7,86)%	75 140 853	(2,99)%
Expenditure	57 654 714	63 739 144	10,55%	59 883 478	6,44%
Surplus/ (Deficit)	21 454 654	9 151 754	(57,34)%	15 257 375	(40,02)%
Surplus/ (Deficit) as % of Total Income	27.12%	12,56%		20,31%	

Trading services realised an operating surplus of R9.1 million for the year which was applied to reduce the deficit of R9.7 million on rate and general services. The results of each trading account are as follows:-

1.2.1 Electricity

	ACTUAL 2006 R	ACTUAL 2006 R	VARIANCE 2005/ 2006 %	BUDGET 2006 R	VARIANCE ACTUAL/ BUDGET %
Income	45 143 547	45 635 953	1,09%	44 179 753	3,30%
Expenditure	32 932 141	35 029 785	6,37%	39 938 188	(12,29)%
Surplus/ (Deficit)	12 211 406	10 606 168	(13,15)%	4 241 565	150,05%
Surplus/ (Deficit) as % of Total Income	27.05%	23,24%		9,60%	

The council's bulk electricity purchases were contained within the estimate with a saving of R1.2 million. A surplus of R10.6 million was posted for the year. See Appendix F for statistical details.

1.2.2 Water Works

	ACTUAL 2006 R	ACTUAL 2006 R	VARIANCE 2005/ 2006 %	BUDGET 2006 R	VARIANCE ACTUAL/ BUDGET %
Income	33 965 821	27 254 945	(19,76)%	30 961 100	(11,97)%
Expenditure	24 722 573	28 709 359	16,13%	19 945 290	43,94%
Surplus/ (Deficit)	9 243 248	(1 454 414)	(115,73)%	11 015 810	(113,20)%
Surplus/ (Deficit) as % of Total Income	27.21%	(5,34)%	35,58%		

The council reticulates water from its own sources. Income was down 19.76% over the previous year and was mainly as a result of water restrictions. However, the actual yield against budget was down R3.7 million (11.97%). There was an overspending of R8.7 million (43,94%).

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R28.2 million. This represents 29% more than expenditure for the previous year. The actual expenditure is 10.6% less than that budgeted for and consist of the following:-

	2006 ACTUAL R	2005 ACTUAL R	2006 BUDGET R
CAPITAL EXPENDITURE			
Administration and General	394 119	218 395	450 000
Cemetery	1 900 487	729 676	1 908 306
Computer Centre	1 209 202	165 669	2 680 000
Electricity	2 566 337	154 501	2 916 000
Parks and Recreation	478 552	55 257	411 000
Refuse	1 062 749	5 645 814	770 000
Roads and Storm water	2 223 476	4 576 276	2 774 786
Sewerage	7 356 570	7 487 867	7 694 822
Town Planning	138 000	736 442	253 000
Town Treasurer	201 410	211 833	200 000
Traffic	22 200	694 737	700 000
Water	10 656 739	1 222 801	9 656 100
Administration and Design	–	–	124 500
Municipal Manager	–	–	220 000
Director Community Services	–	–	200 000
Housing	2700	–	260 000
Health	–	–	143 000
Irrigation	19 250	–	44 600
Workshop	–	–	7 000
Council	29 200	–	200 000
Library	–	–	38 500
Fire Brigade	21 473	–	–
GRAND TOTAL	28 282 464	21 899 268	31 651 614

A complete analysis of capital expenditure (budget and actual) per department, classification or service is included in Appendix "C". More details regarding external loans and internal advances used to finance fixed assets are shown in Appendix "B".

Resources used to finance the fixed assets were as follows:

	2006 ACTUAL R	2005 ACTUAL R	2006 BUDGET R
CAPITAL FINANCING			
Contributions from operating income	7 380 829	3 830 445	9 069 614
Grants and Subsidies	20 901 635	18 068 823	22 582 000
GRAND TOTAL	28 282 464	21 899 268	31 651 614

3. EXTERNAL LOANS, INVESTMENTS AND CASH

3.1 External Loans

External loans outstanding on 30 June 2006 amounted to R28.3 million (R30.3 million in 2005) as set out in Appendix "B". During the year loans amounting to R0.4 million were received and loans repaid and written off amounted to R2.4 million.

3.2 Investments and Cash

Investments and Cash on 30 June 2006 amounted to R3.2 million (R8 million in 2005).

The cash on hand and bank balance was unfavourable as at 30 June 2006 to the tune of R3.7 million.

More information regarding long term liabilities and investments are disclosed in the notes (4 and 7) as well as Appendix "B" to the financial statements.

4. FUNDS AND RESERVES

Trust funds will be transferred to various accounts including appropriation during the year as a preliminary step in a phased approach to comply with National Treasury deadlines to convert to GRAP by 30 June 2007.

More information regarding funds and reserves are disclosed in the notes (1) and Appendix A to the financial statements.

5. OUTSTANDING DEBTORS

Outstanding debts are collected in terms of Council's credit control policy. The collection of debts dating back to previous years is a time consuming process and often the debtors only have limited means to pay off arrears.

Total debtors improved from R60.1 million to R62.5 million an increase of 3.88% (R2.4 million). Stringent measures with regards to tariff management coupled with effective credit control policies and procedures are fully implemented to ensure we turn around the trend of ever increasing municipal debt.

6. INTER GOVERNMENTAL TRANSFERS AND SOCIAL REBATES IN AID OF INDIGENT RESIDENTS

An amount of R17.2 million was received from the State for 2005/06 in respect of DORA to off-set the cost to council of making services available to the indigent sections of the community. For those earning below R601 pm services were made available free to a maximum of 50 kw/h of electricity and 6 kl of water. For those earning below R1 101 a rebate of R114.92 is given.

6 kl of water was allowed for all domestic consumers and 15 kw/h of electricity with previously disadvantaged areas receiving a further 35 kw/h free electricity per month.

7. FINANCIAL POSITION

BALANCE SHEET MOVEMENTS AND EFFECTS ON CASH FLOW Note

Statutory Funds showed an increase in their accumulated funds from R33.1 million to R37.1 million	1
Reserves have increased from R4.8 million to R4.9 million	2
Long Term Liabilities decreased from R28.5 million to R26.3 million	4
Provisions decreased from R 6.1 to R5.8 million with a significant decrease in audit fees.	11
The Retained deficit has increase from R15.4 million to R17.7 million after the years operating deficit of R0.5 million and previous year adjustments and contributions to various funds, reserves and provisions of R0.01million were accounted for.	17
Cash on hand has shown a significant decrease from a favourable balance of R2 million to an unfavourable balance of R3.7 million.	23

8. GENERAL

	2006 ACTUAL R	2005 ACTUAL R	2006 BUDGET R
GRANTS AND SUBSIDIES USED FOR OPERATIONAL EXPENDITURE			
Grants and subsidies received	40 543 042	40 319 439	40 543 042
<u>Less: Grants and subsidies used</u>	40 543 042	40 319 439	40 543 042
Grants and subsidies unspent	0	0	0

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Councillors, the Municipal Manager, Managers of the various Directorates as well as the staff in general for the support they have given to me and my staff during the year under review.

I would also like to express my appreciation to the Auditor-General's staff for their co-operation and assistance during the audit of the Council's financial statements.

CHIEF FINANCIAL OFFICER
M.S TLALI

ACCOUNTING POLICIES

1. Basis of Presentation

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Institute of Municipal Finance Officers Report on Published Annual Financial Statements (Second Edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy - Note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received such as traffic fines and certain licences.
 - Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The financial statements include the Rate and General services, Trading services and the different funds and reserves. Income and expenditure of assessment rates, refuse removal, sewerage, electricity and water departments are treated separately.

3. FIXED ASSETS

- 3.1 Fixed Assets are stated:
 - at historical cost, or
 - at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use.
- 3.2 Depreciation

The balance shown against 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 over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

 - Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - Grant or donation, 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 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.
- 3.4 Net proceeds from the sale of assets are credited to the Capital Development Fund.

4. FUNDS AND RESERVES

4.1 Capital Development Fund

Ordinance No 82(1) of 1962 requires a minimum contribution of 1% of income. The other type of money allocated to this fund consists of interest earned on investments.

4.2 Insurance Fund

A General Insurance Fund is maintained to cover claims that may occur. The type of money allocated to this fund consists of interest earned on investments.

4.3 Loan Redemption Fund

The fund is provided for by annual repayments of advances made to the borrowing accounts. The type of money allocated to this fund consists of interest earned on investments and budgeted contribution for the year.

4.4 Capital Reserve Fund

The reserve is built up by annual charge to the appropriation account with objective of providing capital for new projects. The type of money allocated to this reserve consists of interest earned on investments.

4.5 Renewal Fund

This fund is operated in terms of section 83 of the Ordinance on Local Government nr 8 of 1962. Contributions from operating income are made on an annual basis. The replacement and maintenance of existing assets, are financed from this fund. The type of money allocated to this reserve consists of interest earned on investments.

4.6 Community Facility Reserve

This reserve is maintained to provide community facilities, with regard to Council's housing schemes. The type of money allocated to this reserve consists of interest earned on investments.

4.7 Removal Reserve

This reserve is maintained to finance the removal cost of newly appointed staff under certain conditions. The type of money allocated to this reserve consists of interest earned on investments.

4.8 Granite Reserve

This reserve has been established with the purpose of providing housing for the elderly. Contributions to this fund were made from income earned through the exploitation of granite.

4.9 Rent Loss Reserve

This reserve is maintained to cover rent losses that may occur on Council's Sub-Economic Housing Scheme. The type of money allocated to this reserve consists of interest earned on investments.

4.10 Maintenance Reserve – Housing

This reserve is maintained to provide for the maintenance of Council's Sub-Economic Housing Scheme. The type of money allocated to this reserve consists of interest earned on investments.

4.11 Maintenance Reserves – Electricity and Water

These reserves are maintained to provide for the maintenance of Council's electricity and water distribution systems. The type of money allocated to this reserve consists of interest earned on investments.

4.12 RDP Fund

This reserve is maintained to finance Council's own reconstruction and development program. The type of money allocated to this reserve consists of interest earned on investments.

4.13 Housing Reserve

This reserve is maintained with regard to the housing schemes in Tumahole. The type of money allocated to this reserve consists of interest earned on investments.

4.14 Erven Trust Fund

Section 85(2)(a) of the Ordinance on Local Government nr 8 of 1962, required the net proceed from the sale of fixed property, to be credited to the Erven Trust Fund. The other type of money allocated to this reserve consists of interest earned on investments.

5. SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of the Electricity and Water Services are transferred to Rate and General Services.

6. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services is transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

7. RETIREMENT BENEFITS

Ngwathe Municipality and its employees contributed to the Free State Municipal Pension Fund. The retirement benefit plan is subject to the Pension Fund Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

The date of the last actuarial valuation was 30 June 2004. The fund was in a sound financial position at this date. The date of the next actuarial valuation is 30 June 2005.

8. INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

9. INVENTORY

Inventory is shown at the lower of cost or net realisable value on the first in first out method.

10. INCOME RECOGNITION

10.1 Electricity and Water Billings

Meters on all properties are read and billed monthly. Prepaid electricity sales are also sold.

10.2 Assessment Rates

Service charges are raised according to the valuation of buildings and stands. A 20% discount applies for governmental properties.

11. DEFFERED CHARGES

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over periods of the various loans involved.

12. LEASED ASSETS

Fixed Assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement. All other leases are treated as operating leases and the relevant rentals are charged the operating account in a systematic manner related to the period of use of assets concerned.

13. CAPITAL COMMITMENTS

Business Connection was appointed to replace the municipality's financial management system and the project will be implemented in the next financial year. The following capital projects were committed at year end;

- Improvement of Bulk Water Supply (R 1 449 352)
- Mokwallo Waterborne Sewer (R 285 994)
- Phiritona Water Borne Sewer (R 1 021 002)
- Edenville V.I.P Toilets (R 438 750)
- Water Services Ngwathe (R 3 749 567)

14. CONTIGENT LIABILITIES

Performance Bonuses for the previous as well as the year under review for section 57 Managers might be paid out pending the outcome of the performance measurement. Department of Water Affairs and Forestry's water extraction levies account was not accurate due to technical problems on their systems, thus there is a possibility that the amount due will be paid in future.

BALANCE SHEET: at 30 June 2006

	Note	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
		42 072 234	37 879 480
Statutory Funds	1	37 155 700	33 115 308
Reserves	2	4 916 534	4 764 172
Retained Income	17	(17 772 903)	(15 446 014)
		24 299 331	22 433 466
Housing Operating Account	23	332 410	332 410
Trust Funds	3	8 820 857	8 308 532
Long Term Liabilities	4	26 345 320	28 492 306
Consumer Deposits	5	2 791 127	2 612 685
		62 589 045	62 179 399
EMPLOYMENT OF CAPITAL			
Fixed Assets	6	10 252 164	12 445 130
Investments	7	6 949 953	5 946 588
Long Term Debtors	8	2 110 667	2 901 940
		19 312 784	21 293 658
NET CURRENT ASSETS			
		43 276 261	40 885 741
CURRENT ASSETS			
		62 923 468	62 588 413
Inventory	9	259 284	265 200
Debtors	10	62 540 006	60 115 521
Cash		–	2 021 418
Short-term Portion of long-term debtors	8	124 178	186 274
CURRENT LIABILITIES			
		19 647 207	21 702 672
Provisions	11	5 885 060	6 191 804
Creditors	12	8 121 663	13 712 312
Short-term portion of long-term liabilities	4	1 939 824	1 798 556
Bank Overdraft		3 700 660	–
		62 589 045	62 179 399

INCOME STATEMENT: for the year ended 30 June 2006

2005 ACTUAL INCOME R	2005 ACTUAL EXPENDITURE R	20025 SURPLUS/ (DEFICIT) R	
84 123 338	90 873 542	(6 750 204)	Rate and General Services
4 138 875	16 019 945	(11 881 070)	Community Services
4 138 875	16 019 945	(11 881 070)	Subsidised Services
28 945 334	30 805 186	(1 859 852)	Economic Services
79 109 368	57 654 714	21 454 654	Trading Services
163 232 706	148 528 256	14 704 450	Total
		(9 253 191)	Appropriations for the year (Refer to note 17)
		5 451 259	Net surplus/(deficit) for the year
		(20 897 273)	Accumulated surplus/(deficit) beginning of the year
		(15 446 014)	Accumulated surplus/ (deficit) end of the year

2006 ACTUAL INCOME R	2006 ACTUAL EXPENDITURE R	2006 SURPLUS/ (DEFICIT) R	2006 BUDGET/ SURPLUS R
90 946 523	100 670 395	(9 723 872)	(15 163 344)
59 629 902	53 596 132	6 033 770	(1 929 188)
1 033 016	14 731 230	(13 698 214)	(16 151 602)
30 283 605	32 343 033	(2 059 428)	2 917 446
72 890 898	63 739 144	9 151 754	15 257 375
163 837 421	164 409 539	(572 118)	94 031
		(1 754 771)	
		(2 326 889)	
		(15 446 014)	
		(17 772 903)	

CASH FLOW STATEMENT: for the year ended 30 June 2006

	Note	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES:			
Cash generated by operations	18	51 680 130	39 011 812
Investment income	16	1 126 516	953 866
(Increase) decrease in working capital	19	(22 485 542)	(11 982 466)
		30 321 104	27 983 212
Less: External interest paid		(4 751 637)	(4 523 389)
Cash available from operations		25 569 467	23 459 823
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		(28 282 464)	(21 899 268)
NET CASH FLOW		(2 712 997)	1 560 555
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long-term loans	20	(2 005 716)	(2 014 287)
(Increase)/decrease in cash investment	21	(1 003 365)	(761 224)
(Increase)/decrease in cash	22	5 722 078	1 214 956
Net Cash Utilised/ (Generated)		2 712 997	(1 560 555)

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

	2006 R	2005 R
1. STATUTORY FUNDS		
Redemption Fund	3 680 712	3 596 063
Capital Development and Revolving Fund (Refer to Appendix A for more details)	33 474 988	29 519 245
	37 155 700	33 115 308
2. RESERVES		
Insurance Fund	452 288	424 327
Capital Reserve Fund	170 047	165 459
Renewal Fund	1 173 229	1 141 573
Loss of Rental Reserve	65 897	63 174
Housing (Tumahole)	1 109 968	1 080 020
Removal Reserve	12 450	12 114
Maintenance Reserve (Electricity)	1 548 730	1 503 938
Maintenance Reserve (Water)	127 983	124 530
RDP Reserve	36 036	35 065
Asset Reserve	202 615	197 148
Civil Defence Reserve (Refer to Appendix A for more details)	17 291	16 824
	4 916 534	4 764 172
3. TRUST FUNDS		
Mayors Trust Fund	16 560	16 114
Erven Fund	8 796 225	8 284 563
EA Blake Heritage	6 367	6 196
Trust Fund (Refer to Appendix A for more details)	1 705	1 659
	8 820 857	8 308 532
4. LONG TERM LIABILITIES		
Annuity Loans	81 736	98 444
Instalment Sale Agreement	61 281	145 387
<u>Local Authorities Loans Fund</u>	18 213 819	19 335 719
External Loans	9 928 308	10 711 312
Less : Short term portion transferred to Current Liabilities (Refer to Appendix B for more details on long term liabilities)	(1 939 824)	(1 798 556)
	26 345 320	28 492 306
Annuity Loans		
Carry interest rates at between 16% and 17,30 per annum and will be fully redeemed in 2006/2007 financial year.		
Local Authority Loans		
DBSA Loans carrying interest rate of 15,28% and is repayable over periods of between 1 and 30 years.		

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006 (continued)

External Loans

The INCA loan bearing interest of 17,25% and is repayable over a period of 10 years.

Instalment Sale Agreement

Carry interest rates varying between 15,5% and 16,92% and is repayable over periods of between 1 and 30 years.

INCA Loan is secured by the investment and the former Heilbron Municipality ABSA loan is ceased by Momentum Policy No. 091390975.

	2006 R	2005 R
5. CONSUMER DEPOSITS - SERVICES		
Electricity and Water	2 791 127	2 612 685
6. FIXED ASSETS		
Fixed assets at the beginning of the year	321 703 630	299 804 362
Capital expenditure during the year	28 282 464	21 899 268
Total Fixed Assets	349 986 094	321 703 630
<u>Less:</u> Loans redeemed and other capital receipts	(339 733 930)	(309 258 500)
Net Fixed Assets	10 252 164	12 445 130
(Refer to Appendix C and Section 2 of the Financial Officer's Report for more details on fixed assets.)		
7. INVESTMENTS		
Listed		
Sanlam Shares	68 150	55 178
Unlisted		
Senwes Members Fund	11 807	10 936
Fixed Deposits	37 071	36 786
Other Deposits	4 387 609	3 855 843
Momentum Life Policies	2 445 316	1 987 845
	6 949 953	5 946 588
Management Valuation		
Listed Investments	68 150	55 178
Unlisted Investments	6 881 803	5 891 410
Average rate of return on investments	15,5%	15,5%

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

(continued)

	2006 R	2005 R
8. LONG-TERM DEBTORS		
Housing Loans	2 145 538	3 049 770
Erven Sales	60 520	(3 225)
Vehicle loan	1 127	10 430
Other Loans	27 660	31 239
Less: Short-term portion of long term debtors transferred to current assets	(186 274)	(124 178)
	2 110 667	2 901 940
9. INVENTORY		
Stock represents petrol & diesel and consumable stores	259 284	265 200
10. DEBTORS		
Suspense Account	67 024	68 826
VAT Receivable	101 667	-
Consumer Debtors	122 260 235	103 972 877
Sundry Debtors	1 660 115	2 421 464
	124 089 041	106 463 167
Less: Provision for bad debt	(61 549 035)	(46 347 646)
No bad debts were written off during the year.	62 540 006	60 115 521
Days outstanding in debtors amounted to 273 days (2005 - 242 days)		
11. PROVISIONS		
Audit Fees	698 064	871 352
Leave Provision	4 876 897	4 978 190
Community Facilities	14 596	13 940
Valuation Fees	295 503	328 322
	5 885 060	6 191 804
12. CREDITORS		
Trade Creditors	19 452 881	8 345 741
Sundry Creditors	6 262 568	3 023 487
Suspense Accounts	(17 593 786)	2 075 949
VAT Payable	-	267 135
	8 121 663	13 712 312

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

(continued)

	2006 R	2005 R
13. ASSESSMENT RATE		
Valuations		
Residential and Commercial	1 045 529 908	771 645 234
State	88 456 057	22 290 900
	<u>1 133 985 965</u>	<u>793 936 134</u>
Actual Income		
Residential and Commercial	19 452 689	20 210 931
State	1 645 776	583 843
	<u>21 098 465</u>	<u>20 794 774</u>
<p>Valuations on land are performed every five-year. The last valuation came into effect on 1 July 2003.</p> <p>A rebate of 20% was granted on government properties.</p>		
14.1 COUNCILLORS REMUNERATION		
Executive Committee Allowance	581 020	469 667
Mayor's Allowance	216 908	169 674
Speaker's allowance	177 908	135 739
Councillors' Pension Contribution	188 118	107 336
Councillors Allowances	2 183 108	1 546 971
	<u>3 347 062</u>	<u>2 429 387</u>
14.2 COUNCILLORS OUTSTANDING BALANCES ON MUNICIPAL SERVICES		
Magashule ME	560	1 038
Majoe RA	3 260	-
Nel BJ	674	-
Choni PS	4 679	-
Rantsieng AJ	-	-
Hlapane ML	345	-
Makhobotloane TN	4 151	-
Letsoenyo TR	287	5 663
Sekete SLS	-	-
Ndayi RP	777	4 350
Serathi M	601	314
Hansa DD	507	5 487
Mvulane L	-	-
Wolmarans JB	746	-
Sothoane EC	3 222	-
Nteo A	1 360	1 719
De Jager AJ	281	880

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006 (continued)

	2006 R	2005 R
Mandelstam GP	1 615	593
Khumalo NMN	275	601
Oliphant AM	267	18 055
Kgotlagomang AL	–	291
Mangwana BV	155	–
Molibeli PJ	3 664	–
Direko ME	2 487	–
Mabula KS	12 139	–
Lehman DS	399	–
Vermaak SM	1 427	–
Phati NM	3 517	–
Schoonwinkel A	338	–
Mopedi NP	154	–
Ndlovu NA	1 559	–
Van Der Merwe PP	–	–
Jaers LD	4 738	–
Nhlapo MA	7 396	–
Hlungu NJ	1 469	–
Maine EM	5 984	–
Sothoane T	839	–
	<u>69 872</u>	<u>38 991</u>
14.3 SALARIES, ALLOWANCES AND BENEFITS OF EXECUTIVE MANAGEMENT		
Municipal Manager		
Salary	320 837	249 537
Provident Fund	58 167	45 091
Unemployment Insurance Fund	1 316	1 060
Travelling Allowance	144 236	194 312
Chief Financial Officer		
Salary	295 372	282 697
Unemployment Insurance Fund	1 316	1 060
Travelling Allowance	194 312	116 243
Director - Corporate Services		
Salary	251 561	234 971
Provident Fund	42 384	42 459
Unemployment Insurance Fund	1 316	1 060
Travelling Allowance		

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

(continued)

	2006 R	2005 R
Director - Technical Services		
Salary	250 426	233 911
Unemployment Insurance Fund	1 316	1 060
Travelling Allowance	165 028	174 029
Director – Community Services		
Salary	295 372	270 473
Provident Fund	–	56 940
Unemployment Insurance Fund	1 316	1 060
Travelling Allowance	194 312	71 527
15. AUDITORS' REMUNERATION		
Audit and Accounting Fees:		
• Current year provision	1 068 725	968 000
• Prior year (over)/under provision	(42 013)	25 176
	1 026 712	993 176
16. FINANCE TRANSACTIONS		
Total external interest earned and paid:		
• Interest earned	1 126 516	953 866
• Interest paid	4 651 712	4 398 858
Capital charges debited to operating account:		
Interest:	4 751 637	4 523 389
• Internal	99 925	124 531
• External	4 651 712	4 398 858
Redemption:	2 192 967	2 863 403
• Internal	120 154	217 565
• External	2 072 813	2 645 838
	6 944 604	7 386 792

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

(continued)

	2006 R	2005 R
17. APPROPRIATIONS		
Accumulated surplus / (deficit) at the beginning of the year	(15 446 014)	(20 897 273)
Operating surplus / (deficit) for the year	(572 118)	14 704 450
Appropriations for the year:	(1 754 771)	(9 253 191)
• Prior year adjustment	(1 754 771)	2 280 019
• Services – Adjustments	–	(14 073 630)
• Correction of History	–	2 540 420
Accumulated surplus/(deficit) at the end of the year	<u>(17 772 903)</u>	<u>(15 446 014)</u>
18. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	(572 118)	14 704 450
Adjustments in respect of : Previous year	(1 754 771)	(9 253 191)
	(2 326 889)	5 451 259
Appropriations charged against income:	47 062 416	26 173 761
• Capital Development Fund	3 231 256	3 190 526
• Erven Trust Fund	325 574	876 101
• Loan Redemption Fund	–	181 150
• Maintenance fund	3 476	7 022
• Insurance Fund	17 145	17 145
• Bad Debts Provisions	15 201 388	–
• Other	1 113	2 549
• Fixed Assets	28 282 464	21 899 268
Capital charges:		
Interest Paid:	4 751 637	4 523 389
• Internal Funds	99 925	124 531
• External Funds	4 651 712	4 398 858
Redemption:	2 192 967	2 863 403
• External Loans	2 072 813	2 645 838
• Internal Loans	120 154	217 565
	<u>51 680 130</u>	<u>39 011 812</u>

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006 (continued)

	2006 R	2005 R
19. (INCREASE)/ DECREASE IN WORKING CAPITAL		
(Increase)/Decrease in Stock	5 915	(5 179)
(Increase)/Decrease in debtors, long term debtors	(16 772 506)	(6 235 372)
Increase/(Decrease) in creditors, consumer deposits, provisions	(5 718 951)	(5 741 915)
	<u>(22 485 542)</u>	<u>(11 982 466)</u>
20. INCREASE/ (DECREASE) IN LONG-TERM LOANS (EXTERNAL AND INTERNAL)		
Loans raised	442 509	659 488
Loans repaid/written off	(2 448 225)	(2 673 775)
	<u>(2 005 716)</u>	<u>(2 014 287)</u>
21. (INCREASE)/ DECREASE IN CASH INVESTMENTS		
Balance at beginning of year	5 946 588	5 185 364
Less: Balance at end of year	6 949 953	5 946 588
	<u>(1 003 365)</u>	<u>(761 224)</u>
22. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	2 021 418	3 236 374
Less: Cash balance at the end of the year	(3 700 660)	2 021 418
	<u>5 722 078</u>	<u>1 214 956</u>
Ngwathe Municipality's bank overdraft facility is covered by portion of farm property – Klipspruit No.84		
23. HOUSING OPERATING ACCOUNT		
Housing Reserves	188 354	188 354
Suspense Account	-50	-50
Housing Creditors	144 106	144 106
	<u>332 410</u>	<u>332 410</u>

NOTES ON FINANCIAL STATEMENTS: at 30 June 2006

(continued)

	2006 R	2005 R
24. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
24.1 BANK ACCOUNTS		
ABSA Bank – 11-3000-0041 : Cheque Account		
<i>Year opening balance</i>	815 600	2 383 112
<i>Year end balance</i>	652 102	815 600
ABSA Bank – 40-5270-7733 : Cheque Account		
<i>Year opening balance</i>	1 271 406	1 199 792
<i>Year end balance</i>	(4 362 067)	1 271 406
24.2 PAYE AND UIF		
Opening balance	411 698	360 429
Current year payroll deductions	4 701 208	4 928 751
Amount paid – current year	(4 336 441)	(4 517 053)
Amount paid previous year	(411 698)	(360 429)
Balance unpaid (included in creditors)	<u>364 767</u>	<u>411 698</u>
24.3 PENSION AND MEDICAL AID DEDUCTIONS		
Opening balance	888 475	885 326
Current year payroll deductions and contributions	11 821 796	11 215 109
Amount paid – current year	(10 799 686)	(10 326 634)
Amount paid previous year	(888 475)	(885 326)
Balance unpaid (included in creditors)	<u>1 022 110</u>	<u>888 475</u>
24.4 RSC LEVIES		
Opening balance	88 203	322 393
Current year levies	376 548	367 227
Amount paid – current year	-	(279 024)
Amount paid previous year	-	(322 393)
Balance unpaid (included in creditors)	<u>464 751</u>	<u>88 203</u>

APPENDIX A: Accumulated Funds, Trusts and Reserves

	Balance at 30 June 2005 R	Contributions during the Year R	Interest on Investments R	Balance at 30 June 2006 R
STATUTORY FUNDS	33 115 308	3 231 256	809 136	37 155 700
Redemption Fund	3 596 063	-	84 649	3 680 712
Capital Development and Revolving Fund	29 519 245	3 231 256	724 487	33 474 988
RESERVES	4 764 172	21 734	130 629	4 916 534
Insurance Fund	424 327	17 145	10 816	452 288
Capital Reserve Fund	165 459	-	4 588	170 047
Renewal Fund	1 141 573	-	31 656	1 173 229
Loss of Rental Reserve	63 174	1 113	1 610	65 897
Housing (Tumahole)	1 080 020	-	29 948	1 109 968
Removal Reserve	12 114	-	336	12 450
Maintenance Reserve (Electricity)	1 503 938	3 476	41 316	1 548 730
Maintenance Reserve (Water)	124 530	-	3 453	127 983
RDP Reserve	35 065	-	972	36 036
Asset Reserve	197 148	-	5 467	202 615
Civil Defence Reserve	16 824	-	467	17 291
TRUST FUNDS	8 308 532	325 574	186 751	8 820 857
Mayors trust Fund	16 114	-	446	16 560
Erven Fund	8 284 563	325 574	186 088	8 796 225
EA Blake Heritage	6 196	-	171	6 367
Trust Fund	1 659	-	46	1 705
	46 188 012	3 578 564	1 126 516	50 893 091

APPENDIX B: External Loans and Internal Advances

				Balance at 30 June 2005	Redeemed during the Year	Received this Year	Balance at 30 June 2006	Short term portion transferred to current liabilities
				R	R	R	R	R
Vredefort								
			Redeemable					
Loan 62	Infrastructure finance Corp- Electricity	17.00%	2008	40 246	11 295	–	28 951	13 297
Loan 73	Infrastructure finance Corp- Roads & storm water	17.30%	2011	23 964	2 229	–	21 735	2 631
Loan 74	Infrastructure finance Corp- Electricity	17.30%	2011	34 234	3 184	–	31 050	3 759
Koppies								
Hire Purchase Nissan	Wesbank Town Treasurer	17.40%	2004	53		–	53	53
Heilbron								
Loan	ABSA	13.68%	2005	534 577	–	–	534 577	–
Loan	INCA	17.50%	2010	976 822	446 090	–	530 732	530 732
Loan 144	DWAF	8.70%	2013	57 244	4 450	–	52 794	10 090
Parys								
Loan 6	ABSA Bank	10.00%	2008	480 289	138 516	–	341 773	163 422
Loan 6	ABSA Bank	10.00%	2008	86 871	25 054	–	61 817	29 558
Loan 6	ABSA Bank	10.00%	2008	574 523	167 908	–	406 615	194 426
Loan 6	ABSA Bank	10.00%	2008	986	986	–	–	–
Loan 60	INCA	17.50%	2011	3 544 000	–	–	3 544 000	–
Loan 201	Bankfin	11.64%	2007	145 334	84 106	–	6 1228	61 228
Loan 60	INCA	17.50%	2011	3 176 000	–	–	3 176 000	–
Loan 60	INCA	17.50%	2011	1 280 000	–	–	1 280 000	–
Loan	DBSA	15.28%	2014	19 335 719	1 564 409	442 509	18 213 819	930 628
				30 290 862	2 448 227	442 509	28 285 144	1 939 824

APPENDIX B: External Loans and Internal Advances (continued)

	Balance at 30 June 2005 R	Redeemed during the Year R	Received this Year R	Balance at 30 June 2006 R
INTERNAL ADVANCES				
Vredefort				
Internal Loan: 76	8 082	1 154	–	6 928
Koppies				
Loan swimming pool: 5.5%, 25 years	9 667	663	–	9 004
Sewerage No. 29: 10%, 25 years	263 764	14 233	–	249 531
M-Net Loan: 11%, 20 years	32 311	2 724	–	29 587
Heilbron				
Erven Trust Fund 53: Town hall &: Offices	91 573	16 233	–	75 340
Renewal Fund 83: Workshop	11 446	–	1 680	13 126
CDF 110	7 404	630	–	6 774
Parys				
Loan 84 Parks & Recreation	35 351	1 465	–	33 886
Loan 87 Fire fighting	9 426	2 793	–	6 633
Loan 90 Town hall & Offices	23 005	789	–	22 216
Loan 96 Fire fighting	4 690	1 018	–	3 672
Loan 103 Housing	10 429	2 384	–	8 045
Loan 107 Museum	4 000	1 942	–	2 058
Loan 118 Electricity	9 405	4 479	–	4 926
Loan 122 Roads & Storm water	55 942	16 901	–	39 041
Loan 122 Water	8 682	2 623	–	6 059
Loan 122 Electricity	2 503	756	–	1 747
Loan 125 Electricity	32 256	2 821	–	29 435
Loan 126 Water	57 723	12 438	–	45 285
Loan 126 Electricity	173 376	22 842	–	150 534
Loan 127 Electricity	6 901	1 379	–	5 522
Loan 127 Street lighting	59 222	4 361	–	54 861
Loan 128 Community Hall	144 347	9 057	–	135 290
	1 061 506	123 685	1 680	939 500

APPENDIX C: Analysis of fixed assets

EXPENDITURE 2005 R	SERVICE	BUDGET 2005/ 2006 R	BALANCE AT 30 JUNE 2005 R	EXPENDITURE DURING THE YEAR R	TRANSFER OR WRITTEN OFF R	BALANCE AT 30 JUNE 2005 R
20 521 966	RATES AND GENERAL SERVICES		173 791 241	15 059 388	-	188 850 629
7 388 285	Community Services		102 288 644	6 618 596	-	108 907 240
729 676	Cemetery	-	949 126	1 900 487	-	2 84 9613
-	Irrigation	-	50308	19 250	-	69 558
-	Library	-	688 669	-	-	688 669
-	Civil Defence	-	45 493	-	-	45 493
-	Town lands	-	8 927 134	-	-	8 927 134
-	Municipal Buildings	-	1 629	-	-	1629
4 576 276	Roads and Stormwater	-	54 474 521	2 223 476	-	56 697 997
55 257	Parks	-	3 496 310	478 552	-	3 974 862
165 669	Computer Centre	-	969 282	1 209 202	-	2 178 484
-	Schonkenville	-	193 519	-	-	193 519
-	Sport Facilities	-	3 368 880	-	-	3 368 880
-	Municipal Buildings	-	20 579 333	29 200	-	20 608 533
218 395	Administration and Design	-	1 555 915	394 119	-	1 950 034
736 442	Town Planning	-	2 509 134	138 000	-	2 647 134
-	Town Secretary	-	478 483	-	-	478 483
211 833	Town Treasurer	-	213 663	201 410	-	415 073
-	Swimming Pool	-	184 023	-	-	184 023
-	Holiday Resort	-	830 050	-	-	830 050
694 737	Traffic	-	1 897 213	22 200	-	1 919 413
-	Aerodrome	-	41 314	-	-	41 314
-	Housing	-	644 593	2 700	-	647 293
-	House – Unsold Tumahole	-	190 052	-	-	190 052
-	Subsidies Services		2 487 197	21 473	-	2 508 670
-	Ambulance		214 654	-	-	214 654
-	Fire Fighting		565 616	21 473	-	587 089
-	Health		1 706 927	-	-	1 706 927
13 133 681	Economic Services		69 015 400	8 419 319	-	77 434 719
5 645 814	Refuse		9 666 564	1 062 749	-	10 729 313
-	Licensing		-	-	-	-
7 487 867	Sewerage		59 348 836	7 356 570	-	66 705 406
-	HOUSING SERVICES		5 607 596	-	-	5 607 596
-	Housing General – Tumanole		5 064 365	-	-	5 064 365
-	Housing – Rent Vredefort		242 185	-	-	242 185
-	Housing – Vredefort		301 046	-	-	301 046
1 377 302	TRADE SERVICES		142 304 793	13 223 076	-	155 527 869
154 501	Electricity		76 097 502	2 566 337	-	78 663 839
1 222 801	Water		66 207 291	10 656 739	-	76 864 030
21 899 268	TOTAL FIXED ASSETS		321 703 630	28 282 464	-	349 986 094
24 762 673	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		309 258 500	30 475 431	-	339 733 931
2 863 405	Loans redeemed/advances paid		82 086 105	2 192 967	-	84 279 072
3 830 445	Contributions from operating income		9 635 270	7 380 829	-	17 016 099
-	State		2 160 364	-	-	2 160 364
18 068 823	Contribution from DC & Province		44 655 443	-	-	144 655 443
-	Contributions from Erven Trust Fund		3 888 289	-	-	3 888 289
-	Grants and Subsidies		6 623 191	20 901 635	-	67 524 826
-	Contributions from reserves		114 647	-	-	114 647
-	Contributions from public		352 862	-	-	352 862
-	Renewal Fund		1 013 175	-	-	1 013 175
-	Other Sources		8 606 161	-	-	18 606 161
-	Construction Fund		20 666	-	-	20 666
-	Sports Fund		102 327	-	-	102 327
(2 863 405)			12 445 130	(2 192 967)	-	10 252 164

APPENDIX D: Analysis of Operating Income Expenditure for the year ended 30 June 2006

ACTUAL 2005 R		ACTUAL 2006 R	BUDGET 2006 R
	INCOME		
40 319 439	Grants and Subsidies:	40 619 303	40 543 042
36 703 513	- Central Government	40 543 042	40 543 042
3 615 926	- Provincial Government	76 261	-
122 913 267	Operating Income:	123 218 118	118 041 133
20 794 774	- Assessment Rates	21 098 465	19 739 650
40 820 111	- Sale of Electricity	42 524 910	39 117 233
26 003 397	- Sale of Water	21 743 128	22 375 700
35 294 985	- Other	37 851 615	36 808 550
163 232 706	Total Income	163 837 421	158 584 175
	EXPENDITURE		
53 028 562	Salaries, Wages and Allowances	55 209 681	63 638 060
54 427 610	General Expenses	56 196 594	64 701 637
22 256 189	Purchase of Electricity	23 864 568	28 062 800
6 288 115	Purchase of Water	3 552 502	6 103 300
25 883 306	Other Expenses	28 779 524	30 535 537
3 256 166	Repairs and Maintenance	5 660 826	7 164 115
7 386 792	Capital Charges	6 944 604	6 810 620
3 830 445	Contributions to fixed assets	7 380 829	9 069 614
38 685 818	Contributions	45 012 198	19 119 888
(12 087 137)	Less: Amount Charged Out	(11 995 193)	(12 013 790)
148 528 256	Total Expenditure	164 409 539	158 490 144
14 704 450	Surplus / (Deficit)	(572 118)	94 031



APPENDIX E: Detailed Income Statement

for the year ended 30 June 2006

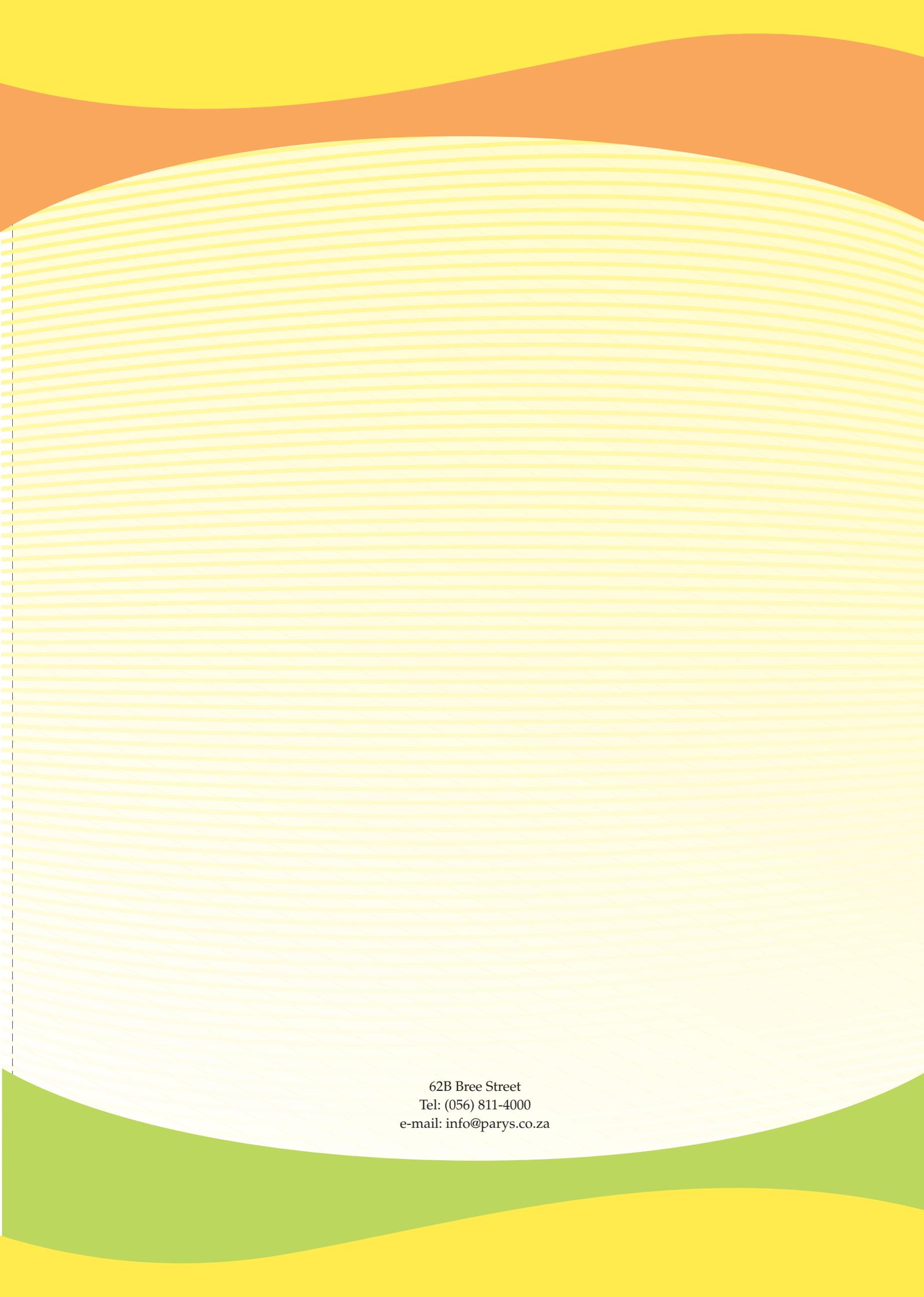
2005 ACTUAL INCOME R	2005 ACTUAL EXPENDITURE R	2005 SURPLUS/ (DEFICIT) R	
84 123 338	90 873 542	(6 750 204)	RATES AND GENERAL SERVICES
51 039 129	44 048 411	6 990 718	Community Services
20 794 774	-	20 794 774	- Assessment Rates
702 800	931 820	(229 020)	- Irrigation
25 548 339	21 863 030	3 685 309	- Council General
-	7 164	(7 164)	- Civil Defence
-	169 281	(169 281)	- Stores
-	2 850	(2 850)	- Museum
82 768	4 683 038	(4 600 270)	- Administration and Design
53 873	6 266 898	(6 213 025)	- Road and Stormwater
82 520	818 800	(736 280)	- Townplanning and Building Inspection
-	-	-	- Computer Centre
34 295	101 947	(67 652)	- Sport Facilities
-	2 274 396	(2 274 396)	- Municipal Manager
3 120 879	4 872 865	(1 751 986)	- Finance Director
-	1 795	(1 795)	- Swimming Pool
232 308	15 378	216 930	- Holiday Resort
373 901	1 670 589	(1 296 688)	- Traffic
-	178 810	(178 810)	- Workshop
-	83 304	(83 304)	- Housing
12 672	5 561	7 111	- Hostels
-	100 885	(100 885)	- Health
4 138 875	16 019 945	(11 881 070)	Subsidised Services
13 992	2 724 232	(2 710 240)	- Fire Fighting
12 173	1 673 352	(1 661 179)	- Library
510 943	1 160 769	(649 826)	- Cemetery
2 274	4 854 071	(4 851 797)	- Parks & Recreation
159 294	1 003 425	(844 131)	- Property
152 871	1 218 166	(1 065 295)	- City Hall & Offices
16 208	36 940	(20 732)	- Aerodrome
3 271 120	3 348 990	(77 870)	- Health Services
28 945 334	30 805 186	(1 859 852)	Economic Services
13 965 929	15 532 128	(1 566 199)	- Refuse
14 979 405	(293 653)	15 273 058	- Sewerage
79 109 368	57 654 714	21 454 654	TRADING SERVICES
45 143 547	32 932 141	12 211 406	- Electricity
33 965 821	24 722 573	9 243 248	- Water Works
163 232 705	148 528 256	14 704 450	TOTAL
		(9 253 191)	Appropriations for the year (refer to note 17)
		5 451 259	Net deficit for the year
		(20 897 273)	Accumulated surplus beginning of the year
		(15 446 014)	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR

2003 ACTUAL INCOME R	2003 ACTUAL EXPENDITURE R	2003 SURPLUS/ (DEFICIT) R	2003 BUDGET SURPLUS/ (DEFICIT) R
90 946 523	100 670 395	(9 723 872)	(15 163 344)
59 629 902	53 596 132	6 033 770	(1 929 188)
21 098 465	-	21 098 465	19 739 650
731 305	982 871	(251 566)	(513 220)
32 583 952	28 198 287	4 385 665	10 124 075
-	6 991	(6 991)	-
-	203 760	(203 760)	(216 060)
-	3 452	(3 452)	(5 250)
9 453	5 758 228	(5 748 775)	(6 656 050)
4 255	5 700 380	(5 696 125)	(7 298 100)
88 592	986 562	(897 970)	(748 800)
-	856 047	(856 047)	(3 651 720)
33 724	104 280	(70 556)	(98 800)
-	3 016 842	(3 016 842)	(5 306 760)
4 427 300	5 245 205	(817 905)	(4 537 440)
-	1 756	(1 756)	(1 740)
59 076	875	58 201	306 200
580 700	2 052 693	(1 471 993)	(2 405 453)
-	259 824	(259 824)	(393 390)
-	195 154	(195 154)	(254 230)
13 080	11 900	1 180	6900
-	11 025	(11 025)	(19 000)
1 033 016	14 731 230	(13 698 214)	(16 151 602)
4 430	3 324 006	(3 319 576)	(4 104 560)
8 409	2 024 983	(2 016 574)	(2 360 847)
595 712	1 207 235	(611 523)	(1 294 870)
1 141	5 127 054	(5 125 913)	(5 711 980)
176 940	1 196 633	(1 019 693)	(1 269 515)
153 393	1 707 412	(1 554 019)	(1 358 850)
16 729	95 559	(78 830)	(50 980)
76 262	48 348	27 914	-
30 283 605	32 343 033	(2 059 428)	2 917 446
14 522 081	16 040 461	(1 518 380)	1 624 580
15 761 524	16 302 572	(541 048)	1 292 866
72 890 898	63 739 144	9 151 754	15 257 375
45 635 953	35 029 785	10 606 168	4 241 565
27 254 945	28 709 359	(1 454 414)	11 015 810
163 837 421	164 409 539	(572 118)	94 031
		(1 754 771)	
		(2 326 889)	
		(15 446 014)	
		(17 772 903)	

APPENDIX F: Statistical Information

	2003	2002
a) GENERAL STATISTICS		
Population	160 000	157 000
Value of taxable properties	1 133 985 965	793 936 134
Value of non-taxable properties	84 982 515	54 213 380
Date of last valuation : 1 July 1996		
Valuation of residential property	904 585 450	710 198 934
Valuation of governmental property	202 306 810	22 930 900
Valuation of commercial property	88 456 057	61 446 300
Number of agricultural stands	19	19
Number of residential properties	32 061	25 213
Number of commercial properties	475	179
Service rate: Residential and Agricultural	0,2382	0,2382
Commercial	0,2247	0,2247
b) ELECTRICITY STATISTICS		
Number of units purchased	143 461 365	143 228 460
Number of units sold	84 598 466	108 853 629
Number of units lost	58 862 899	34 374 831
Cost per unit purchased	R0,17	R0,16
Number of consumers	36 300	36 300
Cost per unit sold	R0,50	R0,38
- Income per unit sold	R0,33	R0,22
c) WATER STATISTICS		
Number of units purchased/purified	6 053 856	7 521 708
Number of units sold	5 860 681	7 429 542
Number of consumers	32 061	32 107
Cost per unit sold	R3,71	R3,50
Loss with distribution	R 716 679	R118 944
Cost per unit purchased/purified	R,82c	R1,29
d) SUNDRY STATISTICS		
Area	7 281km ²	7 281km ²
Registered Voters	62 756	62 742





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