

MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

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MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY

Grade 2

AUDITORS

Office of the Auditor General

BANKERS

First National Bank ,Tarkastad

REGISTERED OFFICE

12 Murray Street
Tarkastad
5370

POSTAL ADDRESS

P.O.Box 21
Tarkastad
5370

TELEPHONE NUMBER

(045) - 846 0033

CHIEF EXECUTIVE OFFICER / MUNICIPAL MANAGER

Mr S.J. Dayi

CHIEF FINANCIAL OFFICER

Mr P.J. Greeff

MAYOR (SPEAKER)

Mr. X.C. Mtati

COUNCILLORS WARD

| | | | |
|-----------------|----|-----|----|
| Mr K. Nqiqhi | 1 | ANC | |
| Ms M.Poponi | 2 | ANC | |
| Mr N.S. Shumani | 3 | ANC | |
| Ms A.N.Kala | 4 | ANC | |
| Mr S.J.Noziho | 5 | ANC | |
| Mr X.C.Mtati | 6 | ANC | PR |
| Mr N.E.Mrwebi | 7 | ANC | PR |
| Mr R.A. Sparrow | 8 | DA | PR |
| Mr N.G .Galawe | 9 | PAC | PR |
| Ms J.P.Ponoane | 10 | ANC | PR |

MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 9 to 21 were approved by the Chief Executive / Municipal Manager on2005 and presented to and approved by the Council on2005

CHIEF EXECUTIVE / MUNICIPAL MANAGER

CHIEF FINANCIAL OFFICER

MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

FOREWORD

I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2004.

The major challenge to the Tsolwana Municipality is to meet the needs and requirements of those in the previously disadvantaged areas whilst at the same time ensuring that the infrastructure in the established areas is not neglected.

This I believe can only be achieved through hard work by both Councillors and Officials, tolerance of our community and ensured payment of municipal services.

I am proud to report that we have once more proved viable by operating at a surplus for the year. This has been achieved despite the difficult economic climate prevailing in the province and the country. It is our objective and we remain committed to achieve a level of service delivery which is satisfactory to all our citizens and at the same time to ensure financial viability.

I wish to express my appreciation to the Councillors, the Municipal Manager and his staff for their support, co-operation and hard work during the past year.

.....
X.C.MTATI
MAYOR: TSOLWANA MUNICIPALITY

MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

Chief Financial Officer's Report

Review of operating results

Details of the operating results per department, classification and object of expenditure are disclosed in the detailed income statement. The overall operating results for the year ended 30 June 2004 are as follows:

1. OPERATING RESULTS

| | Actual 2003 | Actual 2004 | Variance 2003 X 2004 | Budget 2004 | Variance Actual/ Budget |
|------------------------------------|----------------|----------------|-------------------------|----------------|-------------------------------|
| | R | R | % | R | % |
| INCOME | | | | | |
| Opening surplus | 2,944,990 | 324,603 | | | |
| Sundry transfers | | 2,786,253 | | | |
| Operating income for the year | 7,853,859 | 12,247,347 | 56% | 14,325,458 | -16.97% |
| | 10,798,849 | 15,358,203 | | 14,325,458 | |
| EXPENDITURE | | | | | |
| | R | R | % | R | % |
| Operating expenditure for the year | 7,769,935 | 10,314,718 | 33% | 14,325,458 | -38.88% |
| Sundry transfers | 2,704,311 | 255,449 | | | |
| Closing surplus | 324,603 | 4,788,036 | | | |
| | 10,798,849 | 15,358,204 | | 14,325,458 | |

Reasons for significant variances

Increase in expenditure largely attributable to increase in salaries of R1,324,000 and general expenses of R750,000
Increase in expenditure largely attributable to increase in government subsidies and services income.

1.1 Rate and General Services

| | Actual 2003 | Actual 2004 | Variance 2003 X 2004 | Budget 2004 | Variance Actual/ Budget |
|--|----------------|----------------|-------------------------|----------------|-------------------------------|
| | R | R | % | R | % |
| Income | 4,206,951 | 7,808,979 | 86% | 8,870,873 | -14% |
| Expenditure | (5,422,562) | (13,211,421) | 144% | (10,115,027) | 23% |
| Surplus / (deficit) | (1,215,611) | (5,402,442) | | (1,244,154) | |
| Surplus / (deficit) as % of total income | -29% | -69% | | -14% | |

Reasons for significant variances

Increase in expenditure largely attributable to increases in salaries and general expenses.
Increase in income largely attributable to increases in government subsidies.

1.2 Trading Services

Electricity

| | Actual 2003 | Actual 2004 | Variance 2003 X 2004 | Budget 2004 | Variance Actual/ Budget |
|--|----------------|----------------|-------------------------|----------------|-------------------------------|
| Income | 1,923,689 | 2,090,562 | 9% | 3,345,870 | -60% |
| Expenditure | (1,560,047) | (1,912,747) | 23% | (2,169,500) | -13% |
| Surplus / (deficit) | 363,642 | 177,815 | | 1,176,370 | |
| Surplus / (deficit) as % of total income | 19% | 9% | | 35% | |

Reasons for significant variances

Increases in expenses: salaries R53,000, electricity purchases 237,000, maintenance R104,000

Water Service

| | Actual 2003 | Actual 2004 | Variance 2003 X 2004 | Budget 2004 | Variance Actual/ Budget |
|------------------------------|----------------|----------------|-------------------------|----------------|-------------------------------|
| Income | 1,723,219 | 2,347,805 | 0 | 2,108,715 | 0 |
| Expenditure | (787,325) | (983,956) | 0 | (2,040,931) | (1) |
| Surplus | 935,894 | 1,363,849 | | 67,784 | |
| Surplus as % of total income | 54% | 58% | | 3% | |

Reasons for significant variances

Increase in expenditure largely attributable to increases in salaries and general expenses and increased water consumption

2. CAPITAL EXPENDITURE AND FINANCING

| | 2004 Actual | 2004 Budget | 2003 Actual |
|------------------------|----------------|----------------|----------------|
| | R | R | R |
| Community Services | 2,543,616 | 2,500,000 | 4,145,170 |
| Economic Services | 889,238 | 9,000,000 | 846,716 |
| Housing Infrastructure | 203,214 | | 3,020,984 |
| Trading Services | 566,899 | 6,894,034 | 1,105,421 |
| | 4,202,968 | 18,394,034 | 9,118,291 |

Resources used to finance the fixed assets were as follows:

| | 2004 Actual | 2004 Budget | 2003 Actual |
|--------------------------|----------------|----------------|----------------|
| | R | R | R |
| CMIP | 1,456,137 | 14,489,034 | 5,382,351 |
| Contributions ex revenue | 179,574 | | 38,436 |
| District municipality | 1,879,601 | 2,500,000 | 120,460 |
| Grants and subsidies | 687,656 | 1,405,000 | 3,577,044 |
| | 4,202,968 | 18,394,034 | 9,118,291 |

3. INVESTMENTS AND CASH RESOURCES

Operating account investments and cash resources at 30 June 2004 amounted to R9,135,002 (2003 : R3,030,652).

4. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in notes 1 to 3 and Appendix A to the financial statements.

.....
Chief Financial Officer

MUNICIPALITY OF TSOLWANA

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2004

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 These 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 Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements have been prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 6. 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, Housing service, Trading services and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premiums charged by the insurance fund, which are treated as income and expenditure in the respective departments.

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, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- 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 assets 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 All net proceeds from the sale of fixed property are credited to the Revolving Fund.
- 3.4 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.

4. Funds and Reserves

4.1 Loan Redemption Fund

Internal loans are repaid in relation to the life of an asset. Redemption on government loans is paid half yearly on an annuity basis.

4.2 Revolving Fund

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are set aside from unappropriated surpluses to the Revolving Fund.

4.3 Trust Funds

Transactions relating to funds held by the Council for the benefit of third parties are accounted for only in the balance sheet with no recognition of income or expenditure in the income statement.

4.6 Project Funds

From time to time, the National and Provincial Government provide funds to Municipalities for the undertaking of certain prescribed projects. The funds so provided are not treated as operational grants upon receipt, but revenue is recognised only upon spending of the funds for the designated purpose, to the extent of the expenditure.

5. Retirement Benefits

Tsolwana Municipality and its employees and councilors contribute to the Cape Joint Pension Fund and the SALA Pension Fund which provides retirement benefits to those contributors.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current services costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

6. Surpluses and Deficits

Any surplus or deficit arising from the operation of the Electricity, Transport and Water services are transferred to Rate and General services.

7. Treatment of administration and other overhead expenses

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

8. Investments

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

9. Deferred charges

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

10. Revenue Recognition

10.1 Electricity and Water Billings

Revenue from the sale of water and electricity is recognised when the monthly meter reading has been performed. Availability charges are billed at a flat rate approved by council.

10.2 Assessment Rates

Assessment rates income is recognised once a rates assessment has been issued to ratepayers. All rateable properties are are charged assessment rates based on the Municipal valuation of properties.

11 Assessment Rates

The Municipality of Tsolwana applies a differential site rating system. In terms of this system the assessment rates are levied on the value of the property, and rebates are granted according to the use to which a particular property is put. Rebates of 100% were granted to Churches and rebates of 20% were granted to government and educational institutions.

MUNICIPALITY OF TSOLWANA

BALANCE SHEET

as at 30 June 2004

| | Note | 2004 R | 2003 R |
|---|------|-------------------|-------------------|
| CAPITAL EMPLOYED | | | |
| FUNDS AND RESERVES | | 3,890,419 | 3,470,872 |
| Revolving Fund | 1 | 2,096,975 | 1,932,877 |
| Working Capital Reserve | 2 | 1,297,995 | 1,297,995 |
| Employee Leave Reserve | 2 | 495,449 | 240,000 |
| ACCUMULATED SURPLUS | | 4,788,036 | 324,602 |
| | | <u>8,678,455</u> | <u>3,795,474</u> |
| TRUST FUNDS | 3 | 9,166,089 | 10,652,996 |
| LONG TERM LIABILITIES | 4 | 352,386 | 374,423 |
| CONSUMER DEPOSITS | 5 | 105,855 | 95,896 |
| | | <u>18,302,786</u> | <u>14,918,789</u> |
| EMPLOYMENT OF CAPITAL | | | |
| FIXED ASSETS | 6 | 1,123,221 | 1,225,032 |
| INVESTMENTS | 7 | 16,204,132 | 11,432,848 |
| | | <u>17,327,353</u> | <u>12,657,880</u> |
| NET CURRENT ASSETS | | 975,433 | 2,260,909 |
| CURRENT ASSETS | | 2,146,831 | 3,424,032 |
| Debtors | 8 | 1,820,379 | 1,735,149 |
| Cash | | 326,452 | 1,688,883 |
| CURRENT LIABILITIES | | 1,171,398 | 1,163,123 |
| Provisions | 9 | 183,000 | 78,000 |
| Creditors | 10 | 966,361 | 1,063,086 |
| Short-term portion of long term liabilities | 4 | 22,037 | 22,037 |
| | | <u>18,302,786</u> | <u>14,918,789</u> |

MUNICIPALITY OF TSOLWANA

INCOME STATEMENT

for the year ended 30 June 2004

| 2003 | 2003 | 2003 | | 2004 | 2004 | 2004 | 2004 |
|-----------------------|----------------------------|--------------------------------------|---|-----------------------|----------------------------|--------------------------------------|--|
| Actual Income R | Actual Expenditure R | Actual Surplus/ (Deficit) R | | Actual Income R | Actual Expenditure R | Actual Surplus/ (Deficit) R | Budgeted Surplus/ (Deficit) R |
| 4,206,951 | 5,422,562 | (1,215,611) | RATES AND GENERAL SERVICES | 7,808,979 | 7,418,015 | 390,965 | (1,244,155) |
| 2,830,695 | 4,267,910 | (1,437,215) | Community services | 5,614,067 | 5,825,107 | (211,040) | (1,863,286) |
| 55,141 | 169,768 | (114,627) | Subsidised services | 280,330 | 190,288 | 90,042 | (46,700) |
| 1,321,115 | 984,884 | 336,231 | Economic services | 1,914,582 | 1,402,619 | 511,963 | 665,831 |
| 3,646,908 | 2,347,373 | 1,299,535 | TRADING SERVICES | 4,438,368 | 2,896,703 | 1,541,665 | 1,244,155 |
| <u>7,853,859</u> | <u>7,769,935</u> | 83,924 | TOTAL | <u>12,247,347</u> | <u>10,314,718</u> | 1,932,629 | <u>0</u> |
| | | 1,002,675 | Adjustments i.r.o. prior years (Note 11) | | | 2,786,253 | |
| | | <u>(3,706,987)</u> | Appropriations for the year (Note 12) | | | <u>(255,449)</u> | |
| | | (2,620,388) | Net (deficit) surplus for the year | | | 4,463,433 | |
| | | <u>2,944,990</u> | Accumulated surplus at the beginning of the year | | | <u>324,602</u> | |
| | | <u>324,602</u> | ACCUMULATED SURPLUS AT THE END OF THE YEAR | | | <u>4,788,036</u> | |

(Refer to appendices D and E for more detail)

MUNICIPALITY OF TSOLWANA

CASH FLOW STATEMENT

for the year ended 30 June 2004

| | Note | 2004 R | 2003 R |
|---|------|--------------------|------------------|
| CASH RETAINED FROM OPERATING ACTIVITIES | | 3,880,942 | 9,552,997 |
| Cash generated by operations | 13 | (4,573,672) | (23,661,116) |
| Investment income | 15 | 203,710 | 223,877 |
| (Increase)/Decrease in working capital | 14 | (93,505) | 3,282,651 |
| | | (4,463,466) | (20,154,588) |
| Less: External interest paid | | 55,346 | 56,213 |
| Cash available from operations | | (4,518,812) | (20,210,801) |
| Cash contribution from the public and the State | | 8,399,754 | 29,763,798 |
| CASH UTILISED IN INVESTING ACTIVITIES | | | |
| Investments in Fixed Assets | | 179,574 | (9,118,291) |
| NET CASH FLOW | | <u>4,060,516</u> | <u>434,706</u> |
| CASH EFFECTS OF FINANCING ACTIVITIES | | | |
| (Decrease) / increase in long-term loans | 16 | (22,038) | (24,810) |
| (Increase) / decrease in cash on hand | 17 | 1,362,431 | (1,300,714) |
| (Increase) / decrease in cash investments | 18 | (5,400,909) | 890,818 |
| | | <u>(4,060,516)</u> | <u>(434,706)</u> |

MUNICIPALITY OF TSOLWANA

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

| | 2004 R | 2003 R |
|---|--------------|--------------|
| 1) STATUTORY FUNDS | | |
| Revolving Fund (Refer to Appendix A for more detail) | 2,096,975 | 1,932,877 |
| 2) RESERVES | | |
| Working Capital Reserve | 1,297,995 | 1,297,995 |
| Employee Leave | 495,449 | 240,000 |
| Housing maintenance | | 0 |
| (Refer to Appendix A for more detail) | 1,793,444 | 1,537,995 |
| 3) TRUST FUNDS | 9,166,089 | 10,652,996 |
| (Refer to Appendix A for more detail) | | |
| 4) LONG TERM LIABILITIES | | |
| Annuities | 374,423 | 396,460 |
| Less: Short term portion | (22,037) | (22,037) |
| | 352,386 | 374,423 |
| (Refer to Appendix B for more detail) | | |
| 5) CONSUMER DEPOSITS | | |
| Electricity & Water Deposits | 105,855 | 95,896 |
| 6) FIXED ASSETS | | |
| Fixed assets at the beginning of the year | 39,714,007 | 30,595,716 |
| Capital expenditure during year | 4,202,968 | 9,118,291 |
| | 43,916,975 | 39,714,007 |
| Less : Loans Redeemed and Other Capital Receipts | (42,793,755) | (38,488,974) |
| | 1,123,221 | 1,225,034 |
| (Refer to appendix C for more details) | | |
| 7) INVESTMENTS | | |
| First National Bank - Call & Current Accounts | | |
| - Capital projects and trust funds | 9,461,454 | 10,091,078 |
| - Revolving fund | 1,435,205 | 1,271,107 |
| - Working capital reserve | 1,297,995 | |
| - Employees leave reserve | 240,000 | |
| - Equitable share | 3,663,622 | |
| - Consumer deposits | 105,855 | 70,662 |
| | 16,204,132 | 11,432,847 |
| Management's valuation of unlisted investments | 16,204,132 | 11,432,847 |

| | 2004 R | 2003 R |
|--|-----------|-----------|
| 8) DEBTORS | | |
| Rates and Services | 3,559,708 | 2,839,369 |
| Less: Provision for Bad Debts: | 2,255,847 | 2,255,847 |
| | 1,303,861 | 583,522 |
| Project Debtors | 161,714 | 857,319 |
| Sundry Debtors | 82,152 | 59,992 |
| VAT Control | 272,652 | 234,315 |
| | 1,820,379 | 1,735,148 |
| No adjustments have been made to the provision for bad debts as none would appear necessary. | | |
| 9) PROVISIONS | | |
| Provision for Audit Fees | 183,000 | 78,000 |
| Based on 1% of operating expenditure for the 2003 & 2004 years. | | |
| 10) CREDITORS | | |
| Sundry creditors | 178,496 | 89,535 |
| VAT due to Capital Projects | 502,752 | 764,758 |
| VAT Control | 285,113 | 208,794 |
| | 966,361 | 1,063,087 |
| 11) ADJUSTMENTS I.R.O. PRIOR YEARS | | |
| Equitable share previously shown as a fund | 3,305,729 | |
| KOF interest reversed | 546 | |
| Overprovision (Underprovision) for Audit fees | (522,017) | 234,837 |
| Surplus on old fund accounts | 1,995 | 588,158 |
| Debtors old unidentified transactions | | 277,891 |
| Sundry control difference | | (5,493) |
| Hofmeyr old unidentified transactions | | (92,717) |
| | 2,786,253 | 1,002,675 |
| 12) APPROPRIATIONS | | |
| Chris Hani equitable share fund | | 3,594,987 |
| Reserve for employee leave pay | (255,449) | 112,000 |
| | (255,449) | 3,706,987 |

13) CASH UTILISED IN OPERATIONS

| | | |
|---|-------------|-------------|
| Surplus for the year | 1,932,629 | 83,924 |
| Adjustments i.r.o. previous years | | |
| Appropriations charged against income: | 242,921 | 74,125 |
| - Fixed assets | 179,574 | 38,436 |
| - Revolving fund | 63,346 | 35,689 |
| Capital charges: | 77,384 | 139,286 |
| Interest paid: | | |
| - to internal funds | | 27,522 |
| - on external loans | 55,346 | 56,213 |
| Redemption: | | |
| - of internal advances | | 30,741 |
| - of external loans | 22,038 | 24,810 |
| Investment Income | (203,710) | (223,877) |
| Grants and subsidies received from the State | (6,686,241) | (2,964,129) |
| Non-operating expenditure debited to funds and reserves | 63,346 | 35,689 |
| | (4,573,672) | (2,854,982) |

14) (INCREASE)/DECREASE IN WORKING CAPITAL

| | 2004 R | 2003 R |
|---|-----------|-----------|
| (Increase)/Decrease in Debtors | (85,230) | 1,735,149 |
| (Increase)/Decrease in Long Term Debtors | | |
| (Increase)/Decrease in Creditors and Provisions | (8,275) | 1,163,123 |
| | (93,505) | 2,898,272 |

| | | |
|---|-----------|-------------|
| 15) INVESTMENT INCOME | 203,710 | 223,877 |
| 16) (DECREASE)/INCREASE IN LONG TERM LOANS | | |
| Loans Repaid | (22,038) | (24,810) |
| 17) DECREASE/(INCREASE) IN CASH ON HAND | | |
| Cash and Cash Equivalents at start of year | 1,688,883 | 388,169 |
| Cash and Cash Equivalents at end of year | (326,452) | (1,688,883) |
| | 1,362,431 | (1,300,714) |
| 18) INCREASE/(DECREASE) IN INVESTMENTS | | |
| Investments made during year | 5,400,909 | 890,818 |
| 19) ASSESSMENT RATES | | |
| Site valuations as at 1 July 2002: Residential, commercial, state and municipal: | | |
| Rateable | | 16,911,587 |
| Exempt | | 7,343,712 |
| | 0 | 24,255,299 |
| Actual income | 386,852 | 707,029 |
| The last general valuation came into effect in 1989 for Hofmeyr and 1995 for Tarkastad | | |
| 20) COUNCILLOR'S REMUNERATION | | |
| Mayor's allowance | 137,733 | 117,701 |
| Deputy mayor's allowance | | |
| - Salary | 89,879 | |
| - Telephone | 12,000 | |
| - Pension | 13,444 | |
| - Travelling | 22,410 | |
| Councillors allowances | 304,549 | 350,746 |
| - Salary | 227,772 | |
| - Telephone | 54,000 | |
| - Pension | 22,777 | |
| - Travelling | | |
| | 442,282 | 468,447 |
| | | |

MUNICIPALITY OF TSOLWANA

for the year ended 30 June 2004

APPENDIX A

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

| | | | Balance at 2003-06-30 | Income during the Year | Interest on Investments | Expenditure during the Year | Balance at 2004-06-30 |
|------------------------|-----------------------------------|--|----------------------------------|---------------------------------------|--|--|----------------------------------|
| STATUTORY FUNDS | | | | | | | |
| | Revolving Fund | | 1,932,877 | 164,098 | | | 2,096,975 |
| | Total | | 1,932,877 | 164,098 | 0 | | 2,096,975 |
| RESERVES | | | | | | | |
| | Working Capital Reserve | | 1,297,995 | | | | 1,297,995 |
| | Employee Leave Reserve | | 240,000 | 255,449 | | | 495,449 |
| | | | 1,537,995 | 255,449 | | | 1,793,444 |
| TRUST FUNDS | | | | | | | |
| | Equitable Share | | 3,305,729 | | | 3,305,729 | |
| | Financial Statements | | 6,613 | | 141 | | 6,754 |
| | Development Plan | | 29,865 | | 3,062 | 1,886 | 31,041 |
| | Valuations Tarkastad | | | 400,000 | 12,000 | 196,080 | 215,920 |
| | Rightsizing | | 234,487 | | 15,291 | | 249,777 |
| | Transitional Grant | | 157,451 | | 10,160 | | 167,611 |
| | Water Supply Fund | | 25,387 | | 1,042 | | 26,429 |
| | 671 Housing Scheme | | 2,341,795 | 2,223,678 | 67,393 | 4,311,992 | 320,874 |
| | Bulk Sewer | | 161,015 | | 10,472 | | 171,487 |
| | Councillor Allowances | | 234,392 | | 15,611 | | 250,003 |
| | Housing Site Fund | | 44,723 | | 1,875 | | 46,598 |
| | Systems Improvement | | 110,342 | | 7,306 | | 117,648 |
| | Free Basic Services | | 427,182 | | | 427,182 | |
| | Transition Operation Costs | | 312,021 | | 29,031 | 45,676 | 295,375 |
| | Unidentified Funds | | 10,570 | | 317 | | 10,887 |
| | 1400 Houses | | | 2,014,789 | 54,926 | 1,506,613 | 563,102 |
| | 1004 Houses | | 561,343 | 4,643,591 | 56,985 | 474,768 | 4,787,150 |
| | Electricity Connects Zola/Ivanlew | | 31,060 | | | 31,060 | |
| | Electricity Zola/Ivanlew | | 188,671 | | 812 | | 189,483 |
| | IGI Insurance Hoemaste | | 29,707 | | | 28,030 | 1,677 |
| | Rudimentary Infrastructure | | | 597 | 42 | | 639 |
| | Library Extension | | 17 | | | | 17 |
| | New Hall Ivanlew | | 3,694 | | | | 3,694 |
| | New Hall SDR | | 7,563 | | | | 7,563 |
| | Schaapkraal | | 75,133 | | | | 75,133 |
| | Skills Development | | 4,083 | | | 4,083 | |
| | Service Site Pilot Scheme | | | 11,709 | | | 11,709 |
| | Water Meters Zola | | 939 | | | | 939 |
| | Water Scheme Ntabathemba | | | 37,565 | | | 37,565 |
| | Dog Tax | | 5 | | | 5 | |
| | Full Ownership Houses | | 5,246 | | 89 | | 5,335 |
| | Housing Development Fund | | 72,012 | | 118 | | 72,130 |
| | CH E/Share Refunds | | 1,352,040 | | 73,707 | 726,376 | 699,371 |
| | Spatial Devel. Framework | | 124,109 | | 8,331 | | 132,440 |
| | Luxolweni Plan Fund | | 63,535 | | 3,359 | 1,162 | 65,732 |
| | HR Related Projects | | 160,000 | 70,000 | 9,590 | 93,122 | 146,468 |
| | Dawn Park Plan Fees | | 9,436 | | 181 | 4,288 | 5,329 |
| | Management Support Prog. | | 335,140 | 938,164 | 30,665 | 872,344 | 431,625 |
| | Sports Facilities | | 250 | | | | 250 |
| | CMIP Sewer Scheme | | 94,781 | | | 94,781 | |
| | National Electricity Escom | | 112,314 | 17,118 | | 113,858 | 15,575 |
| | Electricity Hofmeyr Upgrade | | 12,196 | | | 12,196 | |
| | Ekwezi Community Hall | | 1,116 | | | 1,116 | |
| | LED Brickmakers Programme | | 7,036 | 40,000 | | 44,278 | 2,758 |
| | | | 10,652,998 | 10,397,212 | 412,505 | 12,296,625 | 9,166,089 |

MUNICIPALITY OF TSOLWANA
for the year ended 30 June 2004

Appendix B

EXTERNAL LOANS AND INTERNAL ADVANCES

| EXTERNAL LOANS | Rate | Redeemable | Balance 2003-06-30 | Received during the Year | Redeemed, written off during the Year | Balance 2004-06-30 |
|---|---------------|-------------------|-------------------------------|---|--|-------------------------------|
| LALAF - Sewerage Reticulation | 5.5% | 2011 | 131,406 | | 10,390 | 121,016 |
| LALAF - Waterworks | 5.5% | 2005 | 8,004 | | 3,249 | 4,755 |
| LALAF - Water Augmentation Scheme | 5.5% | 2015 | 257,051 | | 8,399 | 248,652 |
| | | | 396,461 | | 22,038 | 374,423 |
| INTERNAL LOANS EX REVOLVING FUND | | | | | | |
| Water Augmentation Scheme | Interest free | 2025 | 263,377 | | | 263,377 |
| Islands van Reenen Street | 12.0% | 2014 | 31,294 | | | 31,294 |
| Upgrading Electricity Reticulation | 11.5% | 2008 | 8,771 | | | 8,771 |
| Upgrading Electricity Reticulation | 11.5% | 2007 | 25,559 | | | 25,559 |
| Upgrading Eart Dams | 11.5% | 2007 | 6,830 | | | 6,830 |
| Earth dams | 16.0% | 2012 | 104,055 | | | 104,055 |
| | | | 439,886 | | | 439,886 |

Note: No interest and redemption payments were made on internal loans during the year

MUNICIPALITY OF TSOLWANA
for the year ended 30 June 2004

APPENDIX C

| ANALYSIS OF FIXED ASSETS | | | | | | |
|---------------------------------|---|------------------------------|--|--------------------------------|--|--|
| Expended 2003 R | SERVICE | Budget 2004 R | Balance at 2003-07-01 R | Expended 2004 R | Written off, transferred, redeemed or disposed of during the Year R | Balance at 2004-06-30 R |
| 4,991,885 | RATES AND GENERAL SERVICES | 11,500,000 | 16,527,745 | 3,432,855 | | 19,960,601 |
| 4,145,170 | Community services | 2,500,000 | 13,150,367 | 2,543,616 | | 15,693,983 |
| 2,055,342 | Land & Buildings | | 8,059,340 | 466,030 | | 8,525,370 |
| 1,777,433 | Streets & Stormwater | 2,500,000 | 3,275,822 | 1,879,601 | | 5,155,423 |
| 0 | Plant & Equipment | | 532,996 | 14,123 | | 547,119 |
| 79,569 | Office Equipment | | 268,340 | 56,049 | | 324,389 |
| 27,146 | Parks, recreation and cemetery | | 546,140 | 1 | | 546,141 |
| 205,680 | Town Planning | | 87,751 | 4,288 | | 92,039 |
| | Motor vehicles | | 379,978 | 123,524 | | 503,502 |
| 846,716 | Economic services | 9,000,000 | 3,377,379 | 889,238 | | 4,266,617 |
| 741,454 | Sewerage / sanitation | 9,000,000 | 2,674,990 | 889,238 | | 3,564,228 |
| 105,262 | Civil services | | 702,389 | | | 702,389 |
| 3,020,984 | HOUSING SERVICES | | 6,176,288 | 203,214 | | 6,379,502 |
| 1,105,422 | TRADING SERVICES | 6,894,034 | 17,009,974 | 566,899 | | 17,576,873 |
| 430,225 | Electricity | 6,894,034 | 4,817,207 | 168,797 | | 4,986,004 |
| 675,197 | Water | | 12,192,767 | 398,102 | | 12,590,869 |
| 9,118,291 | TOTAL FIXED ASSETS | 18,394,034 | 39,714,007 | 4,202,968 | | 43,916,975 |
| | LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS | | 38,488,974 | | 4,304,781 | 42,793,755 |
| | Loans Redeemed | | 1,558,644 | | 22,038 | 1,580,682 |
| | Contributions from Current Income | | 4,160,893 | | 179,574 | 4,340,467 |
| | Grants and Subsidies | | 32,769,437 | | 4,103,169 | 36,872,606 |
| 9,118,291 | NET FIXED ASSETS | 18,394,034 | 1,225,034 | 4,202,968 | (4,304,781) | 1,123,221 |

MUNICIPALITY OF TSOLWANA
for the year ended 30 June 2004

APPENDIX D

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 June 2004**

| Actual 2003 R | INCOME | Actual 2004 R | Budget 2004 R |
|---------------------|-------------------------------|---------------------|---------------------|
| 2,964,129 | Grants and subsidies | 6,686,241 | 8,173,046 |
| 2,964,129 | - Provincial government | 6,686,241 | 8,173,046 |
| 4,889,730 | Operating Income | 5,561,106 | 6,152,412 |
| 707,029 | - Assessment rates | 386,852 | 1,058,825 |
| 1,885,848 | - Sale of electricity | 1,973,173 | 2,094,580 |
| 277,859 | - Sale of water | 470,841 | 558,700 |
| 223,877 | - Interest on Investment | 203,710 | 48,500 |
| 1,795,117 | - Other income | 2,526,530 | 2,391,807 |
| <u>7,853,859</u> | Total Income | <u>12,247,347</u> | <u>14,325,458</u> |
| EXPENDITURE | | | |
| 4,174,193 | Salaries, wages and allowance | 5,498,271 | 4,765,540 |
| 1,970,200 | General expenses | 2,720,302 | 4,921,147 |
| 242,593 | Repairs and maintenance | 287,041 | 2,838,940 |
| 56,834 | Capital charges | 77,180 | 77,181 |
| 38,436 | Contribution to fixed assets | 179,574 | 12,000 |
| 35,689 | Contribution to funds | 63,346 | 240,000 |
| 1,251,990 | Electricity purchases | 1,489,005 | 1,470,650 |
| <u>7,769,935</u> | Gross expenditure | <u>10,314,718</u> | <u>14,325,458</u> |

MUNICIPALITY OF TSOLWANA
for the year ended 30 June 2004

APPENDIX E

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 June 2004**

| 2003 | 2003 | 2003 | | 2004 | 2004 | 2004 | 2004 |
|-----------------------------------|----------------------------|---|---|-----------------------|----------------------------|---|---|
| Actual Income R | Actual Expenditure R | Actual Surplus / (Deficit) R | | Actual Income R | Actual Expenditure R | Actual Surplus / (Deficit) R | Budgeted Surplus / (Deficit) R |
| RATES AND GENERAL SERVICES | | | | | | | |
| 2,830,695 | 4,267,910 | (1,437,215) | Community services | 5,614,067 | 5,825,107 | (211,040) | (1,863,286) |
| 707,029 | | 707,029 | Assessment rates | 949,324 | | 949,324 | |
| 470,153 | 1,020,014 | (549,861) | Council's general expenses | 757,803 | 1,892,811 | (1,135,007) | (503,777) |
| 318,975 | 675,266 | (356,291) | Town secretariat | 1,405,766 | 751,957 | 653,810 | (809,921) |
| 1,204,692 | 1,827,992 | (623,300) | Town treasurer | 1,626,199 | 2,098,668 | (472,468) | (232,394) |
| 62,585 | 678,050 | (615,465) | Public works | 800,932 | 1,020,358 | (219,426) | (301,184) |
| 67,261 | 66,588 | 673 | Traffic services | 74,042 | 61,314 | 12,728 | (16,010) |
| 55,141 | 169,768 | (114,626) | Subsidised services | 280,330 | 190,288 | 90,042 | (46,700) |
| 48,062 | 68,384 | (20,322) | Civil buildings | 278,542 | 83,772 | 194,770 | 67,700 |
| 0 | 1,388 | (1,388) | Fire protection | | 19,453 | (19,453) | (27,240) |
| 2,775 | 98,639 | (95,864) | Library | 107 | 74,753 | (74,646) | (88,860) |
| 4,304 | 1,356 | 2,948 | Parks and recreation | 1,681 | 12,310 | (10,629) | 1,700 |
| 1,321,115 | 984,884 | 336,231 | Economic services | 1,914,582 | 1,402,619 | 511,963 | 665,831 |
| 538,848 | 294,710 | 244,138 | Cleansing | 771,504 | 283,857 | 487,647 | 480,150 |
| 782,267 | 690,174 | 92,093 | Sewerage | 1,143,079 | 1,118,763 | 24,316 | 185,681 |
| 3,646,908 | 2,347,373 | 1,299,535 | Housing services | | | | |
| 1,923,689 | 1,560,047 | 363,642 | Trading services | 4,438,368 | 2,896,703 | 1,541,665 | 1,244,155 |
| 1,723,219 | 787,325 | 935,894 | Electricity | 2,090,562 | 1,912,747 | 177,815 | 1,176,370 |
| | | | Water | 2,347,805 | 983,956 | 1,363,849 | 67,785 |
| 7,853,859 | 7,769,935 | 83,925 | TOTAL | 12,247,347 | 10,314,718 | 1,932,629 | 0 |
| | | 1,002,675 | Adjustments i.r.o. prior years (Note 11) | | | 2,786,253 | |
| | | (3,706,987) | Appropriations for the year (Note 12) | | | (255,449) | |
| | | (2,620,387) | Net (Deficit) Surplus for the Year | | | 4,463,433 | |
| | | 2,944,990 | Accumulated Surplus at the beginning of the Year | | | 324,603 | |
| | | 324,603 | ACCUMULATED SURPLUS AT THE END OF THE YEAR | | | 4,788,036 | |

MUNICIPALITY OF TSOLWANA

for the year ended 30 June 2004

Appendix F

STATISTICAL INFORMATION 2003 / 2004 FINANCIAL YEAR

| | |
|---|-------------------|
| a) General Statistics | |
| i . Population | 35,797 |
| ii . Date of valuation: Hofmeyr | 1989 |
| : Tarkastad | 1995 |
| : Ntabathemba | N/A |
| Valuation Properties : Taxable | 16,911,587 |
| Valuation Properties : Non-taxable | 7,343,712 |
| iii . Valuation of residential and commercial property | 24,255,299 |
| iv . Number of residential and commercial properties | 8154 |
| v . <i>Valuation of industrial, agricultural and other properties</i> | N/A |
| vi . <i>Number of industrial, agricultural and other properties</i> | N/A |
| vii . Assessment rate: Hofmeyr | 3.55c in the Rand |
| : Tarkastad | 2.5c in the Rand |
| viii . Number of employees of the local authority | 78 |
| b) Electricity Statistics | |
| i . Number of users (Residential and Commercial) | 2080 |
| ii . Units bought/generated | 6,111,826 |
| iii . Units sold | 5,590,767 |
| iv . Units lost in distribution (ii - iii) | 521,059 |
| v . Units lost in distribution, as a % of (ii) | 8.53% |
| vi . <i>Cost per unit bought/generated</i> | R 0.24 |
| vii . <i>Loss in distribution (iv x vi)</i> | R 125,054.16 |
| viii . Cost per unit sold (operating expenditure divided by iii) | |
| R1,560,047 / 5,657,908 | R 0.34 |
| ix . <i>Income per unit sold (operating income divided by iii)</i> | |
| R1,923,689 / 5,657,908 | R 0.37 |
| c) Water Statistics | |
| i . <i>Number of users (Residential and Commercial)</i> | 8,529 |
| ii . Units pumped : own boreholes | 900,356 |
| iii . Units sold | 789,094 |
| iv . Units lost is distribution (Units pumped : ii - iii) | 111,262 |
| v . Units lost in distribution, as a % of (ii) | 14.10% |
| vi . <i>Cost per unit bought / purified</i> | Own boreholes |
| vii . <i>Loss in distribution (iv x vi)</i> | N/A |
| viii . Cost per unit sold (operating expenditure divided by iii) | |
| R787,325 / 903,906 | R 1.25 |
| ix . <i>Income per units sold (operating income divided by iii)</i> | |
| 1,723,219 / 783,281 | R 2.98 |
| d) Transport Statistics | N/A |

e) Sundry Statistics

| | |
|--|-------------------|
| i . Area in square kilometres | 6,024 sq kms |
| ii . Previous election number of registered voters | 14,955 |
| . Previous election % poll | 61% |
| iii . Fire service | |
| . Units (Stations) | 1 |
| . Number of employees (excluding administrative personnel) | Public volunteers |
| v . Parks and Recreation | |
| - Number of developed parks / area (square kilometres) | Nil |
| - Number of swimming pools | Nil |
| - Number of tennis courts | 2 |
| - Number of rugby fields | 2 |
| - Number of soccer fields | 24 |
| vi . Licences issued | |
| Vehicle registrations | 1907 |
| Other | |
| vii . Total personnel in the service of the City Council | 78 |
| viii . Library - Books issued | 28795 |
| ix . Cleansing - Refuse removed and dumped: Tonnage /year | 176 |
| x . Roads and works - Kilometre roads constructed / repaired | 111 |
| xi . Housing | |
| Number of houses | 7808 |
| Number of people on waiting list | 1721 |
| Number of people accommodated | 23360 |

f) Any other statistics that may be in the public's interest.

| | |
|--------------------------------------|----|
| i . Community Halls | 10 |
| ii . Farm for grazing / water supply | 1 |