

SENQU MUNICIPALITY

FINANCIAL STATEMENTS

30 JUNE 2004

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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Z I Dumzela	Mayor / Chairperson Executive Committee Member
D D Mqungquthu	Speaker
M M Ralijji	Member Executive Committee / Chairperson Finance Standing Committee
G N Mvunyiswa	Member Executive Committee / Chairperson Technical Standing Committee
A Kwinana	Member Executive Committee / Chairperson Community & Social Services Standing Committee
M Mpelwane	Member Executive Committee / Chairperson Corporate & Support Services Standing Committee
M Stanley	Member Executive Committee

J Constable	M Kuse
M M Mafilika	L Booï
N A Ngaba	N I Monoalibe
I Elia	Z Manzi
B Lutshaba	N Kwinana
J J Lamane	A Sobhuza
S S Ndzongana	G Mbonzana
A A Masolo	M Baduza
V V Mbulawa	P August
M P Bingwa	P Xhantini
L M Ntlombe	X Ganamfana
N E Mkontwana	M Ngogodo
B Sono	

AUDITORS

The Auditor-General

BANKERS

Standard Bank
LADY GREY

REGISTERED OFFICE

19 Murray Street, P O Box 18, LADY GREY, 9755
Tel No: 051 - 603 0019 Fax No: 051 - 603 0445

MUNICIPAL MANAGER

M M Yawa

FINANCIAL MANAGER

C R Venter

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 1 - 23 were approved by the Municipal Manager on 22 September 2004 and presented to and approved by Council on 5 October 2004.

MUNICIPAL MANAGER

FINANCIAL MANAGER

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FOREWORD

Our command and our duty is to rise and do for us. This command comes as we reach the halfway stage in the life of the third legislature in our Municipality. It comes at a stage when we should move in earnest to consolidate our efforts for accelerated service delivery to our people. Our administration has matured, and we are now harvesting knowledge. This has recently been hailed with praise from various members of our communities from various walks of life that our administration has improved a great deal in service delivery, customer care, information dissemination, etc. This does not mean that we do not engage ourselves into constructive fight with our administration and these credits could be attributed to that. Well done!

Essentially, the new system defines the senses in which local government is a sphere of government, with its original, constitutionally-enshrined powers and functions. In other words, it is not a third level of government crudely subordinate to provincial and national government. It is not a function of provincial or national government. But, on the other hand, it is not completely independent either. It is interrelated with provincial and national government in one overall system of co-operative governance, in which the more each sphere co-operates with the other two, the stronger it can become.

Fundamentally, the new system gives expression to the notion in the Constitution of developmental local government. This means that local government is not just an important site for the delivery of services, but it is crucial for the economic and social development of people. By working effectively with the other two spheres of government and a range of public and civil society organisations and the private sector, local government also has to contribute to economic growth, job creation and social development. Over time, through appropriate negotiations and securing further funding, our municipality will take on increasing responsibilities for service delivery and development. This is, in different forms, happening in the world over.

Key to fulfilling this development role is the requirement in the new system for all municipalities to adopt IDP's (Integrated Development Plans).

Essentially, an IDP sets out our vision, needs, priorities, goals and strategies of council to develop the municipality during its term of office, as part of a long-term vision and plan for development. In terms of the law, the community of a municipality must have a say in both the content of the IDP and the process by which it is drafted. The IDP provides the framework for determining the budget of a community. It is closely linked to the performance management system of a municipality in terms of which a municipality's progress is judged, especially by the residents. The IDP is not only a plan. It is also a strategic instrument, a management tool, and a method of running the municipality. The IDP provides a framework for all the activities of a municipality. It is also meant, over time, to be an important site of effecting co-operative governance in practice.

The municipality have to use its resources and annually allocate funds in the budget, as appropriate, to develop a culture of community participation. The municipality have to contribute to building the capacity of the local community to participate in municipal affairs and the councillors and staff to foster community participation. In establishing structures and processes for community participation, the special needs of women, the disabled, the illiterate and other disadvantaged groups have to be taken into account. In terms of the Municipal Structures Act, a municipality's executive has to give an annual report on the extent to which the local community has been involved in municipal affairs. The executive must "ensure that regard is given to public views and report on the effect of consultation on the decisions of the council."

Z I Dumzela
Mayor

TREASURER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendix D and E. The overall operating results for the period ended 30 June 2004 are as follow:

	2004	2003	Variance	Budget 2004	Variance Act / Budg
INCOME					
Opening Surplus	12,561,517	17,874,612			
Operating Income for the Year	36,221,346	31,982,958	13.25%	35,163,496	3.01%
Sundry Transfers	-4,322,791	-12,779,285			
Closing Deficit	-	-			
	44,460,072	37,078,285			
EXPENDITURE					
Opening Deficit	-	-			
Operating Expenditure for the Year	29,729,314	24,516,768	21.26%	34,850,625	(14.70%)
Sundry Transfers	-	-			
Closing Surplus	14,730,758	12,561,517			
	44,460,072	37,078,285			

The increase in operating income by 13.25% consists of an increase in the Equitable Share allocation by 21.41% and a contribution of R 2 039 234 by the Water Service Authority for services rendered. An increase of 21.29% in electricity sales were also experienced. The increase in operating expenditure by 21.26% includes a substantial increase in Salaries of 53.64%.

1.1 RATE AND GENERAL SERVICES

Income	27,616,022	22,497,187	22.75%	24,993,701	10.49%
Expenditure	21,583,817	18,144,058	15.94%	24,937,897	(13.45%)
Surplus / (Deficit)	6,032,205	4,353,129		55,804	
Surplus / (Deficit) as % of Total Income	21.84%	19.35%			

1.2 HOUSING SERVICES

Income	128,726	-	0	128,726	0
Expenditure	106,456	-	0	128,726	(17.30%)
Surplus / (Deficit)	22,270	-		-	
Surplus / (Deficit) as % of Total Income	17.30%	0			

1.3 TRADING SERVICES

Income	8,476,598	9,485,771	(10.64%)	10,041,069	(15.58%)
Expenditure	8,039,041	6,372,710	26.15%	9,784,002	(17.83%)
Surplus / (Deficit)	437,557	3,113,061		257,067	
Surplus / (Deficit) as % of Total Income	5.16%	32.82%			

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on assets incurred during the year amounted to **R 27 068 504**; 35.09% more than the previous year's expenditure of **R 20 036 821**. The actual expenditure is 50.32% less than that was budgeted for (**R 54 486 767**) and consists of the following:

Infrastructure Assets	Electricity	1,507,254
	Roads, Streets & Storm Water	12,000,129
	Sewerage & Solid Waste	4,336,081
	Water	1,095,433
Community Assets	Buildings	2,350,841

Other Assets	Buildings	744,716
	Office Equipment	676,702
	Furniture & Fittings	134,642
	Motor Vehicles	475,392
	Plant & Equipment	3,747,314
		<u>27,068,504</u>

Detail of these assets are reflected in council's assets register.

A complete analysis of capital expenditure (actual) per department, classification or service is included in appendix C.

Resources used to finance the fixed assets were as follow:

Consolidated Municipal Infrastructure Projects (CMIP)	17,340,453
Previous Equitable Share allocations	1,261,004
Trust & Reserve Funds	1,177,280
Operating Expenditure	7,289,767
	<u>27,068,504</u>

More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

R 10 052 741 of the budgeted R 35 980 000 (27.94%) was spent on housing projects.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2004 amounted to R 628 602 as set out in appendix B. During this period no loans were taken up and repayments to the amount of R 69 514 were done.

Investments and cash on 30 June 2004 amounts to R 45 451 175 (R 35 114 917 in 2003).

More information regarding loans and investments is disclosed in notes (4 and 6) and appendix B to the financial statements.

4. FUNDS AND RESERVES

The movement regarding statutory funds, reserves and trust funds is given in Appendix A.

The following contributions were made:

Statutory funds	Revolving Fund	74,903
Reserves	Working Capital	220,000
	Leave Gratuity	20,558
	Disaster	32,000

The following Trust Funds were received:

Municipal Support Programme	150,000
Sport Facilities (Lady Grey)	924,169
Rossouw Agricultural Project	385,866
People's Housing	11,617,106
General Valuation	310,000
Municipal Systems Improvement	406,450
Implementation Ownership	418,632

5 POST BALANCE SHEET EVENTS

As from the 1 July 2003 Senqu municipality has acted as Interim Water Service Provider for Ukhahlamba district municipality - the Water Service Authority. An agreement as to the transfer of Assets and Liabilities have not yet been reached which would also influence the Assets and Liabilities of Senqu municipality.

6 APPRECIATION

I would like to thank the Mayor, Speaker, the Chairperson of the Finance Standing Committee, the members of the Executive Committee, other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the personnel of the Finance Department for their loyalty and commitment in preparing the financial accounts of our municipality.

C R Venter
Manager: Financial Services

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 *Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended)*.
- 1.2. The financial statements are prepared on 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 balance sheet includes the Rates and General Services, Housing Services, Trading Services and different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, 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, 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 the amount 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. 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 INVENTORY

No stock is kept, but purchases are debited directly to the applicable expense account.

5 FUNDS AND RESERVES

- 5.1. Statutory Funds
 - > The prescribed 7.5% was contributed to the Revolving Fund.
 - > A Housing Development Fund was established and is maintained in terms of the Housing Act 107 of 1997.

5.2. Trust Funds

> All Trust Funds were received from either the National, Provincial Government and District Municipality and will only be utilized for the purpose it was received for.

5.3. Reserves

> Council has not yet compiled and accounting policy on reserves transferred from the previous Transitional Councils.

6 PROVISIONS

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

7 SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of Trading Services - Water and Electricity - are transferred to Rate and General Services to alleviate the tax burden of rate payers.

8 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 1997).

9 LEASED ASSETS

Fixed assets held under finance leases are capitalized. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

10 INVESTMENTS

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

11 DEFERRED CHARGES REPRESENTS

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

10.2. Assets written off before the loans financing them are fully repaid.

12 INCOME RECOGNITION

11.1. Electricity and Water Billings.
Meters are read and billed monthly.

11.2. Assessment Rates.
Senqu Municipality applies a differential site rating system. In terms of this system the assessment rates are levied on the land value of property, and rebates are granted according to use which a particular property is put.

BALANCE SHEET AT 30 JUNE 2004

	Note	2004	2003
CAPITAL EMPLOYED			
FUNDS AND RESERVES		7,624,714	8,412,610
Statutory Funds	1	4,853,783	4,477,768
Reserves	2	2,770,931	3,934,842
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	18	14,730,758	12,561,517
		22,355,472	20,974,127
TRUST FUNDS	3	19,057,610	14,294,201
LONG-TERM LIABILITIES	4	559,088	635,847
CONSUMER DEPOSITS	5	263,444	268,404
		<u>42,235,614</u>	<u>36,172,579</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	1,863,641	2,121,667
LONG-TERM INVESTMENTS	7	9,683,378	566,694
LONG-TERM DEBTORS	8	687,269	799,593
DEFERRED CHARGES	11	-	-
Net Current Assets / (Liabilities)		30,001,326	32,684,625
CURRENT ASSETS		44,641,507	42,549,082
Accounts Receivable / Debtors	10	8,525,387	7,725,932
Cash		3,646,619	4,898,930
Short-term Investments	7	32,166,178	29,649,293
Short-term Portion of Long-term Debtors	8	303,323	274,927
CURRENT LIABILITIES		14,640,181	9,864,457
Provisions	12	2,471,508	1,178,562
Accounts Payable / Creditors	13	12,099,159	8,623,626
Loans: Short-term Portion	4	69,514	62,269
Bank Overdraft		-	-
		<u>42,235,614</u>	<u>36,172,579</u>

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

30/06/2003 Actual Income R	30/06/2003 Actual Expenditure R	30/06/2003 Surplus / (Deficit) R		30/06/2004 Actual Income R	30/06/2004 Actual Expenditure R	30/06/2004 Surplus / (Deficit) R	30/06/2004 Budgeted Surplus/(Deficit) R
<u>22,497,187</u>	<u>18,144,058</u>	<u>4,353,129</u>	RATE & GENERAL SERVICES	<u>27,616,022</u>	<u>21,583,817</u>	<u>6,032,205</u>	<u>105,150</u>
16,782,585	14,665,721	2,116,864	Community Services	21,652,752	17,041,720	4,611,032	105,150
327,382	443,542	(116,160)	Subsidized Services	553,621	420,086	133,535	-
5,387,220	3,034,795	2,352,425	Economic Services	5,409,649	4,122,011	1,287,638	-
-	-	-	HOUSING SERVICES	128,726	106,456	22,270	-
9,485,771	6,372,710	3,113,061	TRADING SERVICES	8,476,598	8,039,041	437,557	145,167
<u>31,982,958</u>	<u>24,516,768</u>	<u>7,466,190</u>	TOTAL	<u>36,221,346</u>	<u>29,729,314</u>	<u>6,492,032</u>	<u>250,317</u>
		<u>(12,779,285)</u>	Appropriations for this year - refer to Note 17			<u>(4,322,791)</u>	
		(5,313,095)	Net Surplus / (Deficit) for the year.			2,169,241	
		<u>17,874,612</u>	Accumulated Surplus / (Deficit) at beginning of the year.			<u>12,561,517</u>	
		<u>12,561,517</u>	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			<u>14,730,758</u>	

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2004

	Note	2004	2003
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES:			
Cash Generated by Operations	19	7,695,726	(11,966,696)
Investment Income		-	3,706,423
(Increase) / Decrease in Working Capital	20	2,755,046	8,099,353
Less: External Interest Paid		-	97,025
Cash Contributions from the Public and State		-	1,140,491
Net Proceeds on Disposal of Fixed Assets		-	119,737
Investment in Fixed Assets		-	-
		<u>10,450,772</u>	<u>1,196,333</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in Long-term Loans	21	(69,514)	(62,270)
Increase / (Decrease) in Short-term Loans	22	-	-
(Increase) / Decrease in Cash Investments	23	(11,633,569)	(1,369,766)
(Increase) / Decrease in Cash	24	1,252,311	235,703
Net cash (generated) / utilized		<u>(10,450,772)</u>	<u>(1,196,333)</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

	2004	2003
1 STATUTORY FUNDS		
Revolving Fund	4,847,452	4,471,840
Housing Development	6,331	5,928
	<u>4,853,783</u>	<u>4,477,768</u>
(Refer to Appendix A for more detail)		
2 RESERVES		
Working Capital Reserve	1,457,312	1,158,532
Leave Reserve	338,368	914,360
Repairs & Maintenance	104,081	97,454
Street Lights	-	47,041
Water	-	225,008
Sport	-	151,271
Cemetery	-	35,832
Internal Services	-	135,331
Oxidation Dams	-	45,274
Refuse Dumps	-	33,881
Streets	-	81,020
Vehicle & Plant	-	71,865
Water Network	-	31,248
Disaster	76,698	41,853
Infrastructure	-	120,943
Reserve Fund	794,472	-
LG General Capital	-	743,929
	<u>2,770,931</u>	<u>3,934,842</u>
(Refer to Appendix A for more detail)		
3 TRUST FUNDS		
Municipal Support Programme	-	520,183
Structure Plan	81,665	76,465
Sport Facilities (Lady Grey)	987,013	-
Rossouw Agricultural Project	-	-
LED (Lady Grey)	604,916	1,038,895
Town Scheme Planning	36,501	34,177
People's Housing (Lady Grey)	6,832,982	4,188,581
Additional IGG	743,350	696,021
Municipal Systems Improvement Grant	319,730	-
Equitable Share	-	2,107,535
Pilot Housing	498,138	466,421
IDP	34,357	168,821
General Valuation	255,492	353,006
Implementation Ownership	446,098	25,717
Traffic Test station	162,773	152,409
Spatial Development Plan	172,071	161,115
Equitable Share Projects	3,543,244	3,720,612
Free Basic Services	-	473,407
Settlement Development	11,573	10,836
Disabled Project BE	106,800	100,000
Herschel People's Housing	4,220,907	-
	<u>19,057,610</u>	<u>14,294,201</u>
(Refer to Appendix A for more detail)		

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

	2004	2003
4 LONG TERM LIABILITIES		
Development Bank of South Africa	628,602	698,116
	<u>628,602</u>	<u>698,116</u>
Less: Current portion transferred to current liabilities	69,514	62,269
Development Bank of South Africa	<u>69,514</u>	<u>62,269</u>
	<u>559,088</u>	<u>635,847</u>
(Refer to Appendix B for more detail on long-term liabilities)		
Development Bank of South Africa		
These loans bear interest at rates from 10.00% to 18.00% per annum and are repayable over periods of between 1 - 15 years.		
5 CONSUMER DEPOSITS - SERVICES		
Electricity and Water	<u>263,444</u>	<u>268,404</u>
Guarantees in lieu of Electricity and Water	<u>-</u>	<u>-</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year.	59,305,406	41,679,243
Capital expenditure during the year.	27,068,504	20,036,821
Less: Assets written off, transferred or disposed of during the year.	4,210,311	2,410,658
Total fixed assets	<u>82,163,599</u>	<u>59,305,406</u>
Less: Loans redeemed and other capital receipts	80,299,958	57,183,739
Net fixed assets	<u>1,863,641</u>	<u>2,121,667</u>
(Refer to Appendix C and section 2 of the Treasurer's Report for more details on fixed assets)		
7 INVESTMENTS		
Listed		
Stock	<u>-</u>	<u>-</u>
Unlisted	41,849,556	30,215,987
Call deposits	13,921,526	10,758,380
Short-term deposits	18,244,652	18,890,913
Long-term deposits	9,683,378	566,694
Total Investments	<u>41,849,556</u>	<u>30,215,987</u>
Market value of listed investments and managements valuation of unlisted investments.		
Listed investments	-	-
Unlisted investments	41,849,556	30,215,987
Profit / (Loss) on investment transactions.	<u>-</u>	<u>-</u>
Average rate of return on investments (Net)	<u>6.80%</u>	<u>7.41%</u>
No investments have been written off during the year.		
No investments have been pledged as security for any funding facilities of the council.		

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

	2004	2003
8 LONG-TERM DEBTORS		
	990,592	1,074,520
Less: Short-term portion of long-term debtors transferred to current assets.	<u>303,323</u>	<u>274,927</u>
	<u><u>687,269</u></u>	<u><u>799,593</u></u>
9 INVENTORY		
Inventory represents consumable store, raw materials, work in progress and finished goods.	-	-
	<u>-</u>	<u>-</u>
10 DEBTORS		
Current debtors (consumers)	4,835,334	6,566,523
Amounts paid in advance	816,154	686,665
Current debtors (other)	<u>6,339,373</u>	<u>5,806,545</u>
	<u>11,990,861</u>	<u>13,059,733</u>
Less: Provision for bad debts	<u>3,465,474</u>	<u>5,333,801</u>
	<u><u>8,525,387</u></u>	<u><u>7,725,932</u></u>
11 DEFERRED CHARGES		
Preliminary Expenses	-	-
Issue Expenses	-	-
Commission	-	-
Assets Written Off	-	-
	<u>-</u>	<u>-</u>
12 PROVISIONS		
Audit Fees	773,560	608,248
Medical Aid Fund Contribution - Councillors	-	370,314
Environmental Health Officer Contribution	400,000	200,000
Trade	<u>1,297,948</u>	<u>-</u>
	<u><u>2,471,508</u></u>	<u><u>1,178,562</u></u>
13 CREDITORS		
Creditors (trade)	6,554,034	5,946,576
Creditors (consumers)	144	54
Amounts received in advance	4,812,585	-
Creditors (other)	<u>732,396</u>	<u>2,676,996</u>
	<u><u>12,099,159</u></u>	<u><u>8,623,626</u></u>
14 ASSESSMENT RATES		
	Valuation	Actual
Residential	<u>39,438,753</u>	<u>593,626</u>
Commercial	12,348,921	185,234
Industrial	2,901,850	43,527
Government	21,640,968	176,313
Municipal	5,813,517	2,375
Other	<u>11,216,640</u>	<u>-</u>
	<u><u>93,360,649</u></u>	<u><u>1,001,075</u></u>
		<u><u>998,700</u></u>

Valuations on land and improvements are performed every three years. It is unknown when the last general valuation has been performed. The current rates are between R 0.01 to R 0.0638.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

	2004	2003
15 COUNCILLOR's REMUNERATION		
Mayor	218,976	173,167
Speaker	160,848	147,483
Councillors	1,563,588	1,410,071
	<u>1,943,412</u>	<u>1,730,721</u>
16 AUDITOR's REMUNERATION		
Current Year	300,000	445,534
Underprovision previous Year	443,560	162,714
	<u>743,560</u>	<u>608,248</u>
17 FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	2,551,809	3,706,423
Interest paid	69,514	97,025
	<u>2,482,295</u>	<u>3,609,398</u>
Capital charges debited to operating:		
Interest: Interna	55,913	44,898
Externa	89,516	97,025
Redemption: Internal	188,512	155,567
Externa	69,514	62,270
	<u>403,455</u>	<u>359,760</u>
18 APPROPRIATIONS		
Appropriation Account		
Accumulated Surplus / (Deficit) at beginning of the year	12,561,517	17,874,612
Operating Surplus / (Deficit) for the year	6,492,032	7,466,190
Appropriations for the year	(4,322,791)	(12,779,285)
Contributions to Capital Expenditure	-	-
Contributions to Revolving Fund	-	-
Prior Year Adjustments	(4,322,791)	(12,779,285)
	<u>14,730,758</u>	<u>12,561,517</u>
Accumulated Surplus / (Deficit) at the end of the year		
Operating Account		
Capital Expenditure	4,373,997	3,317,054
Contributions to:	717,461	1,485,349
Bad Debts Provision	370,000	500,000
Provisions & Reserves	272,558	910,600
Revolving Fund	74,903	74,749
	<u>5,091,458</u>	<u>4,802,403</u>
19 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the year	6,492,032	7,466,190
Adjustment in respect of Previous year's Operating Transactions	(4,322,791)	(12,779,285)
Appropriations charged against income	5,337,973	(6,756,982)
Bad Debts Provision	370,000	(4,425,277)
Fixed Assets	4,620,512	(3,317,054)
Provisions & Reserves	272,558	910,600
Revolving Fund	74,903	74,749

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

	2004	2003
Capital charges	188,512	359,760
Interest: Interna	-	44,898
Externa	-	97,025
Redemption: Internal	188,512	155,567
Externa	-	62,270
Deferred charges written off	-	-
Investment income (Operating Account)	-	(256,379)
Non-operating income:	-	-
	-	-
Non-operating expenditure:	-	-
Expenditure charged against Reserves	-	-
	<u>7,695,726</u>	<u>(11,966,696)</u>
20 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Stock	-	-
(Increase) / Decrease in Debtors and Long-term Debtors	(715,527)	7,110,946
Increase / (Decrease) in Creditors and Consumer Deposits	3,470,573	988,407
	<u>2,755,046</u>	<u>8,099,353</u>
21 INCREASE / (DECREASE) IN LONG-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	69,514	62,270
	<u>(69,514)</u>	<u>(62,270)</u>
22 INCREASE / (DECREASE) IN SHORT-TERM EXTERNAL LOANS		
Loans raised	-	-
Loans repaid	-	-
	<u>-</u>	<u>-</u>
23 (INCREASE) / DECREASE IN INVESTMENTS		
Balance at the beginning of the year	30,215,987	28,846,221
Less: Balance at the end of the year	41,849,556	30,215,987
	<u>(11,633,569)</u>	<u>(1,369,766)</u>
24 (INCREASE) / DECREASE IN CASH ON HAND		
Balance at the beginning of the year	4,898,930	5,134,633
Less: Balance at the end of the year	3,646,619	4,898,930
	<u>1,252,311</u>	<u>235,703</u>
25 CONTINGENT LIABILITIES		
An agreement to transfer the Water and Sanitation Assets and Liabilities has not yet been reached with the WSA.		
26 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for	6,021,369	-
Approved but not yet contracted for	-	-
	<u>6,021,369</u>	<u>-</u>
This expenditure will be financed from		
Internal Sources	1,208,784	-
External Sources	4,812,585	-
	<u>6,021,369</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2004

2004

2003

27 REVOLVING FUND

An amount of R 1 235 039 is outstanding to borrowing services in respect of Revolving Fund.

(See Appendices A and B for more detail)

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

30/06/2003 Actual Income R	30/06/2003 Actual Expenditure R	30/06/2003 Surplus / (Deficit) R		30/06/2004 Actual Income R	30/06/2004 Actual Expenditure R	30/06/2004 Surplus / (Deficit) R	30/06/2004 Budgeted Surplus/(Deficit) R
22,497,187	18,144,058	4,353,129	RATE & GENERAL SERVICES	27,616,022	21,583,817	6,032,205	105,150
16,782,585	14,665,721	2,116,864	Community Services	21,652,752	17,041,720	4,611,032	105,150
2,160,524	2,551,342	(390,818)	Council	3,087,430	2,756,694	330,736	-
3,425,740	3,468,762	(43,022)	Management	3,130,470	2,962,571	167,899	-
350,000	1,658,668	(1,308,668)	Corporate & Support Services	1,713,975	1,611,745	102,230	-
1,154,444	104,654	1,049,790	Estate (Commonage & Land)	342,674	73,197	269,477	45,804
887,415	658,238	229,177	Traffic	634,114	435,822	198,292	-
4,560,095	1,747,395	2,812,700	Treasury	3,335,781	1,352,138	1,983,643	59,346
-	-	-	Licensing	442,846	257,228	185,618	-
180,674	346,846	(166,172)	Technical & Mechanical	390,783	348,710	42,073	-
-	198,383	(198,383)	Streetlighting	751,640	571,443	180,197	-
3,914,288	2,939,763	974,525	Roads, Streets & Storm Water	5,926,950	5,170,219	756,731	-
122,623	496,839	(374,216)	Parks & Public Places	648,664	613,630	35,034	-
6,309	53,769	(47,460)	Cemetery	128,726	59,136	69,590	-
-	-	-	Community Services	335,746	190,072	145,674	-
16,742	286,707	(269,965)	Community / Town Halls	230,913	181,333	49,580	-
224	21,400	(21,176)	Sport Fields	336,337	304,967	31,370	-
3,507	132,955	(129,448)	Libraries	215,703	152,815	62,888	-
327,382	443,542	(116,160)	Subsidized Services	553,621	420,086	133,535	-
327,382	443,542	(116,160)	Primary Health Care Services	553,621	420,086	133,535	-
5,387,220	3,034,795	2,352,425	Economic Services	5,409,649	4,122,011	1,287,638	-
2,824,631	1,564,943	1,259,688	Sanitation / Sewerage Services	1,995,823	1,995,823	-	-
2,562,589	1,469,852	1,092,737	Refuse Removal	3,413,826	2,126,188	1,287,638	-
-	-	-	HOUSING SERVICES	128,726	106,456	22,270	-
-	-	-	Housing Administration	128,726	106,456	22,270	-
9,485,771	6,372,710	3,113,061	TRADING SERVICES	8,476,598	8,039,041	437,557	145,167
4,866,628	1,586,024	3,280,604	Water	2,015,664	2,015,664	-	-
4,619,143	4,786,686	(167,543)	Electricity	6,460,934	6,023,377	437,557	145,167
<u>31,982,958</u>	<u>24,516,768</u>	7,466,190	TOTAL	<u>36,221,346</u>	<u>29,729,314</u>	6,492,032	<u>250,317</u>
		(12,779,285)	Appropriations for this year - refer to Note 18			(4,322,791)	
		(5,313,095)	Net Surplus / (Deficit) for the year.			2,169,241	
		17,874,612	Accumulated Surplus / (Deficit) at beginning of the year.			12,561,517	
		<u>12,561,517</u>	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			<u>14,730,758</u>	

APPENDIX F

STATISTICAL INFORMATION

	2004	2003	2002
General statistics			
Population	135,141	250,000	
Registered Voters	58,309	56,000	
Area (square km)			
Total valuations:			
Residential	39,438,753	39,438,753	
Commercial	12,348,921	12,348,921	
Industrial	2,901,850	2,901,850	
Government	21,640,968	21,640,968	
Municipal	5,813,517	5,813,517	
Other	11,216,640	11,216,640	
Valuation date:	1991	1991	
Number of properties:			
Residential	2,414	2,414	
Commercial	144	144	
Industrial	14	14	
Government	68	68	
Municipal	468	468	
Other	484	484	
Assessment rate:			
Basic (per Rand)	0.02	0.02	
Rebate	-	-	
Number of employees	143	136	
Electricity statistics			
Units (kWh) purchased	18,528,240	20,152,524	
Units (kWh) sold	13,349,970	12,577,434	
Units (kWh) lost in distribution	5,178,270	7,575,090	
Percentage lost in distribution	27.95	37.59	
Cost per unit sold	0.325	0.24	
Income per unit sold	0.349	0.23	
Water statistics			
Kl purchased / purified	Unknown	Unknown	
Kl sold	Unknown	Unknown	
Kl lost in distribution	Unknown	Unknown	
Percentage lost in distribution	Unknown	Unknown	
Cost per Kl sold	Unknown	Unknown	
Income per Kl sold	Unknown	Unknown	

APPENDIX A

ACCUMULATED STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance as at 30 / 06 / 2003	Contributions during the Year	Interest on Investment	Other Income	Expenditure during the Year	Balance as at 30 / 06 / 2004
	R	R	R	R	R	R
STATUTORY FUNDS						
Revolving	4,471,840	74,903	300,709	-	-	4,847,452
Housing Development	5,928	-	403	-	-	6,331
	4,477,768	74,903	301,112	-	-	4,853,783
RESERVES						
Working Capital Reserve	1,158,532	220,000	78,780	-	-	1,457,312
Leave Reserve	914,360	20,558	20,235	-	616,785	338,368
Repairs & Maintenance	97,454	-	6,627	-	-	104,081
Street Lights	47,041	-	-	-	47,041	-
Water	225,008	-	-	-	225,008	-
Sport	151,271	-	-	-	151,271	-
Cemetery	35,832	-	-	-	35,832	-
Internal Services	135,331	-	-	-	135,331	-
Oxidation Dams	45,274	-	-	-	45,274	-
Refuse Dumps	33,881	-	-	-	33,881	-
Streets	81,020	-	-	-	81,020	-
Vehicle & Plant	71,865	-	-	-	71,865	-
Water Network	31,248	-	-	-	31,248	-
Disaster	41,853	32,000	2,845	-	-	76,698
Infrastructure	120,943	-	-	-	120,943	-
Reserve Fund	-	-	-	978,713	184,241	794,472
General Capital (Lady Grey)	743,929	-	50,587	-	794,516	-
	3,934,842	272,558	159,074	978,713	2,574,256	2,770,931
TRUST FUNDS						
Municipal Support Programme	520,183	-	10,815	150,000	680,998	-
Structure Plan	76,465	-	5,200	-	-	81,665
Sport Facilities (Lady Grey)	-	-	62,844	924,169	-	987,013
Rossouw Agricultural Project	-	-	-	385,866	385,866	-
LED (Lady Grey)	1,038,895	-	39,383	-	473,362	604,916
Town Scheme Planning	34,177	-	2,324	-	-	36,501
People's Housing (Lady Grey)	4,188,581	-	208,820	11,617,106	9,181,525	6,832,982
Additional IGG	696,021	-	47,329	-	-	743,350
Municipal Systems Improvement	-	-	23,414	406,450	110,134	319,730
Equitable Share	2,107,535	-	-	-	2,107,535	-
Pilot Housing	466,421	-	31,717	-	-	498,138
IDP	168,821	-	2,187	-	136,651	34,357
General Valuation	353,006	-	24,004	310,000	431,518	255,492
Implementation Ownership	25,717	-	1,749	418,632	-	446,098
Traffic Test Station (Sterkspruit)	152,409	-	10,364	-	-	162,773
Spatial Development Plan	161,115	-	10,956	-	-	172,071
Equitable Share Projects	3,720,612	-	225,600	-	402,968	3,543,244
Free Basic Services	473,407	-	-	-	473,407	-
Settlement Development	10,836	-	737	-	-	11,573
Disabled Project BE	100,000	-	6,800	-	-	106,800
Herschel People's Housing	-	-	127,873	4,964,250	871,216	4,220,907
	14,294,201	-	842,116	19,176,473	15,255,180	19,057,610

APPENDIX D

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

ACTUAL 2003 R		ACTUAL 2004 R	BUDGET 2004 R
INCOME			
97,382	Subsidies	323,621	227,356
17,710,905	Equitable share	21,501,958	21,189,039
998,700	Assessment Rates	1,001,075	1,000,000
238,905	Rentals	345,071	291,200
1,698,375	Sewerage / Sanitation	903,895	745,058
1,496,493	Refuse Removal	1,638,441	725,667
4,014,155	Electricity	4,876,948	4,505,846
1,529,520	Water	762,810	688,267
547,415	Traffic	517,161	336,675
-	Water Service Authority	2,039,234	4,880,388
3,651,108	Other	2,311,132	574,000
31,982,958		36,221,346	35,163,496
EXPENDITURE			
7,832,124	Salaries, Wages & Allowances	12,033,584	15,260,666
6,677,518	General Expenses	5,456,623	6,466,782
1,799,435	Repairs & Maintenance	3,415,401	3,834,140
395,763	Capital Charges	403,455	408,923
3,317,054	Contributions to Fixed Assets	4,373,997	4,828,224
985,349	Contributions to Funds	347,460	326,625
3,172,367	Bulk: Electricity Purchases	3,698,794	3,365,265
337,158	Bulk: Water Purchases	-	360,000
24,516,768	Gross Expenditure	29,729,314	34,850,625
-	Less: Amounts charged out	4,011,485	4,860,010
24,516,768	Net Expenditure	25,717,829	29,990,615

APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2003		Budget for Period	Balance as at 30/06/2003	Expenditure for Period	Written off, transferred, redeemed or disposed of during Year	Balance as at 30/06/2004
R		R	R	R	R	R
17,994,982	RATE & GENERAL SERVICES	49,563,767	38,526,398	24,465,817	2,658,891	60,333,324
16,880,163	Community Services	35,313,544	33,150,180	20,129,736	2,437,283	50,842,633
-	Streets, Roads & Storm water	-	831,030	-	99,402	731,628
-	Vehicle, Plant & Machinery	-	431,513	-	98,425	333,088
-	Buildings	-	332,293	-	45,570	286,723
-	Parks & Recreation	-	456,378	-	16,834	439,544
-	Property, Land & Buildings	-	3,733,840	-	292,487	3,441,353
-	Health Services	-	19,450	-	3,242	16,208
-	Management Administration	-	632,318	-	197,756	434,562
-	Technical - Town Engineer	-	3,009,373	-	306,853	2,702,520
-	Community Facilities	-	902,910	-	53,279	849,631
-	Social Services	-	70,690	-	3,916	66,774
-	General Improvements	-	11,963	-	412	11,551
-	Furniture & Office Equipment	-	20,128	-	4,687	15,441
7,402,645	<i>INFRASTRUCTURE</i> : Roads	19,787,350	9,059,238	12,000,129	129,158	20,930,209
4,694,760	<i>COMMUNITY</i> : Buildings	9,426,194	4,863,076	2,350,841	9,054	7,204,863
-	Recreational Facilities	-	-	-	-	-
12,496	Security Measures	-	44,208	-	10,377	33,831
2,457,216	<i>OTHER</i> : Buildings	800,000	6,119,883	744,716	92,923	6,771,676
193,269	Furniture & Fittings	1,400,000	234,443	134,642	53,707	315,378
20,250	Bins & Containers	-	20,250	-	4,050	16,200
252,144	Motor Vehicles	180,000	402,471	475,392	183,089	694,774
1,480,642	Plant & Equipment	3,500,000	1,587,984	3,747,314	595,206	4,740,092
366,741	Office Equipment	220,000	366,741	676,702	236,856	806,587
1,114,819	Economic Services	14,250,223	5,376,218	4,336,081	221,608	9,490,691
-	Sewerage	-	2,604,709	-	137,089	2,467,620
-	Economic Services	-	1,589,095	-	83,637	1,505,458
1,114,819	<i>INFRASTRUCTURE</i> : Sewerage/Waste	14,250,223	1,182,414	4,336,081	882	5,517,613
-	HOUSING SERVICES	35,980,000	4,781,873	-	475,505	4,306,368
-	Housing	35,980,000	4,781,873	-	475,505	4,306,368
2,041,839	TRADING SERVICES	4,923,000	15,997,135	2,602,687	1,075,915	17,523,907
-	Water	-	7,067,391	-	380,023	6,687,368
-	Electricity	-	2,929,791	-	177,199	2,752,592
2,013,749	<i>INFRASTRUCTURE</i> : Water	4,233,000	5,755,471	1,095,433	338,541	6,512,363
28,090	Electricity	690,000	244,482	1,507,254	180,152	1,571,584
<u>20,036,821</u>	TOTAL FIXED ASSETS	<u>90,466,767</u>	<u>59,305,406</u>	<u>27,068,504</u>	<u>4,210,311</u>	<u>82,163,599</u>
	LESS: CAPITAL REDEEMED & OTHER RECEIPTS		57,183,739	27,361,530	4,245,311	80,299,958
	Loans Redeemed & Advances Paid		10,784,340	258,026	35,000	11,007,366
	Contributions Ex Revenue		5,759,541	9,072,020	-	14,831,561
	Grants & Subsidies		40,487,377	18,031,484	4,210,311	54,308,550
	Public Contributions		152,481	-	-	152,481
	NET FIXED ASSETS		<u>2,121,667</u>	<u>(293,026)</u>	<u>(35,000)</u>	<u>1,863,641</u>

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance as at 30 / 06 / 2003	Received during Year	Redeemed or written off during the Year	Balance as at 30 / 06 / 2004
	R	R	R	R
EXTERNAL LOANS				
Development Bank of South Africa - LALF 15242 .05@ 13.08% (Sewerage)	657,121	-	55,952	601,169
Development Bank of South Africa - LALF 15035.08 @ 10.00% (Sewerage)	40,995	-	13,562	27,433
	698,116	-	69,514	628,602
INTERNAL ADVANCES TO BORROWING SERVICES				
Revolving Fund	1,423,551	-	188,512	1,235,039
	1,423,551	-	188,512	1,235,039