

audited statements &
RELATED FINANCIAL INFORMATION



FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS
REPORT OF THE AUDITOR-GENERAL
AUDIT REPORT ON PERFORMANCE
REPORT OF THE AUDIT COMMITTEE
REPORT BY BCM ON RESULTS OF PERFORMANCE MEASUREMENT
REPORT OF THE AUDIT COMMITTEE ON CONSOLIDATED FINANCIAL STATEMENTS
OVERSIGHT REPORT

financial statements

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I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 68 to 126, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 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.

Mr. P.W. KING • Acting City Manager



statement of financial position

AT 30 JUNE 2005

| | Note | 2005 | 2004 |
|--|------|----------------------|----------------------|
| | | R | R |
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 786,378,881 | 601,873,653 |
| COVID Fund | 1 | 5,979,312 | 6,029,672 |
| Capital Replacement Reserve | 2 | 9,288 | 79,055 |
| Capitalisation Reserve | 2 | 69,070,999 | 76,633,688 |
| Government Grant Reserve | 2 | 235,728,500 | 140,269,461 |
| Donations and Public Contributions Reserve | 2 | 74,994,102 | 57,421,029 |
| Self-Insurance Reserve | 2 | 17,783,069 | 18,577,542 |
| Revaluation Reserve | 2 | 192,063,916 | 199,731,371 |
| Accumulated Surplus | | 190,749,695 | 103,131,835 |
| Non-Current Liabilities | | 415,957,718 | 378,398,694 |
| Long-Term Liabilities | 3 | 399,850,828 | 373,188,201 |
| Non-Current Provisions | 4 | 16,106,890 | 5,210,493 |
| Current Liabilities | | 332,559,023 | 299,141,579 |
| Consumer Deposits | 5 | 20,265,325 | 21,128,002 |
| Current Provisions | 6 | 12,150,359 | 21,645,477 |
| Creditors | 7 | 123,835,319 | 99,414,020 |
| Unspent Conditional Grants and Receipts | 8 | 151,167,292 | 129,106,883 |
| Current Portion of Long-Term Liabilities | 3 | 25,140,728 | 27,847,197 |
| Total Net Assets and Liabilities | | 1,534,895,622 | 1,279,413,926 |
| ASSETS | | | |
| Non-Current Assets | | 984,773,552 | 840,490,040 |
| Property, Plant and Equipment | 10 | 872,347,272 | 741,824,126 |
| Investments | 11 | 109,883,993 | 93,037,529 |
| Long-Term Receivables | 12 | 2,542,287 | 5,628,385 |
| Current Assets | | 550,122,070 | 438,923,886 |
| Inventory | 13 | 15,329,312 | 12,879,614 |
| Consumer Debtors | 14 | 227,373,471 | 214,356,695 |
| Other Debtors | 15 | 63,926,508 | 82,069,179 |
| VAT | 9 | 16,946,701 | 11,999,883 |
| Current Portion of Long-Term Receivables | 12 | 1,559,531 | 2,319,921 |
| Call Investment Deposits | 11 | 179,891,701 | 106,642,202 |
| Cash | | 1,360,018 | 1,261,509 |
| Bank | 16 | 43,734,828 | 7,394,883 |
| Total Assets | | 1,534,895,622 | 1,279,413,926 |

statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

| Budget | | Note | Actual | | |
|----------------------|----------------------|--|--------|----------------------|----------------------|
| 2004 | 2005 | | 2005 | 2004 | |
| R | R | | R | R | |
| REVENUE | | | | | |
| 226,600,000 | 250,954,192 | Property Rates | 17 | 254,735,277 | 229,708,075 |
| – | – | Property Rates/Penalties Imposed | | 703,312 | – |
| 638,595,001 | 714,784,232 | Service Charges | 18 | 721,508,092 | 643,921,680 |
| 7,214,014 | 8,530,802 | Rental of Facilities and Equipment | | 9,406,209 | 8,493,932 |
| 10,020 | 10,020 | Interest Earned – External Investments | | 27,425,116 | 21,270,904 |
| 32,237,130 | 36,784,119 | Interest Earned – Outstanding Debtors | | 30,127,445 | 35,570,617 |
| – | – | Other Interest | | – | 116,049 |
| 5,481,160 | 5,919,653 | Fines | | 9,558,805 | 6,447,569 |
| 10,941,797 | 11,817,141 | Licences and Permits | | 11,996,458 | 10,528,448 |
| 202,267,637 | 247,754,984 | Government Grants and Subsidies | 19 | 371,144,549 | 216,130,087 |
| 46,913,232 | 261,010,823 | Other Income | 20 | 59,770,026 | 45,779,749 |
| – | – | Donations & Public Contributions – Property, Plant & Equipment | 19 | 21,403,246 | – |
| – | – | Donations & Public Contributions – Operating Expenditure | 19 | 24,606,079 | 6,391,422 |
| – | – | Gains on Disposal of Property, Plant and Equipment | | 3,941,415 | – |
| <u>1,170,259,991</u> | <u>1,537,565,966</u> | Total Revenue | | <u>1,546,326,029</u> | <u>1,224,358,532</u> |
| EXPENDITURE | | | | | |
| 410,029,624 | 448,762,755 | Employee Related Costs | 22 | 437,748,967 | 409,091,379 |
| 11,663,860 | 12,987,130 | Remuneration of Councillors | 23 | 11,881,867 | 11,368,397 |
| 14,397,568 | 61,950,000 | Bad Debts | | 80,619,038 | 40,379,564 |
| 4,275,923 | 5,040,338 | Collection Costs | | 4,418,170 | 3,803,734 |
| – | 159,418,097 | Depreciation | | 59,375,953 | 78,058,945 |
| 51,339,857 | 76,197,898 | Repairs and Maintenance | | 72,000,699 | 50,969,104 |
| 155,518,486 | – | Interest Paid | 24 | 57,429,624 | 58,532,280 |
| 269,866,023 | 283,624,226 | Bulk Purchases | 25 | 278,789,047 | 265,088,485 |
| 4,576,789 | 4,617,101 | Contracted Services | | 3,376,643 | 4,533,261 |
| 3,447,665 | 3,862,233 | Grants and Subsidies Paid | 26 | 3,427,084 | 3,138,137 |
| 216,816,098 | 313,645,725 | General Expenses – Other | 21 | 344,284,230 | 258,619,174 |
| 25,234,325 | 167,218,754 | Contributions to Provisions | 27 | 13,142,831 | 21,710,324 |
| <u>1,167,166,218</u> | <u>1,537,324,257</u> | Total Expenditure | | <u>1,366,494,153</u> | <u>1,205,292,784</u> |
| <u>3,093,773</u> | <u>241,709</u> | Surplus for the year | | <u>179,831,876</u> | <u>19,065,748</u> |

statement of changes in net assets

FOR THE YEAR ENDED 30 JUNE 2005

| | COID Fund | Capital Replacement Reserve | Capitalisation Reserve |
|--|------------------|-----------------------------|------------------------|
| | R | R | R |
| 2004 | | | |
| Balance at 01 July 2003 | – | – | – |
| Transactions i.r.o. Previous Year | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | 6,029,672 | 109,255 | 310,584,508 |
| Restated Balance | 6,029,672 | 109,255 | 310,584,508 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | 22,374,358 | – |
| Transfer Interest Earned to Grants and Donations | – | 7,039 | – |
| Property, Plant and Equipment Purchased | – | (22,411,597) | 22,411,597 |
| Capital Grants used to Purchase PPE | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (27,739,668) |
| Balance at 30 June 2004 | 6,029,672 | 79,055 | 305,256,437 |
| 2005 | | | |
| Balance at 01 July 2004 | 6,029,672 | 79,055 | 305,256,437 |
| Transactions i.r.o. Previous Year (Note 36) | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | – | – | (228,622,749) |
| Restated Balance | 6,029,672 | 79,055 | 76,633,688 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | – | – |
| Transfer Interest Earned to Grants and Donations | – | – | – |
| Property, Plant and Equipment Purchased | – | (69,767) | – |
| Capital Grants used to Purchase PPE | – | – | – |
| VAT Corrections | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Contribution to Insurance Reserve | – | – | – |
| Insurance Claims Processed | (50,360) | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (7,562,689) |
| Balance at 30 June 2005 | 5,979,312 | 9,288 | 69,070,999 |

| | Government Grant Reserve | Donations and Public Contributions Reserve | Self-Insurance Reserve | Revaluation Reserve | Unappropriated Surplus | Total |
|--|--------------------------|--|------------------------|---------------------|------------------------|--------------------|
| | R | R | R | R | R | R |
| | — | — | — | — | 8,438,742 | 8,438,742 |
| | — | — | — | — | 2,860,051 | 2,860,051 |
| | — | — | — | — | — | — |
| | 84,923,762 | 28,614,092 | 18,577,542 | — | 18,920,902 | 467,759,733 |
| | <u>84,923,762</u> | <u>28,614,092</u> | <u>18,577,542</u> | <u>—</u> | <u>30,219,695</u> | <u>479,058,526</u> |
| | — | — | — | — | 19,065,748 | 19,065,748 |
| | — | — | — | — | (22,374,358) | — |
| | — | — | — | — | (7,039) | — |
| | 96,969,611 | 36,585,755 | — | — | — | 133,555,366 |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | — | — | (33,000,000) | (33,000,000) |
| | — | — | — | — | — | — |
| | (15,147,082) | (7,648,012) | — | — | 50,534,762 | — |
| | <u>166,746,291</u> | <u>57,551,835</u> | <u>18,577,542</u> | <u>—</u> | <u>44,438,808</u> | <u>598,679,640</u> |
| | 166,746,291 | 57,551,835 | 18,577,542 | — | 44,438,808 | 598,679,640 |
| | — | — | — | — | 30,768,120 | 30,768,120 |
| | (26,476,830) | (130,806) | — | — | — | (26,607,636) |
| | — | — | — | 199,731,371 | 27,924,907 | (966,471) |
| | <u>140,269,461</u> | <u>57,421,029</u> | <u>18,577,542</u> | <u>199,731,371</u> | <u>103,131,835</u> | <u>601,873,653</u> |
| | — | — | — | — | 179,831,876 | 179,831,876 |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | — | — | 69,767 | — |
| | 106,476,354 | — | — | — | (106,476,354) | — |
| | — | — | — | — | 5,518,185 | 5,518,185 |
| | — | 23,098,037 | — | — | (23,098,037) | — |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | (794,473) | — | — | (844,833) |
| | — | — | — | — | — | — |
| | (11,017,315) | (5,524,964) | — | (7,667,455) | 31,772,423 | — |
| | <u>235,728,500</u> | <u>74,994,102</u> | <u>17,783,069</u> | <u>192,063,916</u> | <u>190,749,695</u> | <u>786,378,881</u> |

cash flow statement

FOR THE YEAR ENDED 30 JUNE 2005

| | | 2005 | 2004 |
|---|------|----------------------|----------------------|
| | Note | R | R |
| CASH GENERATED BY OPERATING ACTIVITIES | | | |
| Cash Receipts from Ratepayers, Government and Other | | 1,553,009,682 | 1,456,995,049 |
| Cash Paid to Suppliers and Employees | | 1,142,255,278 | 1,148,661,437 |
| Cash Generated from Operations | 28 | 410,754,404 | 308,333,612 |
| VAT Adjustment | | 5,518,185 | – |
| Interest Received | | 27,425,117 | 58,063,149 |
| Interest Paid | | (57,429,624) | (58,532,280) |
| NET CASH FROM OPERATING ACTIVITIES | | 386,268,082 | 307,864,481 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | | (189,899,099) | (214,058,273) |
| Decrease in Non–Current Receivables | | 3,846,487 | 3,547,110 |
| Increase in Investments | | (90,095,963) | (68,108,902) |
| NET CASH FROM INVESTING ACTIVITIES | | (276,148,575) | (278,620,065) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| New Loans Raised | | 23,956,157 | 47,081,636 |
| Increase/(Decrease) in Consumer Deposits | | (862,677) | 2,275,153 |
| Non–operating Income Received in Provisions/Reserves | | 13,260,113 | 5,752,739 |
| Non–operating Expenditure Charged against Provisions/Reserves | | (110,034,647) | (13,227,831) |
| Changes in Accounting Policy | | – | 6,215,169 |
| NET CASH FROM FINANCING ACTIVITIES | | (73,681,054) | 48,096,867 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 29 | 36,438,453 | 77,341,282 |
| Cash and cash equivalents at the beginning of the year | | 8,656,392 | (68,684,891) |
| Cash and cash equivalents at the end of the year | | 45,094,845 | 8,656,391 |
| | | <u>36,438,453</u> | <u>77,341,282</u> |

accounting policies to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

1. BASIS OF PRESENTATION

In accordance with section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board which are fundamentally different to the accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy is set out in note 39.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. CONSOLIDATED FINANCIAL STATEMENTS

Controlled and municipal entities are consolidated per GAMAP 6, the Municipal Systems Act, as amended, and the Municipal Finance Management Act.

5. COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES (COID)

This fund has been established in accordance with the Compensation for Occupational Injuries and Diseases Act No 130 of 1993. Buffalo City Municipality has been issued a certificate of exemption from the Compensation Commissioner and has been given permission to administer its own internal COID fund.

Buffalo City Municipality is still bound by the Act and claims are still approved by the Compensation Commissioner. The employee may not be awarded lesser benefits than provided for in the Act.

Buffalo City Municipality has entered into self insurance for COID for the following reasons:

- Reduction of costs;
- To expedite claims and payments to Medical Practitioners;
- More favorable compensation to employees.

Monthly contributions are transferred to the Fund. Claims are submitted to the Compensation Commissioner within 14 days after the accident becomes known.

Once confirmation has been received from the Compensation Commissioner the claim is settled by paying employees a full salary for the period not at work and settling all medical accounts as soon as received.

External insurance cover has been taken out to recoup any differences in payment to employees and amounts paid by the Compensation Commissioner.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

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

Where items of property, plant and equipment are acquired in exchange for non-monetary or monetary assets or a combination of both, assets are measured at their fair value. No such assets were registered up to reporting date.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

Buffalo City Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R 10 000.

6.1 Depreciation of Property, Plant and Equipment

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

| INFRASTRUCTURE | YEARS |
|------------------|---------|
| Electricity | 20 – 30 |
| Roads | 10 – 30 |
| Water | 15 – 20 |
| Sewerage | 15 – 20 |
| Pedestrian Malls | 20 |
| Security | 3 – 5 |

| COMMUNITY | YEARS |
|-------------------------|-------|
| Buildings | 30 |
| Recreational Facilities | 20 |

| OTHER | YEARS |
|------------------------|--------|
| Buildings | 30 |
| Office equipment | 3 – 5 |
| Furniture and fittings | 7 – 10 |
| Bins and containers | 5 – 10 |
| Emergency equipment | 5 – 15 |
| Motor vehicles | 3 – 20 |
| Plant and equipment | 2 – 15 |
| Other | 15 |

| | |
|-----------------------|----|
| Investment Properties | 30 |
|-----------------------|----|

6.2 Disposal of Property, Plant and Equipment

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

6.3 Incomplete construction work

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

6.4 Impairment losses

Where the carrying amount of an item of Property, Plant and Equipment is greater than the estimated recoverable amount, it will be written down to its recoverable amount and an impairment loss charged to the Statement of Financial Performance.

6.5 Revaluation of Land and Buildings

Land and Buildings are stated at cost or revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

7. INVENTORIES

Inventories consist of consumables, raw materials, work in progress and finished goods which are valued at the lower of cost or net realisable value.

Unsold properties for the purpose of resale are valued at the lower of cost or net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

The basis of determining cost is the first-in-first-out method.

8. RESERVES

Buffalo City Municipality creates and maintains Reserves in terms of specific requirements.

8.1 Capital Replacement Reserve (CRR)

In order to finance the purchase of items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus to the Capital Replacement Reserve (CRR) in terms of a Council resolution. A corresponding amount is transferred to a designated CRR investment account. The following conditions are set for the creation and utilisation of the CRR:

- The cash which backs the CRR is invested until utilised. The cash may only be invested in accordance with the investment policy of Buffalo City Municipality.
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment for Buffalo City Municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

At year end no such transfer was made.

8.2 Capitalisation Reserve

The carrying value of property, plant and equipment financed by the former Consolidated Capital Development and Loans Fund (CCDLF) that was not balanced to external loans was transferred to the Capitalisation Reserve instead of the accumulated surplus. This transfer is

in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). The purpose of this reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance on this reserve equals the carrying value of the items of property, plant and equipment financed from the former legislative funds. When these items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

8.3 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history, the insured value of assets and number of fleet vehicles.

- Contributions to the reserve by departments are transferred to the reserve in line with amounts budgeted for in the operating budget via expenditure accounts.
- Insurance premiums are paid from the reserve.
- Claims received from external insurers are utilised in the calculation of a gain or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.
- Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of Financial Performance.

8.4 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the government grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the useful lives of items of property, plant and equipment financed from government grants.

When an item of property, plant and equipment is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

8.5 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the value of the donations and public contribution recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contribution Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the useful lives of items of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment is disposed of, the balance in the Donations and Public Contribution Reserve relating to such item is transferred to the accumulated surplus.

8.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

9. PROVISIONS

A provision is recognised when Buffalo City Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Expenditure relating to provisions is charged to the operating account when incurred. Contributions are made to the provisions/accumulated surplus to reflect the current best estimate.

9.1 Accrued leave pay provision

Liabilities for annual leave are recognised as they accrue to employees. The provision is based on 100% of the accrued leave owing to employees and salary packages as per the conditions of service.

9.2 Provision for bonuses

Buffalo City Municipality makes provision for performance bonuses payable where, at year end, bonus amounts owing to officials are contractually payable in the next financial year.

9.3 Provision for constructive obligations

Provision is made for any constructive obligations of Buffalo City Municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby Buffalo City Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the City has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

At year end no such provision was necessary.

9.4 Provision for onerous contracts

When Buffalo City Municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

At year end no such provision was necessary.

10. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to Buffalo City Municipality.

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

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

11. INVESTMENTS

11.1 Financial Instruments

Financial Instruments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated as at cost.

At disposal of investments there was no difference between the net disposal proceeds and the carrying amounts.

11.2 Investment in Municipal Entity

Investment in Buffalo City Development Agency is currently not included in the consolidated financial statements but will be included at cost by calculating Buffalo City Municipality's share of net assets within the entity. Buffalo City Municipality has a 24% shareholding in the East London Industrial Development Zone (Pty) Ltd.

12. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used.

13. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the City and these benefits can be measured reliably.

13.1 Revenue from Rates

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportionate basis.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

13.2 Service Charges

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

Service charges relating to Refuse Removal are recognised on a monthly basis by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

Service charges relating to Sewerage and Sanitation are recognised on a monthly basis by applying the approved tariff to each property. For East London the domestic charge is based on the land size of the property and the business charge is based on the square root of the land size and the number of toilets on the property. For King Williams Town both the domestic and business charges are based on the number of toilets on the property.

13.3 Fines

Income in respect of spot fines and summonses is recognised when received.

13.4 Rentals

Rentals are recognised on a time proportion basis.

13.5 Approved tariff of charges

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

13.6 Interest on investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the CRR or the Self Insurance Reserve.

Interest earned on unutilised Conditional Grants is allocated directly to the Creditor – Unutilised Conditional Grants if the grant conditions indicate that interest is payable to the funder.

13.7 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Buffalo City Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13.8 Interest on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

13.9 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that Buffalo City Municipality complies with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. VALUE ADDED TAX

Buffalo City Municipality accounts for Value Added Tax on the payment basis.

15. TRADE CREDITORS

Trade Creditors are stated at their nominal value.

16. GRANTS-IN-AID

Buffalo City Municipality transfers money to individuals, institutions and organisations. When making these transfers, Buffalo City Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred. If these contracts are onerous and extend over more than one financial year they are then treated in accordance with the accounting policy on onerous contracts outlined under 9.4 above.

17. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor – Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The cash which backs the creditor is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is in Buffalo City Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from the accumulated surplus to a reserve called a Government Grant Reserve or a Donations and Public Contribution Reserve. The reserves are used to offset depreciation charged on assets purchased out of the Unutilised Capital Receipts. These reserves are equal to the remaining depreciable value (carrying value) of assets purchased from the Unutilised Capital Receipts.
- Whenever a non-asset is purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from a Creditor – Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.
- Whenever items of property, plant and equipment are purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from a Creditor – Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

18. INTANGIBLE ASSETS

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Buffalo City Municipality are amortised according to the straight line method as follows:

- General Valuation Roll 3 years

19. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

20. CASH AND CASH EQUIVALENTS

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

21. COMPARATIVE INFORMATION

21.1 Current year comparatives

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

21.2 Prior year comparatives

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

notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

| | 2005 | 2004 |
|--|--------------------|--------------------|
| | R | R |
| 1 COID FUND | | |
| Balance at beginning of year | 6,029,672 | 5,395,112 |
| Contributions | 1,234,093 | 1,238,292 |
| Interest on Investment | 256,961 | 269,756 |
| Other Income | 86,631 | 277,642 |
| Expenditure Incurred | (1,628,045) | (1,151,130) |
| Balance at end of year | 5,979,312 | 6,029,672 |
| The COID Fund is fully invested in financial investment instruments. | | |
| 2 RESERVES | | |
| Capital Replacement Reserve | 9,288 | 79,055 |
| Capitalisation Reserve | 69,070,999 | 76,633,688 |
| Government Grant Reserve | 235,728,500 | 140,269,461 |
| Donations and Public Contributions Reserve | 74,994,102 | 57,421,029 |
| Self-Insurance Reserve | 17,669,085 | 18,577,542 |
| Self-Insurance Reserve – Cell Phone | 113,984 | – |
| Revaluation Reserve | 192,063,916 | 199,731,371 |
| Total Reserves | 589,649,874 | 492,712,146 |
| The Capital Replacement Reserve is fully invested in financial investment instruments. | | |
| 3 LONG-TERM LIABILITIES | | |
| Local Registered Stock Loans | 69,402,000 | 83,763,000 |
| Annuity Loans | 354,570,625 | 313,872,093 |
| Capitalised Lease Liability | 1,018,931 | 3,400,305 |
| Sub-Total | 424,991,556 | 401,035,398 |
| Less: Current Portion Transferred to Current Liabilities | (25,140,728) | (27,847,197) |
| Local Registered Stock Loans | 1,228,000 | 14,361,000 |
| Annuity Loans | 22,970,587 | 11,721,397 |
| Capitalised Lease Liability | 942,141 | 1,764,800 |
| Total External Loans | 399,850,828 | 373,188,201 |

Refer Appendix A for more detail on long-term liabilities.

The capitalised lease liability is secured over the item of plant leased.

R108 208 926 (2004: R91 509 072) has been invested specifically in ring-fenced accounts for the repayment of long-term liabilities. Refer Note 30 for more detail.

| | 2005 | | 2004 |
|---|-------------------|--|-------------------|
| | R | | R |
| 4 NON-CURRENT PROVISIONS | | | |
| Provision for Leave Pay | 16,106,890 | | 5,210,493 |
| Total Non-Current Provisions | 16,106,890 | | 5,210,493 |
| Leave pay accrues to employees on a yearly basis, subject to certain conditions. The provision is a calculation of the total amount due to staff at the reporting date less the amount provided for under current provisions. | | | |
| The movement in the provisions is reconciled as follows:- | | | |
| Balance at beginning of year | 5,210,493 | | 13,561,417 |
| Contributions | 25,142,831 | | 9,710,324 |
| Other Income | - | | 474,560 |
| Expenditure Incurred | - | | (10,204,880) |
| Increase Due to Discounting | - | | - |
| Transfer to Current Provisions | (14,246,434) | | (8,330,928) |
| Balance at end of year | 16,106,890 | | 5,210,493 |
| 5 CONSUMER DEPOSITS | | | |
| Rates | - | | 73,083 |
| Electricity | 7,022,267 | | 20,513,688 |
| Water | 13,243,058 | | 541,231 |
| Total Consumer Deposits | 20,265,325 | | 21,128,002 |
| No interest is paid when deposits are refunded. | | | |
| Guarantees in lieu of electricity and water deposits | 6,736,869 | | 5,676,917 |
| 6 CURRENT PROVISIONS | | | |
| Salary Equalisation | - | | 12,000,000 |
| Current Portion of Leave Pay Provision | 10,625,981 | | 8,330,928 |
| Performance Bonuses | 1,524,378 | | 1,314,549 |
| Total Current Provisions | 12,150,359 | | 21,645,477 |

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date.

Leave pay accrues to employees on a yearly basis, subject to certain conditions. The provision is based on the calculation for Non-statutory leave due to employees at the reporting date.

| | Salary Equalisation | Current Portion Leave Pay | Performance Bonuses |
|---|------------------------|------------------------------|------------------------|
| The movement in the current provision is reconciled as follows:– | | | |
| 30 June 2005 | | | |
| Balance at beginning of year | 12,000,000 | 8,330,928 | 1,314,549 |
| Transfer from Non–Current Provisions | – | 14,246,434 | – |
| Contributions | – | – | 209,829 |
| Expenditure Incurred | (12,000,000) | (11,951,381) | – |
| Balance at end of year | – | 10,625,981 | 1,524,378 |
| 30 June 2004 | | | |
| Balance at beginning of year | – | – | 600,000 |
| Transfer from Non–Current Provisions | – | 8,330,928 | – |
| Contributions | 12,000,000 | – | 714,549 |
| Expenditure Incurred | – | – | – |
| Balance at end of year | 12,000,000 | 8,330,928 | 1,314,549 |
| | | 2005 | 2004 |
| | | R | R |
| 7 CREDITORS | | | |
| Trade Creditors | | 76,939,015 | 69,281,670 |
| Payments Received in Advance | | 21,690,267 | 26,872,615 |
| Other Deposits | | 1,465,116 | – |
| Other Creditors | | 23,740,922 | 3,259,735 |
| Total Creditors | | 123,835,319 | 99,414,020 |
| 8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | | |
| Conditional Grants from Government | | 133,256,325 | 119,436,793 |
| National Grants | | 104,579,903 | 82,920,403 |
| Provincial Grants and Subsidies | | 28,676,422 | 36,516,390 |
| Other Conditional Receipts | | 17,910,967 | 9,670,090 |
| Total Conditional Grants and Subsidies | | 151,167,292 | 129,106,883 |
| Amount received and invested until utilised (Note 11) | | 151,167,292 | 94,532,706 |
| Refer Appendix G and H for a reconciliation of grants from National/Provincial Government and Other Conditional Receipts. | | | |
| 9 VAT | | | |
| Vat Receivable | | 16,946,701 | 11,999,883 |

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

| | Land and Buildings | Infrastructure | Community | Other | Total |
|---|--------------------|--------------------|-------------------|-------------------|--------------------|
| | R | R | R | R | R |
| 10 PROPERTY, PLANT AND EQUIPMENT | | | | | |
| 30 June 2005 | | | | | |
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2004 | 201,807,000 | 442,348,070 | 32,721,897 | 64,947,159 | 741,824,126 |
| Cost | 10,449,627 | 1,236,238,463 | 68,609,536 | 91,151,825 | 1,406,449,451 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (163,441,820) | (795,545,312) | (44,647,599) | (26,204,666) | (1,029,839,397) |
| – Cost | (2,259,795) | (794,969,900) | (40,922,335) | (26,204,666) | (864,356,696) |
| – Revaluation | (161,182,025) | (575,412) | (3,725,264) | – | (165,482,701) |
| Acquisitions | 6,420,529 | 28,703,321 | 12,542,388 | 35,939,355 | 83,605,593 |
| Capital Under Construction | – | 93,662,441 | 7,556,923 | 5,074,141 | 106,293,506 |
| Depreciation | (7,916,147) | (38,395,434) | (1,766,093) | (11,298,279) | (59,375,953) |
| – Based on Cost | (529,736) | (38,359,683) | (1,520,800) | (11,298,279) | (51,708,498) |
| – Based on Revaluation | (7,386,411) | (35,751) | (245,293) | – | (7,667,455) |
| Carrying Value of Disposals | – | – | – | – | – |
| Cost | – | – | – | – | – |
| Accumulated Depreciation | – | – | – | – | – |
| Impairment Losses | – | – | – | – | – |
| Other Movements | – | – | – | – | – |
| Carrying Values at 30 June 2005 | 200,311,382 | 526,318,398 | 51,055,115 | 94,662,377 | 872,347,272 |
| Cost | 16,870,156 | 1,358,604,225 | 88,708,847 | 132,165,322 | 1,596,348,550 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (171,357,967) | (833,940,746) | (46,413,692) | (37,502,945) | (1,089,215,350) |
| – Cost | (2,789,531) | (833,329,583) | (42,443,135) | (37,502,945) | (916,065,194) |
| – Revaluation | (168,568,436) | (611,163) | (3,970,557) | – | (173,150,156) |
| 30 June 2004 | | | | | |
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2003 | 201,813,170 | 389,703,256 | 16,401,224 | 38,480,180 | 646,397,830 |
| Cost | 2,756,193 | 1,128,833,335 | 50,724,191 | 50,650,491 | 1,232,964,210 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (155,742,216) | (740,784,998) | (43,082,927) | (12,170,311) | (951,780,452) |
| – Cost | (1,946,602) | (740,245,337) | (39,602,956) | (12,170,311) | (793,965,206) |
| – Revaluation | (153,795,614) | (539,661) | (3,479,971) | – | (157,815,246) |
| Acquisitions | 7,693,434 | 107,405,128 | 17,885,345 | 40,501,334 | 173,485,241 |
| Capital Under Construction | – | – | – | – | – |
| Depreciation | (7,699,604) | (54,760,314) | (1,564,672) | (14,034,355) | (78,058,945) |
| – Based on Cost | (313,193) | (54,724,563) | (1,319,379) | (14,034,355) | (70,391,490) |
| – Based on Revaluation | (7,386,411) | (35,751) | (245,293) | – | (7,667,455) |
| Carrying Value of Disposals | – | – | – | – | – |
| Cost | – | – | – | – | – |
| Accumulated Depreciation | – | – | – | – | – |
| Impairment Losses | – | – | – | – | – |
| Other Movements | – | – | – | – | – |
| Carrying Values at 30 June 2004 | 201,807,000 | 442,348,070 | 32,721,897 | 64,947,159 | 741,824,126 |
| Cost | 10,449,627 | 1,236,238,463 | 68,609,536 | 91,151,825 | 1,406,449,451 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (163,441,820) | (795,545,312) | (44,647,599) | (26,204,666) | (1,029,839,397) |
| – Cost | (2,259,795) | (794,969,900) | (40,922,335) | (26,204,666) | (864,356,696) |
| – Revaluation | (161,182,025) | (575,412) | (3,725,264) | – | (165,482,701) |

(Refer Note 36 – Correction of Error i.r.o. Carrying Values at 30 June 2004)

| | 2005 | 2004 |
|--|--------------------|--------------------|
| | R | R |
| 11 INVESTMENTS | | |
| Listed | | |
| BCM had no listed investments at the reporting date. | | |
| Unlisted | | |
| BCM had no unlisted investments at the reporting date. | | |
| Financial Instruments | | |
| Fixed Deposits – Long–Term | 109,883,993 | 93,037,529 |
| Total Financial Instruments | <u>109,883,993</u> | <u>93,037,529</u> |
| Call Investment Deposits | | |
| Other Deposits – Short–Term | 179,770,463 | 106,409,752 |
| Call Account Deposits | 121,238 | 232,450 |
| Total Call Investment Deposits | <u>179,891,701</u> | <u>106,642,202</u> |
| Total Investments | <u>289,775,694</u> | <u>199,679,731</u> |
| Average rate of return on investments | 7.18% | 7.70% |
| Allocation of External Investments | | |
| Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:– | | |
| Statutory Funds | 6,093,296 | – |
| Reserves (excluding Future Depreciation Reserves) | – | 195,211 |
| Trust Funds | – | 78,892 |
| Provisions (Including Bad Debt Provision) | – | 13,265,842 |
| Conditional Grants and Receipts (Note 8) | 151,167,292 | 94,630,122 |
| Capital Replacement Reserve | 9,288 | – |
| Current Portion of Leave Pay Provision (Note 6) | 10,625,981 | – |
| Performance Bonuses Provision (Note 6) | 1,524,378 | – |
| Surplus Cash | 7,661,078 | 592 |
| | <u>177,081,313</u> | <u>108,170,659</u> |
| External Financing Fund | 112,694,381 | 91,509,072 |
| Total | <u>289,775,694</u> | <u>199,679,731</u> |

An amount of R45 820.80 was written off against the New Republic Bank Investment due to the bank being under curatorship. A zero coupon bond of R8 957 450 as at 30 June 2005 maturing on 30 June 2014.

for a guaranteed redemption of R25 million has been ceded to Standard Merchant Bank. A sinking fund of R29 897 078 as at 30 June 2005 ceded to INCA has been invested with Investec maturing on 23 February 2009 for a guaranteed redemption of R50 million.

A sinking fund of R16 770 228 as at 30 June 2005 ceded to DBSA has been invested with Gensec maturing on 31 August 2014 for a guaranteed redemption of R36 681 060.

An investment of R6 348 285 as at 30 June 2005 ceded to DBSA has been invested with Investec maturing on 27 March 2008 at R8 498 392.

A sinking fund of R12 665 174 as at 30 June 2005 ceded to INCA has been invested with Absa Bank maturing on 04 August 2011 for a guaranteed redemption of R22 million.

| | | 2005 | 2004 |
|---|-----------------------|--------------------------------|--------------------|
| | | R | R |
| 14 CONSUMER DEBTORS | | | |
| As at 30 June 2005 | Gross Balances | Provision for Bad Debts | Net Balance |
| Service Debtors | 361,659,375 | (134,285,904) | 227,373,471 |
| Rates | 96,487,908 | (32,910,225) | 63,577,683 |
| Cleansing | 66,814,786 | (28,258,424) | 38,556,362 |
| Electricity | 41,656,053 | (11,335,171) | 30,320,882 |
| Sewerage | 59,163,975 | (22,208,452) | 36,955,523 |
| Water | 97,536,653 | (39,573,632) | 57,963,021 |
| Housing Rentals | 5,698,821 | (5,698,821) | – |
| Total | 367,358,196 | (139,984,725) | 227,373,471 |
| As at 30 June 2004 | | | |
| Service Debtors | 367,669,878 | – | 367,669,878 |
| Rates | 95,649,081 | – | 95,649,081 |
| Cleansing | 69,986,061 | – | 69,986,061 |
| Electricity | 39,269,438 | – | 39,269,438 |
| Sewerage | 104,470,997 | – | 104,470,997 |
| Water | 58,294,301 | – | 58,294,301 |
| Housing Rentals | 21,796,364 | – | 21,796,364 |
| Total | 389,466,242 | (175,109,547) | 214,356,695 |
| Rates: Ageing | | | |
| Current (0 – 30 days) | | 25,584,683 | 21,557,912 |
| 31 – 60 Days | | 5,601,131 | 5,399,247 |
| 61 – 90 Days | | 4,615,126 | 5,638,233 |
| 91 – 120 Days | | 2,897,541 | 3,667,640 |
| 121 – 365 Days | | 20,863,802 | 24,520,990 |
| + 365 Days | | 36,925,625 | 34,872,970 |
| Adjustment for Corrections | | – | (7,911) |
| Total | | 96,487,908 | 95,649,081 |
| Cleansing, Electricity, Sewerage & Water: Ageing | | | |
| Current (0 – 30 days) | | 65,843,120 | 65,002,784 |
| 31 – 60 Days | | 15,355,237 | 16,374,070 |
| 61 – 90 Days | | 11,062,004 | 13,339,297 |
| 91 – 120 Days | | 9,839,666 | 10,310,712 |
| 121 – 365 Days | | 49,504,892 | 69,073,611 |
| + 365 Days | | 113,566,548 | 97,949,982 |
| Adjustment for Corrections | | – | (29,659) |
| Total | | 265,171,467 | 272,020,797 |
| Housing Debtors: Ageing | | | |
| Current (0 – 30 days) | | 92,828 | 94,782 |
| 31 – 60 Days | | 47,864 | 52,217 |
| 61 – 90 Days | | 20,267 | 51,130 |
| 91 – 120 Days | | 40,314 | 51,130 |
| 121 – 365 Days | | 287,079 | 409,044 |
| + 365 Days | | 5,210,469 | 21,138,060 |
| Total | | 5,698,821 | 21,796,364 |

| | | 2005 | 2004 |
|--|--------------------|-----------------------------------|--|
| | R | R | R |
| Summary of Debtors by Customer Classification | | | |
| 30 June 2005 | Consumers | Industrial/ Commercial | National and Provincial Gov |
| Current (0 – 30 days) | 63,308,508 | 29,688,595 | 3,076,210 |
| 31 – 60 Days | 18,413,071 | 3,461,522 | 1,963,081 |
| 61 – 90 Days | 12,735,219 | 2,144,719 | 1,723,716 |
| 91 – 120 Days | 11,703,387 | 1,736,006 | 511,093 |
| 121 – 365 Days | 76,154,365 | 14,666,706 | 5,138,811 |
| + 365 Days | 136,977,901 | 35,068,706 | 1,638,099 |
| Sub–Total | 319,292,452 | 86,766,254 | 14,051,010 |
| Less: Provision for Bad Debts | (145,632,855) | (39,579,983) | – |
| Total Debtors by Customer Classification | 173,659,597 | 47,186,271 | 14,051,010 |
| 30 June 2004 | | | |
| Current (0 – 30 days) | 68,887,952 | 30,397,140 | 3,979,929 |
| 31 – 60 Days | 21,676,885 | 3,744,939 | 1,606,232 |
| 61 – 90 Days | 16,937,955 | 2,314,329 | 1,527,884 |
| 91 – 120 Days | 14,433,013 | 1,642,363 | 962,089 |
| 121 – 365 Days | 92,658,334 | 19,603,654 | 1,892,754 |
| + 365 Days | 167,096,924 | 19,507,713 | – |
| Adjustment for Corrections | (37,570) | – | – |
| Sub–Total | 381,653,493 | 77,210,138 | 9,968,888 |
| Less: Provision for Bad Debts | (155,601,834) | (19,507,713) | – |
| Total Debtors by Customer Classification | 226,051,659 | 57,702,425 | 9,968,888 |
| The summary of debtors by customer classification includes Sundry Debtors not stated under Service Debtors. | | | |
| Bad Debt Provision | | | |
| Balance at beginning of year | | 175,109,547 | 117,510,024 |
| Contributions | | 80,619,038 | 78,979,010 |
| Transfers | | 62,611 | – |
| Bad Debts Written Off | | (70,578,358) | (21,379,487) |
| Balance at the end of the year | | 185,212,838 | 175,109,547 |
| The bad debt provision is calculated on the ageing of debtors. Councils policy is to provide on debtors balances which have been estimated to result in bad debts. | | | |
| Amounts totalling R70 578 358 (2003/2004 : R21 379 487) were written off against the provision as bad debts. This represents 4.56% (2003/2004 : 1.75%) of the total operating income for the year. | | | |
| 15 OTHER DEBTORS | | | |
| Sundry Debtors | | 33,740,025 | 55,291,448 |
| Less: Provision for Bad Debts – Sundry Debtors | | 78,968,138 | 55,291,448 |
| | | (45,228,113) | – |
| | | 18,527,853 | 9,292,240 |
| Accrued Income | | 35,474,554 | 9,292,240 |
| Less: VAT (Refer Note 9) | | (16,946,701) | – |
| Subsidy – ELMET | | – | 3,866,612 |
| Fire Availability | | 8,849,276 | 9,549,138 |
| Land Sale Debtors | | 2,809,354 | 4,069,741 |
| Total Other Debtors | | 63,926,508 | 82,069,179 |

| | 2005 | 2004 |
|---|--------------------|-------------------|
| | R | R |
| 16 BANK, CASH AND OVERDRAFT BALANCES | | |
| The Municipality has the following bank accounts: | | |
| Current Account (Primary Bank Account) | | |
| Account Number: 521 201 117 44 | | |
| First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 6,598,956 | (68,248,668) |
| Cashbook balance at the end of the year | <u>44,455,780</u> | <u>6,598,956</u> |
| Bank statement balance at the beginning of the year | 70,900,164 | 12,226,531 |
| Bank statement balance at the end of the year | <u>145,342,831</u> | <u>70,900,164</u> |
| Current Account (Collection Account) | | |
| Account Number: 521 201 781 524 | | |
| First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 618,151 | 373,878 |
| Cashbook balance at the end of the year | <u>641,991</u> | <u>618,151</u> |
| Bank statement balance at the beginning of the year | 618,151 | 952,333 |
| Bank statement balance at the end of the year | <u>641,991</u> | <u>618,151</u> |
| Current Account (Prism Account) | | |
| Account Number: 620 179 770 52 | | |
| First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 1,010,966 | – |
| Cashbook balance at the end of the year | <u>417,071</u> | <u>1,010,966</u> |
| Bank statement balance at the beginning of the year | 562,374 | – |
| Bank statement balance at the end of the year | <u>455,404</u> | <u>562,374</u> |
| Current Account (Market) | | |
| Account Number: 521 201 778 89 | | |
| First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | (833,190) | (1,104,754) |
| Cashbook balance at the end of the year – overdrawn | <u>(1,780,014)</u> | <u>(833,190)</u> |
| Bank statement balance at the beginning of the year | (196,030) | – |
| Bank statement balance at the end of the year – overdrawn | <u>(756,251)</u> | <u>(196,030)</u> |
| Current Account (KWT) | | |
| Account Number: | | |
| First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | – | (1,108,532) |
| Cashbook balance at the end of the year | <u>–</u> | <u>–</u> |
| Bank statement balance at the beginning of the year | – | 68,409 |
| Bank statement balance at the end of the year | <u>–</u> | <u>–</u> |

| | 2005 | 2005 |
|---|--|-----------------------|
| | R | R |
| 17 | PROPERTY RATES | |
| Actual | | |
| Residential | 135,832,135 | 94,412,017 |
| Commercial | 95,261,188 | 90,488,885 |
| State | 22,308,747 | 44,807,173 |
| Municipal | 1,333,207 | – |
| Total Assessment Rates | 254,735,277 | 229,708,075 |
| Valuations | | |
| Residential | 6,002,283,892 | 5,876,496,441 |
| Commercial | 3,809,530,380 | 3,365,816,851 |
| State | 1,163,485,225 | 1,178,963,863 |
| Municipal | 251,633,297 | 422,802,613 |
| Total Property Valuations | 11,226,932,794 | 10,844,079,768 |
| 18 | SERVICE CHARGES | |
| Sewerage Charges | 102,424,021 | 94,357,500 |
| Cleansing Charges | 83,738,702 | 78,067,365 |
| Sale of Electricity | 387,004,418 | 351,472,358 |
| Sale of Water | 146,390,998 | 120,024,457 |
| Other | 1,949,953 | – |
| Total Service Charges | 721,508,092 | 643,921,680 |
| 19 | GOVERNMENT GRANTS AND SUBSIDIES | |
| Government Grants | | |
| Equitable Share | | |
| Equitable Share Urban Renewal | 165,899,221 | 162,937,981 |
| IDZ (BCDA) | 4,691,606 | – |
| DWAF | 3,482,307 | 8,247,000 |
| State Health Subsidy | 17,744,186 | 7,445,794 |
| SA Games | – | 4,788,650 |
| BCMET | 1,650,000 | – |
| Total Government Grants | 193,467,320 | 183,419,425 |
| Provincial Subsidies | | |
| Health Subsidy | 142,189 | 11,367,116 |
| Needs Camp | 1,691,058 | 1,531,596 |
| Skills Development | – | 287,917 |
| ADM Grants | 1,657,501 | 1,203,639 |
| Subsidy | 501,591 | 5,817,645 |
| Total Provincial Subsidies | 3,992,339 | 20,207,914 |
| Total Government Grants & Subsidies Received and Allocated as Income | 197,459,659 | 203,627,339 |
| National/Provincial Government Grant & Subsidies (Expenditure Reimbursement) | | |
| Operating Expenditure Transfer to Revenue | 69,237,508 | 12,502,748 |
| Capital Expenditure Transfer to Revenue | 104,447,382 | – |
| Total National/Provincial Government Grants & Subsidies (Expenditure Reimbursements) | 173,684,890 | 12,502,748 |
| Donations & Public Contributions (Expenditure Reimbursement) | | |
| Operating Expenditure Transfer to Revenue | 24,606,079 | 6,391,422 |
| Capital Expenditure Transfer to Revenue | 21,403,246 | – |
| Total Donations & Public Contributions (Expenditure Reimbursements) | 46,009,325 | 6,391,422 |
| Total Government Grants and Subsidies | 417,153,874 | 222,521,509 |

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Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Other Grants and Subsidies

All other funds received in the income account were reimbursements for expenditure incurred and no balances were carried forward. All conditions were met and no funds were withheld.

**National/Provincial Government Grant & Other Funding
(Expenditure Reimbursement)**

Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all capital and non-capital expenditure is expensed through the income and expenditure account. Reimbursements to the income account are journalised against the Conditional Grant Creditor accounts.

Refer Note 8, Appendix G and Appendix H for more detail on the Conditional Grant and

Subsidy balances and transaction movements for 2004/05.

Conditions on the funding were complied with and no funds were withheld.

20 OTHER INCOME

| | | |
|---------------------------------|-------------------|-------------------|
| Credit Card Format Conversions | 2,573,329 | 2,418,658 |
| Commission | 7,624,313 | 7,797,204 |
| Coupons & Clip Tickets | 2,590,628 | 2,578,865 |
| Fire Levy Charges | 10,918,617 | 10,150,896 |
| Plan Approval Fees | 3,563,199 | 2,336,783 |
| Reconnection Fees | 2,205,250 | — |
| Scrap Sales | 2,067,936 | — |
| Vehicle Registration Commission | 5,927,225 | 5,751,849 |
| Other | 22,299,529 | 14,745,494 |
| Total Other Income | 59,770,026 | 45,779,749 |

All individual income categories exceeding R2 000 000 are stated separately.

21 GENERAL EXPENSES – OTHER

| | | |
|---|--------------------|--------------------|
| DWAF | 6,987,612 | 5,985,373 |
| Electricity Lighting Department Charges | 22,225,428 | 17,705,599 |
| Consultants Fees | 17,410,965 | 14,508,639 |
| Fuel Oil | 6,373,598 | 5,287,316 |
| Insurance | 6,313,925 | 6,374,004 |
| Licence Fee Department Charges | 5,407,300 | 5,767,008 |
| Pensions Payable | 7,198,781 | 7,527,329 |
| Poor Relief | 47,890,263 | 41,834,935 |
| Refuse Removal Department Charges | 7,278,894 | 8,094,499 |
| Security Guards | 9,164,137 | 6,289,506 |
| Spares – Automotive | 8,329,040 | 8,329,575 |
| Telephones | 11,867,816 | 11,263,342 |
| Government Grant Expenditure | 93,843,587 | 18,894,170 |
| Other | 93,992,884 | 100,757,879 |
| Total General Expenses – Other | 344,284,230 | 258,619,174 |

All categories exceeding R5 000 000 are stated separately.

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 22 EMPLOYEE RELATED COSTS | | |
| Salaries and Wages | 366,363,681 | 344,936,885 |
| Social Contributions | 71,385,286 | 65,088,821 |
| Less: Employee Costs Capitalised to PPE | – | (934,327) |
| | <u>437,748,967</u> | <u>409,091,379</u> |
| Remuneration of the City Manager | | |
| Basic Salary | 465,948 | – |
| Deferred Compensation | 169,556 | – |
| Performance Bonus | – | – |
| Other | 388,305 | – |
| Total | <u>1,023,809</u> | <u>–</u> |
| <p>(Note: A provision of R 204 762 has been made i.r.o. a performance bonus for the 2004/2005 financial year which is not included in the above amount. The value of the deferred compensation policy at 30 June 2005 was R 614 856.)</p> | | |
| Remuneration of the Chief Financial Officer | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 127,323 | – |
| Total | <u>903,915</u> | <u>–</u> |
| Remuneration of the Director of Corporate Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 117,943 | – |
| Total | <u>894,535</u> | <u>–</u> |
| Remuneration of the Director of Engineering Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 99,820 | – |
| Total | <u>876,412</u> | <u>–</u> |
| Remuneration of the Director of Development Planning | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 108,977 | – |
| Total | <u>885,569</u> | <u>–</u> |
| Remuneration of the Director of Social Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 121,215 | – |
| Total | <u>897,807</u> | <u>–</u> |
| Remuneration of the Director of Mayoral Office | | |
| Annual Remuneration | 312,000 | – |
| Other | 288,000 | – |
| Performance Bonus (Paid i.r.o. 2003/2004 financial year) | – | – |
| Total | <u>600,000</u> | <u>–</u> |

| | 2005 | 2004 |
|---|---------------------------|---------------------------|
| | R | R |
| 23 REMUNERATION OF COUNCILLORS | | |
| Executive Mayor | 271,478 | 254,350 |
| Deputy Executive Mayor | 17,074 | 203,480 |
| Speaker | 217,183 | 203,480 |
| Mayoral Committee Members | 1,832,481 | 1,728,756 |
| Councillors | 5,322,067 | 4,882,009 |
| Councillors' Pension and Medical Contribution | 1,276,686 | 4,046,377 |
| Other | 2,944,898 | 49,945 |
| Total Councillors' Remuneration | <u>11,881,867</u> | <u>11,368,397</u> |
| In-Kind Benefits | | |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council. | | |
| The Executive Mayor has use of a Council owned vehicle for official duties. The Executive Mayor has one bodyguard and an official driver at the cost of Council. | | |
| 24 INTEREST PAID | | |
| Stock Loans | 13,180,466 | - |
| Annuity Loans | 43,350,887 | 57,848,237 |
| Finance Loans | 121,199 | 684,042 |
| Other | 777,072 | - |
| Total Interest on External Borrowings | <u>57,429,624</u> | <u>58,532,280</u> |
| 25 BULK PURCHASES | | |
| Electricity | 221,700,012 | 210,647,817 |
| Water | 57,089,035 | 54,440,668 |
| Total Bulk Purchases | <u>278,789,047</u> | <u>265,088,485</u> |
| 26 GRANTS AND SUBSIDIES PAID | | |
| Grant in Lieu of Rates | 2,671,854 | 2,442,905 |
| Sundry Grants-in-Aid | 755,230 | 695,232 |
| Total Grants and Subsidies Paid | <u>3,427,084</u> | <u>3,138,137</u> |
| The Grant paid to BCM Tourism is paid quarterly. | | |
| Various institutions apply for Grants-in-aid. Mostly charity organizations and child care centres qualify for these grants. | | |
| 27 CONTRIBUTIONS TO/(FROM) PROVISIONS | | |
| Provision for Leave Pay (Note 4) | 25,142,831 | 21,710,324 |
| Transfer to Salary Equalisation (Note 6) | (12,000,000) | - |
| Total Contributions To/(From) Provisions | <u>13,142,831</u> | <u>21,710,324</u> |

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 28 CASH GENERATED BY OPERATIONS | | |
| Net Surplus for the year | 179,831,876 | 19,065,748 |
| Adjustment for: | | |
| Previous years | – | 2,860,051 |
| Changes in Accounting Policy | – | 18,920,902 |
| Depreciation | 59,375,953 | 78,058,945 |
| Contributions to Provisions – Non–Current | 25,142,832 | 21,710,324 |
| Contributions to Provisions – Current | 209,829 | – |
| Contributions to Bad Debt Provision | 80,619,038 | 40,379,564 |
| Contributions to Obsolete Inventory Provision | 178,165 | – |
| Contributions to Reserves | 1,283,434 | – |
| Investment Income | (27,425,117) | (56,957,570) |
| Interest Paid | 57,429,624 | 58,532,280 |
| Operating Surplus Before Working Capital Changes: | 376,645,634 | 182,570,244 |
| (Increase)/Decrease in Inventories | (2,448,724) | 352,830 |
| (Increase)/Decrease in Service Debtors | 22,108,047 | (26,021,062) |
| (Increase)/Decrease in Other Debtors | (27,085,443) | 77,849,352 |
| Increase in Conditional Grants & Receipts | 22,060,409 | 189,963,783 |
| Increase/(Decrease) in Creditors | 24,421,299 | (116,381,535) |
| Increase/(Decrease) in VAT | (4,946,818) | – |
| Cash Generated from Operations | 410,754,404 | 308,333,612 |
| 29 CASH AND CASH EQUIVALENTS | | |
| Balance at the end of the year | 45,094,845 | 8,656,391 |
| Balance at the beginning of the year | 8,656,392 | (68,684,891) |
| Net Increase in Cash and Cash Equivalents | 36,438,453 | 77,341,282 |
| 30 UTILIZATION OF LONG–TERM LIABILITIES RECONCILIATION | | |
| Long–Term Liabilities (Refer Appendix A) | 61,980,292 | 68,838,831 |
| Used to Finance Property, Plant and Equipment | (55,953,254) | (58,091,310) |
| Used to Finance Property, Plant and Equipment previous years | (6,000,000) | (16,040,878) |
| Reinstatement of Loans Erroneously Written Off | 27,038 | (5,293,357) |
| Cash Invested for Repayment of External Loans | 108,208,926 | 91,509,072 |

Local Stock issue to the amount of R25 million has been secured by a zero coupon bond of R8 957 450 invested with Standard Merchant Bank maturing on 30 June 2014.

An Inca loan of R50 million has been secured by a sinking fund of R29 897 078 invested with Investec maturing on 23 February 2009.

A DBSA loan of R57 million has been secured by a sinking fund of R16 770 228 invested with Gensec maturing on 31 August 2014 and an investment of R6 348 285 with Investec maturing on 27 March 2008.

An Inca loan of R22 million has been secured by a sinking fund of R12 665 174 invested with Absa Bank maturing on 4 August 2011.

A DBSA loan of R80 million has been secured by an investment of R4 234 097 invested with Absa Bank maturing on 10 December 2017, an investment of

R6 494 267 invested with Nedbank maturing on 26 March 2006, an investment of R15 271 555 invested with Standard Bank maturing on 29 April 2017 and an investment of R5 921 513 invested with Absa Bank maturing on 26 March 2008.

A DBSA loan of R6 million has been secured by a fixed investment of R1 649 280 invested with Standard Bank maturing on 29 July 2009.

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT | | |
| Contributions to SALGA | | |
| Opening Balance | – | 1,000,000 |
| Council Subscriptions | 2,228,042 | 783,579 |
| Amount Paid – Current Year | (2,228,042) | (783,579) |
| Amount Paid – Previous Years | – | (1,000,000) |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Audit Fees | | |
| Opening Balance | – | – |
| Over Provision Written Back | – | 147,706 |
| Current Year Audit Fee | 1,357,145 | 1,320,516 |
| Amount Paid – Current Year | (1,357,145) | (1,468,222) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| VAT | | |
| Vat Output Receivables | 91,080,556 | 77,169,492 |
| Vat Input Receivables | (90,525,898) | (70,957,466) |
| Vat Paid | <u>554,658</u> | <u>6,212,026</u> |
| All Vat returns have been submitted by the due date throughout the year. | | |
| PAYE and UIF | | |
| Opening Balance | – | – |
| Current Year Payroll Deductions | 55,244,741 | 51,587,238 |
| Amount Paid – Current Year | (55,244,741) | (51,587,238) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Pension and Medical Aid Deductions | | |
| Opening Balance | – | – |
| Current Year Payroll Deductions and Council Contributions | 100,178,918 | 92,585,790 |
| Amount Paid – Current Year | (100,178,918) | (92,585,790) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Councillor's Arrear Consumer Accounts | | |
| Arrear accounts totalling R3 901 and R900 were outstanding at 30 June 2005 for less than and more than 90 days respectively for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. | | |
| 32 CAPITAL COMMITMENTS | | |
| Commitments in respect of capital expenditure: | | |
| – Approved and Contracted for | | |
| Infrastructure | 178,532,359 | 113,300,623 |
| Community | 33,013,422 | 23,191,941 |
| Heritage | 3,048,799 | 996,241 |
| Other | 52,901,992 | 101,893,727 |
| | <u>267,496,572</u> | <u>239,382,532</u> |

| | 2005 | 2004 |
|---|---------------------------|---------------------------|
| | R | R |
| – Approved but not yet Contracted for | | |
| Infrastructure | 11,462,595 | 22,773,902 |
| Community | 3,859,507 | 10,608,843 |
| Heritage | 253,004 | – |
| Other | 6,629,987 | 28,307,492 |
| | <u>22,205,093</u> | <u>61,690,237</u> |
| Total Commitments | <u>289,701,665</u> | <u>301,072,769</u> |
| This expenditure will be financed from: | | |
| External Loans | 66,532,030 | 65,761,210 |
| Government Grants | 189,719,340 | 217,973,438 |
| Other | 33,450,295 | 17,338,121 |
| | <u>289,701,665</u> | <u>301,072,769</u> |
| <p>A payment of R 1 315 906 in respect of the KWT Radio Data Network was included under property, plant and equipment as work-in-progress for the 2004/2005 financial year. A further payment of R 2 995 075, being the outstanding balance less legal costs will be affected from the Restructuring Grant in the 2005/2006 financial year.</p> | | |
| 33 CONTINGENT LIABILITIES | | |
| Guarantees by the Council in respect of building society and commercial bank housing loans for officials. | 3,393,778 | 3,575,126 |
| Guarantees for Sports Clubs Loans | 80,000 | 80,000 |
| | <u>3,473,778</u> | <u>3,655,126</u> |

A failed water pipe line in Mdantsane led to the removal of the contractor (Magwa and Selane cc) from the site which has resulted in a claim in the sum of approximately R650 000.

Flood damage to Vincent Park Centre has resulted in a possible claim of approximately R31 million. Although no court action has commenced Council's attorney's have been briefed and Council would defend the matter. Council's attorney's have also been instructed to investigate the possibility of recourse through it's Insurers.

A case relating to the saleable value of a landowners (J. Magwa) property in Phakamisa has resulted in a potential claim of R3 million. Although merits of the case are doubtful, Council are awaiting the re-issue of legal proceedings. The Department of Water Affairs and Forestry (DWAF) – Eastern Cape has requested payment of approximately R22 million for outstanding water accounts in respect of Noodlyn, Zwelitsha and Phakamisa townships. Council through it's attorney's, have advised DWAF that the payment of accounts prior to the take over of responsibilities by Buffalo City Municipality, vested with Provincial Government.

A claim by Transnet LTD i.r.o. overpayment of rates on erf 15889. A summons was served on Buffalo City Municipality (defendant) by Transnet Limited (plaintiff) i.r.o. of Transnet that was not surveyed, subdivided and registered in the lawful owners name resulting in overpayment of rates by Tansnet. If the court rules in favour of Transnet Limited it could result in a claim of approximately R 2 million.

34 RETIREMENT BENEFIT INFORMATION

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- SAMWU National Provident Fund
- SALA Pension Fund
- East London Municipal A Band Provident Fund
- Old Mutual Orion Provident Fund
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- The Cape Joint Pension Fund: The last actuarial valuation was performed as at 30 June 2004 by D. Klug of Metropolitan Employees Benefits. The fund was in a sound financial position and that the surplus could be attributed to the reduction of pension increase targets.
- The Cape Joint Retirement Fund was in a sound financial condition as at the last actuarial valuation on 30 June 2004 which was conducted by D. Klug of Metropolitan Employees Benefits.

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- The Eastern Cape Local Authorities Provident Fund's last valuation was done as at 30 June 2004 by M. Hayler from Alexander Forbes and certifies that the fund was in a sound financial condition in terms of the Pension Fund Act.
- The Government Employees Pension Fund's last valuation was at 31 March 2004 and performed by J. Slawski, J. Geldenhuys and R. Maxwell from Alexander Forbes. The fund was 96,5% funded at this date.
- SAMWU National Provident Fund's last actuarial valuation was at 30 June 2002 and conducted by E. Potgieter from Fifth Quadrant. The report stated that the fund was in a sound financial position.
- The SALA Pension Fund's last valuation was at 30 June 2003 conducted by S. Feldman of Old Mutual Actuaries and Consultants. The fund was 85.9% funded as at valuation date.
- The East London Municipal A Band and Old Mutual Orion Provident Funds as well as the Aftrevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contribution funds and are therefore not required to perform actuarial valuations.
- The East London Municipal A Band and Old Mutual Orion Provident Funds are defined contribution Funds and therefore an actuarial valuation is not required to be performed. It is Council's policy to fund 70% of Pensioner's medical aid expenses. The current costs amount to approximately R7.2 million. An amount of R 70,1 million (2004: R 62,8 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

- Secondment of International Finance Advisor by National Treasury for a period of two years ending June 2005.

36 CORRECTION OF ERROR

During the year ended 30 June 2004 expenditure on Housing was erroneously capitalised.

The comparative amount has been restated as follows:

| | | |
|---|----------|---------------------|
| Corrections of Expenditure to Housing Capital Financed by LGH | – | (26,527,407) |
| Depreciation | – | 50,578 |
| Net Effect on Government Grant Reserve | – | (26,476,830) |
| Corrections of Expenditure to Housing Capital Financed by SIDA | – | (196,206) |
| Depreciation | – | 65,400 |
| Net Effect on Donations and Public Contributions Reserve | – | (130,806) |

During the year ended 30 June 2005 transactions in respect of the year ended 30 June 2004 have been restated as follows:

| | | |
|--|----------|-------------------|
| Transactions affecting Creditors | – | 8,804,810 |
| Transactions affecting Conditional Grant Creditors | – | 1,195,255 |
| Transactions affecting Property, Plant & Equipment | – | (15,739) |
| Transactions affecting Consumer Debtors | – | (37,570) |
| Transactions affecting Other Debtors | – | 884,587 |
| Transactions affecting Long-Term Liabilities | – | 466,750 |
| Transactions affecting Call Investments | – | 5,216,721 |
| Transaction affecting VAT | – | 14,253,306 |
| Net Effect on Accumulated Surplus | – | 30,768,120 |

37 INVESTMENT IN ASSOCIATE

Buffalo City Municipality holds 24% of the issued share capital in East London Industrial Development Zone (Pty) Ltd. The net asset value of the associate as per the audited financial statements at 31 March 2005 was R 13 million.

| | 2005 | | 2004 |
|--|------|--|------|
| | R | | R |

38 MUNICIPAL ENTITIES

Buffalo City Development Agency (BCDA)

The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCM. The BCM Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2005.

One of the envisaged corner-stones of the Agency's business model is the asset base of unutilised or underutilised public land and infrastructure that falls within the Agency's demarcated area, namely the extended waterfront and CBD area of East London.

In Buffalo City, this asset-base constitutes a resource of significant value that could be used as leverage to unlock beneficial synergies with other significant prospective investors, private and public.

The Agency commissioned a Pre-Feasibility Study intended to further clarify its local strategic opportunities and to finalise a business plan that will enable Buffalo City Municipality to extend a clear mandate to the Agency as it launches into its operational phase.

Attached as Addendum A to the Financial Statements of Buffalo City Municipality (BCM) are the Financial Statements of Buffalo City Development Agency (BCDA).

Due to limited guidelines and available information in respect of the consolidation of the financial statements approval from National Treasury was requested to attach the financial statements of BCDA to the financial statements of BCM. A copy of the letter dated 19 August 2005 forwarded to National Treasury is attached as Addendum B.

At date of presentation of BCM's annual financial statements no response had yet been received from National Treasury.

39 CHANGE IN ACCOUNTING POLICY

| | | |
|---|----------|---------------------|
| Changes to the former Asset Financing Future Depreciation Reserve | – | (28,891,378) |
| Transactions to the unbundled Revolving Fund | – | 461,425 |
| DVPP–Trust Fund under IMFO reallocated | – | (3,373,548) |
| Equitable Share accrual reversal journal rectified | – | 3,878,594 |
| Net Effect on Accumulated Surplus | – | (27,924,907) |
| A T Taylor Trust | – | (45,421) |
| CHT Peplar Trust | – | (33,471) |
| Transferred to Conditional Grants and Creditors. | – | (78,892) |

CHANGE IN ACCOUNTING POLICY – IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of Buffalo City Municipality arising from the implementation of GAMAP:–

STATUTORY FUNDS

Balance reported 30 June 2003

East London

Consolidated Capital Development & Loans Fund (CCDLF) 198,594,368

Implementation of GAMAP

Outstanding internal loans on network assets, after external loan allocation, restated as financed from the CCDLF Fund to the Capital Reserve 109,650,689

Outstanding internal loans used to finance assets written off, restated against PPE 15,420,517

Long–Term financing transferred to Accumulated Surplus as debtors were transferred to non–current assets 11,468,862

Land sales restated to Accumulated Surplus 3,315,453

Balance left transferred to Accumulated Surplus as there was no cash funds available on the CCDLF 58,738,847

Balance transferred **198,594,368**

Workman's Compensation Act (WCA) 5,395,112

Implementation of GAMAP

Transferred to COID Fund 5,395,112

| | 2005 | 2004 |
|---|-------------|------|
| | R | R |
| Self-Insurance Fund | 16,573,016 | |
| Implementation of GAMAP | | |
| Transferred to Self-Insurance Reserve | 16,573,016 | |
| Community Facilities | 1,389,199 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 1,389,199 | |
| King William's Town | | |
| Revolving Fund | 98,956,462 | |
| Implementation of GAMAP | | |
| Balance left after the electricity infrastructure has been unbundled, transferred to Capital Reserve | 11,409,465 | |
| Balance left after the water infrastructure has been unbundled, restated transferred to Capital Reserve | 2,733,567 | |
| Balance left after the general asset structure has been unbundled, restated | 20,088,667 | |
| Balance left after the housing asset structure has been unbundled, restated | 114,841 | |
| Creditor written back incorrectly rectified 2004/05 | (461,425) | |
| Balance on Revolving Fund transferred to Accumulated Surplus as there was no cash funds available on the Revolving Fund | 65,532,772 | |
| | 99,417,887 | |
| Parking Areas Development Fund | 461,425 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 461,425 | |
| Amathole | | |
| Land Sales | 839,540 | |
| Endowment | 38,438 | |
| | 877,978 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 877,978 | |
| Balance reported 30 June 2004 | 349,313,362 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 322,708,985 | |
| Transferred to COID Fund | 634,561 | |
| Transferred to Self-Insurance Reserve | 2,004,526 | |
| Transferred to Accumulated Surplus | 23,965,290 | |
| | 349,313,362 | |
| RESERVES | | |
| Balance reported 30 June 2003 | | |
| East London | 10,417,919 | |
| King William's Town | 5,215,853 | |
| Amathole | 177,434 | |
| | 15,811,206 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 15,811,206 | |

| | 2005 | 2004 |
|---|----------------------|------|
| | R | R |
| Balance reported 30 June 2004 | 10,851,161 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 15,811,206 | |
| Transferred to Bad Debt Provision | (5,000,004) | |
| Transferred to Accumulated Surplus | 39,959 | |
| | <u>10,851,161</u> | |
| LOANS REDEEMED AND OTHER CAPITAL RECEIPTS | | |
| Balance reported 30 June 2003 | 1,330,327,121 | |
| Implementation of GAMAP | | |
| Transferred to Capitalisation Reserve | 534,971,109 | |
| Transferred to Government Grant Reserve | 88,074,610 | |
| Transferred to Donations and Public Contributions Reserve | 30,054,319 | |
| Written off | 589,174,280 | |
| Transferred to Accumulated Surplus | 88,052,803 | |
| | <u>1,330,327,121</u> | |
| Balance reported 30 June 2004 | 1,542,991,950 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 1,330,327,121 | |
| Transferred to Capitalisation Reserve | 10,570,457 | |
| Transferred to Government Grant Reserve | 96,970,188 | |
| Transferred to Donations and Public Contributions Reserve | 36,585,755 | |
| Non-asset transactions rectified | 15,443,925 | |
| Written off | (2,231,114) | |
| Transferred to Sundry Creditors | (3,878,596) | |
| Transferred to Accumulated Surplus | 59,204,214 | |
| | <u>1,542,991,950</u> | |
| TRUST FUNDS | | |
| Balance reported 30 June 2003 | | |
| East London | 73,232,134 | |
| King William's Town | 187,182 | |
| Amathole | 421,993 | |
| | <u>73,841,309</u> | |
| Implementation of GAMAP | | |
| Transferred to Conditional Grant Creditors | 73,607,771 | |
| Transferred to Trust Funds | 71,721 | |
| Transferred to Capital Replacement Reserve | 109,255 | |
| Transferred to Accumulated Surplus | 52,562 | |
| | <u>73,841,309</u> | |
| Balance reported 30 June 2004 | 94,711,951 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 73,841,309 | |
| Transferred to Conditional Grant Creditors | 20,946,232 | |
| Transferred to Trust Funds | 7,172 | |
| Transferred to Capital Replacement Reserve | (30,200) | |
| Transferred to Accumulated Surplus | (52,562) | |
| | <u>94,711,951</u> | |

| | 2005 | 2004 |
|---|---------------|-------------------|
| | R | R |
| CHANGES IN NET ASSETS | | |
| Compensation for Occupational Injuries & Diseases (COID) | | |
| Balance at 30 June 2003 restated from previous Statutory Fund – WCA | | 5,395,112 |
| Net transactions 2003/04 financial year | | 634,560 |
| Balance at 30 June 2004 | | 6,029,672 |
| Net claims processed | | (50,360) |
| Balance at 30 June 2005 | | 5,979,312 |
| Capital Replacement Reserve (CRR) | | |
| Transferred from previous KWT: Computer Installation Fund as at 30 June 2003 | | 109,255 |
| Contributions from Accumulated Surplus to accommodate capital expenditure 2003/04 indicated from CRR | | 22,374,358 |
| Capital expenditure on KWT: | | |
| Computer Installation Fund for 2003/04 transferred to the Capitalisation Reserve | (37,239) | |
| Capital expenditure on the 2003/04 capital programme with finance source CRR transferred to the Capitalisation Reserve | (22,374,358) | (22,411,597) |
| Interest allocation to KWT: Computer Installation Fund transferred to CRR | | 7,039 |
| Balance at 30 June 2004 | | 79,055 |
| Capital expenditure from CRR in 2004/05 | | (69,767) |
| Balance at 30 June 2005 | | 9,288 |
| Capitalisation Reserve (CR) | | |
| Previous capital model capitalisation financing accounts from own funding regarding infrastructural assets transferred to the CR | 167,685,508 | |
| The redeemed portion of the balance of internal loans after internal loans were linked and reallocated as external loan funding transferred to CR | 33,456,101 | |
| Fully redeemed previous internal loans transferred to CRR | 6,959,611 | |
| Fully redeemed previous internal loans that was not yet transferred to the account Loans Fully Redeemed and still formed part of the Loans Redeemed account transferred to CR | 397,722,131 | |
| The outstanding portion of the balance of internal loans after internal loans were linked and reallocated as external loan funding transferred to CR from the Consolidated Capital Development and Loans Fund | 109,650,688 | |
| Accumulated depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from CRR | (612,288,356) | |
| Revalued properties allocated to CR at take-on to the asset register | 365,214,072 | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on properties | (157,815,247) | 310,584,508 |
| Capital expenditure from CRR 2003/04 | | 22,411,597 |
| Offset depreciation on assets financed by CRR transferred to Accumulated Surplus | | (27,739,668) |
| Balance at 30 June 2004 | | 305,256,437 |
| Accounting policy changes: Transferred to Revaluation Reserve | (199,731,371) | |
| Transferred to Accumulated Surplus | (28,891,378) | (228,622,749) |
| Restated Balance at 30 June 2004 | | 76,633,688 |
| Offset depreciation for 2004/05 | | (7,562,689) |
| Balance at 30 June 2005 | | 69,070,999 |

| | | 2005 | 2004 |
|--|-------------|--------------------|------|
| | R | R | R |
| Government Grant Reserve (GGR) | | | |
| Adjustment of previous capitalisation accounts for infrastructural assets financed by government grants | 88,074,610 | | |
| Accumulated depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from government grants | (3,150,848) | 84,923,762 | |
| Capital expenditure from government grants 2003/04 | | 96,969,611 | |
| Offset depreciation on assets 2003/04 financed by government grants transferred to Accumulated Surplus | | (15,147,082) | |
| Balance at 30 June 2004 | | 166,746,291 | |
| Correction of error: Housing assets incorrectly capitalised previous year (Note 36) | | (26,476,830) | |
| Restated Balance at 30 June 2004 | | 140,269,461 | |
| Capital expenditure from government grants 2004/05 | | 106,476,354 | |
| Offset depreciation on assets 2004/05 financed by government grants transferred to Accumulated Surplus | | (11,017,315) | |
| Balance at 30 June 2005 | | 235,728,500 | |
| Donations and Public Contributions Reserve (DPCR) | | | |
| Adjustment of previous capitalisation accounts for infrastructural assets financed by non-government grants and donations | 30,054,319 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from non-government grants and donations | (1,440,227) | 28,614,092 | |
| Capital expenditure from non-government grants and donations 2003/04 | | 36,585,755 | |
| Offset depreciation on assets 2003/04 financed by non-government grants and donations transferred to Accumulated Surplus | | (7,648,012) | |
| Balance at 30 June 2004 | | 57,551,835 | |
| Correction of error: Housing assets incorrectly capitalised previous year (Note 36) | | (130,806) | |
| Restated Balance at 30 June 2004 | | 57,421,029 | |
| Capital expenditure from non-government grants and donations 2004/05 | | 23,098,037 | |
| Offset depreciation on assets 2004/05 financed by non-government grants and donations transferred to Accumulated Surplus | | (5,524,964) | |
| Balance at 30 June 2005 | | 74,994,102 | |
| Self-Insurance Reserve | | | |
| Transferred from the previous Self-Insurance Fund | | 16,573,016 | |
| Net transactions 2003/04 | | 2,004,526 | |
| Balance at 30 June 2004 | | 18,577,542 | |
| Net insurance claims processed | | (794,473) | |
| Balance at 30 June 2005 | | 17,783,069 | |
| Revaluation Reserve | | | |
| Accounting policy change: Take-on value of properties less accumulated depreciation to 30 June 2004 transferred from CRR | | 199,731,371 | |
| Restated balance at 30 June 2004 | | 199,731,371 | |
| Offset depreciation for 2004/05 on properties that were taken on at a revalued amount | | (7,667,455) | |
| Balance at 30 June 2005 | | 192,063,916 | |

| | | 2005 | 2004 |
|---|---------------|-------------------|------|
| | R | R | R |
| Unappropriated Surplus | | | |
| Balance as at 30 June 2003 | | 8,438,742 | |
| Transactions in respect of previous years to 2003/04 | | 2,860,051 | |
| Previous Statutory and Reserve Funds written off | 23,032,223 | | |
| Deferred charges written back | (419,214) | | |
| Internal loan balances on properties and movable assets written off at take-on of new values on new Asset Register | (64,754,603) | | |
| Redeemed portion of non-assets previously incorrectly capitalised and financed by internal loans written back | 4,422,872 | | |
| Non-Assets as at 30 June 2003 financed by external loans written off | (2,455,391) | | |
| Redeemed portion of internal loans on assets that were allocated to external loans transferred from the former Loans Redeemed accounts in the previous capitalisation model | 63,820,241 | | |
| Long-Term Debtors financing transferred from the previous Statutory Consolidated Capital Development and Loans Fund | 11,468,862 | | |
| Land sale Debtors financing transferred from the previous Statutory Consolidated Capital Development and Loans Fund | 3,315,453 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets allocated as financed from external loans | (172,507,908) | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on KWT assets allocated as financed from external loans | (10,793,856) | | |
| Balances on the former capitalisation accounts in the previous capitalisation model after the unbundling journals have been processed | 67,538,813 | | |
| Closing CCDLF as the balance after the unbundling process were not backed by cash | 82,583,130 | | |
| Redeemed portion of external loans that financed KWT assets written back | 4,169,729 | | |
| Balance on previous Revolving Fund from KWT written back as it was not backed by cash | 65,532,772 | | |
| Capital leases restated as at 30 June 2003 | 7,194,235 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on capital leases | (4,627,176) | | |
| Correction of unbundling entries | 195,566 | | |
| Correction of Conditional Grant expenditure | 14,816,382 | | |
| Correction of capitalisation of non-assets financed from Equitable Share and DBSA funds | 21,791,196 | | |
| Reallocation of operating transactions for the year to changes in accounting policies | (100,673,300) | | |
| Adjustment of allocations on old ledger | 5,270,876 | 18,920,902 | |
| Surplus for the year 2003/04 | | 19,065,748 | |
| Transfer to CRR (Refer to CRR reconciliation above) | | (22,374,358) | |
| Additional contributions to Provisions: | | | |
| Bad Debt Provision | (20,000,000) | | |
| Leave Provision | (13,000,000) | (33,000,000) | |
| Offset depreciation for 2003/04: | | | |
| Capitalisation Reserve (Refer to CR reconciliation above) | 27,739,668 | | |
| Government Grant Reserve (Refer to GGR reconciliation above) | 15,147,082 | | |
| Donations and Public Contributions Reserve (Refer to DPCR reconciliation above) | 7,648,012 | 50,534,762 | |
| Balance at 30 June 2004 | | 44,438,808 | |

| | | 2005 | 2004 |
|--|-------------|--------------------|------|
| | R | R | R |
| Transactions in respect of previous years to 2004/05 (Refer to Note 36) | | 30,768,120 | |
| Changes in Accounting Policy: | | | |
| Changes to the former Asset Financing Future | | | |
| Depreciation Reserve | 28,891,378 | | |
| Transactions to the unbundled Revolving Fund | (461,425) | | |
| DVPP – Trust fund under IMFO reallocated | 3,373,548 | | |
| Equitable share accrual reversal journal rectified | (3,878,594) | 27,924,907 | |
| Restated Balance at 30 June 2004 | | 103,131,835 | |
| Surplus for the year 2004/05 | | 179,831,876 | |
| Capital expenditure from CRR transferred to Accumulated Surplus | | 69,767 | |
| Capital expenditure financed from government grants transferred to Government Grant Reserve | | (106,476,354) | |
| Capital expenditure financed from non-government contributions transferred to Donations and Public Contributions Reserve | | | |
| VAT Corrections | | (23,098,037) | |
| Offset depreciation for 2004/05: | | 5,518,185 | |
| Capitalisation Reserve (Refer to CR reconciliation above) | 7,562,689 | | |
| Government Grant Reserve (Refer to GGR reconciliation above) | 11,017,315 | | |
| Donations and Public Contributions Reserve (Refer to DPCR reconciliation above) | 5,524,964 | | |
| Revaluation Reserve | 7,667,455 | 31,772,423 | |
| Balance at 30 June 2005 | | 190,749,695 | |

statement of external loans

AT 30 JUNE 2005 – APPENDIX A

| EXTERNAL LOANS | Issued | Loan No. | Redeemable | Balance at 30/6/2004 |
|-------------------------------------|--------|----------|------------|----------------------|
| | | | | R |
| LONG-TERM LOANS | | | | |
| Local Registered Stock | | | | |
| 1988 @ 16.60% | | 70 | 30/06/2008 | 10,000,000 |
| 1990 @ 16.50% | | 72 | 30/06/2010 | 21,000,000 |
| 1990 @ 17.05% | | 73 | 31/12/2011 | 10,000,000 |
| 1993 @ 15.70% | | 77 | 30/06/2005 | 13,000,000 |
| 1994 @ 14.20% | | 78 | 30/06/2014 | 25,000,000 |
| 1990 @ 17.90% | | 5/90 | 30/06/2010 | 160,000 |
| 1991 @ 17.50% | | 1 | 31/12/2006 | 1,000,000 |
| 1990 @ 17.65% | | 3 | 30/06/2010 | 464,000 |
| 1990 @ 17.60% | | 4 | 30/06/2005 | 1,267,000 |
| 1988 @ 17.25% | | 5 | 30/09/2008 | 550,000 |
| 1990 @ 17.75% | | 9 | 30/06/2005 | 94,000 |
| 1982 @ 11.35% | | 20 | 13/08/2005 | 1,228,000 |
| Total Local Registered Stock | | | | 83,763,000 |
| Annuity Loans | | | | |
| 1997 @ 16.60% | | SCMB | 14/06/2007 | 24,087,215 |
| 1999 @ 16.70% | | INCA 1 | 26/03/2009 | 25,000,000 |
| 1999 @ 16.70% | | INCA 2 | 23/02/2009 | 25,000,000 |
| 2000 @ 16.90% | | INCA 3 | 30/06/2011 | 22,000,000 |
| 2001 @ 10.83% | | 13717 | 30/06/2021 | 71,578,948 |
| 2002 @ 11.40% | | 100124 | 30/06/2023 | 72,937,275 |
| 2004 @ 10.15% | | 100783 | 30/06/2009 | – |
| 2004 @ 12.56% | | 101058 | 31/12/2023 | 57,193,266 |
| 2004 @ 10.11% | | 101490 | 31/12/2006 | 8,720,668 |
| 1981 @ 13.13% | | BB 27 | 30/06/2006 | 26,940 |
| 1977 @ 13.00% | | SAN 1 | 30/09/2007 | 60,197 |
| 1975 @ 9.00% | | CJPF 1 | 30/06/2005 | 23,772 |
| 1975 @ 11.00% | | CJPF 2 | 31/12/2005 | – |
| 1978 @ 13.00% | | CJPF 4 | 30/06/2008 | 103,282 |
| 1979 @ 9.50% | | CJPF 5 | 30/06/2009 | 71,230 |
| 1980 @ 10.00% | | CJPF 6 | 30/06/2005 | – |
| 1984 @ 00.00% | | BB 95A | 31/12/2004 | 30,748 |
| 1984 @ 00.00% | | BB 95B | 31/12/2004 | 1,739 |
| 1984 @ 00.00% | | BB 96 | 31/12/2004 | 3,047 |
| 2003 @ 9.05% | | STAFF | 27/07/2006 | 7,033,766 |
| Total Annuity Loans | | | | 313,872,093 |
| Financial Leases : | | | | |
| 1999 @ 13.50% | | DCFS | 15/09/2004 | 176,590 |
| 2001 @ 13.50% | | DCFS | 18/09/2006 | 350,427 |
| 2000 @ 13.50% | | STANNIC | 01/09/2005 | 1,469,337 |
| 2001 @ 13.50% | | WESBANK | 01/06/2005 | 321,730 |
| 2001 @ 13.50% | | WESBANK | 01/06/2005 | 94,575 |
| KWT | | ABSA | 31/12/2005 | 987,646 |
| Total Financial Leases | | | | 3,400,305 |
| Total External Loans | | | | 801,035,398 |

| | Received during the year | Redeemed or written off during the year | Balance at 30/6/2005 | Carrying Value of Property, Plant & Equipment | Other Costs in accordance with MFMA |
|--|-----------------------------|--|----------------------|--|--|
| | R | R | R | R | R |
| | - | - | 10,000,000 | - | - |
| | - | - | 21,000,000 | - | - |
| | - | - | 10,000,000 | - | - |
| | - | 13,000,000 | - | - | - |
| | - | - | 25,000,000 | - | - |
| | - | - | 160,000 | - | - |
| | - | - | 1,000,000 | - | - |
| | - | - | 464,000 | - | - |
| | - | 1,267,000 | - | - | - |
| | - | - | 550,000 | - | - |
| | - | 94,000 | - | - | - |
| | - | - | 1,228,000 | - | - |
| | - | <u>14,361,000</u> | <u>69,402,000</u> | - | - |
| | - | 6,743,666 | 17,343,549 | 18,773,910 | - |
| | - | - | 25,000,000 | 13,641,232 | - |
| | - | - | 25,000,000 | 13,641,232 | - |
| | - | - | 22,000,000 | 15,417,172 | - |
| | - | 4,210,526 | 67,368,422 | 58,349,340 | - |
| | 55,953,254 | 2,970,314 | 125,920,215 | 116,056,324 | - |
| | 6,000,000 | - | 6,000,000 | - | - |
| | - | 764,573 | 56,428,693 | 27,143,105 | - |
| | - | 3,233,483 | 5,487,185 | 359,688 | - |
| | - | 12,615 | 14,325 | - | - |
| | - | 14,585 | 45,612 | - | - |
| | - | 23,772 | - | - | - |
| | - | - | - | - | - |
| | - | 21,165 | 82,117 | - | - |
| | - | 11,731 | 59,499 | - | - |
| | - | - | - | - | - |
| | - | 30,748 | - | - | - |
| | 2 | 1,741 | - | - | - |
| | - | 3,047 | - | - | - |
| | - | 3,212,758 | 3,821,008 | - | - |
| | <u>61,953,256</u> | <u>21,254,724</u> | <u>354,570,625</u> | <u>27,502,793</u> | - |
| | - | 176,590 | - | - | - |
| | 137,142 | 203,277 | 284,292 | - | - |
| | - | 1,162,935 | 306,402 | - | - |
| | - | 148,820 | 172,910 | - | - |
| | - | 43,748 | 50,827 | - | - |
| | - | 783,146 | 204,500 | 337,365 | - |
| | <u>137,142</u> | <u>2,518,516</u> | <u>1,018,931</u> | <u>337,365</u> | - |
| | <u>62,090,398</u> | <u>38,134,240</u> | <u>424,991,556</u> | <u>27,840,158</u> | - |

analysis of property, plant and equipment

AT 30 JUNE 2005 – APPENDIX B

| | Opening Balance | Additions | Costs | | Closing Balance |
|---------------------------------|--------------------|------------------|--------------------|-----------|--------------------|
| | R | R | Under Construction | Disposals | R |
| LAND AND BUILDINGS | | | | | |
| Land | 75,104,236 | 3,251,032 | | | 78,355,268 |
| Buildings | 290,144,584 | 3,169,497 | | | 293,314,081 |
| Total Land and Buildings | 365,248,820 | 6,420,529 | – | – | 371,669,349 |
| INFRASTRUCTURE ASSETS | | | | | |
| Electricity | | | | | |
| Festive Lighting | 249,990 | – | – | | 249,990 |
| Load Control Equipment | 302,823 | – | – | | 302,823 |
| Mains | 36,626,346 | – | – | | 36,626,346 |
| Meters | 18,642,350 | 1,652,356 | – | | 20,294,706 |
| Reticulation | 221,527,802 | 3,981,772 | 14,438,091 | | 239,947,665 |
| Substations | 31,764,186 | – | 2,627,231 | | 34,391,417 |
| Transformer Kiosks | 69,604 | – | – | | 69,604 |
| | <u>309,183,101</u> | <u>5,634,128</u> | <u>17,065,322</u> | <u>–</u> | <u>331,882,551</u> |
| Roads | | | | | |
| Bridges, Subways and Culverts | 2,917,868 | – | 628,038 | | 3,545,906 |
| Bus Terminals | 154,909 | – | – | | 154,909 |
| Car Parks | 298,082 | – | – | | 298,082 |
| Guidance Signs | 654,934 | 393,110 | 12,216 | | 1,060,260 |
| Motorways | 9,947,025 | – | 527,178 | | 10,474,203 |
| Other Roads | 414,217,247 | 2,472,434 | 12,818,781 | | 429,508,462 |
| Parking Areas | 4,441,464 | 777,424 | – | | 5,218,888 |
| Parking Meters | – | – | 1,787,985 | | 1,787,985 |
| Pedestrian Facilities | – | 1,995,426 | 326,815 | | 2,322,241 |
| Sidewalks | 4,035,821 | 500,000 | – | | 4,535,821 |
| Stormwater Drains | 213,664 | – | – | | 213,664 |
| Street Lighting | 15,409,545 | 609,803 | – | | 16,019,348 |
| Taxi Facilities | 3,586,835 | 2,013,902 | 2,281,773 | | 7,882,510 |
| Traffic Islands | – | – | 39,557 | | 39,557 |
| Traffic Lights | 537,338 | 112,989 | – | | 650,327 |
| | <u>456,414,732</u> | <u>8,875,088</u> | <u>18,422,343</u> | <u>–</u> | <u>483,712,163</u> |
| Sewerage | | | | | |
| Outfall Sewers | 6,373,238 | – | 2,493,693 | | 8,866,931 |
| Purification Works | 23,725,810 | 1,118,665 | – | | 24,844,475 |
| Sewer Mains | – | – | 5,956,701 | | 5,956,701 |
| Sewerage Pumps | 1,732,947 | 1,245,005 | – | | 2,977,952 |
| Sewers | 176,170,719 | 3,062,042 | 3,510,947 | | 182,743,708 |
| | <u>208,002,714</u> | <u>5,425,712</u> | <u>11,961,341</u> | <u>–</u> | <u>225,389,767</u> |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--|--------------------------|-------------------|-----------|--------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| | | | | | 78,355,268 | 3,985,285 |
| | 163,441,821 | 7,916,146 | | 171,357,967 | 121,956,114 | 2,655,626 |
| | <u>163,441,821</u> | <u>7,916,146</u> | <u>—</u> | <u>171,357,967</u> | <u>200,311,382</u> | <u>6,640,911</u> |
| | | | | | | |
| | 49,998 | 49,998 | | 99,996 | 149,994 | |
| | 302,823 | — | | 302,823 | — | |
| | 25,456,169 | 790,188 | | 26,246,357 | 10,379,989 | |
| | 10,273,943 | 560,956 | | 10,834,899 | 9,459,807 | 1,657,766 |
| | 104,973,047 | 7,089,236 | | 112,062,283 | 127,885,382 | 19,605,296 |
| | 21,431,368 | 550,131 | | 21,981,499 | 12,409,918 | 2,627,231 |
| | 4,640 | 2,320 | | 6,960 | 62,644 | |
| | <u>162,491,988</u> | <u>9,042,829</u> | <u>—</u> | <u>171,534,817</u> | <u>160,347,734</u> | <u>23,890,293</u> |
| | | | | | | |
| | 109,618 | 96,842 | | 206,460 | 3,339,446 | 653,606 |
| | 7,745 | 7,746 | | 15,491 | 139,418 | |
| | 193,428 | 6,968 | | 200,396 | 97,686 | |
| | 654,934 | 19,656 | | 674,590 | 385,670 | 443,198 |
| | 1,981,571 | 592,795 | | 2,574,366 | 7,899,837 | 587,660 |
| | 302,028,657 | 17,592,449 | | 319,621,106 | 109,887,356 | 18,902,882 |
| | 4,294,464 | 49,371 | | 4,343,835 | 875,053 | 779,252 |
| | — | — | | — | 1,787,985 | 1,800,000 |
| | — | 99,771 | | 99,771 | 2,222,470 | 2,385,360 |
| | 229,185 | 226,494 | | 455,679 | 4,080,142 | 500,000 |
| | 91,456 | 7,699 | | 99,155 | 114,509 | |
| | 11,249,107 | 195,103 | | 11,444,210 | 4,575,138 | 612,108 |
| | 221,824 | 221,368 | | 443,192 | 7,439,318 | 4,401,527 |
| | — | — | | — | 39,557 | 39,557 |
| | 322,520 | 20,726 | | 343,246 | 307,081 | 114,307 |
| | <u>321,384,509</u> | <u>19,136,988</u> | <u>—</u> | <u>340,521,497</u> | <u>143,190,666</u> | <u>31,219,457</u> |
| | | | | | | |
| | 955,986 | 318,662 | | 1,274,648 | 7,592,283 | 2,500,000 |
| | 13,168,091 | 611,860 | | 13,779,951 | 11,064,524 | 1,188,676 |
| | — | — | | — | 5,956,701 | 6,306,614 |
| | 205,970 | 157,030 | | 363,000 | 2,614,952 | 1,474,548 |
| | 107,547,403 | 4,131,118 | | 111,678,521 | 71,065,187 | 7,773,530 |
| | <u>121,877,450</u> | <u>5,218,670</u> | <u>—</u> | <u>127,096,120</u> | <u>98,293,647</u> | <u>19,243,368</u> |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|------------------------------------|----------------------|-------------------|-----------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Water | | | | | |
| Dams | 15,665,087 | – | – | | 15,665,087 |
| Mains | 17,910,620 | – | 31,685,980 | | 49,596,600 |
| Meters | 7,346,586 | 66,367 | – | | 7,412,953 |
| Reservoirs | 18,119,338 | 1,116,797 | 1,794,115 | | 21,030,250 |
| Reticulation | 184,216,959 | 3,024,704 | 12,708,774 | | 199,950,437 |
| Treatment Works | 18,850,770 | 4,334,341 | – | | 23,185,111 |
| | <u>262,109,360</u> | <u>8,542,209</u> | <u>46,188,869</u> | <u>–</u> | <u>316,840,438</u> |
| Security | | | | | |
| Access Control Systems | 19,344 | – | 24,566 | | 43,910 |
| Fencing | 1,877,185 | 217,262 | – | | 2,094,447 |
| Lighting | 6,585 | – | – | | 6,585 |
| Security Systems | 280,361 | 8,922 | – | | 289,283 |
| | <u>2,183,475</u> | <u>226,184</u> | <u>24,566</u> | <u>–</u> | <u>2,434,225</u> |
| Total Infrastructure Assets | <u>1,237,893,382</u> | <u>28,703,321</u> | <u>93,662,441</u> | <u>–</u> | <u>1,360,259,144</u> |
| COMMUNITY ASSETS | | | | | |
| Buildings | | | | | |
| Agriculture | 91,954 | – | – | | 91,954 |
| Beachfront Developments | 23,940,839 | 2,352,387 | – | | 26,293,226 |
| Cemeteries | 7,829,120 | 4,237,921 | 120,674 | | 12,187,715 |
| Clinics | 437,685 | 1,149,608 | 1,651,513 | | 3,238,806 |
| Community Centres | 8,698,507 | – | 284,736 | | 8,983,243 |
| Fire Stations | 63,624 | 112,056 | – | | 175,680 |
| Library | 313,594 | – | – | | 313,594 |
| Parks | 6,320,927 | 884,184 | – | | 7,205,111 |
| Public Conveniences | 1,060,073 | – | – | | 1,060,073 |
| Stadiums | 5,559,289 | 3,432,652 | 5,500,000 | | 14,491,941 |
| Zoos | 386,735 | 238,209 | – | | 624,944 |
| | <u>54,702,347</u> | <u>12,407,017</u> | <u>7,556,923</u> | <u>–</u> | <u>74,666,287</u> |
| Recreational Facilities | | | | | |
| Floodlighting | 129,381 | – | – | | 129,381 |
| Outdoor Sports Facilities | 17,768,639 | 43,852 | – | | 17,812,491 |
| Swimming Pools | 4,457,763 | 91,518 | – | | 4,549,281 |
| Tennis Courts | 311,366 | – | – | | 311,366 |
| | <u>22,667,149</u> | <u>135,370</u> | <u>–</u> | <u>–</u> | <u>22,802,519</u> |
| Total Community Assets | <u>77,369,496</u> | <u>12,542,387</u> | <u>7,556,923</u> | <u>–</u> | <u>97,468,806</u> |

| | Accumulated Depreciation | | | | | |
|--|--------------------------|-------------------|-----------|--------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | Budget Additions 2005 |
| | R | R | R | R | R | R |
| | 14,858,023 | 45,266 | | 14,903,289 | 761,798 | |
| | 6,090,311 | 833,402 | | 6,923,713 | 42,672,887 | 34,267,173 |
| | 1,762,944 | 407,135 | | 2,170,079 | 5,242,874 | 110,313 |
| | 13,968,847 | 275,418 | | 14,244,265 | 6,785,985 | 3,272,082 |
| | 135,958,928 | 2,836,223 | | 138,795,151 | 61,155,286 | 17,333,420 |
| | 15,425,398 | 337,990 | | 15,763,388 | 7,421,723 | 4,422,185 |
| | <u>188,064,451</u> | <u>4,735,434</u> | <u>—</u> | <u>192,799,885</u> | <u>124,040,553</u> | <u>59,405,173</u> |
| | 3,869 | 3,869 | | 7,738 | 36,172 | 24,566 |
| | 1,528,582 | 210,511 | | 1,739,093 | 355,354 | 240,654 |
| | 6,585 | — | | 6,585 | — | |
| | 187,877 | 47,134 | | 235,011 | 54,272 | 8,922 |
| | <u>1,726,913</u> | <u>261,514</u> | <u>—</u> | <u>1,988,427</u> | <u>445,798</u> | <u>274,142</u> |
| | <u>795,545,311</u> | <u>38,395,435</u> | <u>—</u> | <u>833,940,746</u> | <u>526,318,398</u> | <u>134,032,433</u> |
| | 4,598 | 4,598 | | 9,196 | 82,758 | |
| | 23,254,564 | 65,235 | | 23,319,799 | 2,973,427 | 4,368,511 |
| | 2,523,005 | 253,509 | | 2,776,514 | 9,411,201 | 4,643,260 |
| | 111,029 | 32,494 | | 143,523 | 3,095,283 | 3,234,535 |
| | 3,353,185 | 276,611 | | 3,629,796 | 5,353,447 | 286,067 |
| | 2,121 | 3,988 | | 6,109 | 169,571 | 129,839 |
| | 265,948 | 2,269 | | 268,217 | 45,377 | |
| | 4,135,318 | 110,077 | | 4,245,395 | 2,959,716 | 1,185,838 |
| | 35,336 | 35,336 | | 70,672 | 989,401 | |
| | 4,559,259 | 98,248 | | 4,657,507 | 9,834,434 | 8,940,384 |
| | 324,661 | 6,111 | | 330,772 | 294,172 | 318,364 |
| | <u>38,569,024</u> | <u>888,476</u> | <u>—</u> | <u>39,457,500</u> | <u>35,208,787</u> | <u>23,106,798</u> |
| | 30,476 | 6,128 | | 36,604 | 92,777 | |
| | 3,166,250 | 765,959 | | 3,932,209 | 13,880,282 | 46,028 |
| | 2,791,105 | 93,919 | | 2,885,024 | 1,664,257 | 138,070 |
| | 90,745 | 11,611 | | 102,356 | 209,010 | |
| | <u>6,078,576</u> | <u>877,617</u> | <u>—</u> | <u>6,956,193</u> | <u>15,846,326</u> | <u>184,098</u> |
| | <u>44,647,600</u> | <u>1,766,093</u> | <u>—</u> | <u>46,413,693</u> | <u>51,055,113</u> | <u>23,290,896</u> |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|-------------------------------|-------------------|-------------------|-----------------------------|-----------|-------------------|
| | R | R | R | R | R |
| OTHER ASSETS | | | | | |
| Other Properties | | | | | |
| Caravan Parks | 822,015 | – | – | – | 822,015 |
| Compost | 182,353 | – | – | – | 182,353 |
| General | – | – | 24,071 | – | 24,071 |
| Hawker Facilities | 308,884 | – | – | – | 308,884 |
| Markets | 143,609 | 214,014 | – | – | 357,623 |
| Nurseries | 478,396 | – | – | – | 478,396 |
| Recycling Centres | 88,619 | 4,954,196 | – | – | 5,042,815 |
| Tip Sites | 41,732,980 | 5,406,537 | 104,764 | – | 47,244,281 |
| Training Centres | 160,331 | – | – | – | 160,331 |
| Waste Cells | – | 2,899,842 | – | – | 2,899,842 |
| | <u>43,917,187</u> | <u>13,474,589</u> | <u>128,835</u> | <u>–</u> | <u>57,520,611</u> |
| Plant and Equipment | | | | | |
| Chlorination Equipment | 87,765 | – | – | – | 87,765 |
| Compactors | 5,384,468 | – | – | – | 5,384,468 |
| Compressors | 1,722,723 | – | – | – | 1,722,723 |
| Cremators | 148,851 | – | – | – | 148,851 |
| Electronic Equipment | 1,000,000 | 128,948 | – | – | 1,128,948 |
| Fire Hoses | – | 27,627 | – | – | 27,627 |
| General | 494,658 | 17,417 | – | – | 512,075 |
| Generators | 122,807 | 163,722 | – | – | 286,529 |
| Horticultural Equipment | 498,824 | 1,147,402 | – | – | 1,646,226 |
| Laboratory Equipment | 210,659 | – | – | – | 210,659 |
| Mobile Pumps | 11,671 | – | – | – | 11,671 |
| Other Fire Fighting Equipment | – | 51,388 | – | – | 51,388 |
| Pumps | 2,645,948 | – | – | – | 2,645,948 |
| Radio Equipment | – | 387,949 | – | – | 387,949 |
| Telecommunication Equipment | – | 616,205 | – | – | 616,205 |
| Tractors | – | 1,186,780 | – | – | 1,186,780 |
| Trailers | – | 117,000 | – | – | 117,000 |
| Watercraft | – | 117,434 | – | – | 117,434 |
| Workshop Equipment | – | 575,474 | – | – | 575,474 |
| | <u>12,328,374</u> | <u>4,537,346</u> | <u>–</u> | <u>–</u> | <u>16,865,720</u> |
| Office Equipment | | | | | |
| Air Conditioners | – | 438,707 | – | – | 438,707 |
| Computer Hardware | 3,311,271 | 4,297,868 | 1,329,300 | – | 8,920,439 |
| Computer Software | 12,850,924 | 1,103,181 | – | – | 13,954,105 |
| Office Machines | 465,116 | 677,708 | – | – | 1,142,824 |
| | <u>16,627,311</u> | <u>6,499,464</u> | <u>1,329,300</u> | <u>–</u> | <u>24,456,075</u> |
| Furniture and Fittings | | | | | |
| Cabinets and Cupboards | 34,205 | 96,229 | – | – | 130,434 |
| General | 10,266 | 11,271 | – | – | 21,537 |
| Tables and Desks | – | 116,547 | 11,898 | – | 128,445 |
| | <u>44,471</u> | <u>224,047</u> | <u>11,898</u> | <u>–</u> | <u>280,416</u> |

| | Accumulated Depreciation | | | | | |
|--|--------------------------|------------------|-----------|-------------------|-------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | Budget Additions 2005 |
| | R | R | R | R | R | R |
| | 479,623 | 15,563 | | 495,186 | 326,829 | |
| | 9,118 | 9,118 | | 18,236 | 164,117 | |
| | | | | – | 24,071 | 24,071 |
| | 18,258 | 15,296 | | 33,554 | 275,330 | |
| | 4,787 | 8,354 | | 13,141 | 344,482 | 259,326 |
| | 21,657 | 15,946 | | 37,603 | 440,793 | |
| | 4,431 | 87,001 | | 91,432 | 4,951,383 | 4,998,218 |
| | 4,671,186 | 1,435,548 | | 6,106,734 | 41,137,547 | 5,531,953 |
| | 26,722 | 5,344 | | 32,066 | 128,265 | |
| | – | 48,331 | | 48,331 | 2,851,511 | 2,920,446 |
| | <u>5,235,782</u> | <u>1,640,501</u> | <u>–</u> | <u>6,876,283</u> | <u>50,644,328</u> | <u>13,734,014</u> |
| | 65,439 | 17,553 | | 82,992 | 4,773 | |
| | 1,740,074 | 362,864 | | 2,102,938 | 3,281,530 | |
| | 344,545 | 344,545 | | 689,090 | 1,033,633 | |
| | 39,694 | 9,923 | | 49,617 | 99,234 | |
| | 200,000 | 212,895 | | 412,895 | 716,053 | 141,716 |
| | – | 2,763 | | 2,763 | 24,864 | 28,788 |
| | 224,129 | 100,673 | | 324,802 | 187,273 | 248,492 |
| | 8,187 | 24,559 | | 32,746 | 253,783 | 263,815 |
| | 486,056 | 117,932 | | 603,988 | 1,042,238 | 1,435,308 |
| | 42,132 | 42,132 | | 84,264 | 126,395 | |
| | 2,334 | 2,334 | | 4,668 | 7,003 | |
| | – | 2,569 | | 2,569 | 48,819 | 52,682 |
| | 1,301,031 | 146,776 | | 1,447,807 | 1,198,141 | |
| | – | 38,795 | | 38,795 | 349,154 | 414,000 |
| | – | 61,620 | | 61,620 | 554,585 | 660,083 |
| | – | 59,339 | | 59,339 | 1,127,441 | 1,227,598 |
| | – | 11,700 | | 11,700 | 105,300 | 117,000 |
| | – | 3,914 | | 3,914 | 113,520 | 117,550 |
| | – | 57,547 | | 57,547 | 517,927 | 587,881 |
| | <u>4,453,621</u> | <u>1,620,433</u> | <u>–</u> | <u>6,074,054</u> | <u>10,791,666</u> | <u>5,294,913</u> |
| | – | 43,871 | | 43,871 | 394,836 | 550,516 |
| | 1,618,588 | 1,124,854 | | 2,743,442 | 6,176,997 | 7,622,492 |
| | 6,691,734 | 3,263,458 | | 9,955,192 | 3,998,913 | 3,895,043 |
| | 170,037 | 158,835 | | 328,872 | 813,952 | 691,769 |
| | <u>8,480,359</u> | <u>4,591,018</u> | <u>–</u> | <u>13,071,377</u> | <u>11,384,698</u> | <u>12,759,820</u> |
| | 4,886 | 11,760 | | 16,646 | 113,788 | 103,434 |
| | 1,467 | 2,593 | | 4,060 | 17,477 | 11,271 |
| | – | 8,325 | | 8,325 | 120,120 | 146,303 |
| | <u>6,353</u> | <u>22,678</u> | <u>–</u> | <u>29,031</u> | <u>251,385</u> | <u>261,008</u> |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|---------------------------|----------------------|-------------------|-----------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Motor Vehicles | | | | | |
| Fire Engines | 2,878,798 | – | 1,317,263 | | 4,196,061 |
| Mobile Libraries | 41,568 | – | – | | 41,568 |
| Motor Vehicles | 4,947,566 | 894,678 | – | | 5,842,244 |
| Tankers | 434,870 | – | – | | 434,870 |
| Trucks and Bakkies | 2,737,447 | 10,309,232 | – | | 13,046,679 |
| | <u>11,040,249</u> | <u>11,203,910</u> | <u>1,317,263</u> | <u>–</u> | <u>23,561,422</u> |
| Capital leases | | | | | |
| Motor Vehicles | 7,194,234 | – | – | | 7,194,234 |
| | <u>7,194,234</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>7,194,234</u> |
| General | | | | | |
| Planning | – | – | 2,286,846 | | 2,286,846 |
| | <u>–</u> | <u>–</u> | <u>2,286,846</u> | <u>–</u> | <u>2,286,846</u> |
| Total Other Assets | <u>91,151,826</u> | <u>35,939,356</u> | <u>5,074,142</u> | <u>–</u> | <u>132,165,324</u> |
| TOTAL | <u>1,771,663,524</u> | <u>83,605,593</u> | <u>106,293,506</u> | <u>–</u> | <u>1,961,562,623</u> |

segmental analysis of property, plant and equipment

AT 30 JUNE 2005 – APPENDIX C

| Description | Opening Balance | Additions | Historical Cost Under Construction | Disposals | Closing Balance |
|-------------------------------|----------------------|-------------------|---------------------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Executive and Council | 4,861,365 | 2,507,415 | – | – | 7,368,780 |
| Finance and Administration | 373,310,763 | 7,929,811 | 2,344,193 | – | 383,584,768 |
| Planning and Development | 22,761,919 | 1,912,638 | 2,120,331 | – | 26,794,889 |
| Health | 1,560,898 | 2,730,814 | 1,651,513 | – | 5,943,225 |
| Community and Social Services | 18,094,811 | 7,300,350 | 5,620,674 | – | 31,015,834 |
| Housing | 142,500 | 1,343,232 | – | – | 1,485,732 |
| Public Safety | 7,398,684 | 2,914,146 | 3,129,319 | – | 13,442,149 |
| Sport and Recreation | 54,150,625 | 1,704,068 | – | – | 55,854,693 |
| Road Transport | 431,092,034 | 5,619,620 | 15,941,359 | – | 452,653,014 |
| Environmental Protection | 6,479,035 | 6,442,724 | – | – | 12,921,760 |
| Water | 271,278,467 | 10,776,962 | 50,449,089 | – | 332,504,518 |
| Waste Management | 200,008,186 | 5,498,046 | 7,854,727 | – | 213,360,959 |
| Electricity | 329,818,467 | 7,610,298 | 17,065,322 | – | 354,494,086 |
| Other | 50,705,770 | 19,315,469 | 116,979 | – | 70,138,218 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| TOTALS | <u>1,771,663,524</u> | <u>83,605,593</u> | <u>106,293,506</u> | <u>–</u> | <u>1,961,562,623</u> |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--|--------------------------|-------------------|-----------|----------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| | 143,940 | 143,940 | | 287,880 | 3,908,181 | 2,536,454 |
| | 4,157 | 4,157 | | 8,314 | 33,254 | |
| | 1,468,991 | 959,112 | | 2,428,103 | 3,414,141 | 907,813 |
| | 28,991 | 28,991 | | 57,982 | 376,888 | |
| | 391,064 | 1,421,987 | | 1,813,051 | 11,233,628 | 11,101,881 |
| | <u>2,037,143</u> | <u>2,558,187</u> | <u>—</u> | <u>4,595,330</u> | <u>18,966,092</u> | <u>14,546,148</u> |
| | 5,991,408 | 865,462 | | 6,856,870 | 337,364 | |
| | <u>5,991,408</u> | <u>865,462</u> | <u>—</u> | <u>6,856,870</u> | <u>337,364</u> | <u>—</u> |
| | — | — | | — | 2,286,846 | 4,382,040 |
| | — | — | | — | 2,286,846 | 4,382,040 |
| | <u>26,204,666</u> | <u>11,298,279</u> | <u>—</u> | <u>37,502,945</u> | <u>94,662,379</u> | <u>50,977,943</u> |
| | <u>1,029,839,398</u> | <u>59,375,953</u> | <u>—</u> | <u>1,089,215,351</u> | <u>872,347,272</u> | <u>214,942,183</u> |

| Description | Accumulated Depreciation | | | | | Carrying Value |
|-------------------------------|--------------------------|-------------------|-----------|----------------------|--------------------|----------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| Executive and Council | 1,044,107 | 1,042,470 | — | 2,086,577 | 5,282,203 | |
| Finance and Administration | 164,978,641 | 10,308,272 | — | 175,286,912 | 208,297,856 | |
| Planning and Development | 4,204,358 | 2,293,166 | — | 6,497,524 | 20,297,365 | |
| Health | 506,836 | 290,267 | — | 797,104 | 5,146,121 | |
| Community and Social Services | 7,651,909 | 710,075 | — | 8,361,984 | 22,653,850 | |
| Housing | 20,357 | 53,938 | — | 74,295 | 1,411,437 | |
| Public Safety | 3,138,488 | 743,199 | — | 3,881,687 | 9,560,462 | |
| Sport and Recreation | 34,597,483 | 1,226,230 | — | 35,823,712 | 20,030,981 | |
| Road Transport | 307,210,394 | 18,730,318 | — | 325,940,712 | 126,712,301 | |
| Environmental Protection | 5,244,673 | 353,360 | — | 5,598,032 | 7,323,727 | |
| Water | 191,116,332 | 6,034,533 | — | 197,150,864 | 135,353,653 | |
| Waste Management | 122,235,701 | 4,962,771 | — | 127,198,472 | 86,162,487 | |
| Electricity | 178,909,138 | 9,904,054 | — | 188,813,192 | 165,680,894 | |
| Other | 8,980,982 | 2,723,300 | — | 11,704,282 | 58,433,937 | |
| | — | — | — | — | — | — |
| TOTALS | <u>1,029,839,398</u> | <u>59,375,953</u> | <u>—</u> | <u>1,089,215,351</u> | <u>872,347,272</u> | |

segmental statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005 – APPENDIX D

| 2004 Actual Income | 2004 Actual Expenditure | 2004 Surplus/(Deficit) | | 2005 Actual Income | 2005 Actual Expenditure | 2005 Surplus/(Deficit) |
|-----------------------|----------------------------|---------------------------|----------------------------------|-----------------------|----------------------------|---------------------------|
| R | R | R | | R | R | R |
| 4,788,650 | 15,283,889 | (10,495,239) | Executive Mayor | 787,622 | 20,931,442 | (20,143,820) |
| 308,353 | 13,925,097 | (13,616,744) | City Manager | 20,949,215 | 21,308,402 | (359,187) |
| 363,368,466 | 155,672,612 | 207,695,854 | Finance | 425,942,020 | 158,700,405 | 267,241,615 |
| 3,774,781 | 150,900,032 | (147,125,251) | Corporate Services | 29,864,839 | 102,774,739 | (72,909,900) |
| 648,112,014 | 639,858,164 | 8,253,850 | Engineering Services | 782,551,552 | 730,099,579 | 52,451,973 |
| 16,156,637 | 53,897,551 | (37,740,914) | Planning and Econ. Dev | 82,288,903 | 118,508,104 | (36,219,201) |
| 168,955,461 | 277,189,028 | (108,233,567) | Social Services | 203,941,878 | 336,297,484 | (132,355,606) |
| <u>1,205,464,362</u> | <u>1,306,726,373</u> | <u>(101,262,011)</u> | Sub–Total | <u>1,546,326,029</u> | <u>1,488,620,155</u> | <u>57,705,874</u> |
| – | (120,327,759) | 120,327,759 | Less: Inter–Departmental charges | – | (122,126,002) | 122,126,002 |
| <u>1,205,464,362</u> | <u>1,186,398,614</u> | <u>19,065,748</u> | TOTAL | <u>1,546,326,029</u> | <u>1,366,494,153</u> | <u>179,831,876</u> |

actual vs budget (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2005 – APPENDIX E

| | Actual 2005 | Budget 2005 | Variance | Variance |
|--|----------------------|----------------------|----------------------|----------|
| | R | R | R | % |
| REVENUE | | | | |
| Property Rates | 255,438,589 | 250,954,192 | (4,484,397) | 2 |
| Service Charges | 721,508,092 | 714,784,232 | (6,723,860) | 1 |
| Rental of Facilities and Equipment | 9,406,209 | 8,530,802 | (875,407) | 10 |
| Interest Earned – External Investments | 27,425,116 | 10,020 | (27,415,096) | – |
| Interest Earned – Outstanding Debtors | 30,127,445 | 36,784,119 | 6,656,674 | (18) |
| Fines | 9,558,805 | 5,919,653 | (3,639,152) | 61 |
| Government Grants and Subsidies | 417,153,874 | 247,754,984 | (169,398,890) | 68 |
| Licences and Permits | 11,996,458 | 11,817,141 | (179,317) | 2 |
| Other Income | 59,770,026 | 261,010,823 | 201,240,797 | (77) |
| Gains on Disposal of Property, Plant and Equipment | 3,941,415 | – | (3,941,415) | – |
| Total Revenue | 1,546,326,029 | 1,537,565,966 | (8,760,063) | |
| EXPENDITURE | | | | |
| Employee Related Costs | 437,748,967 | 448,762,755 | 11,013,788 | (2) |
| Remuneration of Councillors | 11,881,867 | 12,987,130 | 1,105,263 | (9) |
| Bad Debts | 80,619,038 | 61,950,000 | (18,669,038) | 30 |
| Collection Costs | 4,418,170 | 5,040,338 | 622,168 | (12) |
| Depreciation | 59,375,953 | 159,418,097 | 100,042,144 | (63) |
| Repairs and Maintenance | 72,000,699 | 76,197,898 | 4,197,199 | (6) |
| Interest on External Borrowings | 57,429,624 | – | (57,429,624) | – |
| Bulk Purchases | 278,789,047 | 283,624,226 | 4,835,179 | (2) |
| Contracted Services | 3,376,643 | 4,617,101 | 1,240,458 | (27) |
| Grants and Subsidies Paid | 3,427,084 | 3,862,233 | 435,149 | (11) |
| General Expenses – Other | 344,284,230 | 313,645,725 | (30,638,505) | 10 |
| Contributions to Provisions | 13,142,831 | 167,218,754 | 154,075,923 | (92) |
| Total Expenditure | 1,366,494,153 | 1,537,324,257 | 170,830,104 | |
| NET SURPLUS FOR THE YEAR | 179,831,876 | 241,709 | (179,590,167) | |

actual vs budget (AQUISITION OF PROPERTY, PLANT & EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2005 – APPENDIX F

| | 2005 Actual | 2005 Under Construction | 2005 Total Additions | 2005 Budget | 2005 Variance | 2005 Variance |
|---------------------------------|------------------|----------------------------|-------------------------|-------------------|--------------------|------------------|
| | R | R | R | R | R | % |
| LAND AND BUILDINGS | | | | | | |
| Land | 3,251,032 | – | 3,251,032 | 3,985,285 | (734,252) | (18) |
| Buildings | 3,169,497 | – | 3,169,497 | 2,655,626 | 513,871 | 19 |
| Total Land and Buildings | 6,420,529 | – | 6,420,529 | 6,640,911 | (220,381) | (3) |
| INFRASTRUCTURE ASSETS | | | | | | |
| Electricity | | | | | | |
| Festive Lighting | – | – | – | – | – | – |
| Load Control Equipment | – | – | – | – | – | – |
| Mains | – | – | – | – | – | – |
| Meters | 1,652,356 | – | 1,652,356 | 1,657,766 | (5,410) | (0) |
| Reticulation | 3,981,772 | 14,438,091 | 18,419,863 | 19,605,296 | (1,185,433) | (6) |
| Substations | – | 2,627,231 | 2,627,231 | 2,627,231 | – | – |
| Transformer Kiosks | – | – | – | – | – | – |
| | 5,634,128 | 17,065,322 | 22,699,450 | 23,890,293 | (1,190,843) | (5) |
| Roads | | | | | | |
| Bridges, Subways and Culverts | – | 628,038 | 628,038 | 653,606 | (25,568) | (4) |
| Bus Terminals | – | – | – | – | – | – |
| Car Parks | – | – | – | – | – | – |
| Guidance Signs | 393,110 | 12,216 | 405,326 | 443,198 | (37,873) | (9) |
| Motorways | – | 527,178 | 527,178 | 587,660 | (60,482) | (10) |
| Other Roads | 2,472,434 | 12,818,781 | 15,291,215 | 18,902,882 | (3,611,668) | (19) |
| Parking Areas | 777,424 | – | 777,424 | 779,252 | (1,828) | (0) |
| Parking Meters | – | 1,787,985 | 1,787,985 | 1,800,000 | (12,015) | (1) |
| Pedestrian Facilities | 1,995,426 | 326,815 | 2,322,241 | 2,385,360 | (63,119) | (3) |
| Sidewalks | 500,000 | – | 500,000 | 500,000 | – | – |
| Stormwater Drains | – | – | – | – | – | – |
| Street Lighting | 609,803 | – | 609,803 | 612,108 | (2,305) | (0) |
| Taxi Facilities | 2,013,902 | 2,281,773 | 4,295,675 | 4,401,527 | (105,853) | (2) |
| Traffic Islands | – | 39,557 | 39,557 | 39,557 | – | – |
| Traffic Lights | 112,989 | – | 112,989 | 114,307 | (1,318) | (1) |
| | 8,875,088 | 18,422,343 | 27,297,431 | 31,219,458 | (3,922,027) | (13) |
| Sewerage | | | | | | |
| Outfall Sewers | – | 2,493,693 | 2,493,693 | 2,500,000 | (6,307) | (0) |
| Purification Works | 1,118,665 | – | 1,118,665 | 1,188,676 | (70,011) | (6) |
| Sewer Mains | – | 5,956,701 | 5,956,701 | 6,306,614 | (349,913) | (6) |
| Sewerage Pumps | 1,245,005 | – | 1,245,005 | 1,474,548 | (229,543) | (16) |
| Sewers | 3,062,042 | 3,510,947 | 6,572,989 | 7,773,530 | (1,200,541) | (15) |
| | 5,425,712 | 11,961,341 | 17,387,053 | 19,243,368 | (1,856,315) | (10) |

| | 2005 Actual | 2005 Under Construction | 2005 Total Additions | 2005 Budget | 2005 Variance | 2005 Variance |
|------------------------------------|-------------------|----------------------------|-------------------------|--------------------|---------------------|------------------|
| | R | R | R | R | R | % |
| Water | | | | | | |
| Dams | – | – | – | – | – | – |
| Mains | – | 31,685,980 | 31,685,980 | 34,267,173 | (2,581,194) | (8) |
| Meters | 66,367 | – | 66,367 | 110,313 | (43,946) | (40) |
| Reservoirs | 1,116,797 | 1,794,115 | 2,910,912 | 3,272,082 | (361,170) | (11) |
| Reticulation | 3,024,704 | 12,708,774 | 15,733,478 | 17,333,420 | (1,599,942) | (9) |
| Treatment Works | 4,334,341 | – | 4,334,341 | 4,422,185 | (87,845) | (2) |
| | <u>8,542,209</u> | <u>46,188,869</u> | <u>54,731,078</u> | <u>59,405,173</u> | <u>(4,674,097)</u> | <u>(8)</u> |
| Security | | | | | | |
| Access Control Systems | – | 24,566 | 24,566 | 24,566 | – | – |
| Fencing | 217,262 | – | 217,262 | 240,654 | (23,392) | (10) |
| Lighting | – | – | – | – | – | – |
| Security Systems | 8,922 | – | 8,922 | 8,922 | – | – |
| | <u>226,184</u> | <u>24,566</u> | <u>250,750</u> | <u>274,142</u> | <u>(23,392)</u> | <u>(9)</u> |
| Total Infrastructure Assets | <u>28,703,320</u> | <u>93,662,441</u> | <u>122,365,762</u> | <u>134,032,433</u> | <u>(11,666,675)</u> | <u>(9)</u> |
| COMMUNITY ASSETS | | | | | | |
| Buildings | | | | | | |
| Agriculture | – | – | – | – | – | – |
| Beachfront Developments | 2,352,387 | – | 2,352,387 | 4,368,511 | (2,016,124) | (46) |
| Cemeteries | 4,237,921 | 120,674 | 4,358,595 | 4,643,260 | (284,665) | (6) |
| Clinics | 1,149,608 | 1,651,513 | 2,801,121 | 3,234,535 | (433,415) | (13) |
| Community Centres | – | 284,736 | 284,736 | 286,067 | (1,331) | (0) |
| Fire Stations | 112,056 | – | 112,056 | 129,839 | (17,783) | (14) |
| Library | – | – | – | – | – | – |
| Parks | 884,184 | – | 884,184 | 1,185,838 | (301,654) | (25) |
| Public Conveniences | – | – | – | – | – | – |
| Stadiums | 3,432,652 | 5,500,000 | 8,932,652 | 8,940,384 | (7,732) | (0) |
| Zoos | 238,209 | – | 238,209 | 318,364 | (80,155) | (25) |
| | <u>12,407,017</u> | <u>7,556,923</u> | <u>19,963,940</u> | <u>23,106,798</u> | <u>(3,142,859)</u> | <u>(14)</u> |
| Recreational Facilities | | | | | | |
| Floodlighting | – | – | – | – | – | – |
| Outdoor Sports Facilities | 43,852 | – | 43,852 | 46,028 | (2,176) | (5) |
| Swimming Pools | 91,518 | – | 91,518 | 138,070 | (46,551) | (34) |
| Tennis Courts | – | – | – | – | – | – |
| | <u>135,370</u> | <u>–</u> | <u>135,370</u> | <u>184,097</u> | <u>(48,728)</u> | <u>(26)</u> |
| Total Community Assets | <u>12,542,387</u> | <u>7,556,923</u> | <u>20,099,310</u> | <u>23,290,895</u> | <u>(3,191,586)</u> | <u>(14)</u> |

| | 2005 Actual | 2005 Under Construction | 2005 Total Additions | 2005 Budget | 2005 Variance | 2005 Variance |
|-------------------------------|-------------------|----------------------------|-------------------------|-------------------|--------------------|------------------|
| | R | R | R | R | R | % |
| OTHER ASSETS | | | | | | |
| Other Properties | | | | | | |
| Caravan Parks | – | – | – | – | – | – |
| Compost | – | – | – | – | – | – |
| General | – | 24,071 | 24,071 | 24,071 | – | – |
| Hawker Facilities | – | – | – | – | – | – |
| Markets | 214,014 | – | 214,014 | 259,326 | (45,312) | (17) |
| Nurseries | – | – | – | – | – | – |
| Recycling Centres | 4,954,196 | – | 4,954,196 | 4,998,218 | (44,022) | (1) |
| Tip Sites | 5,406,537 | 104,764 | 5,511,301 | 5,531,953 | (20,652) | (0) |
| Training Centres | – | – | – | – | – | – |
| Waste Cells | 2,899,842 | – | 2,899,842 | 2,920,446 | (20,604) | (1) |
| | 13,474,589 | 128,835 | 13,603,424 | 13,734,013 | (130,590) | (1) |
| Plant and Equipment | | | | | | |
| Chlorination Equipment | – | – | – | – | – | – |
| Compactors | – | – | – | – | – | – |
| Compressors | – | – | – | – | – | – |
| Cremators | – | – | – | – | – | – |
| Electronic Equipment | 128,948 | – | 128,948 | 141,716 | (12,767) | (9) |
| Fire Hoses | 27,627 | – | 27,627 | 28,788 | (1,162) | (4) |
| General | 17,417 | – | 17,417 | 248,492 | (231,075) | (93) |
| Generators | 163,722 | – | 163,722 | 263,815 | (100,093) | (38) |
| Horticultural Equipment | 1,147,402 | – | 1,147,402 | 1,435,308 | (287,906) | (20) |
| Laboratory Equipment | – | – | – | – | – | – |
| Mobile Pumps | – | – | – | – | – | – |
| Other Fire Fighting Equipment | 51,388 | – | 51,388 | 52,682 | (1,295) | (2) |
| Pumps | – | – | – | – | – | – |
| Radio Equipment | 387,949 | – | 387,949 | 414,000 | (26,051) | (6) |
| Telecommunication Equipment | 616,205 | – | 616,205 | 660,083 | (43,878) | (7) |
| Tractors | 1,186,780 | – | 1,186,780 | 1,227,598 | (40,818) | (3) |
| Trailers | 117,000 | – | 117,000 | 117,000 | – | – |
| Watercraft | 117,434 | – | 117,434 | 117,550 | (116) | (0) |
| Workshop Equipment | 575,474 | – | 575,474 | 587,881 | (12,407) | (2) |
| | 4,537,346 | – | 4,537,346 | 5,294,913 | (757,568) | (14) |
| Office Equipment | | | | | | |
| Air Conditioners | 438,707 | – | 438,707 | 550,516 | (111,808) | (20) |
| Computer Hardware | 4,279,868 | 1,329,300 | 5,609,168 | 7,622,492 | (2,013,324) | (26) |
| Computer Software | 1,103,181 | – | 1,103,181 | 3,895,043 | (2,791,861) | (72) |
| Office Machines | 677,708 | – | 677,708 | 691,769 | (14,061) | (2) |
| | 6,499,464 | 1,329,300 | 7,828,764 | 12,759,820 | (4,931,055) | (39) |
| Furniture and Fittings | | | | | | |
| Cabinets and Cupboards | 96,229 | – | 96,229 | 103,434 | (7,206) | (7) |
| General | 11,271 | – | 11,271 | 11,271 | – | – |
| Tables and Desks | 116,547 | 11,898 | 128,445 | 146,303 | (17,859) | (12) |
| | 224,047 | 11,898 | 235,945 | 261,008 | (25,065) | (10) |

| | 2005 Actual | 2005 Under Construction | 2005 Total Additions | 2005 Budget | 2005 Variance | 2005 Variance |
|---------------------------|-------------------|----------------------------|-------------------------|--------------------|---------------------|------------------|
| | R | R | R | R | R | % |
| Motor Vehicles | | | | | | |
| Fire Engines | – | 1,317,263 | 1,317,263 | 2,536,454 | (1,219,191) | (48) |
| Mobile Libraries | – | – | – | – | – | – |
| Motor Vehicles | 894,678 | – | 894,678 | 907,813 | (13,135) | (1) |
| Tankers | – | – | – | – | – | – |
| Trucks and Bakkies | 10,309,232 | – | 10,309,232 | 11,101,881 | (792,651) | (7) |
| | <u>11,203,910</u> | <u>1,317,263</u> | <u>12,521,173</u> | <u>14,546,148</u> | <u>(2,024,976)</u> | <u>(14)</u> |
| Capital Leases | | | | | | |
| Motor Vehicles | – | – | – | – | – | – |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| General | | | | | | |
| Planning | – | 2,286,846 | 2,286,846 | 4,382,040 | (2,095,194) | (48) |
| | <u>–</u> | <u>2,286,846</u> | <u>2,286,846</u> | <u>4,382,040</u> | <u>(2,095,194)</u> | <u>(48)</u> |
| Total Other Assets | <u>35,939,356</u> | <u>5,074,141</u> | <u>41,013,500</u> | <u>50,977,943</u> | <u>(9,964,447)</u> | <u>(20)</u> |
| TOTAL | <u>83,605,593</u> | <u>106,293,506</u> | <u>189,899,098</u> | <u>214,942,182</u> | <u>(25,043,090)</u> | <u>(12)</u> |

conditional grants and receipts

AT 30 JUNE 2005 – APPENDIX G

| | Unspent Balance | Current Years | Interest | Transfer to Revenue Operating | Transfer to Revenue Capital | | Unspent Balance |
|--|--------------------|--------------------|------------------|-------------------------------------|-----------------------------------|------------------|--------------------|
| | 1-Jul-2004 | RECEIPTS | ALLOCATED | EXPENDITURE | EXPENDITURE | TRANSFERS | 30-Jun-2005 |
| NATIONAL GOVERNMENT | | | | | | | |
| Transitional Grant | 273,103 | – | 10,488 | (193,342) | – | – | 90,249 |
| Financial Management Grant | 1,592,467 | 2,500,000 | 155,359 | (1,696,529) | – | – | 2,551,297 |
| Land Affairs | 44,721,942 | – | 3,460,570 | (1,814) | (332,679) | – | 47,848,019 |
| Restructuring Grant | 31,087,344 | 20,000,000 | 2,394,606 | (13,623,189) | (5,216,207) | – | 34,642,554 |
| IMEP | 4,302,449 | 8,998,947 | – | (9,170) | (10,845,766) | (2,446,460) | – |
| CMIP | 441,046 | 80,199,856 | – | (2,960,686) | (75,791,231) | – | 1,888,985 |
| MSIG | 500,000 | – | – | – | – | – | 500,000 |
| KWT:Grants Government | 2,053 | – | – | – | – | – | 2,053 |
| Project Consolidated- Billing System-MSIG | – | 2,000,000 | 56,001 | (492,487) | (51,711) | – | 1,511,803 |
| Equitable Share Grant | – | 12,189,000 | – | (286,447) | (6,651,485) | 3,878,594 | 9,129,662 |
| Energy Efficient Technology | – | 5,561,037 | – | (41,076) | – | – | 5,519,961 |
| Dwaf Funded Projects-Sewerage | – | 1,145,301 | – | (249,981) | – | – | 895,320 |
| Dwaf Funded Projects-Water | – | 2,142,797 | – | (1,451,100) | (1,059,995) | 368,298 | – |
| | <u>82,920,403</u> | <u>134,736,938</u> | <u>6,077,024</u> | <u>(21,005,821)</u> | <u>(99,949,074)</u> | <u>1,800,432</u> | <u>104,579,903</u> |
| PROVINCIAL GOVERNMENT | | | | | | | |
| Gompo Survey | 157,672 | – | 10,854 | (20,143) | – | – | 148,383 |
| Upgrade Watersupply | 17,816 | – | 1,253 | – | – | – | 19,069 |
| Mdantsane Upgrade - Water & Sewerage | 557,049 | – | 39,171 | – | – | – | 596,220 |
| Local Government Housing | 18,905,066 | 35,782,999 | 783,463 | (45,151,233) | (2,878,893) | 2,558,312 | 9,999,714 |
| Compost Waste Management | 44,943 | – | 3,161 | – | – | – | 48,104 |
| Disaster Relief Fund | 3,703,743 | 1,000,000 | 200,364 | (1,021,538) | (53,417) | – | 3,829,152 |
| Local Economic Development Fund | 2,632,097 | 200,000 | – | – | – | – | 2,832,097 |
| Map Preparation & Planning | 70,693 | – | 4,971 | – | – | – | 75,664 |
| Gompo & Mdantsane Art Centres | 330,000 | – | 23,130 | – | – | – | 353,130 |
| Environmental Project John Dube | 102,669 | – | 7,220 | – | – | – | 109,889 |
| Pilot Housing Project | 132,444 | – | 9,313 | – | – | – | 141,757 |
| Reeston Development - Land Affairs | 3,264,291 | – | 231,358 | – | – | – | 3,495,649 |
| Leiden Trust Account - Redevelop Duncan Village | 162,000 | – | 11,392 | – | – | – | 173,392 |
| Mdantsane Urban Renewal Project (Mnt Ruth Node) | 5,000,000 | – | 336,852 | – | (506,527) | – | 4,830,325 |
| Ikhwezi Block 1 Development | 296,371 | – | 16,320 | (6,156) | (214,190) | – | 92,345 |
| Mdantsane Upgrade - MD/PD:Area Planning | 105,273 | – | 7,402 | – | – | – | 112,675 |
| Mdantsane Upgrade - PD: Survey | 4,500 | – | 317 | – | – | – | 4,817 |
| Mdantsane Upgrade - MD Assessment Study | 92,838 | – | 6,528 | – | – | – | 99,366 |
| Provincial Government carried forward | 35,579,465 | 36,982,999 | 1,693,069 | (46,199,070) | (3,653,027) | 2,558,312 | 26,961,748 |
| Provincial Government brought forward | 35,579,465 | 36,982,999 | 1,693,069 | (46,199,070) | (3,653,027) | 2,558,312 | 26,961,748 |
| Mdantsane Upgrade - Art Centre | 55,959 | – | 3,708 | (6,630) | – | – | 53,037 |
| Planning and Map Preparation | 324,156 | – | 20,903 | – | (160,634) | – | 184,425 |
| Upgrade Kwaklifu Settlement - Phakamisa | 111,430 | – | 7,836 | – | – | – | 119,266 |

| | Unspent Balance | Current Years | Interest | Transfer to Revenue Operating | Transfer to Revenue Capital | | Unspent Balance |
|---|--------------------|--------------------|------------------|-------------------------------------|-----------------------------------|------------------|--------------------|
| | 1-Jul-2004 | RECEIPTS | ALLOCATED | EXPENDITURE | EXPENDITURE | TRANSFERS | 30-Jun-2005 |
| Upgrade Mdantsane Buffer Strip - Phase | 67,891 | 400,000 | 10,301 | - | (481,418) | 3,226 | - |
| Potsdam Village - Plan Survey & Upgrade | 226,369 | - | 14,698 | (4,432) | (203,229) | - | 33,406 |
| Ilitha Informal Settlement Upgrade | 80,626 | - | 5,670 | - | - | - | 86,296 |
| Kwa Tshatshu Settlement Upgrade - Zwelitsh | 31,897 | - | 2,243 | - | - | - | 34,140 |
| Mdantsane Human Settlement Program | 38,597 | - | 2,714 | - | - | - | 41,311 |
| Planning Kanana Settlement | - | 20,000 | 231 | - | - | - | 20,231 |
| Kwa Tshatshu Survey | - | 350,000 | 4,040 | - | - | - | 354,040 |
| Mahlangu Village :Panning and Survey | - | 33,385 | 385 | - | - | - | 33,770 |
| Mdantsane Infill Areas:Planning and Survey | - | 194,400 | 2,244 | - | - | - | 196,644 |
| Phakamisa Clifton PH2:Bongweni:Plan and Survey | - | 220,500 | 2,546 | - | - | - | 223,046 |
| Health Management System | - | 141,359 | 871 | - | - | - | 142,230 |
| Aids Training and Info Centre-ATIC | - | 2,214,387 | - | (2,021,555) | - | - | 192,832 |
| | 36,516,390 | 40,557,030 | 1,771,459 | (48,231,687) | (4,498,308) | 2,561,538 | 28,676,422 |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | 119,436,793 | 175,293,968 | 7,848,483 | (69,237,508) | (104,447,382) | 4,361,970 | 133,256,325 |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | |
| ADM Funding | 624 | 19,202,607 | - | (8,202,654) | (17,439,654) | 7,078,786 | 639,709 |
| CIP/IDZ Funding | - | 2,395,096 | 37,666 | - | (1,850,088) | (582,674) | - |
| BCMET Funding | 884,978 | 4,346,424 | - | (6,121,795) | (900,000) | 1,790,393 | - |
| Public Funding | 940,681 | 757,460 | - | (374,398) | (32,660) | - | 1,291,083 |
| DBSA | - | 4,114,542 | - | (3,275,834) | (241,120) | (597,588) | - |
| SIDA Development Trust | 915,578 | 9,606,834 | 457,483 | (3,207,917) | (693,176) | - | 7,078,802 |
| SETA Fund | 1,369,458 | 2,636,009 | 85,668 | (1,083,221) | - | - | 3,007,914 |
| Housing & Infrastructure Development Award | 196,458 | - | 13,815 | - | - | - | 210,273 |
| LOTTO Contribution | - | 1,575,000 | - | (26,674) | (67,663) | (1,480,663) | - |
| Sundry Funding | - | 273,951 | - | - | - | - | 273,951 |
| VUNA Award | 2,184,602 | 1,000,000 | - | (1,171,552) | - | - | 2,013,050 |
| Aquarium | 2,903 | - | 204 | (1,142,034) | (178,885) | 1,317,812 | - |
| Felzoo | 7,569 | - | 532 | - | - | - | 8,101 |
| Athletic Track | 22,662 | - | 1,594 | - | - | - | 24,256 |
| F.E.L.A. | 4,993 | - | 351 | - | - | - | 5,344 |
| Donations & Public Contributions carried forward | 6,530,506 | 45,907,923 | 597,313 | (24,606,079) | (21,403,246) | 7,526,066 | 14,552,483 |
| Donations & Public Contributions brought forward | 6,530,506 | 45,907,923 | 597,313 | (24,606,079) | (21,403,246) | 7,526,066 | 14,552,483 |
| Community Development | 1,546,291 | - | 116,176 | - | - | - | 1,662,467 |
| Art Gallery | 36,133 | - | 2,541 | - | - | - | 38,674 |
| Municipal Revenue Enhancement Programme | 1,022,083 | - | 59,380 | - | - | - | 1,081,463 |
| Climate Protection Implementation | 143,597 | - | 10,205 | - | - | - | 153,802 |

| | Unspent Balance | Current Years | Interest | Transfer to Revenue Operating | Transfer to Revenue Capital | | Unspent Balance |
|---|--------------------|--------------------|------------------|-------------------------------------|-----------------------------------|-------------------|--------------------|
| | 1-Jul-2004 | RECEIPTS | ALLOCATED | EXPENDITURE | EXPENDITURE | TRANSFERS | 30-Jun-2005 |
| ADM:Township Ext 1:Kidds Beach | 50,638 | – | 3,561 | – | – | – | 54,199 |
| ADM:Water Dist. Grant-Eureka | 19,254 | – | 1,354 | – | – | – | 20,608 |
| ADM:Special Grant-Macleantown | 7,711 | – | 542 | – | – | – | 8,253 |
| ADM:Special Grant-Ext 3:Kaysers | 33,681 | – | 2,368 | – | – | – | 36,049 |
| ADM:Community Hall:TRC-KWT | 612 | – | 43 | – | – | – | 655 |
| ADM:Income Generating Project: TRC-KWT | 34,774 | – | 2,445 | – | – | – | 37,219 |
| ADM:Community Hall:TRC-EL | 15,444 | – | 1,086 | – | – | – | 16,530 |
| ADM:Income Generating Project: TRC-EL | 38,683 | – | 2,720 | – | – | – | 41,403 |
| ADM:Tribal Trust:Kwelerha | 8,844 | – | 622 | – | – | – | 9,466 |
| ADM:Tribal Trust:Nxaruni | 102,946 | – | 7,239 | – | – | – | 110,185 |
| A.T. Taylor | 45,422 | – | 3,194 | – | – | – | 48,616 |
| C.H.T. Peplar | 33,471 | 3,000 | 2,424 | – | – | – | 38,895 |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | <u>9,670,090</u> | <u>45,910,923</u> | <u>813,213</u> | <u>(24,606,079)</u> | <u>(21,403,246)</u> | <u>7,526,066</u> | <u>17,910,967</u> |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | <u>129,106,883</u> | <u>221,204,891</u> | <u>8,661,696</u> | <u>(93,843,587)</u> | <u>(125,850,628)</u> | <u>11,888,036</u> | <u>151,167,292</u> |

disclosures of conditional grants and receipts

AT 30 JUNE 2005 – APPENDIX H

| | Executive MAYOR | City MANAGER | Finance | Corporate SERVICES | Engineering SERVICES | Planning and ECON. DEV | Social SERVICES | TOTAL |
|--|--------------------|------------------|------------------|-----------------------|-------------------------|---------------------------|--------------------|--------------------|
| TRANSFER TO REVENUE - CAPITAL EXPENDITURE | | | | | | | | |
| NATIONAL GOVERNMENT | | | | | | | | |
| Financial Management Grant | – | – | – | – | – | – | – | – |
| Land Affairs | – | – | – | – | – | 332,679 | – | 332,679 |
| Restructuring Grant | – | 29,540 | 140,198 | 2,690,763 | 2,355,706 | – | – | 5,216,207 |
| IMEP | – | – | – | – | 10,845,766 | – | – | 10,845,766 |
| CMIP | – | – | – | – | 23,010,371 | – | 17,986,116 | 40,996,487 |
| MSIG | – | – | – | – | 34,794,744 | – | – | 34,794,744 |
| Project Consolidated - Billing System - MSIG | – | – | – | – | 51,711 | – | – | 51,711 |
| Equitable Share Grant | 23,855 | 641,357 | – | – | 3,908,866 | 1,058,831 | 1,018,576 | 6,651,485 |
| Dwarf Funded Projects-Water | – | – | – | – | 1,059,995 | – | – | 1,059,995 |
| | <u>23,855</u> | <u>670,897</u> | <u>140,198</u> | <u>2,690,763</u> | <u>76,027,159</u> | <u>1,391,510</u> | <u>19,004,692</u> | <u>99,949,074</u> |
| PROVINCIAL GOVERNMENT | | | | | | | | |
| Local Government Housing | – | 537,391 | – | – | – | 2,341,502 | – | 2,878,893 |
| Disaster Relief Fund | – | – | – | – | – | – | 53,417 | 53,417 |
| Mdantsane Urban Renewal Project (Mnt Ruth Node) | – | – | – | – | – | 506,527 | – | 506,527 |
| Ikhwezi Block 1 Development | – | – | – | – | – | 214,190 | – | 214,190 |
| Planning and Map Preparation | – | – | – | – | – | 160,634 | – | 160,634 |
| Upgrade Mdantsane Buffer Strip - Phase | – | – | – | – | – | 481,418 | – | 481,418 |
| Potsdam Village - Plan Survey & Upgrade | – | – | – | – | – | 203,229 | – | 203,229 |
| | – | <u>537,391</u> | – | – | – | <u>3,907,500</u> | <u>53,417</u> | <u>4,498,308</u> |
| TOTAL NATIONAL/ PROVINCIAL GOVERNMENT GRANT | <u>23,855</u> | <u>1,208,288</u> | <u>140,198</u> | <u>2,690,763</u> | <u>76,027,159</u> | <u>5,299,010</u> | <u>19,058,109</u> | <u>104,447,382</u> |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | |
| ADM Funding | 188,382 | 49,858 | 1,663,588 | – | 8,454,416 | 120,307 | 6,963,103 | 17,439,654 |
| CIP/IDZ Funding | – | – | – | – | 1,850,088 | – | – | 1,850,088 |
| BCMET Funding | – | – | – | – | – | 900,000 | – | 900,000 |
| Public Funding | – | – | – | – | – | – | 32,660 | 32,660 |
| DBSA | – | 6,148 | 18,466 | 66,516 | 149,990 | – | – | 241,120 |
| SIDA Development Trust | – | 112,274 | – | – | – | 580,902 | – | 693,176 |
| LOTTO Contribution | – | – | – | – | – | – | 67,663 | 67,663 |
| Aquarium | – | – | – | – | – | – | 178,885 | 178,885 |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | <u>188,382</u> | <u>168,280</u> | <u>1,682,054</u> | <u>66,516</u> | <u>10,454,494</u> | <u>1,601,209</u> | <u>7,242,311</u> | <u>21,403,246</u> |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | <u>212,237</u> | <u>1,376,568</u> | <u>1,822,252</u> | <u>2,757,279</u> | <u>86,481,653</u> | <u>6,900,219</u> | <u>26,300,420</u> | <u>125,850,628</u> |

| | Executive MAYOR | City MANAGER | Finance | Corporate SERVICES | Engineering SERVICES | Planning and ECON. DEV | Social SERVICES | TOTAL |
|--|--------------------|------------------|------------------|-----------------------|-------------------------|---------------------------|--------------------|-------------------|
| TRANSFER TO REVENUE - OPERATING EXPENDITURE | | | | | | | | |
| NATIONAL GOVERNMENT | | | | | | | | |
| Transitional Grant | – | – | 176,152 | 17,190 | – | – | – | 193,342 |
| Financial Management Grant | – | – | 1,693,127 | 3,402 | – | – | – | 1,696,529 |
| Land Affairs | – | – | – | – | – | 1,814 | – | 1,814 |
| Restructuring Grant | – | 417,268 | 3,389,308 | 845,157 | 8,851,471 | 119,985 | – | 13,623,189 |
| IMEP | – | – | – | – | 9,170 | – | – | 9,170 |
| CMIP | – | – | – | – | 15,634 | – | 2,945,052 | 2,960,686 |
| MSIG | – | – | – | – | 492,487 | – | – | 492,487 |
| Equitable Share Grant | 23,182 | 13,405 | – | – | 180,832 | – | 69,028 | 286,447 |
| Energy Efficient Technology | – | – | – | – | 41,076 | – | – | 41,076 |
| DWAF Funded Projects - Sewerage | – | – | – | – | 249,981 | – | – | 249,981 |
| DWAF Funded Projects - Water | – | – | – | – | 1,451,100 | – | – | 1,451,100 |
| | <u>23,182</u> | <u>430,673</u> | <u>5,258,587</u> | <u>865,749</u> | <u>11,291,751</u> | <u>121,799</u> | <u>3,014,080</u> | <u>21,005,821</u> |
| PROVINCIAL GOVERNMENT | | | | | | | | |
| Gompo Survey | – | – | – | – | – | 20,143 | – | 20,143 |
| Local Government Housing | – | 1,738,686 | – | – | – | 43,412,546 | – | 45,151,233 |
| Disaster Relief Fund | – | – | – | – | – | – | 1,021,538 | 1,021,538 |
| Ikhwezi Block 1 Development | – | – | – | – | – | 6,156 | – | 6,156 |
| Mdantsane Upgrade - Art Centre | – | – | – | – | – | – | 6,630 | 6,630 |
| Potsdam Village - Plan Survey & Upgrade | – | – | – | – | – | 4,432 | – | 4,432 |
| Aids Training and Info Centre - ATIC | – | – | – | – | – | – | 2,021,555 | 2,021,555 |
| | – | <u>1,738,686</u> | – | – | – | <u>43,443,277</u> | <u>3,049,723</u> | <u>48,231,687</u> |
| TOTAL NATIONAL/ PROVINCIAL GOVERNMENT GRANT | <u>23,182</u> | <u>2,169,359</u> | <u>5,258,587</u> | <u>865,749</u> | <u>11,291,751</u> | <u>43,565,076</u> | <u>6,063,803</u> | <u>69,237,508</u> |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | |
| ADM Funding | 507,933 | 2,572,029 | 391,044 | 2,096,495 | 11,633 | – | 2,623,520 | 8,202,654 |
| BCMET Funding | – | – | – | – | 2,703,951 | 3,253,753 | 164,091 | 6,121,795 |
| Public Funding | – | – | – | – | – | 374,398 | – | 374,398 |
| DBSA | – | 121,749 | 158,543 | 2,995,542 | – | – | – | 3,275,834 |
| SIDA Development Trust | – | 2,161,008 | – | 420,275 | 90,057 | 536,577 | – | 3,207,917 |
| SETA Fund | – | – | 1,083,221 | – | – | – | – | 1,083,221 |
| LOTTO Contribution | – | – | – | – | – | – | 26,674 | 26,674 |
| VUNA Award | 45,880 | – | – | 1,125,672 | – | – | – | 1,171,552 |
| Aquarium | – | – | – | – | – | – | 1,142,034 | 1,142,034 |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | <u>553,813</u> | <u>4,854,786</u> | <u>1,632,808</u> | <u>6,637,984</u> | <u>2,805,641</u> | <u>4,164,728</u> | <u>3,956,319</u> | <u>24,606,079</u> |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | <u>576,995</u> | <u>7,024,145</u> | <u>6,891,395</u> | <u>7,503,733</u> | <u>14,097,392</u> | <u>47,729,804</u> | <u>10,020,122</u> | <u>93,843,587</u> |

consolidated financial statements

| | |
|-----|---|
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I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 124 to 187, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these Consolidated 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.

Mr. P.W. KING • Acting City Manager

consolidated statement of financial position

AT 30 JUNE 2005

| | Note | Consolidated 2005 | BCM 2005 | Consolidated 2004 | BCM 2004 |
|--|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | R | R | R | R |
| NET ASSETS AND LIABILITIES | | | | | |
| Net Assets | | 786,938,054 | 786,378,881 | 601,873,653 | 601,873,653 |
| COVID Fund | 1 | 5,979,312 | 5,979,312 | 6,029,672 | 6,029,672 |
| Capital Replacement Reserve | 2 | 9,288 | 9,288 | 79,055 | 79,055 |
| Capitalisation Reserve | 2 | 69,070,999 | 69,070,999 | 76,633,688 | 76,633,688 |
| Government Grant Reserve | 2 | 235,728,500 | 235,728,500 | 140,269,461 | 140,269,461 |
| Donations and Public Contributions Reserve | 2 | 74,994,102 | 74,994,102 | 57,421,029 | 57,421,029 |
| Self-Insurance Reserve | 2 | 17,783,069 | 17,783,069 | 18,577,542 | 18,577,542 |
| Revaluation Reserve | 2 | 192,063,916 | 192,063,916 | 199,731,371 | 199,731,371 |
| Accumulated Surplus | | 191,308,868 | 190,749,695 | 103,131,835 | 103,131,835 |
| Non-Current Liabilities | | 415,957,718 | 415,957,718 | 378,398,694 | 378,398,694 |
| Long-Term Liabilities | 3 | 399,850,828 | 399,850,828 | 373,188,201 | 373,188,201 |
| Non-Current Provisions | 4 | 16,106,890 | 16,106,890 | 5,210,493 | 5,210,493 |
| Current Liabilities | | 332,578,023 | 332,559,023 | 299,141,579 | 299,141,579 |
| Consumer Deposits | 5 | 20,265,325 | 20,265,325 | 21,128,002 | 21,128,002 |
| Current Provisions | 6 | 12,150,359 | 12,150,359 | 21,645,477 | 21,645,477 |
| Creditors | 7 | 123,854,319 | 123,835,319 | 99,414,020 | 99,414,020 |
| Unspent Conditional Grants and Receipts | 8 | 151,167,292 | 151,167,292 | 129,106,883 | 129,106,883 |
| Current Portion of Long-Term Liabilities | 3 | 25,140,728 | 25,140,728 | 27,847,197 | 27,847,197 |
| Total Net Assets and Liabilities | | <u>1,535,473,795</u> | <u>1,534,895,622</u> | <u>1,279,413,926</u> | <u>1,279,413,926</u> |
| ASSETS | | | | | |
| Non-Current Assets | | 984,798,361 | 984,773,552 | 840,490,040 | 840,490,040 |
| Property, Plant and Equipment | 10 | 872,372,081 | 872,347,272 | 741,824,126 | 741,824,126 |
| Investments | 11 | 109,883,993 | 109,883,993 | 93,037,529 | 93,037,529 |
| Long-Term Receivables | 12 | 2,542,287 | 2,542,287 | 5,628,385 | 5,628,385 |
| Current Assets | | 550,675,434 | 550,122,070 | 438,923,886 | 438,923,886 |
| Inventory | 13 | 15,329,312 | 15,329,312 | 12,879,614 | 12,879,614 |
| Consumer Debtors | 14 | 227,373,471 | 227,373,471 | 214,356,695 | 214,356,695 |
| Other Debtors | 15 | 63,926,508 | 63,926,508 | 82,069,179 | 82,069,179 |
| VAT | 9 | 16,946,701 | 16,946,701 | 11,999,883 | 11,999,883 |
| Current Portion of Long-Term Receivables | 12 | 1,559,531 | 1,559,531 | 2,319,921 | 2,319,921 |
| Call Investment Deposits | 11 | 179,891,701 | 179,891,701 | 106,642,202 | 106,642,202 |
| Cash | | 1,360,018 | 1,360,018 | 1,261,509 | 1,261,509 |
| Bank | 16 | 44,288,192 | 43,734,828 | 7,394,883 | 7,394,883 |
| Total Assets | | <u>1,535,473,795</u> | <u>1,534,895,622</u> | <u>1,279,413,926</u> | <u>1,279,413,926</u> |

consolidated statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

| | Note | Consolidated 2005 | BCM 2005 | Consolidated 2004 | BCM 2004 |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | R | R | R | R |
| REVENUE | | | | | |
| Property Rates | 17 | 254,735,277 | 254,735,277 | 229,708,075 | 229,708,075 |
| Property Rates/Penalties Imposed | | 703,312 | 703,312 | – | – |
| Service Charges | 18 | 721,508,092 | 721,508,092 | 643,921,680 | 643,921,680 |
| Rental of Facilities and Equipment | | 9,406,209 | 9,406,209 | 8,493,932 | 8,493,932 |
| Service Charges | | – | – | – | – |
| Interest Earned – External Investments | | 27,486,556 | 27,425,116 | 21,270,904 | 21,270,904 |
| Interest Earned – Outstanding Debtors | | 30,127,445 | 30,127,445 | 35,570,617 | 35,570,617 |
| Other Interest | | – | – | 116,049 | 116,049 |
| Fines | | 9,558,805 | 9,558,805 | 6,447,569 | 6,447,569 |
| Licences and Permits | | 11,996,458 | 11,996,458 | 10,528,448 | 10,528,448 |
| Government Grants and Subsidies | 19 | 371,939,549 | 371,144,549 | 216,130,087 | 216,130,087 |
| Other Income | 20 | 59,770,026 | 59,770,026 | 45,779,749 | 45,779,749 |
| Donations & Public Contributions – Property, Plant & Equipment | 19 | 21,403,246 | 21,403,246 | – | – |
| Donations & Public Contributions – Operating Expenditure | 19 | 24,606,079 | 24,606,079 | 6,391,422 | 6,391,422 |
| Gains on Disposal of Property, Plant and Equipment | | 3,941,415 | 3,941,415 | – | – |
| Total Revenue | | 1,547,182,469 | 1,546,326,029 | 1,224,358,532 | 1,224,358,532 |
| EXPENDITURE | | | | | |
| Employee Related Costs | 22 | 437,831,280 | 437,748,967 | 409,091,379 | 409,091,379 |
| Remuneration of Councillors | 23 | 11,881,867 | 11,881,867 | 11,368,397 | 11,368,397 |
| Bad Debts | | 80,619,038 | 80,619,038 | 40,379,564 | 40,379,564 |
| Collection Costs | | 4,418,170 | 4,418,170 | 3,803,734 | 3,803,734 |
| Depreciation | | 59,382,112 | 59,375,953 | 78,058,945 | 78,058,945 |
| Repairs and Maintenance | | 72,000,699 | 72,000,699 | 50,969,104 | 50,969,104 |
| Interest Paid | 24 | 57,429,624 | 57,429,624 | 58,532,280 | 58,532,280 |
| Bulk Purchases | 25 | 278,789,047 | 278,789,047 | 265,088,485 | 265,088,485 |
| Contracted Services | | 3,376,643 | 3,376,643 | 4,533,261 | 4,533,261 |
| Grants and Subsidies Paid | 26 | 3,427,084 | 3,427,084 | 3,138,137 | 3,138,137 |
| General Expenses – Other | 21 | 344,693,025 | 344,284,230 | 258,619,174 | 258,619,174 |
| Contributions to Provisions | 27 | 13,142,831 | 13,142,831 | 21,710,324 | 21,710,324 |
| Total Expenditure | | 1,366,991,420 | 1,366,494,153 | 1,205,292,784 | 1,205,292,784 |
| Surplus for the year | | 180,191,049 | 179,831,876 | 19,065,748 | 19,065,748 |

statement of changes in net assets

FOR THE YEAR ENDED 30 JUNE 2005

| | COID Fund | Capital Replacement Reserve | Capitalisation Reserve |
|--|------------------|-----------------------------|------------------------|
| | R | R | R |
| 2004 | | | |
| Balance at 01 July 2003 | – | – | – |
| Transactions i.r.o. Previous Year | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | 6,029,672 | 109,255 | 310,584,508 |
| Restated Balance | 6,029,672 | 109,255 | 310,584,508 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | 22,374,358 | – |
| Transfer Interest Earned to Grants and Donations | – | 7,039 | – |
| Property, Plant and Equipment Purchased | – | (22,411,597) | 22,411,597 |
| Capital Grants used to Purchase PPE | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (27,739,668) |
| Balance at 30 June 2004 | 6,029,672 | 79,055 | 305,256,437 |
| 2005 | | | |
| Balance at 01 July 2004 | 6,029,672 | 79,055 | 305,256,437 |
| Transactions i.r.o. Previous Year (Note 36) | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | – | – | (228,622,749) |
| Restated Balance | 6,029,672 | 79,055 | 76,633,688 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | – | – |
| Transfer Interest Earned to Grants and Donations | – | – | – |
| Property, Plant and Equipment Purchased | – | (69,767) | – |
| Capital Grants used to Purchase PPE | – | – | – |
| VAT Corrections | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Contribution to Insurance Reserve | – | – | – |
| Insurance Claims Processed | (50,360) | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (7,562,689) |
| Balance at 30 June 2005 | 5,979,312 | 9,288 | 69,070,999 |

| | Government Grant Reserve | Donations and Public Contributions Reserve | Self-Insurance Reserve | Revaluation Reserve | Unappropriated Surplus | Total |
|--|--------------------------|--|------------------------|---------------------|------------------------|--------------------|
| | R | R | R | R | R | R |
| | — | — | — | — | 8,438,742 | 8,438,742 |
| | — | — | — | — | 2,860,051 | 2,860,051 |
| | — | — | — | — | — | — |
| | 84,923,762 | 28,614,092 | 18,577,542 | — | 18,920,902 | 467,759,733 |
| | <u>84,923,762</u> | <u>28,614,092</u> | <u>18,577,542</u> | <u>—</u> | <u>30,219,695</u> | <u>479,058,526</u> |
| | — | — | — | — | 19,065,748 | 19,065,748 |
| | — | — | — | — | (22,374,358) | — |
| | — | — | — | — | (7,039) | — |
| | 96,969,611 | 36,585,755 | — | — | — | 133,555,366 |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | — | — | (33,000,000) | (33,000,000) |
| | — | — | — | — | — | — |
| | (15,147,082) | (7,648,012) | — | — | 50,534,762 | — |
| | <u>166,746,291</u> | <u>57,551,835</u> | <u>18,577,542</u> | <u>—</u> | <u>44,438,808</u> | <u>598,679,640</u> |
| | 166,746,291 | 57,551,835 | 18,577,542 | — | 44,438,808 | 598,679,640 |
| | — | — | — | — | 30,768,120 | 30,768,120 |
| | (26,476,830) | (130,806) | — | — | — | (26,607,636) |
| | — | — | — | 199,731,371 | 27,924,907 | (966,471) |
| | <u>140,269,461</u> | <u>57,421,029</u> | <u>18,577,542</u> | <u>199,731,371</u> | <u>103,131,835</u> | <u>601,873,653</u> |
| | — | — | — | — | 179,831,876 | 179,831,876 |
| | — | — | — | — | — | — |
| | — | — | — | — | 69,767 | — |
| | 106,476,354 | — | — | — | (106,476,354) | — |
| | — | — | — | — | 5,518,185 | 5,518,185 |
| | — | 23,098,037 | — | — | (23,098,037) | — |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | (794,473) | — | — | (844,833) |
| | — | — | — | — | — | — |
| | (11,017,315) | (5,524,964) | — | (7,667,455) | 31,772,423 | — |
| | <u>235,728,500</u> | <u>74,994,102</u> | <u>17,783,069</u> | <u>192,063,916</u> | <u>190,749,695</u> | <u>786,378,881</u> |

consolidated statement of changes in net assets

FOR THE YEAR ENDED 30 JUNE 2005

| | COID Fund | Capital Replacement Reserve | Capitalisation Reserve |
|--|------------------|-----------------------------|------------------------|
| | R | R | R |
| 2004 | | | |
| Balance at 01 July 2003 | – | – | – |
| Transactions i.r.o. Previous Year | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | 6,029,672 | 109,255 | 310,584,508 |
| Restated Balance | 6,029,672 | 109,255 | 310,584,508 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | 22,374,358 | – |
| Transfer Interest Earned to Grants and Donations | – | 7,039 | – |
| Property, Plant and Equipment Purchased | – | (22,411,597) | 22,411,597 |
| Capital Grants used to Purchase PPE | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (27,739,668) |
| Balance at 30 June 2004 | 6,029,672 | 79,055 | 305,256,437 |
| 2005 | | | |
| Balance at 01 July 2004 | 6,029,672 | 79,055 | 305,256,437 |
| Transactions i.r.o. Previous Year (Note 36) | – | – | – |
| Correction of Error (Note 36) | – | – | – |
| Changes in Accounting Policy (Note 39) | – | – | (228,622,749) |
| Restated Balance | 6,029,672 | 79,055 | 76,633,688 |
| Accumulated Surplus/(Deficit) for the year | – | – | – |
| Transfer to CRR | – | – | – |
| Transfer Interest Earned to Grants and Donations | – | – | – |
| Property, Plant and Equipment Purchased | – | (69,767) | – |
| Capital Grants used to Purchase PPE | – | – | – |
| VAT Corrections | – | – | – |
| Donated/Contributed PPE | – | – | – |
| Transfer to Provision | – | – | – |
| Contribution to Insurance Reserve | – | – | – |
| Insurance Claims Processed | (50,360) | – | – |
| Asset Disposals | – | – | – |
| Offsetting of Depreciation | – | – | (7,562,689) |
| Balance at 30 June 2005 | 5,979,312 | 9,288 | 69,070,999 |

| | Government Grant Reserve | Donations and Public Contributions Reserve | Self-Insurance Reserve | Revaluation Reserve | Unappropriated Surplus | Total |
|--|--------------------------|--|------------------------|---------------------|------------------------|--------------------|
| | R | R | R | R | R | R |
| | — | — | — | — | 8,438,742 | 8,438,742 |
| | — | — | — | — | 2,860,051 | 2,860,051 |
| | — | — | — | — | — | — |
| | 84,923,762 | 28,614,092 | 18,577,542 | — | 18,920,902 | 467,759,733 |
| | <u>84,923,762</u> | <u>28,614,092</u> | <u>18,577,542</u> | <u>—</u> | <u>30,219,695</u> | <u>479,058,526</u> |
| | — | — | — | — | 19,065,748 | 19,065,748 |
| | — | — | — | — | (22,374,358) | — |
| | — | — | — | — | (7,039) | — |
| | 96,969,611 | 36,585,755 | — | — | — | 133,555,366 |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | — | — | (33,000,000) | (33,000,000) |
| | — | — | — | — | — | — |
| | (15,147,082) | (7,648,012) | — | — | 50,534,762 | — |
| | <u>166,746,291</u> | <u>57,551,835</u> | <u>18,577,542</u> | <u>—</u> | <u>44,438,808</u> | <u>598,679,640</u> |
| | 166,746,291 | 57,551,835 | 18,577,542 | — | 44,438,808 | 598,679,640 |
| | — | — | — | — | 30,768,120 | 30,768,120 |
| | (26,476,830) | (130,806) | — | — | — | (26,607,636) |
| | — | — | — | 199,731,371 | 27,924,907 | (966,471) |
| | <u>140,269,461</u> | <u>57,421,029</u> | <u>18,577,542</u> | <u>199,731,371</u> | <u>103,131,835</u> | <u>601,873,653</u> |
| | — | — | — | — | 180,191,049 | 180,191,049 |
| | — | — | — | — | — | — |
| | — | — | — | — | 69,767 | — |
| | 106,476,354 | — | — | — | (106,476,354) | — |
| | — | — | — | — | 5,518,185 | 5,518,185 |
| | — | 23,098,037 | — | — | (23,098,037) | — |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | — | — | (794,473) | — | — | (844,833) |
| | — | — | — | — | — | — |
| | (11,017,315) | (5,524,964) | — | (7,667,455) | 31,772,423 | — |
| | <u>235,728,500</u> | <u>74,994,102</u> | <u>17,783,069</u> | <u>192,063,916</u> | <u>191,308,868</u> | <u>786,938,054</u> |

cash flow statement

FOR THE YEAR ENDED 30 JUNE 2005

| | | 2005 | Consolidated 2004 | BCM 2004 |
|---|------|----------------------|----------------------|----------------------|
| | Note | R | R | R |
| CASH GENERATED BY OPERATING ACTIVITIES | | | | |
| Cash Receipts from Ratepayers, Government and Other | | 1,554,004,682 | 1,456,995,049 | 1,456,995,049 |
| Cash Paid to Suppliers and Employees | | 1,142,727,385 | 1,148,661,437 | 1,148,661,437 |
| Cash Generated from Operations | 28 | 411,277,297 | 308,333,612 | 308,333,612 |
| VAT Adjustment | | 5,518,185 | – | – |
| Interest Received | | 27,486,557 | 58,063,149 | 58,063,149 |
| Interest Paid | | (57,429,624) | (58,532,280) | (58,532,280) |
| NET CASH FROM OPERATING ACTIVITIES | | 386,852,415 | 307,864,481 | 307,864,481 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property, Plant and Equipment | | (189,930,068) | (214,058,273) | (214,058,273) |
| Decrease in Non–Current Receivables | | 3,846,487 | 3,547,110 | 3,547,110 |
| Increase in Investments | | (90,095,963) | (68,108,902) | (68,108,902) |
| NET CASH FROM INVESTING ACTIVITIES | | (276,179,544) | (278,620,065) | (278,620,065) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| New Loans Raised | | 23,956,157 | 47,081,636 | 47,081,636 |
| Increase/(Decrease) in Consumer Deposits | | (862,677) | 2,275,153 | 2,275,153 |
| Non–operating Income Received in Provisions/Reserves | | 13,260,113 | 5,752,739 | 5,752,739 |
| Non–operating Expenditure Charged against Provisions/Reserves | | (110,034,647) | (13,227,831) | (13,227,831) |
| Changes in Accounting Policy | | – | 6,215,169 | 6,215,169 |
| NET CASH FROM FINANCING ACTIVITIES | | (73,681,054) | 48,096,867 | 48,096,867 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 29 | 36,991,817 | 77,341,282 | 77,341,282 |
| Cash and cash equivalents at the beginning of the year | | 8,656,392 | (68,684,891) | (68,684,891) |
| Cash and cash equivalents at the end of the year | | 45,648,209 | 8,656,391 | 8,656,391 |
| | | 36,991,817 | 77,341,282 | 77,341,282 |

accounting policies to the consolidated annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

1. BASIS OF PRESENTATION

In accordance with section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board which are fundamentally different to the accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy is set out in note 39.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. CONSOLIDATED FINANCIAL STATEMENTS

Controlled and municipal entities are consolidated per GAMAP 6, the Municipal Systems Act, as amended, and the Municipal Finance Management Act.

5. COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES (COID)

This fund has been established in accordance with the Compensation for Occupational Injuries and Diseases Act No 130 of 1993. Buffalo City Municipality has been issued a certificate of exemption from the Compensation Commissioner and has been given permission to administer its own internal COID fund.

Buffalo City Municipality is still bound by the Act and claims are still approved by the Compensation Commissioner. The employee may not be awarded lesser benefits than provided for in the Act.

Buffalo City Municipality has entered into self insurance for COID for the following reasons:

- Reduction of costs;
- To expedite claims and payments to Medical Practitioners;
- More favorable compensation to employees.

Monthly contributions are transferred to the Fund. Claims are submitted to the Compensation Commissioner within 14 days after the accident becomes known.

Once confirmation has been received from the Compensation Commissioner the claim is settled by paying employees a full salary for the period not at work and settling all medical accounts as soon as received.

External insurance cover has been taken out to recoup any differences in payment to employees and amounts paid by the Compensation Commissioner.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

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

Where items of property, plant and equipment are acquired in exchange for non-monetary or monetary assets or a combination of both, assets are measured at their fair value. No such assets were registered up to reporting date.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

Buffalo City Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R 10 000.

6.1 Depreciation of Property, Plant and Equipment

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

| INFRASTRUCTURE | YEARS |
|------------------|---------|
| Electricity | 20 – 30 |
| Roads | 10 – 30 |
| Water | 15 – 20 |
| Sewerage | 15 – 20 |
| Pedestrian Malls | 20 |
| Security | 3 – 5 |

| COMMUNITY | YEARS |
|-------------------------|-------|
| Buildings | 30 |
| Recreational Facilities | 20 |

| OTHER | YEARS |
|------------------------|--------|
| Buildings | 30 |
| Office equipment | 3 – 5 |
| Furniture and fittings | 7 – 10 |
| Bins and containers | 5 – 10 |
| Emergency equipment | 5 – 15 |
| Motor vehicles | 3 – 20 |
| Plant and equipment | 2 – 15 |
| Other | 15 |

| | |
|-----------------------|----|
| Investment Properties | 30 |
|-----------------------|----|

6.2 Disposal of Property, Plant and Equipment

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

6.3 Incomplete construction work

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

6.4 Impairment losses

Where the carrying amount of an item of Property, Plant and Equipment is greater than the estimated recoverable amount, it will be written down to its recoverable amount and an impairment loss charged to the Statement of Financial Performance.

6.5 Revaluation of Land and Buildings

Land and Buildings are stated at cost or revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

7. INVENTORIES

Inventories consist of consumables, raw materials, work in progress and finished goods which are valued at the lower of cost or net realisable value.

Unsold properties for the purpose of resale are valued at the lower of cost or net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

The basis of determining cost is the first-in-first-out method.

8. RESERVES

Buffalo City Municipality creates and maintains Reserves in terms of specific requirements.

8.1 Capital Replacement Reserve (CRR)

In order to finance the purchase of items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus to the Capital Replacement Reserve (CRR) in terms of a Council resolution. A corresponding amount is transferred to a designated CRR investment account. The following conditions are set for the creation and utilisation of the CRR:

- The cash which backs the CRR is invested until utilised. The cash may only be invested in accordance with the investment policy of Buffalo City Municipality.
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment for Buffalo City Municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

At year end no such transfer was made.

8.2 Capitalisation Reserve

The carrying value of property, plant and equipment financed by the former Consolidated Capital Development and Loans Fund (CCDLF) that was not balanced to external loans was transferred to the Capitalisation Reserve instead of the accumulated surplus. This transfer is

in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). The purpose of this reserve is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance on this reserve equals the carrying value of the items of property, plant and equipment financed from the former legislative funds. When these items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

8.3 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history, the insured value of assets and number of fleet vehicles.

- Contributions to the reserve by departments are transferred to the reserve in line with amounts budgeted for in the operating budget via expenditure accounts.
- Insurance premiums are paid from the reserve.
- Claims received from external insurers are utilised in the calculation of a gain or loss on the scrapping of damaged assets and are therefore effectively recorded in the Statement of Financial Performance.
- Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.
- Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of Financial Performance.

8.4 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grant Reserve equal to the value of the government grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the useful lives of items of property, plant and equipment financed from government grants.

When an item of property, plant and equipment is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

8.5 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the value of the donations and public contribution recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contribution Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the useful lives of items of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment is disposed of, the balance in the Donations and Public Contribution Reserve relating to such item is transferred to the accumulated surplus.

8.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

9. PROVISIONS

A provision is recognised when Buffalo City Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Expenditure relating to provisions is charged to the operating account when incurred. Contributions are made to the provisions/accumulated surplus to reflect the current best estimate.

9.1 Accrued leave pay provision

Liabilities for annual leave are recognised as they accrue to employees. The provision is based on 100% of the accrued leave owing to employees and salary packages as per the conditions of service.

9.2 Provision for bonuses

Buffalo City Municipality makes provision for performance bonuses payable where, at year end, bonus amounts owing to officials are contractually payable in the next financial year.

9.3 Provision for constructive obligations

Provision is made for any constructive obligations of Buffalo City Municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby Buffalo City Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the City has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

At year end no such provision was necessary.

9.4 Provision for onerous contracts

When Buffalo City Municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

At year end no such provision was necessary.

10. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to Buffalo City Municipality.

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

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

11. INVESTMENTS

11.1 Financial Instruments

Financial Instruments, which may include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated as at cost.

At disposal of investments there was no difference between the net disposal proceeds and the carrying amounts.

11.2 Investment in Municipal Entity

Investment in Buffalo City Development Agency is currently not included in the consolidated financial statements but will be included at cost by calculating Buffalo City Municipality's share of net assets within the entity. Buffalo City Municipality has a 24% shareholding in the East London Industrial Development Zone (Pty) Ltd.

12. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used.

13. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the City and these benefits can be measured reliably.

13.1 Revenue from Rates

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportionate basis.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

13.2 Service Charges

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

Service charges relating to Refuse Removal are recognised on a monthly basis by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

Service charges relating to Sewerage and Sanitation are recognised on a monthly basis by applying the approved tariff to each property. For East London the domestic charge is based on the land size of the property and the business charge is based on the square root of the land size and the number of toilets on the property. For King Williams Town both the domestic and business charges are based on the number of toilets on the property.

13.3 Fines

Income in respect of spot fines and summonses is recognised when received.

13.4 Rentals

Rentals are recognised on a time proportion basis.

13.5 Approved tariff of charges

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

13.6 Interest on investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the CRR or the Self Insurance Reserve.

Interest earned on unutilised Conditional Grants is allocated directly to the Creditor – Unutilised Conditional Grants if the grant conditions indicate that interest is payable to the funder.

13.7 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Buffalo City Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

13.8 Interest on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

13.9 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that Buffalo City Municipality complies with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. VALUE ADDED TAX

Buffalo City Municipality accounts for Value Added Tax on the payment basis.

15. TRADE CREDITORS

Trade Creditors are stated at their nominal value.

16. GRANTS-IN-AID

Buffalo City Municipality transfers money to individuals, institutions and organisations. When making these transfers, Buffalo City Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred. If these contracts are onerous and extend over more than one financial year they are then treated in accordance with the accounting policy on onerous contracts outlined under 9.4 above.

17. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor – Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The cash which backs the creditor is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is in Buffalo City Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from the accumulated surplus to a reserve called a Government Grant Reserve or a Donations and Public Contribution Reserve. The reserves are used to offset depreciation charged on assets purchased out of the Unutilised Capital Receipts. These reserves are equal to the remaining depreciable value (carrying value) of assets purchased from the Unutilised Capital Receipts.
- Whenever a non-asset is purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from a Creditor – Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.
- Whenever items of property, plant and equipment are purchased from a Creditor – Unutilised Conditional Grant an amount equal to the purchase price is transferred from a Creditor – Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

18. INTANGIBLE ASSETS

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of Buffalo City Municipality are amortised according to the straight line method as follows:

- General Valuation Roll 3 years

19. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

20. CASH AND CASH EQUIVALENTS

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

21. COMPARATIVE INFORMATION

21.1 Current year comparatives

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

21.2 Prior year comparatives

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

notes to the annual financial statements

FOR THE YEAR ENDED 30 JUNE 2005

| | 2005 | 2004 |
|--|--------------------|--------------------|
| | R | R |
| 1 COID FUND | | |
| Balance at beginning of year | 6,029,672 | 5,395,112 |
| Contributions | 1,234,093 | 1,238,292 |
| Interest on Investment | 256,961 | 269,756 |
| Other Income | 86,631 | 277,642 |
| Expenditure Incurred | (1,628,045) | (1,151,130) |
| Balance at end of year | 5,979,312 | 6,029,672 |
| The COID Fund is fully invested in financial investment instruments. | | |
| 2 RESERVES | | |
| Capital Replacement Reserve | 9,288 | 79,055 |
| Capitalisation Reserve | 69,070,999 | 76,633,688 |
| Government Grant Reserve | 235,728,500 | 140,269,461 |
| Donations and Public Contributions Reserve | 74,994,102 | 57,421,029 |
| Self-Insurance Reserve | 17,669,085 | 18,577,542 |
| Self-Insurance Reserve – Cell Phone | 113,984 | – |
| Revaluation Reserve | 192,063,916 | 199,731,371 |
| Total Reserves | 589,649,874 | 492,712,146 |
| The Capital Replacement Reserve is fully invested in financial investment instruments. | | |
| 3 LONG-TERM LIABILITIES | | |
| Local Registered Stock Loans | 69,402,000 | 83,763,000 |
| Annuity Loans | 354,570,625 | 313,872,093 |
| Capitalised Lease Liability | 1,018,931 | 3,400,305 |
| Sub-Total | 424,991,556 | 401,035,398 |
| Less: Current Portion Transferred to Current Liabilities | (25,140,728) | (27,847,197) |
| Local Registered Stock Loans | 1,228,000 | 14,361,000 |
| Annuity Loans | 22,970,587 | 11,721,397 |
| Capitalised Lease Liability | 942,141 | 1,764,800 |
| Total External Loans | 399,850,828 | 373,188,201 |

Refer Appendix A for more detail on long-term liabilities.

The capitalised lease liability is secured over the item of plant leased.

R108 208 926 (2004: R91 509 072) has been invested specifically in ring-fenced accounts for the repayment of long-term liabilities. Refer Note 30 for more detail.

| | 2005 | 2004 |
|---|-------------------|-------------------|
| | R | R |
| 4 NON-CURRENT PROVISIONS | | |
| Provision for Leave Pay | 16,106,890 | 5,210,493 |
| Total Non-Current Provisions | 16,106,890 | 5,210,493 |
| Leave pay accrues to employees on a yearly basis, subject to certain conditions. The provision is a calculation of the total amount due to staff at the reporting date less the amount provided for under current provisions. | | |
| The movement in the provisions is reconciled as follows:- | | |
| Balance at beginning of year | 5,210,493 | 13,561,417 |
| Contributions | 25,142,831 | 9,710,324 |
| Other Income | - | 474,560 |
| Expenditure Incurred | - | (10,204,880) |
| Increase Due to Discounting | - | - |
| Transfer to Current Provisions | (14,246,434) | (8,330,928) |
| Balance at end of year | 16,106,890 | 5,210,493 |
| 5 CONSUMER DEPOSITS | | |
| Rates | - | 73,083 |
| Electricity | 7,022,267 | 20,513,688 |
| Water | 13,243,058 | 541,231 |
| Total Consumer Deposits | 20,265,325 | 21,128,002 |
| No interest is paid when deposits are refunded. | | |
| Guarantees in lieu of electricity and water deposits | 6,736,869 | 5,676,917 |
| 6 CURRENT PROVISIONS | | |
| Salary Equalisation | - | 12,000,000 |
| Current Portion of Leave Pay Provision | 10,625,981 | 8,330,928 |
| Performance Bonuses | 1,524,378 | 1,314,549 |
| Total Current Provisions | 12,150,359 | 21,645,477 |
| Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date. | | |
| Leave pay accrues to employees on a yearly basis, subject to certain conditions. The provision is based on the calculation for Non-statutory leave due to employees at the reporting date. | | |

| | Salary Equalisation | Current Portion Leave Pay | Performance Bonuses |
|---|------------------------|------------------------------|------------------------|
| The movement in the current provision is reconciled as follows:– | | | |
| 30 June 2005 | | | |
| Balance at beginning of year | 12,000,000 | 8,330,928 | 1,314,549 |
| Transfer from Non–Current Provisions | – | 14,246,434 | – |
| Contributions | – | – | 209,829 |
| Expenditure Incurred | (12,000,000) | (11,951,381) | – |
| Balance at end of year | – | 10,625,981 | 1,524,378 |
| 30 June 2004 | | | |
| Balance at beginning of year | – | – | 600,000 |
| Transfer from Non–Current Provisions | – | 8,330,928 | – |
| Contributions | 12,000,000 | – | 714,549 |
| Expenditure Incurred | – | – | – |
| Balance at end of year | 12,000,000 | 8,330,928 | 1,314,549 |
| | | 2005 | 2004 |
| | | R | R |
| 7 CREDITORS | | | |
| Trade Creditors | | 76,939,015 | 69,281,670 |
| Payments Received in Advance | | 21,690,267 | 26,872,615 |
| Other Deposits | | 1,465,116 | – |
| Other Creditors | | 23,740,922 | 3,259,735 |
| Total Creditors | | 123,835,319 | 99,414,020 |
| 8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | | |
| Conditional Grants from Government | | 133,256,325 | 119,436,793 |
| National Grants | | 104,579,903 | 82,920,403 |
| Provincial Grants and Subsidies | | 28,676,422 | 36,516,390 |
| Other Conditional Receipts | | 17,910,967 | 9,670,090 |
| Total Conditional Grants and Subsidies | | 151,167,292 | 129,106,883 |
| Amount received and invested until utilised (Note 11) | | 151,167,292 | 94,532,706 |
| Refer Appendix G and H for a reconciliation of grants from National/Provincial Government and Other Conditional Receipts. | | | |
| 9 VAT | | | |
| Vat Receivable | | 16,946,701 | 11,999,883 |

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

| | Land and Buildings | Infrastructure | Community | Other | Total |
|---|--------------------|--------------------|-------------------|-------------------|--------------------|
| | R | R | R | R | R |
| 10 PROPERTY, PLANT AND EQUIPMENT | | | | | |
| 30 June 2005 | | | | | |
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2004 | 201,807,000 | 442,348,070 | 32,721,897 | 64,947,159 | 741,824,126 |
| Cost | 10,449,627 | 1,236,238,463 | 68,609,536 | 91,151,825 | 1,406,449,451 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (163,441,820) | (795,545,312) | (44,647,599) | (26,204,666) | (1,029,839,397) |
| – Cost | (2,259,795) | (794,969,900) | (40,922,335) | (26,204,666) | (864,356,696) |
| – Revaluation | (161,182,025) | (575,412) | (3,725,264) | – | (165,482,701) |
| Acquisitions | 6,420,529 | 28,703,321 | 12,542,388 | 35,939,355 | 83,605,593 |
| Capital Under Construction | – | 93,662,441 | 7,556,923 | 5,074,141 | 106,293,506 |
| Depreciation | (7,916,147) | (38,395,434) | (1,766,093) | (11,298,279) | (59,375,953) |
| – Based on Cost | (529,736) | (38,359,683) | (1,520,800) | (11,298,279) | (51,708,498) |
| – Based on Revaluation | (7,386,411) | (35,751) | (245,293) | – | (7,667,455) |
| Carrying Value of Disposals | – | – | – | – | – |
| Cost | – | – | – | – | – |
| Accumulated Depreciation | – | – | – | – | – |
| Impairment Losses | – | – | – | – | – |
| Other Movements | – | – | – | – | – |
| Carrying Values at 30 June 2005 | 200,311,382 | 526,318,398 | 51,055,115 | 94,662,377 | 872,347,272 |
| Cost | 16,870,156 | 1,358,604,225 | 88,708,847 | 132,165,322 | 1,596,348,550 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (171,357,967) | (833,940,746) | (46,413,692) | (37,502,945) | (1,089,215,350) |
| – Cost | (2,789,531) | (833,329,583) | (42,443,135) | (37,502,945) | (916,065,194) |
| – Revaluation | (168,568,436) | (611,163) | (3,970,557) | – | (173,150,156) |
| 30 June 2004 | | | | | |
| Reconciliation of Carrying Value | | | | | |
| Carrying Values at 1 July 2003 | 201,813,170 | 389,703,256 | 16,401,224 | 38,480,180 | 646,397,830 |
| Cost | 2,756,193 | 1,128,833,335 | 50,724,191 | 50,650,491 | 1,232,964,210 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (155,742,216) | (740,784,998) | (43,082,927) | (12,170,311) | (951,780,452) |
| – Cost | (1,946,602) | (740,245,337) | (39,602,956) | (12,170,311) | (793,965,206) |
| – Revaluation | (153,795,614) | (539,661) | (3,479,971) | – | (157,815,246) |
| Acquisitions | 7,693,434 | 107,405,128 | 17,885,345 | 40,501,334 | 173,485,241 |
| Capital Under Construction | – | – | – | – | – |
| Depreciation | (7,699,604) | (54,760,314) | (1,564,672) | (14,034,355) | (78,058,945) |
| – Based on Cost | (313,193) | (54,724,563) | (1,319,379) | (14,034,355) | (70,391,490) |
| – Based on Revaluation | (7,386,411) | (35,751) | (245,293) | – | (7,667,455) |
| Carrying Value of Disposals | – | – | – | – | – |
| Cost | – | – | – | – | – |
| Accumulated Depreciation | – | – | – | – | – |
| Impairment Losses | – | – | – | – | – |
| Other Movements | – | – | – | – | – |
| Carrying Values at 30 June 2004 | 201,807,000 | 442,348,070 | 32,721,897 | 64,947,159 | 741,824,126 |
| Cost | 10,449,627 | 1,236,238,463 | 68,609,536 | 91,151,825 | 1,406,449,451 |
| Revaluation | 354,799,193 | 1,654,919 | 8,759,960 | – | 365,214,072 |
| Accumulated Depreciation | (163,441,820) | (795,545,312) | (44,647,599) | (26,204,666) | (1,029,839,397) |
| – Cost | (2,259,795) | (794,969,900) | (40,922,335) | (26,204,666) | (864,356,696) |
| – Revaluation | (161,182,025) | (575,412) | (3,725,264) | – | (165,482,701) |

(Refer Note 36 – Correction of Error i.r.o. Carrying Values at 30 June 2004)

| | 2005 | 2004 |
|--|--------------------|--------------------|
| | R | R |
| 11 INVESTMENTS | | |
| Listed | | |
| BCM had no listed investments at the reporting date. | | |
| Unlisted | | |
| BCM had no unlisted investments at the reporting date. | | |
| Financial Instruments | | |
| Fixed Deposits – Long–Term | 109,883,993 | 93,037,529 |
| Total Financial Instruments | <u>109,883,993</u> | <u>93,037,529</u> |
| Call Investment Deposits | | |
| Other Deposits – Short–Term | 179,770,463 | 106,409,752 |
| Call Account Deposits | 121,238 | 232,450 |
| Total Call Investment Deposits | <u>179,891,701</u> | <u>106,642,202</u> |
| Total Investments | <u>289,775,694</u> | <u>199,679,731</u> |
| Average rate of return on investments | 7.18% | 7.70% |
| Allocation of External Investments | | |
| Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:– | | |
| Statutory Funds | 6,093,296 | – |
| Reserves (excluding Future Depreciation Reserves) | – | 195,211 |
| Trust Funds | – | 78,892 |
| Provisions (Including Bad Debt Provision) | – | 13,265,842 |
| Conditional Grants and Receipts (Note 8) | 151,167,292 | 94,630,122 |
| Capital Replacement Reserve | 9,288 | – |
| Current Portion of Leave Pay Provision (Note 6) | 10,625,981 | – |
| Performance Bonuses Provision (Note 6) | 1,524,378 | – |
| Surplus Cash | 7,661,078 | 592 |
| | <u>177,081,313</u> | <u>108,170,659</u> |
| External Financing Fund | 112,694,381 | 91,509,072 |
| Total | <u>289,775,694</u> | <u>199,679,731</u> |

An amount of R45 820.80 was written off against the New Republic Bank Investment due to the bank being under curatorship. A zero coupon bond of R8 957 450 as at 30 June 2005 maturing on 30 June 2014.

for a guaranteed redemption of R25 million has been ceded to Standard Merchant Bank. A sinking fund of R29 897 078 as at 30 June 2005 ceded to INCA has been invested with Investec maturing on 23 February 2009 for a guaranteed redemption of R50 million.

A sinking fund of R16 770 228 as at 30 June 2005 ceded to DBSA has been invested with Gensec maturing on 31 August 2014 for a guaranteed redemption of R36 681 060.

An investment of R6 348 285 as at 30 June 2005 ceded to DBSA has been invested with Investec maturing on 27 March 2008 at R8 498 392.

A sinking fund of R12 665 174 as at 30 June 2005 ceded to INCA has been invested with Absa Bank maturing on 04 August 2011 for a guaranteed redemption of R22 million.

| | | 2005 | 2004 |
|---|-----------------------|--------------------------------|--------------------|
| | | R | R |
| 14 CONSUMER DEBTORS | | | |
| As at 30 June 2005 | Gross Balances | Provision for Bad Debts | Net Balance |
| Service Debtors | 361,659,375 | (134,285,904) | 227,373,471 |
| Rates | 96,487,908 | (32,910,225) | 63,577,683 |
| Cleansing | 66,814,786 | (28,258,424) | 38,556,362 |
| Electricity | 41,656,053 | (11,335,171) | 30,320,882 |
| Sewerage | 59,163,975 | (22,208,452) | 36,955,523 |
| Water | 97,536,653 | (39,573,632) | 57,963,021 |
| Housing Rentals | 5,698,821 | (5,698,821) | – |
| Total | 367,358,196 | (139,984,725) | 227,373,471 |
| As at 30 June 2004 | | | |
| Service Debtors | 367,669,878 | – | 367,669,878 |
| Rates | 95,649,081 | – | 95,649,081 |
| Cleansing | 69,986,061 | – | 69,986,061 |
| Electricity | 39,269,438 | – | 39,269,438 |
| Sewerage | 104,470,997 | – | 104,470,997 |
| Water | 58,294,301 | – | 58,294,301 |
| Housing Rentals | 21,796,364 | – | 21,796,364 |
| Total | 389,466,242 | (175,109,547) | 214,356,695 |
| Rates: Ageing | | | |
| Current (0 – 30 days) | | 25,584,683 | 21,557,912 |
| 31 – 60 Days | | 5,601,131 | 5,399,247 |
| 61 – 90 Days | | 4,615,126 | 5,638,233 |
| 91 – 120 Days | | 2,897,541 | 3,667,640 |
| 121 – 365 Days | | 20,863,802 | 24,520,990 |
| + 365 Days | | 36,925,625 | 34,872,970 |
| Adjustment for Corrections | | – | (7,911) |
| Total | | 96,487,908 | 95,649,081 |
| Cleansing, Electricity, Sewerage & Water: Ageing | | | |
| Current (0 – 30 days) | | 65,843,120 | 65,002,784 |
| 31 – 60 Days | | 15,355,237 | 16,374,070 |
| 61 – 90 Days | | 11,062,004 | 13,339,297 |
| 91 – 120 Days | | 9,839,666 | 10,310,712 |
| 121 – 365 Days | | 49,504,892 | 69,073,611 |
| + 365 Days | | 113,566,548 | 97,949,982 |
| Adjustment for Corrections | | – | (29,659) |
| Total | | 265,171,467 | 272,020,797 |
| Housing Debtors: Ageing | | | |
| Current (0 – 30 days) | | 92,828 | 94,782 |
| 31 – 60 Days | | 47,864 | 52,217 |
| 61 – 90 Days | | 20,267 | 51,130 |
| 91 – 120 Days | | 40,314 | 51,130 |
| 121 – 365 Days | | 287,079 | 409,044 |
| + 365 Days | | 5,210,469 | 21,138,060 |
| Total | | 5,698,821 | 21,796,364 |

| | | 2005 | 2004 |
|--|--------------------|-----------------------------------|--|
| | R | R | R |
| Summary of Debtors by Customer Classification | | | |
| 30 June 2005 | Consumers | Industrial/ Commercial | National and Provincial Gov |
| Current (0 – 30 days) | 63,308,508 | 29,688,595 | 3,076,210 |
| 31 – 60 Days | 18,413,071 | 3,461,522 | 1,963,081 |
| 61 – 90 Days | 12,735,219 | 2,144,719 | 1,723,716 |
| 91 – 120 Days | 11,703,387 | 1,736,006 | 511,093 |
| 121 – 365 Days | 76,154,365 | 14,666,706 | 5,138,811 |
| + 365 Days | 136,977,901 | 35,068,706 | 1,638,099 |
| Sub–Total | 319,292,452 | 86,766,254 | 14,051,010 |
| Less: Provision for Bad Debts | (145,632,855) | (39,579,983) | – |
| Total Debtors by Customer Classification | 173,659,597 | 47,186,271 | 14,051,010 |
| 30 June 2004 | | | |
| Current (0 – 30 days) | 68,887,952 | 30,397,140 | 3,979,929 |
| 31 – 60 Days | 21,676,885 | 3,744,939 | 1,606,232 |
| 61 – 90 Days | 16,937,955 | 2,314,329 | 1,527,884 |
| 91 – 120 Days | 14,433,013 | 1,642,363 | 962,089 |
| 121 – 365 Days | 92,658,334 | 19,603,654 | 1,892,754 |
| + 365 Days | 167,096,924 | 19,507,713 | – |
| Adjustment for Corrections | (37,570) | – | – |
| Sub–Total | 381,653,493 | 77,210,138 | 9,968,888 |
| Less: Provision for Bad Debts | (155,601,834) | (19,507,713) | – |
| Total Debtors by Customer Classification | 226,051,659 | 57,702,425 | 9,968,888 |
| The summary of debtors by customer classification includes Sundry Debtors not stated under Service Debtors. | | | |
| Bad Debt Provision | | | |
| Balance at beginning of year | | 175,109,547 | 117,510,024 |
| Contributions | | 80,619,038 | 78,979,010 |
| Transfers | | 62,611 | – |
| Bad Debts Written Off | | (70,578,358) | (21,379,487) |
| Balance at the end of the year | | 185,212,838 | 175,109,547 |
| The bad debt provision is calculated on the ageing of debtors. Councils policy is to provide on debtors balances which have been estimated to result in bad debts. | | | |
| Amounts totalling R70 578 358 (2003/2004 : R21 379 487) were written off against the provision as bad debts. This represents 4.56% (2003/2004 : 1,75%) of the total operating income for the year. | | | |
| 15 OTHER DEBTORS | | 33,740,025 | 55,291,448 |
| Sundry Debtors | | 78,968,138 | 55,291,448 |
| Less: Provision for Bad Debts – Sundry Debtors | | (45,228,113) | – |
| | | 18,527,853 | 9,292,240 |
| Accrued Income | | 35,474,554 | 9,292,240 |
| Less: VAT (Refer Note 9) | | (16,946,701) | – |
| Subsidy – ELMET | | – | 3,866,612 |
| Fire Availability | | 8,849,276 | 9,549,138 |
| Land Sale Debtors | | 2,809,354 | 4,069,741 |
| Total Other Debtors | | 63,926,508 | 82,069,179 |

| | 2005 | 2004 |
|---|---------------------------|--------------------------|
| | R | R |
| 16 BANK, CASH AND OVERDRAFT BALANCES | | |
| The Municipality has the following bank accounts: | | |
| Current Account (Primary Bank Account) Account Number: 521 201 117 44 First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 6,598,956 | (68,248,668) |
| Cashbook balance at the end of the year | <u>44,455,780</u> | <u>6,598,956</u> |
| Bank statement balance at the beginning of the year | 70,900,164 | 12,226,531 |
| Bank statement balance at the end of the year | <u>145,342,831</u> | <u>70,900,164</u> |
| Current Account (Collection Account) Account Number: 521 201 781 524 First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 618,151 | 373,878 |
| Cashbook balance at the end of the year | <u>641,991</u> | <u>618,151</u> |
| Bank statement balance at the beginning of the year | 618,151 | 952,333 |
| Bank statement balance at the end of the year | <u>641,991</u> | <u>618,151</u> |
| Current Account (Prism Account) Account Number: 620 179 770 52 First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | 1,010,966 | - |
| Cashbook balance at the end of the year | <u>417,071</u> | <u>1,010,966</u> |
| Bank statement balance at the beginning of the year | 562,374 | - |
| Bank statement balance at the end of the year | <u>455,404</u> | <u>562,374</u> |
| Current Account (Market) Account Number: 521 201 778 89 First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | (833,190) | (1,104,754) |
| Cashbook balance at the end of the year – overdrawn | <u>(1,780,014)</u> | <u>(833,190)</u> |
| Bank statement balance at the beginning of the year | (196,030) | - |
| Bank statement balance at the end of the year – overdrawn | <u>(756,251)</u> | <u>(196,030)</u> |
| Current Account (KWT) Account Number: First National Bank, 73 Oxford Street, East London | | |
| Cashbook balance at the beginning of the year | - | (1,108,532) |
| Cashbook balance at the end of the year | <u>-</u> | <u>-</u> |
| Bank statement balance at the beginning of the year | - | 68,409 |
| Bank statement balance at the end of the year | <u>-</u> | <u>-</u> |

| | 2005 | 2005 |
|---|--|-----------------------|
| | R | R |
| 17 | PROPERTY RATES | |
| Actual | | |
| Residential | 135,832,135 | 94,412,017 |
| Commercial | 95,261,188 | 90,488,885 |
| State | 22,308,747 | 44,807,173 |
| Municipal | 1,333,207 | – |
| Total Assessment Rates | 254,735,277 | 229,708,075 |
| Valuations | | |
| Residential | 6,002,283,892 | 5,876,496,441 |
| Commercial | 3,809,530,380 | 3,365,816,851 |
| State | 1,163,485,225 | 1,178,963,863 |
| Municipal | 251,633,297 | 422,802,613 |
| Total Property Valuations | 11,226,932,794 | 10,844,079,768 |
| 18 | SERVICE CHARGES | |
| Sewerage Charges | 102,424,021 | 94,357,500 |
| Cleansing Charges | 83,738,702 | 78,067,365 |
| Sale of Electricity | 387,004,418 | 351,472,358 |
| Sale of Water | 146,390,998 | 120,024,457 |
| Other | 1,949,953 | – |
| Total Service Charges | 721,508,092 | 643,921,680 |
| 19 | GOVERNMENT GRANTS AND SUBSIDIES | |
| Government Grants | | |
| Equitable Share | | |
| Equitable Share Urban Renewal | 165,899,221 | 162,937,981 |
| IDZ (BCDA) | 4,691,606 | – |
| DWAF | 3,482,307 | 8,247,000 |
| State Health Subsidy | 17,744,186 | 7,445,794 |
| SA Games | – | 4,788,650 |
| BCMET | 1,650,000 | – |
| Total Government Grants | 193,467,320 | 183,419,425 |
| Provincial Subsidies | | |
| Health Subsidy | 142,189 | 11,367,116 |
| Needs Camp | 1,691,058 | 1,531,596 |
| Skills Development | – | 287,917 |
| ADM Grants | 1,657,501 | 1,203,639 |
| Subsidy | 501,591 | 5,817,645 |
| Total Provincial Subsidies | 3,992,339 | 20,207,914 |
| Total Government Grants & Subsidies Received and Allocated as Income | 197,459,659 | 203,627,339 |
| National/Provincial Government Grant & Subsidies (Expenditure Reimbursement) | | |
| Operating Expenditure Transfer to Revenue | 69,237,508 | 12,502,748 |
| Capital Expenditure Transfer to Revenue | 104,447,382 | – |
| Total National/Provincial Government Grants & Subsidies (Expenditure Reimbursements) | 173,684,890 | 12,502,748 |
| Donations & Public Contributions (Expenditure Reimbursement) | | |
| Operating Expenditure Transfer to Revenue | 24,606,079 | 6,391,422 |
| Capital Expenditure Transfer to Revenue | 21,403,246 | – |
| Total Donations & Public Contributions (Expenditure Reimbursements) | 46,009,325 | 6,391,422 |
| Total Government Grants and Subsidies | 417,153,874 | 222,521,509 |

2005

2004

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R

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Other Grants and Subsidies

All other funds received in the income account were reimbursements for expenditure incurred and no balances were carried forward. All conditions were met and no funds were withheld.

**National/Provincial Government Grant & Other Funding
(Expenditure Reimbursement)**

Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all capital and non-capital expenditure is expensed through the income and expenditure account. Reimbursements to the income account are journalised against the Conditional Grant Creditor accounts.

Refer Note 8, Appendix G and Appendix H for more detail on the Conditional Grant and Subsidy balances and transaction movements for 2004/05.

Conditions on the funding were complied with and no funds were withheld.

20 OTHER INCOME

| | | |
|---------------------------------|-------------------|-------------------|
| Credit Card Format Conversions | 2,573,329 | 2,418,658 |
| Commission | 7,624,313 | 7,797,204 |
| Coupons & Clip Tickets | 2,590,628 | 2,578,865 |
| Fire Levy Charges | 10,918,617 | 10,150,896 |
| Plan Approval Fees | 3,563,199 | 2,336,783 |
| Reconnection Fees | 2,205,250 | — |
| Scrap Sales | 2,067,936 | — |
| Vehicle Registration Commission | 5,927,225 | 5,751,849 |
| Other | 22,299,529 | 14,745,494 |
| Total Other Income | 59,770,026 | 45,779,749 |

All individual income categories exceeding R2 000 000 are stated separately.

21 GENERAL EXPENSES – OTHER

| | | |
|---|--------------------|--------------------|
| DWAF | 6,987,612 | 5,985,373 |
| Electricity Lighting Department Charges | 22,225,428 | 17,705,599 |
| Consultants Fees | 17,410,965 | 14,508,639 |
| Fuel Oil | 6,373,598 | 5,287,316 |
| Insurance | 6,313,925 | 6,374,004 |
| Licence Fee Department Charges | 5,407,300 | 5,767,008 |
| Pensions Payable | 7,198,781 | 7,527,329 |
| Poor Relief | 47,890,263 | 41,834,935 |
| Refuse Removal Department Charges | 7,278,894 | 8,094,499 |
| Security Guards | 9,164,137 | 6,289,506 |
| Spares – Automotive | 8,329,040 | 8,329,575 |
| Telephones | 11,867,816 | 11,263,342 |
| Government Grant Expenditure | 93,843,587 | 18,894,170 |
| Other | 93,992,884 | 100,757,879 |
| Total General Expenses – Other | 344,284,230 | 258,619,174 |

All categories exceeding R5 000 000 are stated separately.

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 22 EMPLOYEE RELATED COSTS | | |
| Salaries and Wages | 366,363,681 | 344,936,885 |
| Social Contributions | 71,385,286 | 65,088,821 |
| Less: Employee Costs Capitalised to PPE | – | (934,327) |
| | <u>437,748,967</u> | <u>409,091,379</u> |
| Remuneration of the City Manager | | |
| Basic Salary | 465,948 | – |
| Deferred Compensation | 169,556 | – |
| Performance Bonus | – | – |
| Other | 388,305 | – |
| Total | <u>1,023,809</u> | <u>–</u> |
| <p>(Note: A provision of R 204 762 has been made i.r.o. a performance bonus for the 2004/2005 financial year which is not included in the above amount. The value of the deferred compensation policy at 30 June 2005 was R 614 856.)</p> | | |
| Remuneration of the Chief Financial Officer | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 127,323 | – |
| Total | <u>903,915</u> | <u>–</u> |
| Remuneration of the Director of Corporate Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 117,943 | – |
| Total | <u>894,535</u> | <u>–</u> |
| Remuneration of the Director of Engineering Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 99,820 | – |
| Total | <u>876,412</u> | <u>–</u> |
| Remuneration of the Director of Development Planning | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 108,977 | – |
| Total | <u>885,569</u> | <u>–</u> |
| Remuneration of the Director of Social Services | | |
| Annual Remuneration | 465,948 | – |
| Other | 310,644 | – |
| Performance Bonus (Paid i.r.o 2003/2004 financial year) | 121,215 | – |
| Total | <u>897,807</u> | <u>–</u> |
| Remuneration of the Director of Mayoral Office | | |
| Annual Remuneration | 312,000 | – |
| Other | 288,000 | – |
| Performance Bonus (Paid i.r.o. 2003/2004 financial year) | – | – |
| Total | <u>600,000</u> | <u>–</u> |

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 23 REMUNERATION OF COUNCILLORS | | |
| Executive Mayor | 271,478 | 254,350 |
| Deputy Executive Mayor | 17,074 | 203,480 |
| Speaker | 217,183 | 203,480 |
| Mayoral Committee Members | 1,832,481 | 1,728,756 |
| Councillors | 5,322,067 | 4,882,009 |
| Councillors' Pension and Medical Contribution | 1,276,686 | 4,046,377 |
| Other | 2,944,898 | 49,945 |
| Total Councillors' Remuneration | 11,881,867 | 11,368,397 |
| In-Kind Benefits | | |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council. | | |
| The Executive Mayor has use of a Council owned vehicle for official duties. The Executive Mayor has one bodyguard and an official driver at the cost of Council. | | |
| 24 INTEREST PAID | | |
| Stock Loans | 13,180,466 | – |
| Annuity Loans | 43,350,887 | 57,848,237 |
| Finance Loans | 121,199 | 684,042 |
| Other | 777,072 | – |
| Total Interest on External Borrowings | 57,429,624 | 58,532,280 |
| 25 BULK PURCHASES | | |
| Electricity | 221,700,012 | 210,647,817 |
| Water | 57,089,035 | 54,440,668 |
| Total Bulk Purchases | 278,789,047 | 265,088,485 |
| 26 GRANTS AND SUBSIDIES PAID | | |
| Grant in Lieu of Rates | 2,671,854 | 2,442,905 |
| Sundry Grants-in-Aid | 755,230 | 695,232 |
| Total Grants and Subsidies Paid | 3,427,084 | 3,138,137 |
| The Grant paid to BCM Tourism is paid quarterly. | | |
| Various institutions apply for Grants-in-aid. Mostly charity organizations and child care centres qualify for these grants. | | |
| 27 CONTRIBUTIONS TO/(FROM) PROVISIONS | | |
| Provision for Leave Pay (Note 4) | 25,142,831 | 21,710,324 |
| Transfer to Salary Equalisation (Note 6) | (12,000,000) | – |
| Total Contributions To/(From) Provisions | 13,142,831 | 21,710,324 |

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| 28 CASH GENERATED BY OPERATIONS | | |
| Net Surplus for the year | 179,831,876 | 19,065,748 |
| Adjustment for: | | |
| Previous years | – | 2,860,051 |
| Changes in Accounting Policy | – | 18,920,902 |
| Depreciation | 59,375,953 | 78,058,945 |
| Contributions to Provisions – Non–Current | 25,142,832 | 21,710,324 |
| Contributions to Provisions – Current | 209,829 | – |
| Contributions to Bad Debt Provision | 80,619,038 | 40,379,564 |
| Contributions to Obsolete Inventory Provision | 178,165 | – |
| Contributions to Reserves | 1,283,434 | – |
| Investment Income | (27,425,117) | (56,957,570) |
| Interest Paid | 57,429,624 | 58,532,280 |
| Operating Surplus Before Working Capital Changes: | 376,645,634 | 182,570,244 |
| (Increase)/Decrease in Inventories | (2,448,724) | 352,830 |
| (Increase)/Decrease in Service Debtors | 22,108,047 | (26,021,062) |
| (Increase)/Decrease in Other Debtors | (27,085,443) | 77,849,352 |
| Increase in Conditional Grants & Receipts | 22,060,409 | 189,963,783 |
| Increase/(Decrease) in Creditors | 24,421,299 | (116,381,535) |
| Increase/(Decrease) in VAT | (4,946,818) | – |
| Cash Generated from Operations | 410,754,404 | 308,333,612 |
| 29 CASH AND CASH EQUIVALENTS | | |
| Balance at the end of the year | 45,094,845 | 8,656,391 |
| Balance at the beginning of the year | 8,656,392 | (68,684,891) |
| Net Increase in Cash and Cash Equivalents | 36,438,453 | 77,341,282 |
| 30 UTILIZATION OF LONG–TERM LIABILITIES RECONCILIATION | | |
| Long–Term Liabilities (Refer Appendix A) | 61,980,292 | 68,838,831 |
| Used to Finance Property, Plant and Equipment | (55,953,254) | (58,091,310) |
| Used to Finance Property, Plant and Equipment previous years | (6,000,000) | (16,040,878) |
| Reinstatement of Loans Erroneously Written Off | 27,038 | (5,293,357) |
| Cash Invested for Repayment of External Loans | 108,208,926 | 91,509,072 |

Local Stock issue to the amount of R25 million has been secured by a zero coupon bond of R8 957 450 invested with Standard Merchant Bank maturing on 30 June 2014.

An Inca loan of R50 million has been secured by a sinking fund of R29 897 078 invested with Investec maturing on 23 February 2009.

A DBSA loan of R57 million has been secured by a sinking fund of R16 770 228 invested with Gensec maturing on 31 August 2014 and an investment of R6 348 285 with Investec maturing on 27 March 2008.

An Inca loan of R22 million has been secured by a sinking fund of R12 665 174 invested with Absa Bank maturing on 4 August 2011.

A DBSA loan of R80 million has been secured by an investment of R4 234 097 invested with Absa Bank maturing on 10 December 2017, an investment of

R6 494 267 invested with Nedbank maturing on 26 March 2006, an investment of R15 271 555 invested with Standard Bank maturing on 29 April 2017 and an investment of R5 921 513 invested with Absa Bank maturing on 26 March 2008.

A DBSA loan of R6 million has been secured by a fixed investment of R1 649 280 invested with Standard Bank maturing on 29 July 2009.

| | 2005 | 2004 |
|---|---------------------------|---------------------------|
| | R | R |
| 31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT | | |
| Contributions to SALGA | | |
| Opening Balance | – | 1,000,000 |
| Council Subscriptions | 2,228,042 | 783,579 |
| Amount Paid – Current Year | (2,228,042) | (783,579) |
| Amount Paid – Previous Years | – | (1,000,000) |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Audit Fees | | |
| Opening Balance | – | – |
| Over Provision Written Back | – | 147,706 |
| Current Year Audit Fee | 1,357,145 | 1,320,516 |
| Amount Paid – Current Year | (1,357,145) | (1,468,222) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| VAT | | |
| Vat Output Receivables | 91,080,556 | 77,169,492 |
| Vat Input Receivables | (90,525,898) | (70,957,466) |
| Vat Paid | <u>554,658</u> | <u>6,212,026</u> |
| All Vat returns have been submitted by the due date throughout the year. | | |
| PAYE and UIF | | |
| Opening Balance | – | – |
| Current Year Payroll Deductions | 55,244,741 | 51,587,238 |
| Amount Paid – Current Year | (55,244,741) | (51,587,238) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Pension and Medical Aid Deductions | | |
| Opening Balance | – | – |
| Current Year Payroll Deductions and Council Contributions | 100,178,918 | 92,585,790 |
| Amount Paid – Current Year | (100,178,918) | (92,585,790) |
| Amount Paid – Previous Years | – | – |
| Balance Unpaid | <u>–</u> | <u>–</u> |
| Councillor's Arrear Consumer Accounts | | |
| Arrear accounts totalling R3 901 and R900 were outstanding at 30 June 2005 for less than and more than 90 days respectively for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. | | |
| 32 CAPITAL COMMITMENTS | | |
| Commitments in respect of capital expenditure: | | |
| – Approved and Contracted for | | |
| Infrastructure | 178,532,359 | 113,300,623 |
| Community | 33,013,422 | 23,191,941 |
| Heritage | 3,048,799 | 996,241 |
| Other | 52,901,992 | 101,893,727 |
| | <u>267,496,572</u> | <u>239,382,532</u> |

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | R | R |
| – Approved but not yet Contracted for | | |
| Infrastructure | 11,462,595 | 22,773,902 |
| Community | 3,859,507 | 10,608,843 |
| Heritage | 253,004 | – |
| Other | 6,629,987 | 28,307,492 |
| | 22,205,093 | 61,690,237 |
| Total Commitments | 289,701,665 | 301,072,769 |
| This expenditure will be financed from: | | |
| External Loans | 66,532,030 | 65,761,210 |
| Government Grants | 189,719,340 | 217,973,438 |
| Other | 33,450,295 | 17,338,121 |
| | 289,701,665 | 301,072,769 |
| <p>A payment of R 1 315 906 in respect of the KWT Radio Data Network was included under property, plant and equipment as work-in-progress for the 2004/2005 financial year. A further payment of R 2 995 075, being the outstanding balance less legal costs will be affected from the Restructuring Grant in the 2005/2006 financial year.</p> | | |
| 33 CONTINGENT LIABILITIES | | |
| Guarantees by the Council in respect of building society and commercial bank housing loans for officials. | 3,393,778 | 3,575,126 |
| Guarantees for Sports Clubs Loans | 80,000 | 80,000 |
| | 3,473,778 | 3,655,126 |

A failed water pipe line in Mdantsane led to the removal of the contractor (Magwa and Selane cc) from the site which has resulted in a claim in the sum of approximately R650 000.

Flood damage to Vincent Park Centre has resulted in a possible claim of approximately R31 million. Although no court action has commenced Council's attorney's have been briefed and Council would defend the matter. Council's attorney's have also been instructed to investigate the possibility of recourse through it's Insurers.

A case relating to the saleable value of a landowners (J. Magwa) property in Phakamisa has resulted in a potential claim of R3 million. Although merits of the case are doubtful, Council are awaiting the re-issue of legal proceedings. The Department of Water Affairs and Forestry (DWAF) – Eastern Cape has requested payment of approximately R22 million for outstanding water accounts in respect of Noodlyn, Zwelitsha and Phakamisa townships. Council through it's attorney's, have advised DWAF that the payment of accounts prior to the take over of responsibilities by Buffalo City Municipality, vested with Provincial Government.

A claim by Transnet LTD i.r.o. overpayment of rates on erf 15889. A summons was served on Buffalo City Municipality (defendant) by Transnet Limited (plaintiff) i.r.o. of Transnet that was not surveyed, subdivided and registered in the lawful owners name resulting in overpayment of rates by Tansnet. If the court rules in favour of Transnet Limited it could result in a claim of approximately R 2 million.

34 RETIREMENT BENEFIT INFORMATION

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- SAMWU National Provident Fund
- SALA Pension Fund
- East London Municipal A Band Provident Fund
- Old Mutual Orion Provident Fund
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- The Cape Joint Pension Fund: The last actuarial valuation was performed as at 30 June 2004 by D. Klug of Metropolitan Employees Benefits. The fund was in a sound financial position and that the surplus could be attributed to the reduction of pension increase targets.
- The Cape Joint Retirement Fund was in a sound financial condition as at the last actuarial valuation on 30 June 2004 which was conducted by D. Klug of Metropolitan Employees Benefits.

2005

2004

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R

- The Eastern Cape Local Authorities Provident Fund's last valuation was done as at 30 June 2004 by M. Hayler from Alexander Forbes and certifies that the fund was in a sound financial condition in terms of the Pension Fund Act.
- The Government Employees Pension Fund's last valuation was at 31 March 2004 and performed by J. Slawski, J. Geldenhuys and R. Maxwell from Alexander Forbes. The fund was 96,5% funded at this date.
- SAMWU National Provident Fund's last actuarial valuation was at 30 June 2002 and conducted by E. Potgieter from Fifth Quadrant. The report stated that the fund was in a sound financial position.
- The SALA Pension Fund's last valuation was at 30 June 2003 conducted by S. Feldman of Old Mutual Actuaries and Consultants. The fund was 85.9% funded as at valuation date.
- The East London Municipal A Band and Old Mutual Orion Provident Funds as well as the Aftrevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contribution funds and are therefore not required to perform actuarial valuations.
- The East London Municipal A Band and Old Mutual Orion Provident Funds are defined contribution Funds and therefore an actuarial valuation is not required to be performed. It is Council's policy to fund 70% of Pensioner's medical aid expenses. The current costs amount to approximately R7.2 million. An amount of R 70,1 million (2004: R 62,8 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

35 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

- Secondment of International Finance Advisor by National Treasury for a period of two years ending June 2005.

36 CORRECTION OF ERROR

During the year ended 30 June 2004 expenditure on Housing was erroneously capitalised.

The comparative amount has been restated as follows:

| | | |
|---|----------|---------------------|
| Corrections of Expenditure to Housing Capital Financed by LGH | – | (26,527,407) |
| Depreciation | – | 50,578 |
| Net Effect on Government Grant Reserve | – | (26,476,830) |
| Corrections of Expenditure to Housing Capital Financed by SIDA | – | (196,206) |
| Depreciation | – | 65,400 |
| Net Effect on Donations and Public Contributions Reserve | – | (130,806) |

During the year ended 30 June 2005 transactions in respect of the year ended 30 June 2004 have been restated as follows:

| | | |
|--|----------|-------------------|
| Transactions affecting Creditors | – | 8,804,810 |
| Transactions affecting Conditional Grant Creditors | – | 1,195,255 |
| Transactions affecting Property, Plant & Equipment | – | (15,739) |
| Transactions affecting Consumer Debtors | – | (37,570) |
| Transactions affecting Other Debtors | – | 884,587 |
| Transactions affecting Long-Term Liabilities | – | 466,750 |
| Transactions affecting Call Investments | – | 5,216,721 |
| Transaction affecting VAT | – | 14,253,306 |
| Net Effect on Accumulated Surplus | – | 30,768,120 |

37 INVESTMENT IN ASSOCIATE

Buffalo City Municipality holds 24% of the issued share capital in East London Industrial Development Zone (Pty) Ltd. The net asset value of the associate as per the audited financial statements at 31 March 2005 was R 13 million.

| | 2005 | 2004 |
|--|------|------|
| | R | R |

38 MUNICIPAL ENTITIES

Buffalo City Development Agency (BCDA)

The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCM. The BCM Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2005.

One of the envisaged corner-stones of the Agency's business model is the asset base of unutilised or underutilised public land and infrastructure that falls within the Agency's demarcated area, namely the extended waterfront and CBD area of East London.

In Buffalo City, this asset-base constitutes a resource of significant value that could be used as leverage to unlock beneficial synergies with other significant prospective investors, private and public.

The Agency commissioned a Pre-Feasibility Study intended to further clarify its local strategic opportunities and to finalise a business plan that will enable Buffalo City Municipality to extend a clear mandate to the Agency as it launches into its operational phase.

Attached as Addendum A to the Financial Statements of Buffalo City Municipality (BCM) are the Financial Statements of Buffalo City Development Agency (BCDA).

Due to limited guidelines and available information in respect of the consolidation of the financial statements approval from National Treasury was requested to attach the financial statements of BCDA to the financial statements of BCM. A copy of the letter dated 19 August 2005 forwarded to National Treasury is attached as Addendum B.

At date of presentation of BCM's annual financial statements no response had yet been received from National Treasury.

39 CHANGE IN ACCOUNTING POLICY

| | | |
|---|----------|---------------------|
| Changes to the former Asset Financing Future Depreciation Reserve | – | (28,891,378) |
| Transactions to the unbundled Revolving Fund | – | 461,425 |
| DVPP–Trust Fund under IMFO reallocated | – | (3,373,548) |
| Equitable Share accrual reversal journal rectified | – | 3,878,594 |
| Net Effect on Accumulated Surplus | – | (27,924,907) |
| A T Taylor Trust | – | (45,421) |
| CHT Peplar Trust | – | (33,471) |
| Transferred to Conditional Grants and Creditors. | – | (78,892) |

CHANGE IN ACCOUNTING POLICY – IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of Buffalo City Municipality arising from the implementation of GAMAP:–

STATUTORY FUNDS

Balance reported 30 June 2003

East London

Consolidated Capital Development & Loans Fund (CCDLF) 198,594,368

Implementation of GAMAP

Outstanding internal loans on network assets, after external loan allocation, restated as financed from the CCDLF Fund to the Capital Reserve 109,650,689

Outstanding internal loans used to finance assets written off, restated against PPE 15,420,517

Long–Term financing transferred to Accumulated Surplus as debtors were transferred to non–current assets 11,468,862

Land sales restated to Accumulated Surplus 3,315,453

Balance left transferred to Accumulated Surplus as there was no cash funds available on the CCDLF 58,738,847

Balance transferred **198,594,368**

Workman's Compensation Act (WCA) 5,395,112

Implementation of GAMAP

Transferred to COID Fund **5,395,112**

| | 2005 | 2004 |
|---|--------------------|------|
| | R | R |
| Self-Insurance Fund | 16,573,016 | |
| Implementation of GAMAP | | |
| Transferred to Self-Insurance Reserve | 16,573,016 | |
| Community Facilities | 1,389,199 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 1,389,199 | |
| King William's Town | | |
| Revolving Fund | 98,956,462 | |
| Implementation of GAMAP | | |
| Balance left after the electricity infrastructure has been unbundled, transferred to Capital Reserve | 11,409,465 | |
| Balance left after the water infrastructure has been unbundled, restated transferred to Capital Reserve | 2,733,567 | |
| Balance left after the general asset structure has been unbundled, restated | 20,088,667 | |
| Balance left after the housing asset structure has been unbundled, restated | 114,841 | |
| Creditor written back incorrectly rectified 2004/05 | (461,425) | |
| Balance on Revolving Fund transferred to Accumulated Surplus as there was no cash funds available on the Revolving Fund | 65,532,772 | |
| | 99,417,887 | |
| Parking Areas Development Fund | 461,425 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 461,425 | |
| Amathole | | |
| Land Sales | 839,540 | |
| Endowment | 38,438 | |
| | 877,978 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 877,978 | |
| Balance reported 30 June 2004 | 349,313,362 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 322,708,985 | |
| Transferred to COID Fund | 634,561 | |
| Transferred to Self-Insurance Reserve | 2,004,526 | |
| Transferred to Accumulated Surplus | 23,965,290 | |
| | 349,313,362 | |
| RESERVES | | |
| Balance reported 30 June 2003 | | |
| East London | 10,417,919 | |
| King William's Town | 5,215,853 | |
| Amathole | 177,434 | |
| | 15,811,206 | |
| Implementation of GAMAP | | |
| Transferred to Accumulated Surplus | 15,811,206 | |

| | 2005 | 2004 |
|---|----------------------|------|
| | R | R |
| Balance reported 30 June 2004 | 10,851,161 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 15,811,206 | |
| Transferred to Bad Debt Provision | (5,000,004) | |
| Transferred to Accumulated Surplus | 39,959 | |
| | <u>10,851,161</u> | |
| LOANS REDEEMED AND OTHER CAPITAL RECEIPTS | | |
| Balance reported 30 June 2003 | 1,330,327,121 | |
| Implementation of GAMAP | | |
| Transferred to Capitalisation Reserve | 534,971,109 | |
| Transferred to Government Grant Reserve | 88,074,610 | |
| Transferred to Donations and Public Contributions Reserve | 30,054,319 | |
| Written off | 589,174,280 | |
| Transferred to Accumulated Surplus | 88,052,803 | |
| | <u>1,330,327,121</u> | |
| Balance reported 30 June 2004 | 1,542,991,950 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 1,330,327,121 | |
| Transferred to Capitalisation Reserve | 10,570,457 | |
| Transferred to Government Grant Reserve | 96,970,188 | |
| Transferred to Donations and Public Contributions Reserve | 36,585,755 | |
| Non-asset transactions rectified | 15,443,925 | |
| Written off | (2,231,114) | |
| Transferred to Sundry Creditors | (3,878,596) | |
| Transferred to Accumulated Surplus | 59,204,214 | |
| | <u>1,542,991,950</u> | |
| TRUST FUNDS | | |
| Balance reported 30 June 2003 | | |
| East London | 73,232,134 | |
| King William's Town | 187,182 | |
| Amathole | 421,993 | |
| | <u>73,841,309</u> | |
| Implementation of GAMAP | | |
| Transferred to Conditional Grant Creditors | 73,607,771 | |
| Transferred to Trust Funds | 71,721 | |
| Transferred to Capital Replacement Reserve | 109,255 | |
| Transferred to Accumulated Surplus | 52,562 | |
| | <u>73,841,309</u> | |
| Balance reported 30 June 2004 | 94,711,951 | |
| Implementation of GAMAP | | |
| Restated 30 June 2003 | 73,841,309 | |
| Transferred to Conditional Grant Creditors | 20,946,232 | |
| Transferred to Trust Funds | 7,172 | |
| Transferred to Capital Replacement Reserve | (30,200) | |
| Transferred to Accumulated Surplus | (52,562) | |
| | <u>94,711,951</u> | |

| | 2005 | 2004 |
|---|---------------|-------------------|
| | R | R |
| CHANGES IN NET ASSETS | | |
| Compensation for Occupational Injuries & Diseases (COID) | | |
| Balance at 30 June 2003 restated from previous Statutory Fund – WCA | | 5,395,112 |
| Net transactions 2003/04 financial year | | 634,560 |
| Balance at 30 June 2004 | | 6,029,672 |
| Net claims processed | | (50,360) |
| Balance at 30 June 2005 | | 5,979,312 |
| Capital Replacement Reserve (CRR) | | |
| Transferred from previous KWT: Computer Installation Fund as at 30 June 2003 | | 109,255 |
| Contributions from Accumulated Surplus to accommodate capital expenditure 2003/04 indicated from CRR | | 22,374,358 |
| Capital expenditure on KWT: | | |
| Computer Installation Fund for 2003/04 transferred to the Capitalisation Reserve | (37,239) | |
| Capital expenditure on the 2003/04 capital programme with finance source CRR transferred to the Capitalisation Reserve | (22,374,358) | (22,411,597) |
| Interest allocation to KWT: Computer Installation Fund transferred to CRR | | 7,039 |
| Balance at 30 June 2004 | | 79,055 |
| Capital expenditure from CRR in 2004/05 | | (69,767) |
| Balance at 30 June 2005 | | 9,288 |
| Capitalisation Reserve (CR) | | |
| Previous capital model capitalisation financing accounts from own funding regarding infrastructural assets transferred to the CR | 167,685,508 | |
| The redeemed portion of the balance of internal loans after internal loans were linked and reallocated as external loan funding transferred to CR | 33,456,101 | |
| Fully redeemed previous internal loans transferred to CRR | 6,959,611 | |
| Fully redeemed previous internal loans that was not yet transferred to the account Loans Fully Redeemed and still formed part of the Loans Redeemed account transferred to CR | 397,722,131 | |
| The outstanding portion of the balance of internal loans after internal loans were linked and reallocated as external loan funding transferred to CR from the Consolidated Capital Development and Loans Fund | 109,650,688 | |
| Accumulated depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from CRR | (612,288,356) | |
| Revalued properties allocated to CR at take-on to the asset register | 365,214,072 | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on properties | (157,815,247) | 310,584,508 |
| Capital expenditure from CRR 2003/04 | | 22,411,597 |
| Offset depreciation on assets financed by CRR transferred to Accumulated Surplus | | (27,739,668) |
| Balance at 30 June 2004 | | 305,256,437 |
| Accounting policy changes: Transferred to Revaluation Reserve | (199,731,371) | |
| Transferred to Accumulated Surplus | (28,891,378) | (228,622,749) |
| Restated Balance at 30 June 2004 | | 76,633,688 |
| Offset depreciation for 2004/05 | | (7,562,689) |
| Balance at 30 June 2005 | | 69,070,999 |

| | | 2005 | 2004 |
|--|-------------|--------------------|------|
| | R | R | R |
| Government Grant Reserve (GGR) | | | |
| Adjustment of previous capitalisation accounts for infrastructural assets financed by government grants | 88,074,610 | | |
| Accumulated depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from government grants | (3,150,848) | 84,923,762 | |
| Capital expenditure from government grants 2003/04 | | 96,969,611 | |
| Offset depreciation on assets 2003/04 financed by government grants transferred to Accumulated Surplus | | (15,147,082) | |
| Balance at 30 June 2004 | | 166,746,291 | |
| Correction of error: Housing assets incorrectly capitalised previous year (Note 36) | | (26,476,830) | |
| Restated Balance at 30 June 2004 | | 140,269,461 | |
| Capital expenditure from government grants 2004/05 | | 106,476,354 | |
| Offset depreciation on assets 2004/05 financed by government grants transferred to Accumulated Surplus | | (11,017,315) | |
| Balance at 30 June 2005 | | 235,728,500 | |
| Donations and Public Contributions Reserve (DPCR) | | | |
| Adjustment of previous capitalisation accounts for infrastructural assets financed by non-government grants and donations | 30,054,319 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets calculated and allocated as financed from non-government grants and donations | (1,440,227) | 28,614,092 | |
| Capital expenditure from non-government grants and donations 2003/04 | | 36,585,755 | |
| Offset depreciation on assets 2003/04 financed by non-government grants and donations transferred to Accumulated Surplus | | (7,648,012) | |
| Balance at 30 June 2004 | | 57,551,835 | |
| Correction of error: Housing assets incorrectly capitalised previous year (Note 36) | | (130,806) | |
| Restated Balance at 30 June 2004 | | 57,421,029 | |
| Capital expenditure from non-government grants and donations 2004/05 | | 23,098,037 | |
| Offset depreciation on assets 2004/05 financed by non-government grants and donations transferred to Accumulated Surplus | | (5,524,964) | |
| Balance at 30 June 2005 | | 74,994,102 | |
| Self-Insurance Reserve | | | |
| Transferred from the previous Self-Insurance Fund | | 16,573,016 | |
| Net transactions 2003/04 | | 2,004,526 | |
| Balance at 30 June 2004 | | 18,577,542 | |
| Net insurance claims processed | | (794,473) | |
| Balance at 30 June 2005 | | 17,783,069 | |
| Revaluation Reserve | | | |
| Accounting policy change: Take-on value of properties less accumulated depreciation to 30 June 2004 transferred from CRR | | 199,731,371 | |
| Restated balance at 30 June 2004 | | 199,731,371 | |
| Offset depreciation for 2004/05 on properties that were taken on at a revalued amount | | (7,667,455) | |
| Balance at 30 June 2005 | | 192,063,916 | |

| | | 2005 | 2004 |
|---|---------------|-------------------|------|
| | R | R | R |
| Unappropriated Surplus | | | |
| Balance as at 30 June 2003 | | 8,438,742 | |
| Transactions in respect of previous years to 2003/04 | | 2,860,051 | |
| Previous Statutory and Reserve Funds written off | 23,032,223 | | |
| Deferred charges written back | (419,214) | | |
| Internal loan balances on properties and movable assets written off at take-on of new values on new Asset Register | (64,754,603) | | |
| Redeemed portion of non-assets previously incorrectly capitalised and financed by internal loans written back | 4,422,872 | | |
| Non-Assets as at 30 June 2003 financed by external loans written off | (2,455,391) | | |
| Redeemed portion of internal loans on assets that were allocated to external loans transferred from the former Loans Redeemed accounts in the previous capitalisation model | 63,820,241 | | |
| Long-Term Debtors financing transferred from the previous Statutory Consolidated Capital Development and Loans Fund | 11,468,862 | | |
| Land sale Debtors financing transferred from the previous Statutory Consolidated Capital Development and Loans Fund | 3,315,453 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on infrastructural assets allocated as financed from external loans | (172,507,908) | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on KWT assets allocated as financed from external loans | (10,793,856) | | |
| Balances on the former capitalisation accounts in the previous capitalisation model after the unbundling journals have been processed | 67,538,813 | | |
| Closing CCDLF as the balance after the unbundling process were not backed by cash | 82,583,130 | | |
| Redeemed portion of external loans that financed KWT assets written back | 4,169,729 | | |
| Balance on previous Revolving Fund from KWT written back as it was not backed by cash | 65,532,772 | | |
| Capital leases restated as at 30 June 2003 | 7,194,235 | | |
| Accumulated Depreciation as at 30 June 2003 (backlog depreciation) on capital leases | (4,627,176) | | |
| Correction of unbundling entries | 195,566 | | |
| Correction of Conditional Grant expenditure | 14,816,382 | | |
| Correction of capitalisation of non-assets financed from Equitable Share and DBSA funds | 21,791,196 | | |
| Reallocation of operating transactions for the year to changes in accounting policies | (100,673,300) | | |
| Adjustment of allocations on old ledger | 5,270,876 | 18,920,902 | |
| Surplus for the year 2003/04 | | 19,065,748 | |
| Transfer to CRR (Refer to CRR reconciliation above) | | (22,374,358) | |
| Additional contributions to Provisions: | | | |
| Bad Debt Provision | (20,000,000) | | |
| Leave Provision | (13,000,000) | (33,000,000) | |
| Offset depreciation for 2003/04: | | | |
| Capitalisation Reserve (Refer to CR reconciliation above) | 27,739,668 | | |
| Government Grant Reserve (Refer to GGR reconciliation above) | 15,147,082 | | |
| Donations and Public Contributions Reserve (Refer to DPCR reconciliation above) | 7,648,012 | 50,534,762 | |
| Balance at 30 June 2004 | | <u>44,438,808</u> | |

| | | 2005 | 2004 |
|--|-------------|--------------------|------|
| | R | R | R |
| Transactions in respect of previous years to 2004/05 (Refer to Note 36) | | 30,768,120 | |
| Changes in Accounting Policy: | | | |
| Changes to the former Asset Financing Future | | | |
| Depreciation Reserve | 28,891,378 | | |
| Transactions to the unbundled Revolving Fund | (461,425) | | |
| DVPP – Trust fund under IMFO reallocated | 3,373,548 | | |
| Equitable share accrual reversal journal rectified | (3,878,594) | 27,924,907 | |
| Restated Balance at 30 June 2004 | | 103,131,835 | |
| Surplus for the year 2004/05 | | 179,831,876 | |
| Capital expenditure from CRR transferred to Accumulated Surplus | | 69,767 | |
| Capital expenditure financed from government grants transferred to Government Grant Reserve | | (106,476,354) | |
| Capital expenditure financed from non-government contributions transferred to Donations and Public Contributions Reserve | | | |
| VAT Corrections | | (23,098,037) | |
| Offset depreciation for 2004/05: | | 5,518,185 | |
| Capitalisation Reserve (Refer to CR reconciliation above) | 7,562,689 | | |
| Government Grant Reserve (Refer to GGR reconciliation above) | 11,017,315 | | |
| Donations and Public Contributions Reserve (Refer to DPCR reconciliation above) | 5,524,964 | | |
| Revaluation Reserve | 7,667,455 | 31,772,423 | |
| Balance at 30 June 2005 | | 190,749,695 | |

statement of external loans

AT 30 JUNE 2005 – APPENDIX A

| EXTERNAL LOANS | Issued | Loan No. | Redeemable | Balance at 30/6/2004 |
|-------------------------------------|--------|----------|------------|----------------------|
| | | | | R |
| LONG-TERM LOANS | | | | |
| Local Registered Stock | | | | |
| 1988 @ 16.60% | | 70 | 30/06/2008 | 10,000,000 |
| 1990 @ 16.50% | | 72 | 30/06/2010 | 21,000,000 |
| 1990 @ 17.05% | | 73 | 31/12/2011 | 10,000,000 |
| 1993 @ 15.70% | | 77 | 30/06/2005 | 13,000,000 |
| 1994 @ 14.20% | | 78 | 30/06/2014 | 25,000,000 |
| 1990 @ 17.90% | | 5/90 | 30/06/2010 | 160,000 |
| 1991 @ 17.50% | | 1 | 31/12/2006 | 1,000,000 |
| 1990 @ 17.65% | | 3 | 30/06/2010 | 464,000 |
| 1990 @ 17.60% | | 4 | 30/06/2005 | 1,267,000 |
| 1988 @ 17.25% | | 5 | 30/09/2008 | 550,000 |
| 1990 @ 17.75% | | 9 | 30/06/2005 | 94,000 |
| 1982 @ 11.35% | | 20 | 13/08/2005 | 1,228,000 |
| Total Local Registered Stock | | | | 83,763,000 |
| Annuity Loans | | | | |
| 1997 @ 16.60% | | SCMB | 14/06/2007 | 24,087,215 |
| 1999 @ 16.70% | | INCA 1 | 26/03/2009 | 25,000,000 |
| 1999 @ 16.70% | | INCA 2 | 23/02/2009 | 25,000,000 |
| 2000 @ 16.90% | | INCA 3 | 30/06/2011 | 22,000,000 |
| 2001 @ 10.83% | | 13717 | 30/06/2021 | 71,578,948 |
| 2002 @ 11.40% | | 100124 | 30/06/2023 | 72,937,275 |
| 2004 @ 10.15% | | 100783 | 30/06/2009 | – |
| 2004 @ 12.56% | | 101058 | 31/12/2023 | 57,193,266 |
| 2004 @ 10.11% | | 101490 | 31/12/2006 | 8,720,668 |
| 1981 @ 13.13% | | BB 27 | 30/06/2006 | 26,940 |
| 1977 @ 13.00% | | SAN 1 | 30/09/2007 | 60,197 |
| 1975 @ 9.00% | | CJPF 1 | 30/06/2005 | 23,772 |
| 1975 @ 11.00% | | CJPF 2 | 31/12/2005 | – |
| 1978 @ 13.00% | | CJPF 4 | 30/06/2008 | 103,282 |
| 1979 @ 9.50% | | CJPF 5 | 30/06/2009 | 71,230 |
| 1980 @ 10.00% | | CJPF 6 | 30/06/2005 | – |
| 1984 @ 00.00% | | BB 95A | 31/12/2004 | 30,748 |
| 1984 @ 00.00% | | BB 95B | 31/12/2004 | 1,739 |
| 1984 @ 00.00% | | BB 96 | 31/12/2004 | 3,047 |
| 2003 @ 9.05% | | STAFF | 27/07/2006 | 7,033,766 |
| Total Annuity Loans | | | | 313,872,093 |
| Financial Leases : | | | | |
| 1999 @ 13.50% | | DCFS | 15/09/2004 | 176,590 |
| 2001 @ 13.50% | | DCFS | 18/09/2006 | 350,427 |
| 2000 @ 13.50% | | STANNIC | 01/09/2005 | 1,469,337 |
| 2001 @ 13.50% | | WESBANK | 01/06/2005 | 321,730 |
| 2001 @ 13.50% | | WESBANK | 01/06/2005 | 94,575 |
| KWT | | ABSA | 31/12/2005 | 987,646 |
| Total Financial Leases | | | | 3,400,305 |
| Total External Loans | | | | 401,035,398 |

| | Received during the year | Redeemed or written off during the year | Balance at 30/6/2005 | Carrying Value of Property, Plant & Equipment | Other Costs in accordance with MFMA |
|-------------------|-----------------------------|--|----------------------|--|--|
| | R | R | R | R | R |
| | - | - | 10,000,000 | - | - |
| | - | - | 21,000,000 | - | - |
| | - | - | 10,000,000 | - | - |
| | - | 13,000,000 | - | - | - |
| | - | - | 25,000,000 | - | - |
| | - | - | 160,000 | - | - |
| | - | - | 1,000,000 | - | - |
| | - | - | 464,000 | - | - |
| | - | 1,267,000 | - | - | - |
| | - | - | 550,000 | - | - |
| | - | 94,000 | - | - | - |
| | - | - | 1,228,000 | - | - |
| | - | <u>14,361,000</u> | <u>69,402,000</u> | - | - |
| | - | 6,743,666 | 17,343,549 | 18,773,910 | - |
| | - | - | 25,000,000 | 13,641,232 | - |
| | - | - | 25,000,000 | 13,641,232 | - |
| | - | - | 22,000,000 | 15,417,172 | - |
| | - | 4,210,526 | 67,368,422 | 58,349,340 | - |
| 55,953,254 | 2,970,314 | 125,920,215 | 116,056,324 | - | - |
| 6,000,000 | - | 6,000,000 | - | - | - |
| - | 764,573 | 56,428,693 | 27,143,105 | - | - |
| - | 3,233,483 | 5,487,185 | 359,688 | - | - |
| - | 12,615 | 14,325 | - | - | - |
| - | 14,585 | 45,612 | - | - | - |
| - | 23,772 | - | - | - | - |
| - | - | - | - | - | - |
| - | 21,165 | 82,117 | - | - | - |
| - | 11,731 | 59,499 | - | - | - |
| - | - | - | - | - | - |
| - | 30,748 | - | - | - | - |
| 2 | 1,741 | - | - | - | - |
| - | 3,047 | - | - | - | - |
| - | 3,212,758 | 3,821,008 | - | - | - |
| <u>61,953,256</u> | <u>21,254,724</u> | <u>354,570,625</u> | <u>27,502,793</u> | - | - |
| - | 176,590 | - | - | - | - |
| 137,142 | 203,277 | 284,292 | - | - | - |
| - | 1,162,935 | 306,402 | - | - | - |
| - | 148,820 | 172,910 | - | - | - |
| - | 43,748 | 50,827 | - | - | - |
| - | 783,146 | 204,500 | 337,365 | - | - |
| <u>137,142</u> | <u>2,518,516</u> | <u>1,018,931</u> | <u>337,365</u> | - | - |
| <u>62,090,398</u> | <u>38,134,240</u> | <u>424,991,556</u> | <u>27,840,158</u> | - | - |

analysis of property, plant and equipment

AT 30 JUNE 2005 – APPENDIX B

| | Costs | | | | |
|---------------------------------|--------------------|------------------|--------------------|-----------|--------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance |
| | R | R | R | R | R |
| LAND AND BUILDINGS | | | | | |
| Land | 75,104,236 | 3,251,032 | | | 78,355,268 |
| Buildings | 290,144,584 | 3,169,497 | | | 293,314,081 |
| Total Land and Buildings | 365,248,820 | 6,420,529 | – | – | 371,669,349 |
| INFRASTRUCTURE ASSETS | | | | | |
| Electricity | | | | | |
| Festive Lighting | 249,990 | – | – | – | 249,990 |
| Load Control Equipment | 302,823 | – | – | – | 302,823 |
| Mains | 36,626,346 | – | – | – | 36,626,346 |
| Meters | 18,642,350 | 1,652,356 | – | – | 20,294,706 |
| Reticulation | 221,527,802 | 3,981,772 | 14,438,091 | – | 239,947,665 |
| Substations | 31,764,186 | – | 2,627,231 | – | 34,391,417 |
| Transformer Kiosks | 69,604 | – | – | – | 69,604 |
| | 309,183,101 | 5,634,128 | 17,065,322 | – | 331,882,551 |
| Roads | | | | | |
| Bridges, Subways and Culverts | 2,917,868 | – | 628,038 | – | 3,545,906 |
| Bus Terminals | 154,909 | – | – | – | 154,909 |
| Car Parks | 298,082 | – | – | – | 298,082 |
| Guidance Signs | 654,934 | 393,110 | 12,216 | – | 1,060,260 |
| Motorways | 9,947,025 | – | 527,178 | – | 10,474,203 |
| Other Roads | 414,217,247 | 2,472,434 | 12,818,781 | – | 429,508,462 |
| Parking Areas | 4,441,464 | 777,424 | – | – | 5,218,888 |
| Parking Meters | – | – | 1,787,985 | – | 1,787,985 |
| Pedestrian Facilities | – | 1,995,426 | 326,815 | – | 2,322,241 |
| Sidewalks | 4,035,821 | 500,000 | – | – | 4,535,821 |
| Stormwater Drains | 213,664 | – | – | – | 213,664 |
| Street Lighting | 15,409,545 | 609,803 | – | – | 16,019,348 |
| Taxi Facilities | 3,586,835 | 2,013,902 | 2,281,773 | – | 7,882,510 |
| Traffic Islands | – | – | 39,557 | – | 39,557 |
| Traffic Lights | 537,338 | 112,989 | – | – | 650,327 |
| | 456,414,732 | 8,875,088 | 18,422,343 | – | 483,712,163 |
| Sewerage | | | | | |
| Outfall Sewers | 6,373,238 | – | 2,493,693 | – | 8,866,931 |
| Purification Works | 23,725,810 | 1,118,665 | – | – | 24,844,475 |
| Sewer Mains | – | – | 5,956,701 | – | 5,956,701 |
| Sewerage Pumps | 1,732,947 | 1,245,005 | – | – | 2,977,952 |
| Sewers | 176,170,719 | 3,062,042 | 3,510,947 | – | 182,743,708 |
| | 208,002,714 | 5,425,712 | 11,961,341 | – | 225,389,767 |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--|--------------------------|-------------------|-----------|--------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| | | | | | 78,355,268 | 3,985,285 |
| | 163,441,821 | 7,916,146 | | 171,357,967 | 121,956,114 | 2,655,626 |
| | <u>163,441,821</u> | <u>7,916,146</u> | <u>-</u> | <u>171,357,967</u> | <u>200,311,382</u> | <u>6,640,911</u> |
| | | | | | | |
| | 49,998 | 49,998 | | 99,996 | 149,994 | |
| | 302,823 | - | | 302,823 | - | |
| | 25,456,169 | 790,188 | | 26,246,357 | 10,379,989 | |
| | 10,273,943 | 560,956 | | 10,834,899 | 9,459,807 | 1,657,766 |
| | 104,973,047 | 7,089,236 | | 112,062,283 | 127,885,382 | 19,605,296 |
| | 21,431,368 | 550,131 | | 21,981,499 | 12,409,918 | 2,627,231 |
| | 4,640 | 2,320 | | 6,960 | 62,644 | |
| | <u>162,491,988</u> | <u>9,042,829</u> | <u>-</u> | <u>171,534,817</u> | <u>160,347,734</u> | <u>23,890,293</u> |
| | | | | | | |
| | 109,618 | 96,842 | | 206,460 | 3,339,446 | 653,606 |
| | 7,745 | 7,746 | | 15,491 | 139,418 | |
| | 193,428 | 6,968 | | 200,396 | 97,686 | |
| | 654,934 | 19,656 | | 674,590 | 385,670 | 443,198 |
| | 1,981,571 | 592,795 | | 2,574,366 | 7,899,837 | 587,660 |
| | 302,028,657 | 17,592,449 | | 319,621,106 | 109,887,356 | 18,902,882 |
| | 4,294,464 | 49,371 | | 4,343,835 | 875,053 | 779,252 |
| | - | - | | - | 1,787,985 | 1,800,000 |
| | - | 99,771 | | 99,771 | 2,222,470 | 2,385,360 |
| | 229,185 | 226,494 | | 455,679 | 4,080,142 | 500,000 |
| | 91,456 | 7,699 | | 99,155 | 114,509 | |
| | 11,249,107 | 195,103 | | 11,444,210 | 4,575,138 | 612,108 |
| | 221,824 | 221,368 | | 443,192 | 7,439,318 | 4,401,527 |
| | - | - | | - | 39,557 | 39,557 |
| | 322,520 | 20,726 | | 343,246 | 307,081 | 114,307 |
| | <u>321,384,509</u> | <u>19,136,988</u> | <u>-</u> | <u>340,521,497</u> | <u>143,190,666</u> | <u>31,219,457</u> |
| | | | | | | |
| | 955,986 | 318,662 | | 1,274,648 | 7,592,283 | 2,500,000 |
| | 13,168,091 | 611,860 | | 13,779,951 | 11,064,524 | 1,188,676 |
| | - | - | | - | 5,956,701 | 6,306,614 |
| | 205,970 | 157,030 | | 363,000 | 2,614,952 | 1,474,548 |
| | 107,547,403 | 4,131,118 | | 111,678,521 | 71,065,187 | 7,773,530 |
| | <u>121,877,450</u> | <u>5,218,670</u> | <u>-</u> | <u>127,096,120</u> | <u>98,293,647</u> | <u>19,243,368</u> |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|------------------------------------|----------------------|-------------------|-----------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Water | | | | | |
| Dams | 15,665,087 | – | – | | 15,665,087 |
| Mains | 17,910,620 | – | 31,685,980 | | 49,596,600 |
| Meters | 7,346,586 | 66,367 | – | | 7,412,953 |
| Reservoirs | 18,119,338 | 1,116,797 | 1,794,115 | | 21,030,250 |
| Reticulation | 184,216,959 | 3,024,704 | 12,708,774 | | 199,950,437 |
| Treatment Works | 18,850,770 | 4,334,341 | – | | 23,185,111 |
| | 262,109,360 | 8,542,209 | 46,188,869 | – | 316,840,438 |
| Security | | | | | |
| Access Control Systems | 19,344 | – | 24,566 | | 43,910 |
| Fencing | 1,877,185 | 217,262 | – | | 2,094,447 |
| Lighting | 6,585 | – | – | | 6,585 |
| Security Systems | 280,361 | 8,922 | – | | 289,283 |
| | 2,183,475 | 226,184 | 24,566 | – | 2,434,225 |
| Total Infrastructure Assets | 1,237,893,382 | 28,703,321 | 93,662,441 | – | 1,360,259,144 |
| COMMUNITY ASSETS | | | | | |
| Buildings | | | | | |
| Agriculture | 91,954 | – | – | | 91,954 |
| Beachfront Developments | 23,940,839 | 2,352,387 | – | | 26,293,226 |
| Cemeteries | 7,829,120 | 4,237,921 | 120,674 | | 12,187,715 |
| Clinics | 437,685 | 1,149,608 | 1,651,513 | | 3,238,806 |
| Community Centres | 8,698,507 | – | 284,736 | | 8,983,243 |
| Fire Stations | 63,624 | 112,056 | – | | 175,680 |
| Library | 313,594 | – | – | | 313,594 |
| Parks | 6,320,927 | 884,184 | – | | 7,205,111 |
| Public Conveniences | 1,060,073 | – | – | | 1,060,073 |
| Stadiums | 5,559,289 | 3,432,652 | 5,500,000 | | 14,491,941 |
| Zoos | 386,735 | 238,209 | – | | 624,944 |
| | 54,702,347 | 12,407,017 | 7,556,923 | – | 74,666,287 |
| Recreational Facilities | | | | | |
| Floodlighting | 129,381 | – | – | | 129,381 |
| Outdoor Sports Facilities | 17,768,639 | 43,852 | – | | 17,812,491 |
| Swimming Pools | 4,457,763 | 91,518 | – | | 4,549,281 |
| Tennis Courts | 311,366 | – | – | | 311,366 |
| | 22,667,149 | 135,370 | – | – | 22,802,519 |
| Total Community Assets | 77,369,496 | 12,542,387 | 7,556,923 | – | 97,468,806 |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--------------------|--------------------------|-----------|--------------------|--------------------|--------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | |
| 14,858,023 | 45,266 | | 14,903,289 | 761,798 | | |
| 6,090,311 | 833,402 | | 6,923,713 | 42,672,887 | 34,267,173 | |
| 1,762,944 | 407,135 | | 2,170,079 | 5,242,874 | 110,313 | |
| 13,968,847 | 275,418 | | 14,244,265 | 6,785,985 | 3,272,082 | |
| 135,958,928 | 2,836,223 | | 138,795,151 | 61,155,286 | 17,333,420 | |
| 15,425,398 | 337,990 | | 15,763,388 | 7,421,723 | 4,422,185 | |
| 188,064,451 | 4,735,434 | - | 192,799,885 | 124,040,553 | 59,405,173 | |
| 3,869 | 3,869 | | 7,738 | 36,172 | 24,566 | |
| 1,528,582 | 210,511 | | 1,739,093 | 355,354 | 240,654 | |
| 6,585 | - | | 6,585 | - | | |
| 187,877 | 47,134 | | 235,011 | 54,272 | 8,922 | |
| 1,726,913 | 261,514 | - | 1,988,427 | 445,798 | 274,142 | |
| 795,545,311 | 38,395,435 | - | 833,940,746 | 526,318,398 | 134,032,433 | |
| 4,598 | 4,598 | | 9,196 | 82,758 | | |
| 23,254,564 | 65,235 | | 23,319,799 | 2,973,427 | 4,368,511 | |
| 2,523,005 | 253,509 | | 2,776,514 | 9,411,201 | 4,643,260 | |
| 111,029 | 32,494 | | 143,523 | 3,095,283 | 3,234,535 | |
| 3,353,185 | 276,611 | | 3,629,796 | 5,353,447 | 286,067 | |
| 2,121 | 3,988 | | 6,109 | 169,571 | 129,839 | |
| 265,948 | 2,269 | | 268,217 | 45,377 | | |
| 4,135,318 | 110,077 | | 4,245,395 | 2,959,716 | 1,185,838 | |
| 35,336 | 35,336 | | 70,672 | 989,401 | | |
| 4,559,259 | 98,248 | | 4,657,507 | 9,834,434 | 8,940,384 | |
| 324,661 | 6,111 | | 330,772 | 294,172 | 318,364 | |
| 38,569,024 | 888,476 | - | 39,457,500 | 35,208,787 | 23,106,798 | |
| 30,476 | 6,128 | | 36,604 | 92,777 | | |
| 3,166,250 | 765,959 | | 3,932,209 | 13,880,282 | 46,028 | |
| 2,791,105 | 93,919 | | 2,885,024 | 1,664,257 | 138,070 | |
| 90,745 | 11,611 | | 102,356 | 209,010 | | |
| 6,078,576 | 877,617 | - | 6,956,193 | 15,846,326 | 184,098 | |
| 44,647,600 | 1,766,093 | - | 46,413,693 | 51,055,113 | 23,290,896 | |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|-------------------------------|-------------------|-------------------|-----------------------------|-----------|-------------------|
| | R | R | R | R | R |
| OTHER ASSETS | | | | | |
| Other Properties | | | | | |
| Caravan Parks | 822,015 | – | – | – | 822,015 |
| Compost | 182,353 | – | – | – | 182,353 |
| General | – | – | 24,071 | – | 24,071 |
| Hawker Facilities | 308,884 | – | – | – | 308,884 |
| Markets | 143,609 | 214,014 | – | – | 357,623 |
| Nurseries | 478,396 | – | – | – | 478,396 |
| Recycling Centres | 88,619 | 4,954,196 | – | – | 5,042,815 |
| Tip Sites | 41,732,980 | 5,406,537 | 104,764 | – | 47,244,281 |
| Training Centres | 160,331 | – | – | – | 160,331 |
| Waste Cells | – | 2,899,842 | – | – | 2,899,842 |
| | 43,917,187 | 13,474,589 | 128,835 | – | 57,520,611 |
| Plant and Equipment | | | | | |
| Chlorination Equipment | 87,765 | – | – | – | 87,765 |
| Compactors | 5,384,468 | – | – | – | 5,384,468 |
| Compressors | 1,722,723 | – | – | – | 1,722,723 |
| Cremators | 148,851 | – | – | – | 148,851 |
| Electronic Equipment | 1,000,000 | 128,948 | – | – | 1,128,948 |
| Fire Hoses | – | 27,627 | – | – | 27,627 |
| General | 494,658 | 17,417 | – | – | 512,075 |
| Generators | 122,807 | 163,722 | – | – | 286,529 |
| Horticultural Equipment | 498,824 | 1,147,402 | – | – | 1,646,226 |
| Laboratory Equipment | 210,659 | – | – | – | 210,659 |
| Mobile Pumps | 11,671 | – | – | – | 11,671 |
| Other Fire Fighting Equipment | – | 51,388 | – | – | 51,388 |
| Pumps | 2,645,948 | – | – | – | 2,645,948 |
| Radio Equipment | – | 387,949 | – | – | 387,949 |
| Telecommunication Equipment | – | 616,205 | – | – | 616,205 |
| Tractors | – | 1,186,780 | – | – | 1,186,780 |
| Trailers | – | 117,000 | – | – | 117,000 |
| Watercraft | – | 117,434 | – | – | 117,434 |
| Workshop Equipment | – | 575,474 | – | – | 575,474 |
| | 12,328,374 | 4,537,346 | – | – | 16,865,720 |
| Office Equipment | | | | | |
| Air Conditioners | – | 438,707 | – | – | 438,707 |
| Computer Hardware | 3,311,271 | 4,297,868 | 1,329,300 | – | 8,920,439 |
| Computer Software | 12,850,924 | 1,103,181 | – | – | 13,954,105 |
| Office Machines | 465,116 | 677,708 | – | – | 1,142,824 |
| | 16,627,311 | 6,499,464 | 1,329,300 | – | 24,456,075 |
| Furniture and Fittings | | | | | |
| Cabinets and Cupboards | 34,205 | 96,229 | – | – | 130,434 |
| General | 10,266 | 11,271 | – | – | 21,537 |
| Tables and Desks | – | 116,547 | 11,898 | – | 128,445 |
| | 44,471 | 224,047 | 11,898 | – | 280,416 |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--|--------------------------|------------------|-----------|-------------------|-------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| | 479,623 | 15,563 | | 495,186 | 326,829 | |
| | 9,118 | 9,118 | | 18,236 | 164,117 | |
| | | | | – | 24,071 | 24,071 |
| | 18,258 | 15,296 | | 33,554 | 275,330 | |
| | 4,787 | 8,354 | | 13,141 | 344,482 | 259,326 |
| | 21,657 | 15,946 | | 37,603 | 440,793 | |
| | 4,431 | 87,001 | | 91,432 | 4,951,383 | 4,998,218 |
| | 4,671,186 | 1,435,548 | | 6,106,734 | 41,137,547 | 5,531,953 |
| | 26,722 | 5,344 | | 32,066 | 128,265 | |
| | – | 48,331 | | 48,331 | 2,851,511 | 2,920,446 |
| | 5,235,782 | 1,640,501 | – | 6,876,283 | 50,644,328 | 13,734,014 |
| | 65,439 | 17,553 | | 82,992 | 4,773 | |
| | 1,740,074 | 362,864 | | 2,102,938 | 3,281,530 | |
| | 344,545 | 344,545 | | 689,090 | 1,033,633 | |
| | 39,694 | 9,923 | | 49,617 | 99,234 | |
| | 200,000 | 212,895 | | 412,895 | 716,053 | 141,716 |
| | – | 2,763 | | 2,763 | 24,864 | 28,788 |
| | 224,129 | 100,673 | | 324,802 | 187,273 | 248,492 |
| | 8,187 | 24,559 | | 32,746 | 253,783 | 263,815 |
| | 486,056 | 117,932 | | 603,988 | 1,042,238 | 1,435,308 |
| | 42,132 | 42,132 | | 84,264 | 126,395 | |
| | 2,334 | 2,334 | | 4,668 | 7,003 | |
| | – | 2,569 | | 2,569 | 48,819 | 52,682 |
| | 1,301,031 | 146,776 | | 1,447,807 | 1,198,141 | |
| | – | 38,795 | | 38,795 | 349,154 | 414,000 |
| | – | 61,620 | | 61,620 | 554,585 | 660,083 |
| | – | 59,339 | | 59,339 | 1,127,441 | 1,227,598 |
| | – | 11,700 | | 11,700 | 105,300 | 117,000 |
| | – | 3,914 | | 3,914 | 113,520 | 117,550 |
| | – | 57,547 | | 57,547 | 517,927 | 587,881 |
| | 4,453,621 | 1,620,433 | – | 6,074,054 | 10,791,666 | 5,294,913 |
| | – | 43,871 | | 43,871 | 394,836 | 550,516 |
| | 1,618,588 | 1,124,854 | | 2,743,442 | 6,176,997 | 7,622,492 |
| | 6,691,734 | 3,263,458 | | 9,955,192 | 3,998,913 | 3,895,043 |
| | 170,037 | 158,835 | | 328,872 | 813,952 | 691,769 |
| | 8,480,359 | 4,591,018 | – | 13,071,377 | 11,384,698 | 12,759,820 |
| | 4,886 | 11,760 | | 16,646 | 113,788 | 103,434 |
| | 1,467 | 2,593 | | 4,060 | 17,477 | 11,271 |
| | – | 8,325 | | 8,325 | 120,120 | 146,303 |
| | 6,353 | 22,678 | – | 29,031 | 251,385 | 261,008 |

| | Opening Balance | Additions | Costs Under Construction | Disposals | Closing Balance |
|---------------------------|----------------------|-------------------|-----------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Motor Vehicles | | | | | |
| Fire Engines | 2,878,798 | – | 1,317,263 | – | 4,196,061 |
| Mobile Libraries | 41,568 | – | – | – | 41,568 |
| Motor Vehicles | 4,947,566 | 894,678 | – | – | 5,842,244 |
| Tankers | 434,870 | – | – | – | 434,870 |
| Trucks and Bakkies | 2,737,447 | 10,309,232 | – | – | 13,046,679 |
| | 11,040,249 | 11,203,910 | 1,317,263 | – | 23,561,422 |
| Capital leases | | | | | |
| Motor Vehicles | 7,194,234 | – | – | – | 7,194,234 |
| | 7,194,234 | – | – | – | 7,194,234 |
| General | | | | | |
| Planning | – | – | 2,286,846 | – | 2,286,846 |
| | – | – | 2,286,846 | – | 2,286,846 |
| Total Other Assets | 91,151,826 | 35,939,356 | 5,074,142 | – | 132,165,324 |
| TOTAL | 1,771,663,524 | 83,605,593 | 106,293,506 | – | 1,961,562,623 |

segmental analysis of property, plant and equipment

AT 30 JUNE 2005 – APPENDIX C

| Description | Opening Balance | Additions | Historical Cost Under Construction | Disposals | Closing Balance |
|-------------------------------|----------------------|-------------------|---------------------------------------|-----------|----------------------|
| | R | R | R | R | R |
| Executive and Council | 4,861,365 | 2,507,415 | – | – | 7,368,780 |
| Finance and Administration | 373,310,763 | 7,929,811 | 2,344,193 | – | 383,584,768 |
| Planning and Development | 22,761,919 | 1,912,638 | 2,120,331 | – | 26,794,889 |
| Health | 1,560,898 | 2,730,814 | 1,651,513 | – | 5,943,225 |
| Community and Social Services | 18,094,811 | 7,300,350 | 5,620,674 | – | 31,015,834 |
| Housing | 142,500 | 1,343,232 | – | – | 1,485,732 |
| Public Safety | 7,398,684 | 2,914,146 | 3,129,319 | – | 13,442,149 |
| Sport and Recreation | 54,150,625 | 1,704,068 | – | – | 55,854,693 |
| Road Transport | 431,092,034 | 5,619,620 | 15,941,359 | – | 452,653,014 |
| Environmental Protection | 6,479,035 | 6,442,724 | – | – | 12,921,760 |
| Water | 271,278,467 | 10,776,962 | 50,449,089 | – | 332,504,518 |
| Waste Management | 200,008,186 | 5,498,046 | 7,854,727 | – | 213,360,959 |
| Electricity | 329,818,467 | 7,610,298 | 17,065,322 | – | 354,494,086 |
| Other | 50,705,770 | 19,315,469 | 116,979 | – | 70,138,218 |
| BCDA | – | 30,969 | – | – | 30,969 |
| TOTALS | 1,771,663,524 | 83,636,562 | 106,293,506 | – | 1,961,593,592 |

| | Accumulated Depreciation | | | | | Budget Additions 2005 |
|--|--------------------------|------------------|-----------|------------------|-------------------|-----------------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| | 143,940 | 143,940 | | 287,880 | 3,908,181 | 2,536,454 |
| | 4,157 | 4,157 | | 8,314 | 33,254 | |
| | 1,468,991 | 959,112 | | 2,428,103 | 3,414,141 | 907,813 |
| | 28,991 | 28,991 | | 57,982 | 376,888 | |
| | 391,064 | 1,421,987 | | 1,813,051 | 11,233,628 | 11,101,881 |
| | 2,037,143 | 2,558,187 | - | 4,595,330 | 18,966,092 | 14,546,148 |
| | 5,991,408 | 865,462 | | 6,856,870 | 337,364 | |
| | 5,991,408 | 865,462 | - | 6,856,870 | 337,364 | - |
| | - | - | | - | 2,286,846 | 4,382,040 |
| | - | - | | - | 2,286,846 | 4,382,040 |
| | 26,204,666 | 11,298,279 | | 37,502,945 | 94,662,379 | 50,977,943 |
| | 1,029,839,398 | 59,375,953 | | 1,089,215,351 | 872,347,272 | 214,942,183 |

| Description | Accumulated Depreciation | | | | | Carrying Value |
|-------------------------------|--------------------------|-------------------|-----------|----------------------|--------------------|----------------|
| | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value | |
| | R | R | R | R | R | R |
| Executive and Council | 1,044,107 | 1,042,470 | - | 2,086,577 | 5,282,203 | |
| Finance and Administration | 164,978,641 | 10,308,272 | - | 175,286,912 | 208,297,856 | |
| Planning and Development | 4,204,358 | 2,293,166 | - | 6,497,524 | 20,297,365 | |
| Health | 506,836 | 290,267 | - | 797,104 | 5,146,121 | |
| Community and Social Services | 7,651,909 | 710,075 | - | 8,361,984 | 22,653,850 | |
| Housing | 20,357 | 53,938 | - | 74,295 | 1,411,437 | |
| Public Safety | 3,138,488 | 743,199 | - | 3,881,687 | 9,560,462 | |
| Sport and Recreation | 34,597,483 | 1,226,230 | - | 35,823,712 | 20,030,981 | |
| Road Transport | 307,210,394 | 18,730,318 | - | 325,940,712 | 126,712,301 | |
| Environmental Protection | 5,244,673 | 353,360 | - | 5,598,032 | 7,323,727 | |
| Water | 191,116,332 | 6,034,533 | - | 197,150,864 | 135,353,653 | |
| Waste Management | 122,235,701 | 4,962,771 | - | 127,198,472 | 86,162,487 | |
| Electricity | 178,909,138 | 9,904,054 | - | 188,813,192 | 165,680,894 | |
| Other | 8,980,982 | 2,723,300 | - | 11,704,282 | 58,433,937 | |
| | - | 6,160 | - | 6,160 | 6,160 | |
| TOTALS | 1,029,839,398 | 59,382,113 | - | 1,089,221,511 | 872,372,081 | |

segmental statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005 – APPENDIX D

| 2004 Actual Income | 2004 Actual Expenditure | 2004 Surplus/(Deficit) | | 2005 Actual Income | 2005 Actual Expenditure | 2005 Surplus/(Deficit) |
|-----------------------|----------------------------|---------------------------|----------------------------------|-----------------------|----------------------------|---------------------------|
| R | R | R | | R | R | R |
| 4,788,650 | 15,283,889 | (10,495,239) | Executive Mayor | 787,622 | 20,931,442 | (20,143,820) |
| 308,353 | 13,925,097 | (13,616,744) | City Manager | 20,949,215 | 21,308,402 | (359,187) |
| 363,368,466 | 155,672,612 | 207,695,854 | Finance | 425,942,020 | 158,700,405 | 267,241,615 |
| 3,774,781 | 150,900,032 | (147,125,251) | Corporate Services | 29,864,839 | 102,774,739 | (72,909,900) |
| 648,112,014 | 639,858,164 | 8,253,850 | Engineering Services | 782,551,552 | 730,099,579 | 52,451,973 |
| 16,156,637 | 53,897,551 | (37,740,914) | Planning and Econ. Dev | 82,288,903 | 118,508,104 | (36,219,201) |
| 168,955,461 | 277,189,028 | (108,233,567) | Social Services | 203,941,878 | 336,297,484 | (132,355,606) |
| | | | | 856,440 | 497,267 | 359,173 |
| <u>1,205,464,362</u> | <u>1,306,726,373</u> | <u>(101,262,011)</u> | Sub–Total | <u>1,547,182,469</u> | <u>1,489,117,422</u> | <u>58,065,047</u> |
| – | (120,327,759) | 120,327,759 | Less: Inter–Departmental charges | – | (122,126,002) | 122,126,002 |
| <u>1,205,464,362</u> | <u>1,186,398,614</u> | <u>19,065,748</u> | TOTAL | <u>1,547,182,469</u> | <u>1,366,991,420</u> | <u>180,191,049</u> |

consolidated conditional grants and receipts

AT 30 JUNE 2005 – APPENDIX E

| | UNSPENT BALANCE 1-Jul-2004 | CURRENT YEARS RECEIPTS |
|---|-------------------------------|------------------------|
| | R | R |
| NATIONAL GOVERNMENT | | |
| Transitional Grant | 273,103 | – |
| Financial Management Grant | 1,592,467 | 2,500,000 |
| Land Affairs | 44,721,942 | – |
| Restructuring Grant | 31,087,344 | 20,000,000 |
| IMEP | 4,302,449 | 8,998,947 |
| CMIP | 441,046 | 80,199,856 |
| MSIG | 500,000 | – |
| KWT:Grants Government | 2,053 | – |
| Project Consolidated–Billing System–MSIG | – | 2,000,000 |
| Equitable Share Grant | – | 12,189,000 |
| Energy Efficient Technology | – | 5,561,037 |
| Dwaf Funded Projects–Sewerage | – | 1,145,301 |
| Dwaf Funded Projects–Water | – | 2,142,797 |
| | 82,920,403 | 134,736,938 |
| PROVINCIAL GOVERNMENT | | |
| Gompo Survey | 157,672 | – |
| Upgrade Watersupply | 17,816 | – |
| Mdantsane Upgrade – Water & Sewerage | 557,049 | – |
| Local Government Housing | 18,905,066 | 35,782,999 |
| Compost Waste Management | 44,943 | – |
| Disaster Relief Fund | 3,703,743 | 1,000,000 |
| Local Economic Development Fund | 2,632,097 | 200,000 |
| Map Preparation & Planning | 70,693 | – |
| Gompo & Mdantsane Art Centres | 330,000 | – |
| Environmental Project John Dube | 102,669 | – |
| Pilot Housing Project | 132,444 | – |
| Reeston Development – Land Affairs | 3,264,291 | – |
| Leiden Trust Account – Redevelop Duncan Village | 162,000 | – |
| Mdantsane Urban Renewal Project (Mnt Ruth Node) | 5,000,000 | – |
| Ikhwezi Block 1 Development | 296,371 | – |
| Mdantsane Upgrade – MD/PD:Area Planning | 105,273 | – |
| Mdantsane Upgrade – PD: Survey | 4,500 | – |
| Mdantsane Upgrade – MD Assessment Study | 92,838 | – |
| Mdantsane Upgrade – Art Centre | 55,959 | – |
| Planning and Map Preparation | 324,156 | – |
| Upgrade Kwaklifu Settlement – Phakamisa | 111,430 | – |
| Upgrade Mdantsane Buffer Strip – Phase | 67,891 | 400,000 |
| Potsdam Village – Plan Survey & Upgrade | 226,369 | – |
| Ilitha Informal Settlement Upgrade | 80,626 | – |
| Kwa Tshatshu Settlement Upgrade – Zwelitsh | 31,897 | – |
| Mdantsane Human Settlement Program | 38,597 | – |
| Planning Kanana Settlement | – | 20,000 |
| Kwa Tshatshu Survey | – | 350,000 |

| | INTEREST ALLOCATED | TRANSFER TO REVENUE OPERATING EXPENDITURE | TRANSFER TO REVENUE CAPITAL EXPENDITURE | TRANSFERS | UNSPENT BALANCE 30-Jun-2005 |
|--|--------------------|--|--|------------------|--------------------------------|
| | R | R | R | R | R |
| | 10,488 | (193,342) | – | – | 90,249 |
| | 155,359 | (1,696,529) | – | – | 2,551,297 |
| | 3,460,570 | (1,814) | (332,679) | – | 47,848,019 |
| | 2,394,606 | (13,623,189) | (5,216,207) | – | 34,642,554 |
| | – | (9,170) | (10,845,766) | (2,446,460) | – |
| | – | (2,960,686) | (75,791,231) | – | 1,888,985 |
| | – | – | – | – | 500,000 |
| | – | – | – | – | 2,053 |
| | 56,001 | (492,487) | (51,711) | – | 1,511,803 |
| | – | (286,447) | (6,651,485) | 3,878,594 | 9,129,662 |
| | – | (41,076) | – | – | 5,519,961 |
| | – | (249,981) | – | – | 895,320 |
| | – | (1,451,100) | (1,059,995) | 368,298 | – |
| | 6,077,024 | (21,005,821) | (99,949,074) | 1,800,432 | 104,579,903 |
| | 10,854 | (20,143) | – | – | 148,383 |
| | 1,253 | – | – | – | 19,069 |
| | 39,171 | – | – | – | 596,220 |
| | 783,463 | (45,151,233) | (2,878,893) | 2,558,312 | 9,999,714 |
| | 3,161 | – | – | – | 48,104 |
| | 200,364 | (1,021,538) | (53,417) | – | 3,829,152 |
| | – | – | – | – | 2,832,097 |
| | 4,971 | – | – | – | 75,664 |
| | 23,130 | – | – | – | 353,130 |
| | 7,220 | – | – | – | 109,889 |
| | 9,313 | – | – | – | 141,757 |
| | 231,358 | – | – | – | 3,495,649 |
| | 11,392 | – | – | – | 173,392 |
| | 336,852 | – | (506,527) | – | 4,830,325 |
| | 16,320 | (6,156) | (214,190) | – | 92,345 |
| | 7,402 | – | – | – | 112,675 |
| | 317 | – | – | – | 4,817 |
| | 6,528 | – | – | – | 99,366 |
| | 3,708 | (6,630) | – | – | 53,037 |
| | 20,903 | – | (160,634) | – | 184,425 |
| | 7,836 | – | – | – | 119,266 |
| | 10,301 | – | (481,418) | 3,226 | – |
| | 14,698 | (4,432) | (203,229) | – | 33,406 |
| | 5,670 | – | – | – | 86,296 |
| | 2,243 | – | – | – | 34,140 |
| | 2,714 | – | – | – | 41,311 |
| | 231 | – | – | – | 20,231 |
| | 4,040 | – | – | – | 354,040 |

| | UNSPENT BALANCE 1-Jul-2004 | CURRENT YEARS RECEIPTS |
|---|-------------------------------|------------------------|
| | R | R |
| Mahlangu Village :Panning and Survey | – | 33,385 |
| Mdantsane Infill Areas:Planning and Survey | – | 194,400 |
| Phakamisa Clifton PH2:Bongweni:Plan and Survey | – | 220,500 |
| Health Management System | – | 141,359 |
| Aids Training and Info Centre–ATIC | – | 2,214,387 |
| | 36,516,390 | 40,557,030 |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | 119,436,793 | 175,293,968 |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | |
| ADM Funding | 624 | 19,202,607 |
| CIP/IDZ Funding | – | 2,395,096 |
| BCMETS Funding | 884,978 | 4,346,424 |
| Public Funding | 940,681 | 757,460 |
| DBSA | – | 4,114,542 |
| SIDA Development Trust | 915,578 | 9,606,834 |
| SETA Fund | 1,369,458 | 2,636,009 |
| Housing & Infrastructure Development Award | 196,458 | – |
| LOTTO Contribution | – | 1,575,000 |
| Sundry Funding | – | 273,951 |
| VUNA Award | 2,184,602 | 1,000,000 |
| Aquarium | 2,903 | – |
| Felzoo | 7,569 | – |
| Athletic Track | 22,662 | – |
| F.E.L.A. | 4,993 | – |
| Community Development | 1,546,291 | – |
| Art Gallery | 36,133 | – |
| Municipal Revenue Enhancement Programme | 1,022,083 | – |
| Climate Protection Implementation | 143,597 | – |
| ADM:Township Ext 1:Kidds Beach | 50,638 | – |
| ADM:Water Dist. Grant–Eureka | 19,254 | – |
| ADM:Special Grant–Macleantown | 7,711 | – |
| ADM:Special Grant–Ext 3:Kaysers | 33,681 | – |
| ADM:Community Hall:TRC–KWT | 612 | – |
| ADM:Income Generating Project:TRC–KWT | 34,774 | – |
| ADM:Community Hall:TRC–EL | 15,444 | – |
| ADM:Income Generating Project:TRC–EL | 38,683 | – |
| ADM:Tribal Trust:Kwelerha | 8,844 | – |
| ADM:Tribal Trust:Nxaruni | 102,946 | – |
| A.T. Taylor | 45,422 | – |
| C.H.T. Peplar | 33,471 | 3,000 |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | 9,670,090 | 45,910,923 |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | 129,106,883 | 221,204,891 |

| INTEREST ALLOCATED | TRANSFER TO REVENUE OPERATING EXPENDITURE | TRANSFER TO REVENUE CAPITAL EXPENDITURE | TRANSFERS | UNSPENT BALANCE 30-Jun-2005 |
|--------------------|--|--|-------------------|--------------------------------|
| R | R | R | R | R |
| 385 | - | - | - | 33,770 |
| 2,244 | - | - | - | 196,644 |
| 2,546 | - | - | - | 223,046 |
| 871 | - | - | - | 142,230 |
| - | (2,021,555) | - | - | 192,832 |
| 1,771,459 | (48,231,687) | (4,498,308) | 2,561,538 | 28,676,422 |
| 7,848,483 | (69,237,508) | (104,447,382) | 4,361,970 | 133,256,325 |
| - | (8,202,654) | (17,439,654) | 7,078,786 | 639,709 |
| 37,666 | - | (1,850,088) | (582,674) | - |
| - | (6,121,795) | (900,000) | 1,790,393 | - |
| - | (374,398) | (32,660) | - | 1,291,083 |
| - | (3,275,834) | (241,120) | (597,588) | - |
| 457,483 | (3,207,917) | (693,176) | - | 7,078,802 |
| 85,668 | (1,083,221) | - | - | 3,007,914 |
| 13,815 | - | - | - | 210,273 |
| - | (26,674) | (67,663) | (1,480,663) | - |
| - | - | - | - | 273,951 |
| - | (1,171,552) | - | - | 2,013,050 |
| 204 | (1,142,034) | (178,885) | 1,317,812 | - |
| 532 | - | - | - | 8,101 |
| 1,594 | - | - | - | 24,256 |
| 351 | - | - | - | 5,344 |
| 116,176 | - | - | - | 1,662,467 |
| 2,541 | - | - | - | 38,674 |
| 59,380 | - | - | - | 1,081,463 |
| 10,205 | - | - | - | 153,802 |
| 3,561 | - | - | - | 54,199 |
| 1,354 | - | - | - | 20,608 |
| 542 | - | - | - | 8,253 |
| 2,368 | - | - | - | 36,049 |
| 43 | - | - | - | 655 |
| 2,445 | - | - | - | 37,219 |
| 1,086 | - | - | - | 16,530 |
| 2,720 | - | - | - | 41,403 |
| 622 | - | - | - | 9,466 |
| 7,239 | - | - | - | 110,185 |
| 3,194 | - | - | - | 48,616 |
| 2,424 | - | - | - | 38,895 |
| 813,213 | (24,606,079) | (21,403,246) | 7,526,066 | 17,910,967 |
| 8,661,696 | (93,843,587) | (125,850,628) | 11,888,036 | 151,167,292 |

disclosure of consolidated conditional grants and receipts

AT 30 JUNE 2005 – APPENDIX F

| | EXECUTIVE MAYOR | CITY MANAGER | FINANCE |
|---|-----------------|------------------|------------------|
| | R | R | R |
| TRANSFER TO REVENUE – CAPITAL EXPENDITURE | | | |
| NATIONAL GOVERNMENT | | | |
| Financial Management Grant | – | – | – |
| Land Affairs | – | – | – |
| Restructuring Grant | – | 29,540 | 140,198 |
| IMEP | – | – | – |
| CMIP | – | – | – |
| MSIG | – | – | – |
| Project Consolidated – Billing System – MSIG | – | – | – |
| Equitable Share Grant | 23,855 | 641,357 | – |
| Dwaf Funded Projects–Water | – | – | – |
| | <u>23,855</u> | <u>670,897</u> | <u>140,198</u> |
| PROVINCIAL GOVERNMENT | | | |
| Local Government Housing | – | 537,391 | – |
| Disaster Relief Fund | – | – | – |
| Mdantsane Urban Renewal Project (Mnt Ruth Node) | – | – | – |
| Ikhwezi Block 1 Development | – | – | – |
| Planning and Map Preparation | – | – | – |
| Upgrade Mdantsane Buffer Strip – Phase | – | – | – |
| Potsdam Village – Plan Survey & Upgrade | – | – | – |
| | <u>–</u> | <u>537,391</u> | <u>–</u> |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | <u>23,855</u> | <u>1,208,288</u> | <u>140,198</u> |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | |
| ADM Funding | 188,382 | 49,858 | 1,663,588 |
| CIP/IDZ Funding | – | – | – |
| BCMET Funding | – | – | – |
| Public Funding | – | – | – |
| DBSA | – | 6,148 | 18,466 |
| SIDA Development Trust | – | 112,274 | – |
| LOTTO Contribution | – | – | – |
| Aquarium | – | – | – |
| | <u>188,382</u> | <u>168,280</u> | <u>1,682,054</u> |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | <u>188,382</u> | <u>168,280</u> | <u>1,682,054</u> |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | <u>212,237</u> | <u>1,376,568</u> | <u>1,822,252</u> |

| | CORPORATE SERVICES | ENGINEERING SERVICES | PLANNING AND ECON. DEV | SOCIAL SERVICES | TOTAL |
|--|--------------------|----------------------|------------------------|-------------------|--------------------|
| | R | R | R | R | R |
| | - | - | - | - | - |
| | - | - | 332,679 | - | 332,679 |
| | 2,690,763 | 2,355,706 | - | - | 5,216,207 |
| | - | 10,845,766 | - | - | 10,845,766 |
| | - | 23,010,371 | - | 17,986,116 | 40,996,487 |
| | - | 34,794,744 | - | - | 34,794,744 |
| | - | 51,711 | - | - | 51,711 |
| | - | 3,908,866 | 1,058,831 | 1,018,576 | 6,651,485 |
| | - | 1,059,995 | - | - | 1,059,995 |
| | <u>2,690,763</u> | <u>76,027,159</u> | <u>1,391,510</u> | <u>19,004,692</u> | <u>99,949,074</u> |
| | - | - | 2,341,502 | - | 2,878,893 |
| | - | - | - | 53,417 | 53,417 |
| | - | - | 506,527 | - | 506,527 |
| | - | - | 214,190 | - | 214,190 |
| | - | - | 160,634 | - | 160,634 |
| | - | - | 481,418 | - | 481,418 |
| | - | - | 203,229 | - | 203,229 |
| | - | - | 3,907,500 | 53,417 | 4,498,308 |
| | <u>2,690,763</u> | <u>76,027,159</u> | <u>5,299,010</u> | <u>19,058,109</u> | <u>104,447,382</u> |
| | - | 8,454,416 | 120,307 | 6,963,103 | 17,439,654 |
| | - | 1,850,088 | - | - | 1,850,088 |
| | - | - | 900,000 | - | 900,000 |
| | - | - | - | 32,660 | 32,660 |
| | 66,516 | 149,990 | - | - | 241,120 |
| | - | - | 580,902 | - | 693,176 |
| | - | - | - | 67,663 | 67,663 |
| | - | - | - | 178,885 | 178,885 |
| | <u>66,516</u> | <u>10,454,494</u> | <u>1,601,209</u> | <u>7,242,311</u> | <u>21,403,246</u> |
| | <u>2,757,279</u> | <u>86,481,653</u> | <u>6,900,219</u> | <u>26,300,420</u> | <u>125,850,628</u> |

| | EXECUTIVE MAYOR | CITY MANAGER | FINANCE |
|--|-----------------|------------------|------------------|
| | R | R | R |
| TRANSFER TO REVENUE – OPERATING EXPENDITURE | | | |
| NATIONAL GOVERNMENT | | | |
| Transitional Grant | – | – | 176,152 |
| Financial Management Grant | – | – | 1,693,127 |
| Land Affairs | – | – | – |
| Restructuring Grant | – | 417,268 | 3,389,308 |
| IMEP | – | – | – |
| CMIP | – | – | – |
| MSIG | – | – | – |
| Equitable Share Grant | 23,182 | 13,405 | – |
| Energy Efficient Technology | – | – | – |
| DWAF Funded Projects – Sewerage | – | – | – |
| DWAF Funded Projects – Water | – | – | – |
| | 23,182 | 430,673 | 5,258,587 |
| PROVINCIAL GOVERNMENT | | | |
| Gompo Survey | – | – | – |
| Local Government Housing | – | 1,738,686 | – |
| Disaster Relief Fund | – | – | – |
| Ikhwezi Block 1 Development | – | – | – |
| Mdantsane Upgrade – Art Centre | – | – | – |
| Potsdam Village – Plan Survey & Upgrade | – | – | – |
| Aids Training and Info Centre – ATIC | – | – | – |
| | – | 1,738,686 | – |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | 23,182 | 2,169,359 | 5,258,587 |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | |
| ADM Funding | 507,933 | 2,572,029 | 391,044 |
| BCMETS Funding | – | – | – |
| Public Funding | – | – | – |
| DBSA | – | 121,749 | 158,543 |
| SIDA Development Trust | – | 2,161,008 | – |
| SETA Fund | – | – | 1,083,221 |
| LOTTO Contribution | – | – | – |
| VUNA Award | 45,880 | – | – |
| Aquarium | – | – | – |
| | 553,813 | 4,854,786 | 1,632,808 |
| TOTAL DONATIONS & PUBLIC CONTRIBUTIONS | 553,813 | 4,854,786 | 1,632,808 |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | 576,995 | 7,024,145 | 6,891,395 |

| CORPORATE SERVICES | ENGINEERING SERVICES | PLANNING AND ECON. DEV | SOCIAL SERVICES | TOTAL |
|--------------------|----------------------|------------------------|-------------------|-------------------|
| R | R | R | R | R |
| 17,190 | — | — | — | 193,342 |
| 3,402 | — | — | — | 1,696,529 |
| — | — | 1,814 | — | 1,814 |
| 845,157 | 8,851,471 | 119,985 | — | 13,623,189 |
| — | 9,170 | — | — | 9,170 |
| — | 15,634 | — | 2,945,052 | 2,960,686 |
| — | 492,487 | — | — | 492,487 |
| — | 180,832 | — | 69,028 | 286,447 |
| — | 41,076 | — | — | 41,076 |
| — | 249,981 | — | — | 249,981 |
| — | 1,451,100 | — | — | 1,451,100 |
| 865,749 | 11,291,751 | 121,799 | 3,014,080 | 21,005,821 |
| — | — | 20,143 | — | 20,143 |
| — | — | 43,412,546 | — | 45,151,233 |
| — | — | — | 1,021,538 | 1,021,538 |
| — | — | 6,156 | — | 6,156 |
| — | — | — | 6,630 | 6,630 |
| — | — | 4,432 | — | 4,432 |
| — | — | — | 2,021,555 | 2,021,555 |
| — | — | 43,443,277 | 3,049,723 | 48,231,687 |
| 865,749 | 11,291,751 | 43,565,076 | 6,063,803 | 69,237,508 |
| 2,096,495 | 11,633 | — | 2,623,520 | 8,202,654 |
| — | 2,703,951 | 3,253,753 | 164,091 | 6,121,795 |
| — | — | 374,398 | — | 374,398 |
| 2,995,542 | — | — | — | 3,275,834 |
| 420,275 | 90,057 | 536,577 | — | 3,207,917 |
| — | — | — | — | 1,083,221 |
| — | — | — | 26,674 | 26,674 |
| 1,125,672 | — | — | — | 1,171,552 |
| — | — | — | 1,142,034 | 1,142,034 |
| 6,637,984 | 2,805,641 | 4,164,728 | 3,956,319 | 24,606,079 |
| 7,503,733 | 14,097,392 | 47,729,804 | 10,020,122 | 93,843,587 |

report of the auditor-general

ON THE CONSOLIDATED FINANCIAL STATEMENTS
TO THE COUNCIL OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005



AUDITOR - GENERAL

1. AUDIT ASSIGNMENT

The consolidated annual financial statements as set out on pages 123 to 183, for the year ended 30 June 2005, have been audited in terms of section 188(1)(b) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). These annual financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these annual financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

Buffalo City Municipality and its municipal entity have opted for early implementation of Statements of Generally Recognised Accounting Practice (GRAP) and Generally Accepted Municipal Accounting Practice (GAMAP). Although the effective dates of application of these standards, also referred to in my opinion in paragraph 4 below, have not yet been gazetted by the Minister of Finance, they have been recommended for implementation by the Accounting Standards Board and National Treasury.

3. QUALIFICATION

3.1 Property, plant and equipment

In terms of Statement of GAMAP No 17 the municipality is required to prepare a complete and accurate fixed asset register. The fixed asset register was incomplete in respect of the following:

- A detailed description and location of assets is not included;
- There is no detail of disposals or write-offs of property, plant and equipment during the year. This hampered the ability to verify the accuracy of the depreciation calculation in the fixed asset register;
- No detail of impairment losses or gains attributable to individual items of property, plant and equipment is included;
- Operating expenditure is included in the fixed asset register incorrectly;
- Assets transferred to the municipality by the Amathole District Municipality have not been included in the fixed asset register due to the uncertainty regarding the ownership of these assets; and
- The infrastructure assets of the municipality have not been included in the fixed asset register.

Due to the historical nature of the fixed asset register, and due to the significance of the findings listed above, it was not possible to satisfy ourselves as to the completeness, valuation, ownership and existence of the opening and closing balances of property, plant and equipment disclosed in the annual financial statements at 30 June 2005.

3.2 Leave

Leave records were found, generally, to be in an unsatisfactory state, with leave records that have not been regularly updated, leave forms that are not always captured timeously, leave forms not timeously filed on personnel files or not filed at all, and leave forms that were not approved by management. The leave records on the personnel system have been used as the basis for the calculation of the provision for leave pay amounting to R26 732 571 separately disclosed in note 4 and note 6 in the amounts of R16 106 890 and R10 625 981 to the annual financial statements respectively. The municipality have recently appointed a consultant to audit the leave records, however, the audit has not reached the conclusion stage. In the absence of reliable leave records, it was not possible to verify the accuracy of the leave provisions that were disclosed in the above notes.

3.3 Inventory

The municipality has adopted statements of GAMAP, which require that all material inventories are recorded. The inventory as disclosed in note 13 to the annual financial statements does not include inventories relating to housing stock and unsold water, as required by GAMAP 12. Consequently it was not possible to verify the completeness and valuation of inventory.

3.4 Value Added Taxation (VAT)

During the year under review Value Added Tax (VAT) consultants identified a number of errors in the calculation of VAT resulting in a net refund of R 19 771 491. The amount has been allocated directly against unappropriated surplus in the statement of net assets, being R 5 518 185 in the current year and R 14 253 306 in the prior year as disclosed in note 36 to the annual financial statements. The affected general ledger expenditure accounts have not been adjusted. Due to the accounting treatment of the correction mentioned above, expenditure as reflected in the statement of financial performance is overstated in both the current year and the prior year by R 5 518 185 and R 14 253 306 respectively.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the consolidated financial statements fairly present, in all material respects, the financial position of the municipality and its municipal entity at 30 June 2005 and the results of their operations and cash flows for the year then ended, in accordance with statements of Generally Recognised Accounting Practice, statements of Generally Accepted Municipal Accounting Practice and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Revenue

Structural buildings were not included in the interim valuations for periods of up to two years and the capturing of assessment rates was not always completed. In addition, certain erf numbers were missing from the rates and valuations systems which resulted in these properties not being charged rates. Furthermore, certain erven were not charged for sewerage and refuse services.

5.2 Irregular expenditure

The procedure whereby the "mayoral house" was refurbished and furnished was irregular expenditure in terms of the definition thereof in the Municipal Finance Management Act, in that the municipality failed to follow the proper approval procedures regarding Council approval.

The Council has subsequently ratified the setting aside and the refurbishment of a designated official municipal Mayoral residence.

5.3 Water Distribution Losses

The rand value of the cost of units lost in distribution has increased from R36 664 524 reported for the year ended 30 June 2004 to R38 310 748 for the year ended 30 June 2005, resulting in an increase in units of water lost in distribution from 44.12% to 44.70%. Normal background losses, inherent in all systems, are expected to approximate 10%.

5.4 Investment in associate

An investment in an associate, the East London Industrial Development Zone (Pty) Ltd, as reflected in note 37 to the annual financial statements has not been accounted for and disclosed in terms of GAMAP 17. The net asset value of the company according to the audited financial statements of the associate as at 31 March 2005 was R 13 million, of which 24% relates to the interest held by the municipality.

5.5 Consolidation of municipal entity

The consolidation of the municipal entity, Buffalo City Development Agency, has been based on the draft financial statements of the municipal entity at 30 June 2005. Changes were made to these financial statements before the final audited financial statements were issued. Consequently, Government Grants and Subsidies as disclosed in note 19 to the financial statements and the statement of financial performance, is overstated by R 373 497.

5.6 Budget comparatives

The budgeted comparative amounts as per the statement of financial performance and Appendix E, Actual versus Budget (Income and Expenditure) are based on an adjusted budget and not the original budget as approved by Council. Furthermore, no explanation is provided in Appendix E for any material variances between actual and budgeted income and expenditure.

5.7 Annual financial statements

In terms of section 126(1)(a) of the Municipal Finance Management Act (no. 56 of 2003) the accounting officer of the municipality must within two months after the end of the financial year submit the annual financial statements to the Auditor General for auditing. Material changes had to be made to the financial statements submitted on 31 August 2005 and the financial statements of the municipality were subsequently re-signed and dated on 30 November 2005.

The financial statements of the Buffalo City Development Agency were not submitted to the Office of the Auditor General within two months of the financial year end. The financial statements were received on 14 September 2005. In addition, material changes had to be made to the financial statements submitted and the financial statements were subsequently withdrawn and re-submitted on 9 January 2006.

In terms of section 126(1)(b) of the Municipal Finance Management Act (no. 56 of 2003) the accounting officer of the municipality must within three months after the end of the financial year submit the consolidated annual financial statements to the Auditor General for auditing. Guidance on the preparation of consolidated annual financial statements was requested by Buffalo City Municipality from National Treasury to which no response has yet been obtained. The consolidated annual financial statements were only received on 13 December 2005, more than five months after the end of the financial year.

5.8 Internal audit

The internal audit function has not been afforded sufficient independence and authority to enable it to meet its required obligations in terms of the internal audit charter and the approved internal audit plan. This is evidenced by the fact that internal audit personnel are performing certain supervisory functions which should be addressed by management.

Furthermore, the head of internal audit does not currently report directly to the audit committee as required by Section 165(2) of the Municipal Finance Management Act.

5.9 Establishment of the Buffalo City Development Agency

National and Provincial Treasury, the national and provincial departments responsible for local government were not consulted for their views and recommendations regarding the establishment of the Buffalo City Development Agency in terms of Section 84(2) of the Municipal Finance Management Act.

5.10 Directors of municipal entity

Section 93F of the Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended) states, inter alia, that a person is not eligible to be a director of a municipal entity if he or she holds office as a councillor of any municipality; or is an official of the parent municipality of that municipal entity. From documentation and correspondence reviewed, we have determined that the Board of Directors of the Buffalo City Development Agency during the period ended 30 June 2005 was comprised of the Buffalo City Municipality Executive Mayor and City Manager. This appears to be contrary to the requirements of the abovementioned act. The above officials have been replaced on the board of directors subsequent to year end.

5.11 Service delivery agreement

No service delivery agreement could be obtained between the Buffalo City Development Agency, being a municipal entity and its parent municipality, the Buffalo City Municipality.

This constitutes non-compliance with section 76(b)(i) of the Municipal Systems Act.

5.12 Financial support for the Buffalo City Development Agency

The ability of the Buffalo City Development Agency to continue as a going concern is dependent on the continued financial support of its funders.

The budget allocation from the Buffalo City Municipality for the 2005/2006 financial year of R 1 million was only received by Buffalo City Development Agency on 22 November 2005. This has resulted in the agency experiencing cash flow deficiencies in the first five months of the new financial year. Unutilised conditional grant funding from the Buffalo City Municipality and the Industrial Development Corporation has been utilised subsequent to year end to fund operational expenditure. These funds have not been spent in accordance with the purposes for which they were intended.

5.13 Special investigations

Officials of the Buffalo City Municipality approached the Special Investigating Unit regarding the tender for the re-evaluation of erven. No investigation has commenced regarding this matter.

Five matters were referred to the Special Investigating Unit at the end of October 2005. These matters are currently subject to preinvestigation to determine whether a Presidential proclamation should be requested.

5.14 Municipal officials suspended

On 6 October 2005, three officials were suspended, two of which are employed directly by Council in terms of section 56 and 57 of the Municipal Systems Act (Act No. 32 of 2000). Furthermore, the Municipal Manager was suspended on 7 October 2005.

The Executive Mayor, on 10 November 2005, reported to Council, his decision, as appeal authority, to revoke the suspensions of the three officials with immediate effect.

At the time of finalising this report, the Municipal Manager was still on suspension and legal action is in progress.

6. APPRECIATION

The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.



S M Ngqwala for Auditor-General • EAST LONDON 14 March 2006

REPORT OF THE ACTING CITY MANAGER.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005.

INTRODUCTION

The Auditor General has completed the audit for the financial year ended 30 June 2005. A copy of the report is attached hereto as Annexure "A".

The numbering in this report corresponds with the numbering used in the report of the Auditor General.

COMMENTS

Management comments received from the respective Directorates are set out hereunder. The response of the Audit Committee after considering the management comments is set out in Annexure "B".

3 QUALIFICATION

Property Plant and Equipment

Previously under the IMFO basis of presenting financial statements and recording transactions, expenditure within capital votes was capitalised at year end with the description of the particular capital vote. As no depreciation was required under IMFO, the asset register did not include details of specific assets but was capitalised and recorded as indicated on the capital votes.

A conscious decision was taken by management and council to introduce a GRAP compliant asset register into the municipality on a phased approach, owing to resource constraints. The municipality decided to identify record and value all assets in the following order:-

- Movable assets e.g. furniture and fittings, computers, vehicles etc.
- Land and buildings
- Infrastructure assets e.g. water, electricity and roads.

Management and Council acknowledged that a practical approach would need to be adopted in the compilation of this register as information, in some cases dating back more than twenty years, would not be available. Solid building blocks have been put in place that will ensure GRAP compliance of the asset register. Asset data is being sourced and recorded in line with the GRAP framework.

Due to the enormity and complexity of this task management needs to deal with several challenges, including:-

- Two former local government administrations were merged to form BCM.
- Each former administration operated its own recording system.
- Multiple locations are involved.
- Information required for GRAP compliance was never recorded before and needed to be sourced for the first time.
- Asset operating, accounting and reporting systems needed fundamental changes to ensure GRAP compliance.

However, an asset register has been compiled that complies with GRAP, which caters for all descriptive fields and further fields to improve management control, and is in the process of being loaded onto the financial system. The information recorded also links to asset funding sources and other vital GRAP requirements.

As part of the Unbundling process, the old asset register was discontinued at 30 June 2003 and a new register was constructed.

A plan is being developed to identify and record existing Infrastructural assets as well as additions and disposals to align with the change in accounting standards from IMFO to GRAP.

Movable assets purchased are bar-coded and recorded on the BAUD movable asset tracking system. These bar-coded movable assets are matched to the expenditure and recorded in the asset register. Movable assets, as far as possible using available information, have been split into individual items on the register. Movable assets still grouped on the register will be investigated and the expenditure split accordingly to represent individual assets.

The capital budget in future will need to be properly aligned to GRAP and will need to include specific details of all assets to be purchased in order for all assets to be separately identifiable and recorded as such.

Leave

KPMG have been appointed to review our current policies, procedures and control methods relating to leave.

We have since implemented a new procedure in that all leave encashments are to be authorised only by the Principal Personnel Practitioner and he checks on ARMS to ensure that the correct leave has been deducted from the employee's balance before submitting to Finance for processing.

We have restructured the Personnel Department to ensure that there are only two Practitioners responsible for Payroll issues and we will implement the necessary control procedures. We have further emphasised the importance of accuracy to our Personnel Officers

We have instructed officials to not capture any leave form that has not been properly signed by either the employee or the Head of Department. We will further be reviewing our leave forms and procedures so that we have a specimen signature of each Head of Department in order for us to verify that the leave has been authorised.

There is already a system in place whereby the leave transactions for the month are submitted electronically to the various departments. We aim to incorporate into our new policy that it will be the responsibility of each attendance controller to check and verify the accuracy of such transactions each month.

Our employees are currently being capacitated and are being given in-depth training on the personnel duties that they are required to perform. We will therefore only have trained employees who have the capacity to capture leave doing so in future.

We have further emphasised the importance of accuracy to our Personnel Officers and of the filing of records.

Inventory

Buffalo City Municipality is currently not in a position to ensure that inventory such as unsold water is correctly recorded to enable the necessary disclosure within the annual financial statements.

As acknowledged in the audit finding, municipalities, historically, may have excluded such an inventory item as was the case with Buffalo City Municipality.

Attempts will however be made in the future to try and correctly record this inventory item to enable the necessary disclosure thereof.

Value Added tax

As was indicated in last year's audit, the service provider (MaxProf) was appointed to review the VAT within the Municipality. The process is still underway and the final report for the period ending 30th June 2005 is awaited from them.

The post of VAT specialist has been created on the organogram reporting directly to the CFO. This VAT specialist will be responsible for all the VAT processes within the Municipality and training of relevant staff members.

The post will also advise and guide all directorates with regards to VAT issues.

5 EMPHASIS OF MATTER

5.1 Revenue

The panel of Valuers plus the new proposed general valuation will resolve this problem in the near future. Effective from 1 July 2007 for the new general valuation. The Panel of Valuers will assist from January 2006.

Senior official for the Billing Department will be reviewing the capturing of new accounts and changes on the system.

The review will be done by a senior employee of the Billing department to ensure that all properties are billed for services provided.

5.2 Irregular expenditure

The comments from the Auditor-General are noted.

5.3 Water distribution losses

The current level of metering efficiency across the Municipality, expressed in terms of the Department of Water Affairs KPI for metering efficiency, i.e. metered volume divided by un-metered volume cannot be reliably estimated due to the absence of universal metering, to the extent that approximately 20 000 known consumer households are billed on a basis of a deemed monthly consumption, believed to be substantially below the probable actual monthly volume consumed.

A recent study of a sample comprising approximately 548 even, currently billed on the basis of a deemed consumption of 17kl/month yielded an average actual consumption of 85 kl/m per erf, allowing for 15kl/month/Erf as a proxy of pipe network losses equating to $15/3.3 = 4.54$ times the expected upper bound loss intensity as per SABS: Code of Practice: The Management of Potable Water in Distribution Systems, the water loss due to the assumption of a 17kl/m/Erf assumption would be $85-17= 68\text{kl}/\text{Erf}/\text{month}$.

The Water Service Planning Section has successfully obtained 27000 DWAF sponsored meters, 12500 of which have already been pre-assembled into Meter Boxes using the available funds in the 2004/2005 financial year.

Funds for installation became available in September 2005 and installation has commenced in flat rated areas, in October 2005.

Planning is underway to allow extension of the scope of the work to other areas. Available funds will allow for approximately 6000 meters to be installed in the balance of the 2005/2006 financial year.

The implications for water loss reduction and revenue loss reduction are patently obvious and can be assessed per 1000 meters installed as being:

$1000 \text{ erven @ } 68\text{kl}/\text{m} = 68\,000 \text{ kl pm}$, $816\,000\text{kl}/\text{annum}$, or a possible reduction in units of water loss of $816\,000/ 24\,969\,801 \times 100 = 3.267\%$ per 1000 meters installed.

Even if this benefit were halved for the sake of being ultra conservative, 5000 meters installed could result in a sustained annual reduction in Units lost by roughly 8.2%.

In practice the actual benefit achieved will of course vary according to the severity of the profligate use/wastage of water by consumers.

A Pilot study to obtain more reliable information in this regards is currently underway as it has been established that it appears that there is considerable reluctance in acknowledging the key role of universal metering in achieving measurable progress in reducing non-revenue water.

The Pilot study recommendations, if approved by Council, will inter alia specifically address the issues around domestic leaks and the exact quantification of such as a fundamental outcome of the meter installation programme. The potential exists, that if the desired level of understanding is achieved, adequate funds provided and if successful project outcomes are achieved, a major water loss reduction is possible in a relatively short space of time, obtained at an extremely favourable cost benefit ratio.

A strong case will have to be made to provide for adequate funding to incorporate a substantial public awareness and community project facilitation programme to be rolled out ahead of any initiative, the success of which will be mirrored in the overall project outcomes. This was identified as a pre-requisite to the Soweto meter installation programme and is believed to have materially influenced the success achieved.

Further funding applications will continue to be lodged and it is believed that the Pilot Study findings will facilitate the obtaining thereof.

5.4 Investment in associate

The comments from Auditor-General are noted

5.5 Budget comparatives

It should however be noted that the budget was prepared in accordance with IMFO whereas the financial statements were prepared in accordance with section 122(3) of the MFMA (Act No 56 of 2003) so as to conform to the standards of GAMAP and GRAP issued by the Accounting Standards Board which are fundamentally different to the accounting policies adopted in previous financial years. Therefore, if the original budget were to have been used as a comparative this would have resulted in distorted and confusing variances between the actual and budgeted figures reflected in the annual financial statements.

Cognisance should also be taken of the fact that the specimen annual financial statements issued by National Treasury are written as a guide as acknowledged by themselves.

ANNUAL FINANCIAL STATEMENTS

We confirm that in terms of section 126(1)(a) of the Municipal Finance Management Act (no. 56 of 2003) the accounting officer of the municipality within two months after the end of the financial year submit the annual financial statements to the Auditor-General for auditing.

We further wish to point out that when the original signed set of Annual Financial Statements were submitted to the Office of the Auditor-General on 31 August 2005, did not include consolidated Annual Financial Statements.

It should therefore be noted that, inter alia, the specimen financial statements, issued by National Treasury in terms of MFMA circular no.18, which were used in the compilation of the 2004/2005 Annual Financial Statements, do not include guidance on the compilation of consolidated financial statements.

At a pre-audit meeting held on 18 August 2005 between Finance Officials of Buffalo City and Officials from the Office of the Auditor-General, it was agreed that a note be included in BCM's Annual Financial Statements, relating to municipal entities and that a copy of the entities Annual Financial Statements be attached to BCM's Annual Financial Statements.

Subsequent to that the Office of the Auditor-General requested that the BCM Annual Financial Statements be revised to include entities.

In view of the above these revised consolidated Annual Financial Statements were replacing original Annual Financial Statements, which were submitted on 31 August 2005 as per the confirmation of receipt, of which a copy is attached hereto.

The BCM Annual Financial Statements for 2004/2005 were therefore submitted on time to the Office of the Auditor-General in terms of section 126(1) (a) of the MFMA

5.7 Internal audit

It is agreed that a desirable level of independence has not been achieved.

However, both the General Manager and the Audit Committee have made some in-roads on this matter, namely the newly appointed internal audit staff work solely and only on matters included in the annual Internal Audit Plan. The tasks previously performed by the unit have now been transferred to user Directorates. The hand over of the few remaining management tasks will take place shortly. The hand over of tasks (mainly advisory services) which compromise the independence of the Unit will be handled during the current financial year.

The Internal audit unit does now report to the Audit Committee on all its operational activities. This relationship is being gradually expanded.

SPECIAL INVESTIGATIONS

The comments of the Auditor-General are noted and management awaits the outcome of these investigations.

5.9 Municipal officials suspended

The comments of the Auditor-General are noted

IT IS RECOMMENDED

that the comments of Management as set out in the report of the Acting City Manager to the Council meeting of 31 January 2006 be noted, accepted as the Council's comments on the Auditor General's report and be forwarded to the Auditor General and the MEC for Finance and the MEC for Local Government for the record.



A P MAGWENTSHU • ACTING CITY MANAGER.

REPORT OF THE AUDITOR-GENERAL

TO THE COUNCIL OF BUFFALO CITY MUNICIPALITY ON PERFORMANCE MEASUREMENT
FOR THE YEAR ENDED 30 JUNE 2005



AUDITOR - GENERAL

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements as included on pages 206 to 245 of this annual report and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

My responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system as required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). My role is not to assess or comment on the municipality's actual performance, but rather to assess the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

I have performed the procedures agreed with management and described below regarding the performance management system of Buffalo City Municipality. The assignment was undertaken in accordance with the Statements of South African Auditing Standards applicable to agreed upon procedures engagements.

The responsibility of determining the adequacy or otherwise of the procedures agreed to be performed is that of Buffalo City Municipality. My procedures were performed solely to evaluate the controls implemented by the accounting officer regarding the municipality's performance management system against the criteria set out in:

- Chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796); and
- international good practices,

so as to report on the applicable compliance with legislation and to assist in identifying possible areas for improvement.

The procedures performed during our assignment were based on the feedback received from the completion of the high-level overview checklist by the accounting officer and included a review of the following aspects:

- Development of an integrated development plan
- Development of a performance management system
- Development and implementation of key performance indicators
- Setting of targets for key performance indicators
- Actual service delivery process
- Internal monitoring of performance measurements
- Internal control of the performance management system
- Performance measurement and reporting
- Revision of strategies and objectives

3. FINDINGS

I report my findings below:

3.1 Development of an integrated development plan

The integrated development plan review of 2005/06 is not considered to include all the essential characteristics as required by the relevant laws and regulations.

Although the municipality has reviewed its objectives and strategies for the 2005/2006 financial year, there is no indication that the key performance indicators and performance targets were reviewed as they had not been incorporated in the published Integrated Development Review 2005/2006.

3.2 Development and implementation of a performance management system

The framework for the performance management system which is utilised to guide and assist the municipality with the preparation and implementation of an Institutional and Individual Performance Management System for 2003/04, together with the performance management system was developed in the 2003/04 financial year.

The municipality has not reviewed the framework nor the performance management system during the 2004/05 financial year. The adopted framework for the development, adoption and implementation of the performance management system was not fully implemented during the 2004/2005 financial year. In terms of the Performance Management Process Plan, the performance management system should focus on institutional, individual, councillors and service providers performance, and cater for all other employees, councillors and service providers during the 2004/05 financial year. The cascading of the system to cover a broad base of other employees, councillors, municipal entities and service providers, as required by the process plan has not been accomplished.

3.3 Development and implementation of key performance indicators & setting targets for key performance indicators

The municipality developed institutional key performance indicators as part of the integrated development plan review process for 2004/05 financial year. The developed key performance indicators focused on institutional targets, general managers and directors, whom have scorecards which are linked to the institutional scorecard. In terms of performance measurement process plan all other employees, councillors and service providers should have been catered for during the 2004/05 financial year. The municipality has not reviewed its key performance indicators to cater for other levels of the municipality which consist of other employees, service providers, municipal entities and councillors.

The municipality has failed to include a performance report reflecting performance targets set by the municipality for the following financial year (2004/05) in the annual report.

3.4 Actual service delivery

The municipality has a performance management framework for Section 57 employees and general managers, which details how the institutional performance links with employee performance and the process of tracking individual employees.

The service contracts for the section 57 employees and general managers specify the methods for tracking their performance and the intervals for reporting. However, this framework for the tracking of performance does not clarify the breakdown of the performance targets for all levels in the organisation, nor the service providers and municipal entities. There is a lack of adequate controls by management to ensure effective and efficient service delivery as the key performance indicators and performance targets at these levels have not been adopted by council.

There was no evidence obtained of community involvement nor council approval for the process that was followed to develop the service delivery institutional scorecard. This institutional scorecard was also not incorporated into the published Integrated Development Review 2005/2006.

3.5 Internal monitoring

The municipality has not monitored the municipality's performance with regard to each of the development priorities and objectives, key performance indicators and performance targets. There is no indication that the actual and planned results were compared and reasons for deviation(s) were investigated in order for remedial actions to be implemented. Accordingly we are unable to confirm that the municipality utilised their available resources in the most economical, efficient and effective manner in monitoring their performance.

3.6 Internal control

The municipality's internal auditors have not audited the performance measurement on a continuous basis, and have not submitted quarterly audit reports to the city manager and the performance audit committee. Internal audit have performed one review for the entire period from 01 July 2004 to 30 June 2005. This review was to determine the level of compliance with the legislation, and did not include a review of the functionality and reliability of the performance management system.

Although an audit committee was appointed and the audit committee charter was amended to enable the committee to perform the function of a performance audit committee, we did not obtain evidence that the performance audit committee has performed their duties as required.

3.7 Performance measurement and reporting

The municipality has adopted the performance management framework which will guide and assist the municipality with the preparation and implementation of a institutional performance management system. The performance management framework adopted by the council expresses what should be done and the role and responsibilities for developing and implementing performance management. It also outlines the annual process of managing of performance of the municipality which involves the following components:

- performance planning
- measurement and analysis
- reporting and reviews
- auditing and quality control

It was noted that the performance management framework has not been fully implemented as planned due to the following reasons:

- indicators and targets have not been implemented
- measurements of indicators; and analyses and reporting on the reviews have not been performed
- the annual process of reporting and review has not been followed
- there is no record of work done by the audit committee

A cycle and process of performance reporting according to the performance measurement framework has been developed. However, the performance of the municipality has not been adequately reported in the annual report of the municipality.

3.8 Revision of strategies and objectives

The municipality has adopted the South African Excellence Model (SAEM) as a review framework for the basis to benchmark the municipality against other municipalities and provide mechanisms for customer surveys or community feedback. However the municipality has not submitted a South African Excellence Foundation Award application for the 2004/05 financial year.

4. CONCLUSION

Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, I do not express any assurance on any performance measurement as at 30 June 2005.

An audit of the financial statements in accordance with statements of South African Auditing Standards was concluded and a report to this effect will be included in the annual report.

This report relates only to the specific phases of the performance management system as specified above, and does not extend to any financial statements of Buffalo City Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Buffalo City Municipality during the assignment is sincerely appreciated.



S.M. Ngqwala for Auditor-General • EAST LONDON • 30 November 2005

REPORT BY BUFFALO CITY MUNICIPALITY

ON RESULTS OF PERFORMANCE MEASUREMENT FOR THE YEAR ENDED 30 JUNE 2005

INTRODUCTION

The Auditor General has completed the examination of the Municipality's performance management system for the year ended 30 June 2005.

The numbering in this report corresponds with the numbering used in the report of the Auditor General.

COMMENTS

Management comments received from the respective Directorates are set out hereunder. The response of the Audit Committee after considering the management comments is set out in Annexure "D".

3 FINDINGS

Development of an integrated development plan

As per IDP Review, Cluster workshops are currently reviewing the KPI's.

Development and implementation of a performance management system

In terms of Council Resolution BCC104/05 a Governance Structure has been adopted by Council to ensure an integrated approach to the resolution, which includes the Institutional, Individual, Audit, Service Provider and Councillor Task Teams will be reviewed.

The roll out of Individual Performance Management System is being done in a planned and systematic manner. It was agreed to roll it out in phases. Employees in levels 3-9 during 05/06 and the balance in 06/07.

Development and implementation of key performance indicators and setting of targets for performance indicators

As per IDP Review, Cluster workshops are currently reviewing the KPI's.

ACTUAL SERVICE DELIVERY

In terms of Council Resolution BCC104/05 a Governance Structure has been adopted by Council to ensure an integrated approach to the resolution, which includes the Institutional, Individual, Audit, Service Provider and Councillor Task Teams will be reviewed.

The roll out of Individual Performance Management System is being done in a planned and systematic manner. It was agreed to roll it out in phases.

INTERNAL MONITORING

Once the Institutional Scorecard is approved, Management will actively measure performance against the set indicators.

INTERNAL CONTROL

The finding correctly points out that while an internal audit was conducted it was limited to legislative compliance only. The reduction in the scope of work was requested by Management and was recorded. The report was completed at the end of the financial year and has been tabled at the Audit Committee. The Audit Committee has requested additional input from management.

Performance measurement and reporting

As per IDP Review, Cluster workshops are currently reviewing the KPI's.

Revision of strategies and objectives

As per IDP Review, Cluster workshops are currently reviewing the KPI's.

IT IS RECOMMENDED

that the comments of Management as set out in the report of the Acting City Manager to the Council meeting of 31 January 2006 be noted, accepted as the Council's comments on the Auditor General's report and be forwarded to the Auditor General and the MEC for Finance and the MEC for Local Government for the record.

A handwritten signature in black ink, appearing to read 'Magwentshu', written in a cursive style.

A P MAGWENTSHU • ACTING CITY MANAGER.

report of the audit committee.

REPORT OF THE AUDITOR - GENERAL
ON THE FINANCIAL STATEMENTS OF THE BUFFALO CITY MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2005.

INTRODUCTION.

The Auditor - General has completed the audit of the financial position of the Municipality for the financial year ended 30 June 2005.

The Audit Committee considered the attached report of the Auditor - General together with the comments of Buffalo City management and presents its report as follows:

(The numbering in this report corresponds with the numbering used in the report of the Auditor - General.)

3. QUALIFICATION

3.1 Property Plant and Equipment

The Audit Committee notes the Auditor - General's statements and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee, however, requests that management provide timeframes for the completion of the exercise and that the implementation of the plan in this regard be communicated to both the Audit Committee and Council.

3.2 Leave

The Audit Committee notes the Auditor - General's statements and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee, however, requests that management provide timeframes for the completion of the exercise and that the implementation of the plan in this regard be communicated to both the Audit Committee and Council.

3.3 Inventory

The Audit Committee notes the Auditor - General's statement and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee however requests that management actively investigate possible methods to determine a reasonable estimate for the quantification and valuation of unsold water as well as prepaid electricity.

3.4 Value Added tax

The Audit Committee notes the Auditor - General's statement and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee, however, requests that management expedite the filling of the proposed position of a VAT specialist as a matter of urgency.

5 EMPHASIS OF MATTER

5.1 Revenue

The Audit Committee notes the Auditor - General's statement and, whilst accepting and supporting the comments of management as reasonable in the circumstances, believes that stringent procedures require to be put in place to ensure that the "missing" erf numbers are traced so that they may be included in the revenue base. The Audit Committee requests that management set time frames for the completion of the exercise and that the implementation of the plan in this regard be communicated to both the Audit Committee and Council.

5.2 Irregular expenditure

The Audit Committee notes the Auditor - General's statement and believes that no further comment is required.

5.3 Water distribution losses

The Audit Committee notes the Auditor - General's comments and, whilst accepting and supporting the comments of management as reasonable in the circumstances, believes that room exists for improved co-operation between the technical and financial units in facilitating the way forward.

5.4 Investment in associate

The Audit Committee notes the Auditor - General's statement and accepts and supports the comments of management. The Audit Committee further emphasises that, once the guidelines for consolidated financial statements are approved, the legislated requirements should be fully complied with.

5.5 Budget comparatives

The Audit Committee notes the Auditor - General's statements and accepts and supports the comments of management.

5.6 Annual financial Statements

The Audit Committee notes the Auditor - General's statements and accepts and supports the comments of management.

5.7 Internal audit

The Audit Committee notes the Auditor - General's statements and accepts and supports the comments of management. A separate submission in this regard has been addressed to the Speaker for tabling with Council.

5.8 Special investigations

The Audit Committee notes the Auditor - General's statements and believes no further comment is necessary at this time.

5.9 Municipal officials suspended

The Audit Committee notes the Auditor - General's statements and believes no further comment is necessary at this time.

CONCLUSION

The Audit Committee is of the opinion that the issues raised by the Auditor – General, and particularly those which resulted in the qualification of the report, require an urgent and concerted response from management in accordance with rigorously monitored timeframes.

Having regard to the foregoing comments, the Audit Committee therefore

RECOMMENDS

that the comments of Management as set out in the attached report of the Acting City Manager be noted and accepted by Council.



C.R. GUEST • CHAIRPERSON: BUFFALO CITY AUDIT COMMITTEE.

REPORT OF THE AUDIT COMMITTEE.

REPORT OF THE AUDITOR - GENERAL

ON PERFORMANCE MEASUREMENT FOR THE YEAR ENDED 30 JUNE 2005.

INTRODUCTION

The Auditor - General has completed the audit of the financial position of the Municipality for the financial year ended 30 June 2005.

The Audit Committee considered the attached report of the Auditor -General together with the comments of Buffalo City management and presents its report as follows:

(The numbering in this report corresponds with the numbering used in the report of the Auditor General.)

3.1 Development of an integrated development plan

The Audit Committee notes the Auditor - General's statement and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee, however, requests that management determine a plan and set timeframes for the establishment and adoption of the key performance indicators and performance targets.

3.2 Development and implementation of a performance management system

The Audit Committee notes the Auditor - General's statement and accepts and supports the comments of management as reasonable in the circumstances. The Audit Committee, however, requests that management continuously monitor and adheres to the plan and ensure compliance with the agreed timeframes for the completion of the exercise.

3.3 Development and implementation of key performance indicators and setting of targets for performance indicators

Refer to comments under paragraph 3.1

3.4 Actual service delivery

Refer to comments under paragraph 3.1

3.5 Internal monitoring

Refer to comments under paragraph 3.1

3.6 Internal control

The Audit Committee notes the Auditor - General's statement and supports the comments of management. The Audit Committee reports that it has considered the report prepared (which draws similar conclusions to those of the Auditor - General) and has requested additional input from management which information currently remains outstanding.

3.7 Performance measurement and reporting

Refer to comments under paragraph 3.1

3.8 Revision of strategies and objectives

Refer to comments under paragraph 3.1

Having regard to the foregoing comments, the Audit Committee therefore

RECOMMENDS

that the comments of Management as set out in the attached report of the Acting City Manager be noted and accepted by Council.

A handwritten signature in black ink, appearing to read "C.R. Guest". The signature is stylized with a large loop at the bottom and a horizontal line across the middle.

C.R. GUEST • CHAIRPERSON: BUFFALO CITY AUDIT COMMITTEE.

REPORT OF THE AUDITOR-GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE COUNCIL OF THE BUFFALO CITY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

The Auditor General has issued a final Audit Report on the Consolidated Financial statements of Buffalo City Municipality for the period ended 30 June 2005.

The Committee will recall that the Audit Report for Buffalo City [unconsolidated] was considered by the Audit Committee during January 2006.

The report has now been received from the Auditor General. The following clauses are the clauses which now need to be considered by the Audit Committee:

5.6 Annual financial statements

In terms of section 126(1)(a) of the Municipal Finance Management Act (no. 56 of 2003) the accounting officer of the municipality must within two months after the end of the financial year submit the annual financial statements to the Auditor General for auditing. Material changes had to be made to the financial statements submitted on 31 August 2005 and the financial statements of the municipality were subsequently re-signed and dated on 30 November 2005.

The financial statements of the Buffalo City Development Agency were not submitted to the Office of the Auditor General within two months of the financial year end. The financial statements were received on 14 September 2005. In addition, material changes had to be made to the financial statements submitted and the financial statements were subsequently withdrawn and re-submitted on 9 January 2006.

In terms of section 126(1) (b) of the Municipal Finance Management Act (no. 56 of 2003) the accounting officer of the municipality must within three months after the end of the financial year submit the consolidated annual financial statements to the Auditor General for auditing. Guidance on the preparation of consolidated annual financial statements was requested by Buffalo City Municipality from National Treasury to which no response has yet been obtained. The consolidated annual financial statements were only received on 13 December 2005, more than five months after the end of the financial year."

MANAGEMENT COMMENT

While noting the statement, the point is respectfully made that the lack of detailed guidelines on consolidations made compliance with the provisions of legislation impractical.

5.8 Establishment of the Buffalo City Development Agency

National and Provincial Treasury, the national and provincial departments responsible for local government were not consulted for their views and recommendations regarding the establishment of the Buffalo City Development Agency in terms of Section 84(2) of the Municipal Finance Management Act."

MANAGEMENT COMMENT

Legal opinion will be sought relating to the legalities of the procedures followed where after any procedural irregularities will be corrected.

5.9 Directors of municipal entity

Section 93F of the Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended) states, inter alia, that a person is not eligible to be a director of a municipal entity if he or she holds office as a councilor of any municipality; or is an official of the parent municipality of that municipal entity.

From documentation and correspondence reviewed, we have determined that the Board of Directors of the Buffalo City Development Agency during the period ended 30 June 2005 was comprised of the Buffalo City Municipality Executive Mayor and City Manager. This appears to be contrary to the requirements of the abovementioned act. The above officials have been replaced on the board of directors subsequent to year end."

MANAGEMENT COMMENT

At the time of the financial year-end, the Board was made up of two Directors, namely Mr. S Maclean (Executive Mayor) and Mr. M Tsika (City Manager). The Local government: Municipal Systems Act, [section 93F] disqualifies these individuals from holding the position of Director in the Agency. The properly constituted Board has since been appointed on the 1st September 2005 and the first Board meeting was held on the 13th September 2005. The Agency has also made a request to the Municipality for the appointment of three additional Board members.

5.10 Service delivery agreement

No service delivery agreement could be obtained between the Buffalo City Development Agency, being a municipal entity and its parent municipality, the Buffalo City Municipality.

This constitutes non-compliance with section 76(b) (i) of the Municipal Systems Act.”

MANAGEMENT COMMENT

The draft service delivery agreement was received in November 2005. Comments were factored into the document which was sent back to the Agency in December 2005. However, as the service delivery agreement is likely to be extremely involved and will require in depth consultations with various stakeholders it was agreed that a Memorandum of Agreement would be drafted referring also to a service level agreement. In the short to medium term the Memorandum of Agreement will hold in place of a formal service level agreement.

5.11 Financial support for the Buffalo City Development Agency

The ability of the Buffalo City Development Agency to continue as a going concern is dependent on the continued financial support of its funders. The budget allocation from the Buffalo City Municipality for the 2005/2006 financial year of R 1 million was only received by Buffalo City Development Agency on 22 November 2005. This has resulted in the agency experiencing cash flow deficiencies in the first five months of the new financial year.

Unutilised conditional grant funding from the Buffalo City Municipality and the Industrial Development Corporation has been utilised subsequent to year end to fund operational expenditure. These funds have not been spent in accordance with the purposes for which they were intended.”

MANAGEMENT COMMENT

The comment is noted and the delay with the transfer of funds has been dealt with and is unlikely to occur again.”

RECOMMENDATION

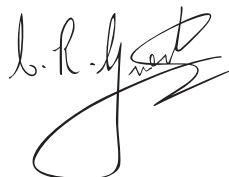
The Audit Committee therefore

RECOMMENDS

That the comments of management as set out in the body of the report be adopted and approved by Council and that these comments be incorporated into the Annual Report.

That legal opinion relating to establishment of the Buffalo City Development Agency be sought as a matter of urgency to ensure that the correct procedures relating to establishment are complied with.

That every effort be made to ensure that in the short term the Memorandum of agreement between the Municipality and the Buffalo City Development Agency is signed and that thereafter the required Service Level agreement be compiled and signed.



C R GUEST • CHAIRPERSON: BUFFALO CITY MUNICIPALITY AUDIT COMMITTEE

oversight report

The Annual Report was tabled at the Buffalo City Municipality Council meeting held on 28 February 2006. The Council unanimously approved the Annual Report 2004/2005.

