

BCM's Consolidated Annual Financial Statements

FOR THE YEAR ENDED – 30 JUNE 2006

- 1 Consolidated Statement of Financial Position
- 2 Consolidated Statement of Financial Performance

- 3a Consolidated Statement of Changes in Net Assets – Municipality
- 3b Consolidated Statement of Changes in Net Assets – Economic Entity

- 4 Consolidated Cash Flow Statement
- 5 Accounting Policies
- 6 Notes to the Consolidated Annual Financial Statements

- 7 Appendices:
 - A Schedule of External Loans
 - B (i) Analysis of Property, Plant and Equipment – Municipal
 - B (ii) Analysis of Property, Plant and Equipment – Economic Entity
 - C Segmental Analysis of Property, Plant and Equipment
 - D Segmental Statement of Financial Performance
 - E Actual vs. Budget (Revenue and Expenditure)
 - F Actual vs. Budget (Acquisition of Property, Plant and Equipment)
 - G Consolidated Conditional Grants and Receipts
 - H Disclosure of Consolidated Conditional Grants and Receipts

I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 90 to 154, 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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr. G. G. Sharpley
Municipal Manager



Consolidated Statement of Financial Position

AT 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
NET ASSETS AND LIABILITIES				
Net Assets	1,064,748,244	787,568,022	787,403,665	1,064,432,749
COID Fund	6,850,830	5,979,312	5,979,312	6,850,830
Capital Replacement Reserve	15,710,413	9,288	9,288	15,710,413
Capitalisation Reserve	61,508,311	69,070,999	69,070,999	61,508,311
Government Grant Reserve	350,379,392	233,944,178	233,944,178	350,379,392
Donations and Public Contributions Reserve	80,743,673	79,455,516	79,455,516	80,743,673
Self-Insurance Reserve	21,269,882	17,783,069	17,783,069	21,269,882
Revaluation Reserve	238,767,191	192,063,916	192,063,916	238,767,191
Accumulated Surplus	289,518,552	189,261,744	189,097,387	289,203,057
Non-Current Liabilities	402,431,183	399,804,466	399,804,466	402,431,183
Long-Term Liabilities	402,431,183	399,804,466	399,804,466	402,431,183
Non-Current Provisions	-	-	-	-
Current Liabilities	412,839,995	365,124,056	364,711,795	410,066,513
Consumer Deposits	22,254,393	20,258,578	20,258,578	22,254,393
Current Provisions	566,057	1,524,378	1,524,378	566,057
Creditors	177,391,413	166,139,819	166,120,819	177,186,651
Unspent Conditional Grants and Receipts	195,631,843	152,040,789	151,667,292	193,130,040
Taxation	66,917	19,764	-	-
Current Portion of Long-Term Liabilities	16,929,372	25,140,728	25,140,728	16,929,372
Total Net Assets and Liabilities	1,880,019,422	1,552,496,544	1,551,919,926	1,876,930,445
ASSETS				
Non-Current Assets	1,062,053,656	988,663,256	988,640,002	1,061,853,676
Property, Plant and Equipment	1,045,098,327	872,482,718	872,459,464	1,044,898,347
Investments	10,693,315	109,883,993	109,883,993	10,693,315
Investment in Associate	5,172,373	3,754,258	3,754,258	5,172,373
Long-Term Receivables	1,089,641	2,542,287	2,542,287	1,089,641
Current Assets	817,965,766	563,833,288	563,279,924	815,076,769
Inventory	17,163,895	15,329,312	15,329,312	17,163,895
Consumer Debtors	247,007,096	226,188,821	226,188,821	247,007,096
Other Debtors	38,935,298	77,144,493	77,144,493	38,932,491
VAT	22,083,518	18,071,220	18,071,220	21,976,213
Current Portion of Long-Term Receivables	945,103	1,559,531	1,559,531	945,103
Call Investment Deposits	439,076,809	179,891,701	179,891,701	436,361,055
Cash	2,485,851	1,360,018	1,360,018	2,485,665
Bank	50,268,196	44,288,192	43,734,828	50,205,251
Total Assets	1,880,019,422	1,552,496,544	1,551,919,926	1,876,930,445

Consolidated Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006

	Note	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
		2006 R	2005 R	2006 R	2005 R
REVENUE					
Property Rates	17	271,161,157	254,735,277	254,735,277	271,161,157
Property Rates/Penalties Imposed		204,917	703,312	703,312	204,917
Service Charges	18	756,398,603	721,508,092	721,508,092	756,404,853
Rental of Facilities and Equipment		9,649,462	9,406,209	9,406,209	9,649,462
Interest Earned - External Investments		43,281,158	27,486,741	27,425,116	43,232,051
Interest Earned - Outstanding Debtors		21,170,524	30,127,445	30,127,445	21,170,524
Dividends Received		163,327	-	-	163,327
Fines		9,183,556	9,558,805	9,558,805	9,183,556
Licences and Permits		8,679,557	11,996,458	11,996,458	8,679,557
Government Grants and Subsidies	19	207,236,867	197,881,162	197,459,659	206,491,677
Other Income	20	72,601,752	59,770,026	59,770,026	72,598,647
Operating Project Grants	19	57,243,243	93,843,587	93,843,587	57,243,243
Government Grants - Property, Plant & Equipment	19	133,505,854	104,447,382	104,447,382	133,505,855
Donations & Public Contributions - Property, Plant & Equipment	19	8,092,821	21,403,246	21,403,246	8,092,821
Gains on Disposal of Property, Plant and Equipment		7,280,645	3,941,415	3,941,415	7,280,644
Total Revenue		1,605,853,443	1,546,809,157	1,546,326,029	1,605,062,291
EXPENDITURE					
Employee Related Costs	22	462,934,198	437,830,726	437,748,967	462,044,162
Remuneration of Councillors	23	13,464,248	11,881,867	11,881,867	13,390,148
Bad Debts	14	52,405,457	80,619,038	80,619,038	52,405,457
Collection Costs		6,279,592	4,418,170	4,418,170	6,279,592
Depreciation	10	70,867,534	59,381,168	59,375,953	70,833,674
Repairs and Maintenance		71,477,806	72,000,699	72,000,699	71,473,689
Interest Paid	24	56,232,102	57,429,624	57,429,624	56,227,230
Bulk Purchases	25	289,517,973	278,789,047	278,789,047	289,517,973
Contracted Services		4,327,936	3,376,643	3,376,643	4,327,936
Grants and Subsidies Paid	26	4,065,172	3,427,084	3,427,084	4,494,997
General Expenses - Other	21	369,907,655	357,639,095	357,427,061	370,265,451
Total Expenditure		1,401,479,673	1,366,793,161	1,366,494,153	1,401,260,309
SURPLUS		204,373,770	180,015,996	179,831,876	203,801,982
Taxation	7a	47,153	19,764	-	-
SURPLUS AFTER TAXATION		204,326,617	179,996,232	179,831,876	203,801,982
SURPLUS ATTRIBUTABLE TO BCM MUNICIPALITY		204,326,617	179,996,232	179,831,876	203,801,982
Share of surplus of associate accounted for under the equity method	37	1,418,115	3,753,998	3,753,998	1,418,115
SURPLUS FOR THE YEAR		205,744,732	183,750,230	183,585,874	205,220,097



Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - MUNICIPALITY

	COID Fund	Capital Replacement Reserve	Capitalisation Reserve
	R	R	R
2005			
Balance at 01 July 2004	6,029,672	79,055	305,256,437
Transactions i.r.o. Previous Year	-	-	-
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	(228,622,749)
Restated Balance	6,029,672	79,055	76,633,688
Surplus 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	-	-	-
Insurance Claims Processed	(50,360)	-	-
Offsetting of Depreciation	-	-	(7,562,689)
Balance at 30 June 2005	5,979,312	9,288	69,070,999
2006			
Balance at 01 July 2005	5,979,312	9,288	69,070,999
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	-
Restated Balance	5,979,312	9,288	69,070,999
Surplus for the year	-	-	-
Transfer to CRR	-	62,031,475	-
Transfer to Revaluation Reserve	-	-	-
Property, Plant and Equipment Purchased	-	(46,330,350)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Other Transactions	-	-	-
Donated/Contributed PPE	-	-	-
Depreciation on donated PPE	-	-	-
Transfer to / from Provisions	-	-	-
Insurance Claims Processed	871,518	-	-
Offsetting of Depreciation	-	-	(7,562,688)
Balance at 30 June 2006	6,850,830	15,710,413	61,508,311

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - MUNICIPALITY

Government Grant Reserve	Donations and Public Contributions Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus	Total
R	R	R	R	R	R
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)
140,269,461	57,421,029	18,577,542	199,731,371	103,131,835	601,873,653
-	-	-	-	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	-
235,728,500	74,994,102	17,783,069	192,063,916	190,749,695	786,378,881
235,728,500	74,994,102	17,783,069	192,063,916	190,749,695	786,378,881
(1,784,322)	4,461,414	-	-	(1,652,308)	1,024,784
-	-	-	-	-	-
233,944,178	79,455,516	17,783,069	192,063,916	189,097,387	787,403,665
-	-	-	-	205,220,097	205,220,097
-	-	-	-	(62,031,475)	-
-	-	-	54,292,374	-	54,292,374
-	-	-	-	46,330,350	-
133,505,855	8,092,821	-	-	(141,598,676)	-
-	-	-	-	11,633,905	11,633,905
49,425	(49,425)	-	-	-	-
-	-	-	-	13,902,813	13,902,813
-	-	-	-	(13,902,813)	(13,902,813)
-	-	-	-	1,524,378	1,524,378
-	-	3,486,813	-	-	4,358,331
(17,120,066)	(6,755,239)	-	(7,589,099)	39,027,092	-
350,379,392	80,743,673	21,269,882	238,767,191	289,203,057	1,064,432,749



Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - ECONOMIC ENTITY

	COID Fund	Capital Replacement Reserve	Capitalisation Reserve
	R	R	R
2005			
Balance at 01 July 2004	6,029,672	79,055	305,256,437
Transactions i.r.o. Previous Year	-	-	-
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	(228,622,749)
Restated Balance	6,029,672	79,055	76,633,688
Surplus 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	-	-	-
Insurance Claims Processed	(50,360)	-	-
Offsetting of Depreciation	-	-	(7,562,689)
Balance at 30 June 2005	5,979,312	9,288	69,070,999
2006			
Balance at 01 July 2005	5,979,312	9,288	69,070,999
Correction of Error (Note 36)	-	-	-
Changes in Accounting Policy (Note 39)	-	-	-
Restated Balance	5,979,312	9,288	69,070,999
Surplus for the year	-	-	-
Transfer to CRR	-	62,031,475	-
Transfer to Revaluation Reserve	-	-	-
Property, Plant and Equipment Purchased	-	(46,330,350)	-
Capital Grants used to Purchase PPE	-	-	-
VAT Corrections	-	-	-
Other Transactions	-	-	-
Donated/Contributed PPE	-	-	-
Depreciation on donated PPE	-	-	-
Transfer to / from Provisions	-	-	-
Insurance Claims Processed	871,518	-	-
Offsetting of Depreciation	-	-	(7,562,688)
Balance at 30 June 2006	6,850,830	15,710,413	61,508,311

Note: Closing balance for Accumulated surplus on the 2004/05 Consolidated signed Statements	191,308,868
Less: Reallocation of grant funding on restated BCDA 2004/05 financial statements	(373,496)
Net change in capitalisation on restated BCDA 2004/05 financial statements	(1,555)
Restated balance for Accumulated Surplus on 30 June 2005	190,933,817

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2006 - ECONOMIC ENTITY

Government Grant Reserve	Donations and Public Contributions Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus	Total
R	R	R	R	R	R
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)
140,269,461	57,421,029	18,577,542	199,731,371	103,131,835	601,873,653
-	-	-	-	180,015,998	180,015,998
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	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	-
235,728,500	74,994,102	17,783,069	192,063,916	190,933,817	786,563,003
235,728,500	74,994,102	17,783,069	192,063,916	190,933,817	786,563,003
(1,784,322)	4,461,414	-	-	(1,672,073)	1,005,019
-	-	-	-	-	-
233,944,178	79,455,516	17,783,069	192,063,916	189,261,744	787,568,022
-	-	-	-	205,744,732	205,744,732
-	-	-	-	(62,031,475)	-
-	-	-	54,292,374	-	54,292,374
-	-	-	-	46,330,350	-
133,505,855	8,092,821	-	-	(141,598,676)	-
-	-	-	-	11,633,905	11,633,905
49,425	(49,425)	-	-	(373,497)	(373,497)
-	-	-	-	13,902,813	13,902,813
-	-	-	-	(13,902,813)	(13,902,813)
-	-	-	-	1,524,378	1,524,378
-	-	3,486,813	-	-	4,358,331
(17,120,066)	(6,755,239)	-	(7,589,099)	39,027,092	-
350,379,392	80,743,673	21,269,882	238,767,191	289,518,552	1,064,748,244



Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006

ECONOMIC ENTITY

BUFFALO CITY MUNICIPALITY

	2006	2005	2006	2005
	R	R	R	R
CASH GENERATED BY OPERATING ACTIVITIES				
Cash Receipts from Ratepayers, Government and Other	1,627,043,431	1,554,023,682	1,553,009,682	1,778,105,444
Cash Paid to Suppliers and Employees	1,274,903,416	1,142,749,070	1,142,255,278	1,428,357,301
Cash Generated from Operations	28 352,140,016	411,274,612	410,754,404	349,748,143
Portion of Surplus from Associate	1,418,115	-	-	1,418,115
VAT Adjustment	-	5,518,185	5,518,185	-
Interest Received	65,796,403	27,486,742	27,425,117	65,747,296
Interest Paid	(56,232,102)	(57,429,624)	(57,429,624)	(56,227,230)
NET CASH FROM OPERATING ACTIVITIES	363,122,432	386,849,915	386,268,082	360,686,324
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(203,425,890)	(189,927,568)	(189,899,099)	(203,215,304)
Proceeds on Disposal of Property, Plant and Equipment	7,612,952	-	-	7,612,952
Decrease in Non-Current Receivables	2,067,074	3,846,487	3,846,487	2,067,074
Decrease/(Increase) in non-current investments	97,772,563	(16,846,464)	(16,846,464)	97,772,563
NET CASH FROM INVESTING ACTIVITIES	(95,973,301)	(202,927,545)	(202,899,076)	(95,762,715)
CASH FLOW FROM FINANCING ACTIVITIES				
New Loans Raised	(5,584,639)	23,956,157	23,956,157	(5,584,639)
Increase/(Decrease) in Consumer Deposits	1,995,816	(862,677)	(862,677)	1,995,816
Non-operating Income Receipted in Provisions/Reserves	12,864,026	13,260,113	13,260,113	12,864,026
Non-operating Expenditure Charged against Provisions/Reserves	(10,133,388)	(110,034,647)	(110,034,647)	(10,133,388)
NET CASH FROM FINANCING ACTIVITIES	(858,185)	(73,681,054)	(73,681,054)	(858,185)
NET INCREASE IN CASH AND CASH EQUIVALENTS	29 266,290,946	110,241,316	109,687,952	264,065,424
Cash and cash equivalents at the beginning of the year	225,539,911	115,298,595	115,298,595	224,986,547
Cash and cash equivalents at the end of the year	491,830,857	225,539,911	224,986,547	489,051,971
	(266,290,946)	(110,241,316)	(109,687,952)	(264,065,424)
<p><u>Note:</u> the increase in non-current investments of R16 846 464 for 2005 has been restated to exclude short-term investment movements as to comply with the latest version of the specimen statements as released by National Treasury.</p> <p>The restatement was done as follows:</p> <p>Stated previously</p> <p>Less: Movement on Short-term investments</p> <p>Balance</p>				
			(90,095,963)	
			73,249,499	
			(16,846,464)	
Cash and cash equivalents at the beginning of the year			8,656,392	
Short-term investment balance 30/06/2004			106,642,203	
			115,298,595	
Cash and cash equivalents at the end of the year			45,094,845	
Short-term investment balance 30/06/2005			179,891,702	
			224,986,547	

Accounting Policies

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). These accounting policies are consistent with those of the previous financial year.

The economic entity may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The economic entity has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

2. BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the financial statements of Buffalo City Municipality and municipal entities controlled by Buffalo City Municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of commission. Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by Buffalo City Municipality.

All significant transactions and balances between members of the economic entity are eliminated on consolidation.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4. GOING CONCERN ASSUMPTION

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

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 and 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. RESERVES

The economic entity creates and maintains reserves in terms of specific requirements.

6.1 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 utilised

6.2 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, an equivalent amount is transferred 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.

6.3 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 by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

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

6.4 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 Contributions Reserve equal to the value of the donations and public contributions 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 Contributions 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 financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6.5 Self Insurance Reserve

A Self Insurance Reserve has been established to cover claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

- Insurance premiums are paid from the reserve
- Contributions to the reserve by departments are transferred via expenditure accounts to the reserve according to amounts budgeted for in the operating budget
- Claims received from external insurers are utilised in the calculation of a gain or loss on the scrapping of damaged assets and are recorded in the Statement of Financial Performance
- Claims received in respect of repairs and/or damages to assets are reflected as income in the reserve
- 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 insurance reserve

6.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer of an equivalent amount 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.

7. 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 property, plant and equipment or a combination of both, property, plant and equipment are measured at their fair value.

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.



7.1 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	Other	Years
Electricity	10 – 30	Buildings	30
Roads	10 – 30	Office equipment	3 – 5
Water	15 – 20	Furniture and fittings	7 – 10
Sewerage	15 – 20	Bins and containers	5 – 10
Pedestrian malls	20	Emergency equipment	5 – 15
Security	3 – 5	Motor vehicles	3 – 20
		Plant and equipment	2 – 15
		Other	15
		Investment properties	30
Community	Years		
Buildings	30		
Recreational facilities	20		

The economic entity has taken advantage of the transitional provisions set out in GAMAP 17. The economic entity is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets using global historical costs recorded in the accounting records. Furthermore, the economic entity has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

7.2 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 recognised in the Statement of Financial Performance.

7.3 Incomplete Construction Work

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

7.4 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.

8. 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.

9. INVESTMENTS

9.1 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.

9.2 Investment in Associate

An associate is an entity over which Buffalo City Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for Buffalo City Municipality's share of operating surpluses/(deficits) less any dividends received.

Where Buffalo City Municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the

extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where Buffalo City Municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

9.3 Investment in Municipal Entities

Investments in municipal entities under the ownership control of Buffalo City Municipality are carried at cost in Buffalo City Municipality's separate annual financial statements.

10. INVENTORIES

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

11. 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.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

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 economic entity and these benefits can be measured reliably.

13.1 Revenue from Rates

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised 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 recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears 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 William's 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 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 the risk is passed to the consumer.

13.8 Interest on Outstanding Debtors

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

13.9 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation or contribution is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

13.10 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that Buffalo City Municipality has complied 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.

15. PROVISIONS

A provision is recognised when the economic entity 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. Contributions are made to or from the provisions to reflect the current best estimate.

Expenditure relating to provisions is charged to the operating account when incurred.

The economic entity makes provision for performance bonuses unpaid at year end.

16. 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.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers' Act (Act No. 20 of 1998) or is in contravention of the municipality's or municipal entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. 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.

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.

22. LEASES

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

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease finance costs are expensed when incurred.

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.

23. VALUE ADDED TAX

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

24. 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 provisions outlined under 15 above.

25. 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 Buffalo City Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an item of property, plant and equipment is purchased from a Creditor – Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.
- Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Government Grant Reserve or the Donations and Public Contributions Reserve. These reserves are used to offset depreciation charged on property, plant and equipment financed from unutilised capital receipts. These reserves equal the remaining depreciable value (carrying value) of property, plant and equipment financed from 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 the 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.

26. 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

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
1 COID FUND				
Balance at beginning of year	5,979,312	6,029,672	6,029,672	5,979,312
Contributions	1,390,031	1,234,093	1,234,093	1,390,031
Interest on Investment	398,811	256,961	256,961	398,811
Other Income	547,513	86,631	86,631	547,513
Expenditure Incurred	(1,464,837)	(1,628,045)	(1,628,045)	(1,464,837)
Balance at end of year	6,850,830	5,979,312	5,979,312	6,850,830
The COID Fund is fully invested in financial investment instruments.				
2 RESERVES				
Capital Replacement Reserve	15,710,413	9,288	9,288	15,710,413
Capitalisation Reserve	61,508,311	69,070,999	69,070,999	61,508,311
Government Grant Reserve	350,379,392	233,944,178	233,944,178	350,379,392
Donations and Public Contributions Reserve	80,743,673	79,455,516	79,455,516	80,743,673
Self-Insurance Reserve	21,055,455	17,669,085	17,669,085	21,055,455
Self-Insurance Reserve - Cell Phone	214,427	113,984	113,984	214,427
Revaluation Reserve	238,767,191	192,063,916	192,063,916	238,767,191
Total Reserves	768,378,862	592,326,966	592,326,966	768,378,862
The Capital Replacement Reserve and Self-Insurance Reserve is fully invested in financial investment instruments.				
3 LONG-TERM LIABILITIES				
Local Registered Stock Loans	18,160,000	69,402,000	69,402,000	18,160,000
Annuity Loans	401,140,982	354,570,625	354,570,625	401,140,982
Capitalised Lease Liability	59,573	972,569	972,569	59,573
Sub-Total	419,360,555	424,945,194	424,945,194	419,360,555
Less: Current Portion Transferred to Current Liabilities	(16,929,372)	(25,140,728)	(25,140,728)	(16,929,372)
Local Registered Stock Loans	-	1,228,000	1,228,000	-
Annuity Loans	16,869,799	22,970,587	22,970,587	16,869,799
Capitalised Lease Liability	59,573	942,141	942,141	59,573
Total External Loans	402,431,183	399,804,466	399,804,466	402,431,183

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

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

R 8 922 725 (2005: R 108 208 926) has been invested specifically in ring-fenced accounts for the repayment of long-term liabilities. These are ceded investments (collateral to service a bullet payment at the end of specific loans) Refer Note 30 for more detail. The reason for the decrease from the prior year (R 108 208 926), is that certain large collateral investments were redeemed and sold in the open market. These collateral securities were replaced with guarantees from the International Finance Corporation. This unlocked potential ceded cash thereby reducing the need for new loans.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
4 NON-CURRENT PROVISIONS				
Total Non-Current Provisions	-	-	-	-
An amount of R16 106 890, being the Provision for Leave Pay was disclosed for 2004/2005. This amount has been transferred to Creditors.				
5 CONSUMER DEPOSITS				
Rates	-	-	-	-
Electricity	8,413,515	7,022,267	7,022,267	8,413,515
Water	13,840,878	13,236,311	13,236,311	13,840,878
Total Consumer Deposits	22,254,393	20,258,578	20,258,578	22,254,393
No interest is paid when deposits are refunded.				
Guarantees in lieu of electricity and water deposits	7,364,148	6,736,869	6,736,869	7,364,148
6 CURRENT PROVISIONS				
Performance Bonuses	566,057	1,524,378	1,524,378	566,057
Total Current Provisions	566,057	1,524,378	1,524,378	566,057
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.				
The movement in the current provision is reconciled as follows:-				
PERFORMANCE BONUSES				
Balance at beginning of year	1,524,378	1,314,549	1,314,549	1,524,378
Contributions	566,057	209,829	209,829	566,057
Expenditure Incurred	(1,524,378)	-	-	(1,524,378)
Balance at end of year	566,057	1,524,378	1,524,378	566,057

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
7 CREDITORS				
Trade Creditors	77,761,159	76,939,015	76,939,015	77,761,159
Payments Received in Advance	30,263,557	21,690,267	21,690,267	30,263,557
Other Deposits	2,423,519	1,465,116	1,465,116	2,423,519
Staff Leave	35,112,212	31,877,254	31,877,254	35,059,919
IDZ	8,019,900	10,508,363	10,508,363	8,019,900
Creditors Buffalo City Development Agency	152,469	19,000	-	-
Other Creditors	23,658,597	23,640,805	23,640,805	23,658,597
Total Creditors	177,391,413	166,139,819	166,120,819	177,186,651
7a TAXATION				
South African Normal Tax	47,153	19,764		
Taxation Payable	66,917	19,764		
8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
Conditional Grants from Government	177,185,623	133,256,325	133,256,325	177,185,623
National Grants	132,016,086	104,579,903	104,579,903	132,016,086
Provincial Grants and Subsidies	45,169,537	28,676,422	28,676,422	45,169,537
Other Conditional Receipts	18,446,220	18,784,464	18,410,967	15,944,417
Total Conditional Grants and Subsidies	195,631,843	152,040,789	151,667,292	193,130,040
Amount received and invested until utilised (Note 11)	195,631,843	151,167,292	151,167,292	193,130,040
Difference in Balances Grants vs Invested 04/05		873,497	500,000	
Restatement of opening balances (Note36)		500,000	500,000	
BCDA		373,497		
9 VAT				
Vat Receivable	22,083,518	18,071,220	18,071,220	21,976,213
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.				
Note: Adjustment to balance 2004/05				
Balance 30/06/2005			16,946,701	
Error adjustment (Note 36)			1,124,519	
Restated balance			18,071,220	



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2006	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2005	200,423,574	526,318,398	51,055,115	94,685,631	872,482,718
Cost	16,870,156	1,264,941,784	81,151,924	127,091,180	1,490,055,044
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	28,469	28,469
Accumulated Depreciation	(171,245,775)	(833,940,746)	(46,413,692)	(37,508,160)	(1,089,108,373)
- Cost	(2,789,531)	(833,329,583)	(42,443,135)	(37,502,945)	(916,065,194)
- Revaluation	(168,456,244)	(611,163)	(3,970,557)	-	(173,037,964)
- BCDA	-	-	-	(5,215)	(5,215)
Acquisitions	4,585,576	146,785,058	24,788,223	42,434,579	218,593,436
- BCM	4,585,576	146,785,058	24,788,223	42,223,993	218,382,850
- BCDA	-	-	-	210,586	210,586
Capital Under Construction	(104,764)	(5,620,059)	(7,556,923)	(1,885,802)	(15,167,548)
- Current Year	-	79,494,600	-	772,659	80,267,259
- Capitalised	(104,764)	(85,114,659)	(7,556,923)	(2,658,461)	(95,434,807)
Increases / Decreases in Revaluation	54,292,374	-	-	-	54,292,374
Depreciation	(7,896,375)	(56,903,505)	(2,418,753)	(17,551,715)	(84,770,348)
- Based on Cost	(588,321)	(56,867,754)	(2,173,459)	(17,517,855)	(77,147,389)
- Based on Revaluation	(7,308,054)	(35,751)	(245,294)	-	(7,589,099)
- BCDA	-	-	-	(33,860)	(33,860)
Carrying Value of Disposals	-	-	-	(332,305)	(332,305)
- Cost	-	-	-	(376,194)	(376,194)
- Accumulated Depreciation	-	-	-	43,889	43,889
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2006	251,300,385	610,579,892	65,867,662	117,350,388	1,045,098,327
Cost	21,455,732	1,411,726,842	105,940,147	168,938,979	1,708,061,700
Capital Under Construction	(104,764)	88,042,382	-	3,188,340	91,125,958
BCDA	-	-	-	239,055	239,055
Revaluation	409,091,567	1,654,919	8,759,960	-	419,506,446
Accumulated Depreciation	(179,142,150)	(890,844,251)	(48,832,445)	(55,015,986)	(1,173,834,832)
- Cost	(3,377,852)	(890,197,337)	(44,616,594)	(54,976,911)	(993,168,694)
- Revaluation	(175,764,298)	(646,914)	(4,215,851)	-	(180,627,063)
- BCDA	-	-	-	(39,075)	(39,075)

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

The Opening Balance differs from the Closing Balance at 30 June 2005 due to a restatement - refer note 36.

:- Depreciation on land adjusted: BCM	(112,192)	
:- Net change in Capitalisation: BCDA statements 04/05	1,556	Adjusted on BCDA transactions below
	(110,636)	
Depreciation charged to Statement of Financial Performance	70,867,534	
Depreciation charged directly on the Statement of Changes to Net assets	13,902,814	
Total Depreciation Charged	84,770,348	

Buffalo City Municipality has taken advantage of the transitional provisions set out in GAMAP 17 as well as adhering to National Treasury's Guidelines as per MFMA Circular No. 18 dated 23 June 2005, which states that it is paramount to prepare a process map to obtain infrastructure asset information over a number of years. Buffalo City Municipality appointed a service provider to develop a detailed roadmap to enable the successful implementation of processes to identify, record, value and manage infrastructure assets during the next three years.

At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, Buffalo City Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

30 June 2005	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
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
Capital Under Construction	-	-	-	-	-
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	-	-
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)
- BCDA	-	-	-	-	-
Acquisitions	6,420,529	28,703,321	12,542,388	35,967,824	83,634,062
- BCM	6,420,529	28,703,321	12,542,388	35,939,355	83,605,593
- BCDA	-	-	-	28,469	28,469
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
- Current Year	-	93,662,441	7,556,923	5,074,142	106,293,506
- Capitalised	-	-	-	-	-
Increases / Decreases in Revaluation	-	-	-	-	-
Depreciation	(7,916,147)	(38,395,434)	(1,766,093)	(11,303,494)	(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)
- BCDA	-	-	-	(5,215)	(5,215)
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	94,685,631	872,370,526
Cost	16,870,156	1,264,941,784	81,151,924	127,091,180	1,490,055,044
Capital Under Construction	-	93,662,441	7,556,923	5,074,142	106,293,506
Revaluation	354,799,193	1,654,919	8,759,960	-	365,214,072
BCDA	-	-	-	28,469	28,469
Accumulated Depreciation	(171,357,967)	(833,940,746)	(46,413,692)	(37,508,160)	(1,089,220,565)
- 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)
- BCDA	-	-	-	(5,215)	(5,215)

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R

Land and buildings were revalued to fair value by using depreciated replacement cost values. The effective date of the revaluation was 01 May 2003. The revaluation was done by Fenwick & Associates, registered and independent valuers.

The revaluation surplus is reconciled as follows: -

Balance at beginning of year	192,063,916	199,731,371
Surplus realised	46,703,275	(7,667,455)
Balance at end of year	238,767,191	192,063,916

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
11 INVESTMENTS				
<u>Listed</u>				
BCM had no listed investments at the reporting date				
<u>Unlisted</u>				
Shares in ELIDZ (PTY) LTD	5,172,373	3,754,258	5,172,373	3,754,258
<u>Financial Instruments</u>				
Fixed Deposits - Long-Term	10,693,315	109,883,993	10,693,315	109,883,993
Total Financial Instruments	15,865,688	113,638,251	15,865,688	113,638,251
<u>Call Investment Deposits</u>				
Other Deposits - Short-Term	439,067,404	179,770,463	436,351,650	179,770,463
Call Account Deposits	9,405	121,238	9,405	121,238
Total Call Investment Deposits	439,076,809	179,891,701	436,361,055	179,891,701
Total Investments	454,942,497	293,529,952	452,226,743	293,529,952
Average rate of return on investments	7.21%	7.18%	7.21%	7.18%
Allocation of External Investments				
Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-				
COID Fund	6,850,830	5,979,312	6,850,830	5,979,312
Insurance Reserve	21,269,882	113,984	21,269,882	113,984
Conditional Grants and Receipts (Note 8)	195,631,843	151,167,292	193,130,040	151,167,292
Capital Replacement Reserve	15,710,413	9,288	15,710,413	9,288
Current Portion of Leave Pay Provision (Note 6)	-	10,625,981	-	10,625,981
Performance Bonuses Provision (Note 6)	566,057	1,524,378	566,057	1,524,378
Surplus Cash	204,527,945	11,415,336	204,527,945	11,415,336
	444,556,971	180,835,571	442,055,167	180,835,571
External Financing Fund	10,171,576	112,694,381	10,171,576	112,694,381
BCDA	213,950	-	-	-
Total	454,942,497	293,529,952	452,226,743	293,529,952

An amount of R 109 724 895 ceded investments were redeemed during the 2005/2006 financial year.

The market value of Sanlam shares acquired upon demutualisation was R1,165,238 as at 30 June 2006 and R1,043,089 as at 30 June 2005.

A zero coupon bond of R 8,957,450 as at 30 June 2005 maturing on 30 June 2014 for a guaranteed redemption of R 25 million has been ceded to Standard Merchant Bank.

The primary reason for the increase in the investment portfolio is due to the fact that zero coupon bonds were liquidated nor cash realised. These are reflected under cash investments. The open market sale value was R115,008,945. These were sold to Sanlam Capital Markets via a bid process on the 05 May 2006. They were the highest bidders.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
12 LONG-TERM RECEIVABLES				
Loans to Sporting Bodies	186,287	273,641	186,287	273,641
Other Loans	43,658	59,025	43,658	59,025
Motor Vehicle Loans	1,804,799	3,769,152	1,804,799	3,769,152
	<u>2,034,744</u>	<u>4,101,818</u>	<u>2,034,744</u>	<u>4,101,818</u>
Less: Current Portion Transferred to Current Assets	(945,103)	(1,559,531)	(945,103)	(1,559,531)
Total Long-Term Receivables	<u><u>1,089,641</u></u>	<u><u>2,542,287</u></u>	<u><u>1,089,641</u></u>	<u><u>2,542,287</u></u>
Loans to Sporting Bodies				
Council granted loans to Sporting bodies within its jurisdiction. This policy has since been abolished and no new loans are issued. The remaining loans are being phased out with the last loan being redeemable in 2016.				
Other Loans				
Council granted loans to other organisations and bodies within its jurisdiction. The remaining loans are being phased out with the last loan redeemable in 2009. The loans attract interest between 6 and 10%.				
Motor Vehicle Loans				
Senior staff obtain loans at 8% interest per annum repayable over a maximum period of 6 years. Essential users obtained loans at 10% repayable over a maximum period of 5 years. All loans are being phased out with the last loan being fully redeemed in 2008.				
13 INVENTORY				
Consumable Store - at cost	8,224,926	7,193,911	8,224,926	7,193,911
Workshop Store - at cost	164,957	181,660	164,957	181,660
Diesel - at cost	516,383	263,460	516,383	263,460
Petrol - at cost	612,453	381,024	612,453	381,024
Water Store - at cost	2,791,884	2,686,149	2,791,884	2,686,149
Electricity Store - at cost	4,503,197	4,801,273	4,503,197	4,801,273
Unsold water - at cost	502,970	-	502,970	-
	<u>17,316,770</u>	<u>15,507,477</u>	<u>17,316,770</u>	<u>15,507,477</u>
Less: Provision for Obsolescence	(152,875)	(178,165)	(152,875)	(178,165)
Total Inventory	<u><u>17,163,895</u></u>	<u><u>15,329,312</u></u>	<u><u>17,163,895</u></u>	<u><u>15,329,312</u></u>

Inventory is net of specific provisions for obsolescence.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

14 CONSUMER DEBTORS

MUNICIPALITY AND ECONOMIC ENTITY

As at 30 June 2006	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
Service Debtors	394,724,441	(147,717,345)	247,007,096
Rates	100,450,200	(36,201,946)	64,248,254
Cleansing	76,725,945	(31,084,866)	45,641,079
Electricity	41,043,347	(12,468,929)	28,574,418
Sewerage	64,907,636	(24,429,769)	40,477,867
Water	111,597,313	(43,531,835)	68,065,478
Housing Rentals	3,971,641	(3,971,641)	
Total	398,696,082	(151,688,986)	247,007,096
As at 30 June 2005			
Service Debtors	360,474,726	(134,285,905)	226,188,821
Rates	96,434,524	(32,910,226)	63,524,298
Cleansing	66,814,786	(28,258,424)	38,556,362
Electricity	41,652,745	(11,335,171)	30,317,574
Sewerage	58,039,456	(22,208,452)	35,831,004
Water	97,533,215	(39,573,632)	57,959,583
Housing Rentals	5,698,821	(5,698,821)	-
Total	366,173,547	(139,984,726)	226,188,821



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
<u>Rates: Ageing</u>				
Current (0 – 30 days)	22,026,356	25,584,683	22,026,356	25,584,683
31 - 60 Days	6,257,864	5,601,131	6,257,864	5,601,131
61 - 90 Days	3,585,869	4,615,126	3,585,869	4,615,126
91 - 120 Days	2,704,264	2,897,541	2,704,264	2,897,541
121 - 365 Days	23,405,718	20,863,802	23,405,718	20,863,802
+ 365 Days	42,470,129	6,925,625	42,470,129	36,925,625
Adjustment for Corrections	-	(53,384)	-	(53,384)
Total	100,450,200	96,434,524	100,450,200	96,434,524
<u>Cleansing, Electricity, Sewerage & Water: Ageing</u>				
Current (0 – 30 days)	64,518,876	65,843,120	64,518,876	65,843,120
31 - 60 Days	14,047,421	15,355,237	14,047,421	15,355,237
61 - 90 Days	11,684,081	1,062,004	11,684,081	11,062,004
91 - 120 Days	9,920,288	9,839,666	9,920,288	9,839,666
121 - 365 Days	53,178,636	49,504,892	53,178,636	49,504,892
+ 365 Days	140,924,939	113,566,548	140,924,939	113,566,548
Adjustment for Corrections	-	(1,131,265)	-	(1,131,265)
Total	294,274,241	264,040,202	294,274,241	264,040,202
<u>Housing Debtors: Ageing</u>				
Current (0 – 30 days)	1,221,397	92,828	1,221,397	92,828
31 - 60 Days	115,485	47,864	115,485	47,864
61 - 90 Days	72,139	20,267	72,139	20,267
91 - 120 Days	79,982	40,314	79,982	40,314
121 - 365 Days	362,744	287,079	362,744	287,079
+ 365 Days	2,119,894	5,210,469	2,119,894	5,210,469
Total	3,971,641	5,698,821	3,971,641	5,698,821



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

MUNICIPALITY AND ECONOMIC ENTITY

	Consumers	Industrial/ Commercial	National and Provincial Gov
	R	R	R
Summary of Debtors by Customer Classification			
30 June 2006			
Current (0 – 30 days)	55,950,399	29,993,471	4,210,659
31 - 60 Days	16,246,599	3,247,743	1,697,887
61 - 90 Days	13,392,968	1,427,511	775,911
91 - 120 Days	11,345,568	1,235,305	512,494
121 - 365 Days	63,936,974	12,249,614	3,053,375
+ 365 Days	168,072,726	29,626,017	2,312,802
Sub-Total	328,945,234	77,779,661	12,563,128
Less: Provision for Bad Debts	(171,224,740)	(30,216,131)	-
Total Debtors by Customer Classification	157,720,494	47,563,530	12,563,128
30 June 2005			
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	-	-	-
Less: Provision for Bad Debts	319,292,452	86,766,254	14,051,010
Total Debtors by Customer Classification	(145,632,855)	(39,579,983)	-
	173,659,597	47,186,271	14,051,010

The summary of debtors by customer classification includes Sundry Debtors not stated under Service Debtors.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
<u>Bad Debt Provision</u>				
Balance at beginning of year	185,212,838	175,109,547	185,212,838	175,109,547
Contributions	16,228,032	80,619,038	16,228,032	80,619,038
Transfers	-	62,611	-	62,611
Bad Debts Written Off	-	(70,578,358)	-	(70,578,358)
Balance at the end of the year	<u>201,440,870</u>	<u>185,212,838</u>	<u>201,440,870</u>	<u>185,212,838</u>
<u>Bad Debts</u>				
Contribution to the bad debt provision from the operating account	16,228,032	80,619,038	16,228,032	80,619,038
Bad debt written off against the operating account	36,177,425	-	36,177,425	-
	<u>52,405,457</u>	<u>80,619,038</u>	<u>52,405,457</u>	<u>80,619,038</u>

Amounts totalling R36 177 425 (2004/2005: R70 578 358) were written off against the provision as bad debts. This represents 2.25% (2004/2005 : 4.56%) of the total operating income for the year.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
15 OTHER DEBTORS				
	1,910,463	33,795,649	33,795,649	1,910,463
Sundry Debtors	51,662,347	79,023,762	79,023,762	51,662,347
Less: Provision for Bad Debts - Sundry Debtors	(49,751,884)	(45,228,113)	(45,228,113)	(49,751,884)
	11,679,461	18,527,853	18,527,853	11,679,461
Accrued Income	11,679,461	36,599,073	36,599,073	11,679,461
Less: VAT (Refer Note 9)	-	(18,071,220)	(18,071,220)	-
IDZ	10,050,839	12,029,520	12,029,520	10,050,839
Fire Availability	11,303,963	9,982,117	9,982,117	11,303,963
Land Sale Debtors	3,987,765	2,809,354	2,809,354	3,987,765
BCDA	2,807			
Total Other Debtors	38,935,298	77,144,493	77,144,493	38,932,491
16 BANK, CASH AND OVERDRAFT BALANCES				
The Municipality has the following bank accounts:				
<u>Current Account (Primary Bank Account)</u>				
Account Number: 521 201 117 44				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	44,455,780	6,598,956	6,598,956	44,455,780
Cashbook balance at the end of the year	49,225,914	44,455,780	44,455,780	49,225,914
Bank statement balance at the beginning of the year	145,342,831	70,900,164	70,900,164	145,342,831
Bank statement balance at the end of the year	109,141,105	145,342,831	145,342,831	109,141,105
<u>Current Account (Collection Account)</u>				
Account Number: 521 201 781 524				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	641,991	618,151	618,151	641,991
Cashbook balance at the end of the year	792,217	641,991	641,991	792,217
Bank statement balance at the beginning of the year	641,991	618,151	618,151	641,991
Bank statement balance at the end of the year	792,217	641,991	641,991	792,217

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 R
<u>Current Account (Prism Account)</u>				
Account Number: 620 179 770 52				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	417,071	1,010,966	417,071	1,010,966
Cashbook balance at the end of the year	1,343,249	417,071	1,343,249	417,071
Bank statement balance at the beginning of the year	455,404	562,374	455,404	562,374
Bank statement balance at the end of the year	539,380	455,404	539,380	455,404
<u>Current Account (Market)</u>				
Account Number: 521 201 778 89				
First National Bank				
73 Oxford Street				
East London				
Cashbook balance at the beginning of the year	(1,780,014)	(833,190)	(1,780,014)	(833,190)
Cashbook balance at the end of the year - overdrawn	(1,156,129)	(1,780,014)	(1,156,129)	(1,780,014)
Bank statement balance at the beginning of the year	(756,251)	(196,030)	(756,251)	(196,030)
Bank statement balance at the end of the year - overdrawn	878,174	(756,251)	878,174	(756,251)
The Municipal Entity have separate bank accounts which are aggregated below:-				
<u>Current Account (BCDA)</u>				
Account Number: 52121575280				
Deloitte & Touche Trust Account				
First National Bank				
East London				
Cashbook balance at the beginning of the year	322,997	-		
Cashbook balance at the end of the year		322,997		
Bank statement balance at the beginning of the year	322,997	-		
Bank statement balance at the end of the year	-	322,997		



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 R
<u>Call Account (BCDA)</u>				
Account Number: 62067767833				
Deloitte & Touche Trust Account+B695				
First National Bank				
East London				
Cashbook balance at the beginning of the year	230,367	-		
Cashbook balance at the end of the year		230,367		
Bank statement balance at the beginning of the year	230,367	-		
Bank statement balance at the end of the year	-	230,367		
<u>Current Account (BCDA)</u>				
Account Number: 62098717899				
First National Bank				
East London				
Cashbook balance at the beginning of the year	-	-		
Cashbook balance at the end of the year	62,946			
Bank statement balance at the beginning of the year				
Bank statement balance at the end of the year	62,946			
Which are disclosed in the Statement of Financial Position as Follows:-				
Cashbook balance at the beginning of the year	44,288,192	7,394,883	43,734,828	7,394,883
Cashbook balance at the end of the year	50,268,196	44,288,192	50,205,251	43,734,828
17 PROPERTY RATES				
<u>Actual</u>				
Residential	143,361,443	135,832,135	143,361,443	135,832,135
Commercial	103,035,888	95,261,188	103,035,888	95,261,188
State	23,409,951	22,308,747	23,409,951	22,308,747
Municipal	1,353,875	1,333,207	1,353,875	1,333,207
Total Assessment Rates	271,161,157	254,735,277	271,161,157	254,735,277
<u>Valuations</u>				
Residential	6,159,312,388	6,002,283,892	6,159,312,388	6,002,283,892
Commercial	3,938,844,017	3,809,530,380	3,938,844,017	3,809,530,380
State	1,175,038,455	1,163,485,225	1,175,038,455	1,163,485,225
Municipal	253,496,847	251,633,297	253,496,847	251,633,297
Total Property Valuations	11,526,691,707	11,226,932,794	11,526,691,707	11,226,932,794

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
18 SERVICE CHARGES				
Sewerage Charges	111,808,764	102,424,021	111,808,764	102,424,021
Cleansing Charges	88,079,654	83,738,702	88,079,654	83,738,702
Sale of Electricity	409,759,911	387,004,418	409,763,036	387,004,418
Sale of Water	144,342,799	146,390,998	144,345,924	146,390,998
Other	2,407,475	1,949,953	2,407,475	1,949,953
Total Service Charges	756,398,603	721,508,092	756,404,853	721,508,092
19 GOVERNMENT GRANTS AND SUBSIDIES				
<u>Government Grants</u>				
Equitable Share	169,684,848	165,899,221	169,684,848	165,899,221
Equitable Share Urban Renewal	3,771,294	4,691,606	3,771,294	4,691,606
IDZ (BCDA) (04/05 R795000-R373497 (transferred to creditors)	745,191	421,503	-	-
DWAF	-	3,482,307	-	3,482,307
State Health Subsidy	26,146,320	17,744,186	26,146,320	17,744,186
BCMETS	-	1,650,000	-	1,650,000
MIG	1,650,201		1,650,201	
Total Government Grants	201,997,853	193,888,823	201,252,663	193,467,320
<u>Provincial Subsidies</u>				
Health Subsidy	367,257	142,189	367,257	142,189
Needs Camp	120,525	1,691,058	120,525	1,691,058
ADM Grants	-	1,657,501	-	1,657,501
Subsidy	4,750,832	501,591	4,750,832	501,591
DHLGTA Grants	400	-	400	-
Total Provincial Subsidies	5,239,014	3,992,339	5,239,014	3,992,339
Total Government Grants & Subsidies Received and Allocated as Income	207,236,867	197,881,162	206,491,677	197,459,659
Transferred from Conditional Grant Creditors (Appendix G)	198,841,919	219,694,215	198,841,919	219,694,215
Total Conditional Grants and Subsidies reflected on the Statement of Financial Performance	406,078,785	417,575,377	405,333,596	417,153,874

General valuations on land and buildings should be conducted every 10 years in terms of Ordinance No. 26 of 1944. Interim valuations are processed once a year to take into account changes in individual property values due to alterations and subdivisions. Rebates of 20% and 40% are granted to state properties and pensioners respectively. Rates are levied on an annual basis on property owners pensioners respectively. Rates are levied on an annual basis on property owners with the final date of payment being 30 September 2005. Ratepayers are also given an option of paying their rates monthly on application. Interest at a standard rate as amended from time to time, is paid on any rate which remains unpaid after 30 September 2005, except in cases where the owner has applied to pay by installment, in terms of Section 90(1) of Ordinance 20 of 1974.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 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 2005/06.				
Conditions on the funding were complied with and no funds were withheld.				
20 OTHER INCOME				
Credit Card Format Conversions	-	2,573,329	-	2,573,329
Commission	8,993,690	7,624,313	8,993,690	7,624,313
Coupons & Clip Tickets	2,808,979	2,590,628	2,808,979	2,590,628
Fire Levy Charges	15,094,095	10,918,617	15,094,095	10,918,617
Plan Approval Fees	4,958,630	3,563,199	4,958,630	3,563,199
Reconnection Fees	7,494,771	2,205,250	7,494,771	2,205,250
Scrap Sales	2,287,571	2,067,936	2,287,571	2,067,936
Vehicle Registration Commission	14,204,651	5,927,225	14,204,651	5,927,225
Other	16,759,365	22,299,529	16,756,260	22,299,529
Total Other Income	72,601,752	59,770,026	72,598,647	59,770,026

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

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
21 GENERAL EXPENSES - OTHER				
DWAF	5,701,135	6,987,612	5,701,135	6,987,612
Electricity Lighting Department Charges	24,346,054	22,225,428	24,346,054	22,225,428
Consultants Fees	17,491,472	17,410,965	17,491,472	17,410,965
Transfer to Leave Creditors	13,564,803	13,142,831	13,564,803	13,142,831
Essential Users Cost	5,780,307	-	5,780,307	-
Fuel Oil	8,016,806	6,373,598	8,016,806	6,373,598
Insurance	6,702,052	6,313,925	6,702,052	6,313,925
Licence Fee Department Charges	-	5,407,300	-	5,407,300
Machine Rental	5,305,039	-	5,305,039	-
Pensions Payable	8,550,857	7,198,782	8,550,857	7,198,781
Petrol	5,422,432	-	5,422,432	-
Poor Relief	54,125,709	47,890,263	54,125,709	47,890,263
Refuse Removal Department Charges	7,824,213	7,278,894	7,824,213	7,278,894
Security Guards	12,014,191	9,164,137	12,014,191	9,164,137
Spares - Automotive	8,763,209	8,329,040	8,763,209	8,329,040
Telephones	11,911,473	11,867,816	11,911,473	11,867,816
Conditional Grant Expenditure	56,296,402	93,843,587	56,296,402	93,843,587
Housing & Local Government projects	21,435,506	41,998,587	21,435,506	41,998,587
Restructuring Grant Projects	10,425,176	4,859,304	10,425,176	4,859,304
DWAF projects		7,851,079		7,851,079
ADM projects		9,327,224		9,327,224
Other projects	24,435,720	29,807,393	24,435,720	29,807,393
Other	118,091,502	93,992,884	118,449,296	93,992,884
General expenses BCDA	-	212,033	-	-
Total General Expenses - Other	369,907,655	357,639,095	370,265,451	357,427,061

All categories exceeding R5 000 000 are stated separately.

Note: Prior year amount of R107,135,715 (previously R93,992,884) restated to include amount of R13,142,831 which related to Contributions to Provisions

BCDA General expenses on 04/05 statements
BCDA General expenses opening balance on 05/06 statements

Elimination of inter entity paid subsidy

Contribution to provision - see note above

Balance on 04/05 signed consolidated statements

Balance 04/05 note 21

	408,795
	(412,035)
	3,240
	(200,000)
	(196,760)
	13,142,830
	12,946,070
	344,693,025
	357,639,095



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 R
22 EMPLOYEE RELATED COSTS				
Salaries and Wages	385,764,424	366,445,994	384,874,388	366,363,681
Social Contributions	77,169,774	71,384,732	77,169,774	71,385,286
Less: Employee Costs Capitalised to PPE	-	-	-	-
Total Employee related costs	<u>462,934,198</u>	<u>437,830,726</u>	<u>462,044,162</u>	<u>437,748,967</u>
Remuneration of the Municipal Manager				
Basic Salary	407,098	465,948	407,098	465,948
Deferred Compensation	148,137	169,556	148,137	169,556
Performance Bonus	-	-	-	-
Other	339,239	388,305	339,239	388,305
Total	<u>894,474</u>	<u>1,023,809</u>	<u>894,474</u>	<u>1,023,809</u>

(Note: The above amounts are for the 2005/2006 financial year for the period 01 July 2005 to 26 April 2006. The incumbent's services were terminated on 26 April 2006. In addition an amount of R 151 488 was paid in respect of leave and is not included in the above calculation. At the time of the Municipal Manager's termination the value of the Deferred Compensation Policy was R 861 806 and after a part withdrawal in respect of amounts due to Buffalo City Municipality the policy was ceded back to the City Manager.)



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
REMUNERATION OF THE CHIEF FINANCIAL OFFICER				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	127,323	-	127,323
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	903,915	986,042	903,915
REMUNERATION OF THE DIRECTOR OF CORPORATE SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	117,943	-	117,943
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	894,535	986,042	894,535
REMUNERATION OF THE DIRECTOR OF ENGINEERING SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	99,820	-	99,820
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988		77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550		82,550	
Total	986,042	876,412	986,042	876,412
REMUNERATION OF THE DIRECTOR OF DEVELOPMENT PLANNING				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	108,977	-	108,977
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-	77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-	82,550	
Total	986,042	885,569	986,042	885,569
REMUNERATION OF THE DIRECTOR OF SOCIAL SERVICES				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Performance Bonus (Paid i.r.o 2003/2004 financial year)	-	121,215	-	121,215
Performance Bonus (Paid i.r.o 2004/2005 financial year)	77,988	-	77,988	
Performance Bonus (Paid i.r.o 2005/2006 financial year)	82,550	-	82,550	
Total	986,042	897,807	986,042	897,807



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
REMUNERATION OF THE DIRECTOR OF MAYORAL OFFICE				
For the period 01 July 2005 to 31 March 2006				
Annual Remuneration	381,060	312,000	381,060	312,000
Other	254,040	288,000	254,040	288,000
Total	635,100	600,000	635,100	600,000
For the period 01 April 2006 to 30 June 2006				
Annual Remuneration	495,302	465,948	495,302	465,948
Other	330,202	310,644	330,202	310,644
Total	825,504	776,592	825,504	776,592
(Note: The above amounts are for the 2005/2006 financial year. The incumbent's employment contract was amended with effect from 01 April 2006 and the applicable rates were applied prorata. No bonus was paid but a provision of R 72 148 was made for the 2005/2006 financial year.)				
REMUNERATION OF THE CHIEF EXECUTIVE OFFICER (BCDA)				
Annual Remuneration	536,446	82,313		
Other	-	-		
Performance Bonus	-	-		
Total	536,446	82,313		
23 REMUNERATION OF COUNCILLORS AND BOARD MEMBERS				
Executive Mayor	287,088	271,478	287,088	271,478
Deputy Executive Mayor	-	17,074	-	17,074
Speaker	229,671	217,183	229,671	217,183
Mayoral Committee Members	1,879,393	1,832,481	1,879,393	1,832,481
Councillors	5,647,923	5,322,067	5,647,923	5,322,067
Councillors' Pension and Medical Contribution	1,300,870	1,276,686	1,300,870	1,276,686
Other	4,045,203	2,944,898	4,045,203	2,944,898
Board Members-Directors' Fee	74,100	-	-	-
Total Councillors' and Board Members Remuneration	13,464,248	11,881,867	13,390,148	11,881,867

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.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
24 INTEREST PAID				
Stock Loans	5,380,250	13,180,466	5,380,250	13,180,466
Annuity Loans	43,795,684	43,350,887	43,795,684	43,350,887
Finance Loans	450,250	121,199	450,250	121,199
Other	6,605,918	777,072	6,601,046	777,072
Total Interest on External Borrowings	<u>56,232,102</u>	<u>57,429,624</u>	<u>56,227,230</u>	<u>57,429,624</u>
25 BULK PURCHASES				
Electricity	226,951,707	221,700,012	226,951,707	221,700,012
Water	62,566,266	57,089,035	62,566,266	57,089,035
Total Bulk Purchases	<u>289,517,973</u>	<u>278,789,047</u>	<u>289,517,973</u>	<u>278,789,047</u>



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
26 GRANTS AND SUBSIDIES PAID				
Grant in Lieu of Rates	2,866,369	2,671,854	2,866,369	2,671,854
Sundry Grants-in-Aid	1,198,803	755,230	1,628,628	755,230
Total Grants and Subsidies Paid	<u>4,065,172</u>	<u>3,427,084</u>	<u>4,494,997</u>	<u>3,427,084</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				
Transfer to Salary Equalisation (Note 6)	-	(12,000,000)	-	(12,000,000)
Total Contributions To/(From) Provisions	<u>-</u>	<u>(12,000,000)</u>	<u>-</u>	<u>(12,000,000)</u>
28 CASH GENERATED BY OPERATIONS				
Net Surplus for the year	205,744,732	179,996,232	205,220,096	179,831,876
Adjustment for:				
Equity accounted share of associate's surplus	(1,418,115)	-	(1,418,115)	-
Depreciation	84,770,348	59,381,169	84,736,488	59,375,953
Gain on disposal of property, plant and equipment	(7,280,645)	-	(7,280,645)	-
Contributions to Provisions - Non-Current	-	25,142,832	-	25,142,832
Contributions to Provisions - Current	566,057	209,829	566,057	209,829
Contributions to Bad Debt Provision	16,228,032	80,619,038	16,228,032	80,619,038
Contributions to Obsolete Inventory Provision	-	178,165	-	178,165
Contributions to Reserves	1,602,403	1,283,434	1,602,403	1,283,434
Investment Income	(65,796,403)	(27,486,742)	(65,747,296)	(27,425,117)
Interest Paid	56,232,102	57,429,624	56,227,230	57,429,624
Vat Recovered	11,633,905	-	11,633,905	-
Operating Surplus Before Working Capital Changes:	<u>302,282,416</u>	<u>376,753,581</u>	<u>301,768,155</u>	<u>376,645,634</u>
(Increase)/Decrease in Inventories	(1,809,294)	(2,448,724)	(1,809,294)	(2,448,724)
(Increase)/Decrease in Service Debtors	(35,913,466)	22,108,047	(35,913,466)	22,108,047
(Increase)/Decrease in Other Debtors	37,076,353	(27,085,443)	37,079,160	(27,085,443)
Increase in Taxation	47,153	19,764	-	-
Increase in Conditional Grants & Receipts	43,217,557	22,433,906	41,462,748	22,060,409
Increase/(Decrease) in Creditors	11,251,594	24,440,299	11,065,832	24,421,299
Increase/(Decrease) in VAT	(4,012,297)	(4,946,818)	(3,904,993)	(4,946,818)
Working Capital Changes	<u>49,857,600</u>	<u>34,521,031</u>	<u>47,979,987</u>	<u>34,108,770</u>
Cash Generated from Operations	<u>352,140,016</u>	<u>411,274,612</u>	<u>349,748,143</u>	<u>410,754,404</u>

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 R
29 CASH AND CASH EQUIVALENTS				
Balance at the end of the year	491,830,857	225,539,911	489,051,971	224,986,547
Balance at the beginning of the year	225,539,911	115,298,595	224,986,547	115,298,595
Net Increase in Cash and Cash Equivalents	<u>266,290,946</u>	<u>110,241,316</u>	<u>264,065,424</u>	<u>109,687,952</u>
Note: The balance of R115,298,595 (previously R8,656,392) at the beginning of 2005 has been restated to include an amount of R106,642,202 being the short-term investment allocated under current assets at 30/06/2004.				
The balance of R224,986,547 (previously R45,094,845) at the end of 2005 has been restated to include an amount of R179,891,701 being the short-term investments allocated under current assets at 30/06/2005.				
30 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-Term Liabilities (Refer Appendix A)	21,109,471	61,980,292	21,109,471	61,980,292
Used to Finance Property, Plant and Equipment	-	(55,953,254)	-	(55,953,254)
Used to Finance Property, Plant and Equipment previous years	(21,109,471)	(6,000,000)	(21,109,471)	(6,000,000)
Reinstatement of Loans Erroneously Written Off	<u>-</u>	<u>27,038</u>	<u>-</u>	<u>27,038</u>
Cash Invested for Repayment of External Loans	<u>8,922,380</u>	<u>108,208,926</u>	<u>8,922,380</u>	<u>108,208,926</u>

During the 2005/2006 financial year, the total redemption of local stock and annuity loans amounted to R 51 242 000 and R 96 553 115 respectively.

A loan of R 122 014 000 has been raised from INCA at 13.95% with a term period up to 31 December 2020. This loan is not new debt, but is a consolidation of smaller loans. This was conducted to lower the weighted average cost of capital of higher interest rate loans.

A loan of R 21 109 491 is not a new loan taken (i.e. it's a withdrawal from the loan facility), but it's a claim repayment from DBSA for all the assets bought during the 2004/05 financial year.

All loans that are raised will finance assets only. No operating expenditure is financed from loan funding. All purchases against the capital budget are analysed and reconciled to individual asset values. This eliminates any contravention of the MFMA, which stipulates that loan funding cannot finance operating activities.



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006 R	2005 R	2006 R	2005 R
31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT				
<u>Contributions to SALGA</u>				
Opening Balance	-	-	-	-
Council Subscriptions	2,160,687	2,228,042	2,160,687	2,228,042
Amount Paid - Current Year	(2,160,687)	(2,228,042)	(2,160,687)	(2,228,042)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-
<u>Audit Fees</u>				
Opening Balance	-	-	-	-
Over Provision Written Back	-	-	-	-
Current Year Audit Fee	2,167,541	1,357,145	2,078,281	1,357,145
Amount Paid - Current Year	(2,078,281)	(1,357,145)	(2,078,281)	(1,357,145)
Amount Paid - Previous Years	(89,260)	-	-	-
Balance Unpaid	-	-	-	-
<u>PAYE and UIF</u>				
Opening Balance	-	-	-	-
Current Year Payroll Deductions	55,737,546	55,244,741	55,737,546	55,244,741
Amount Paid - Current Year	(55,737,546)	(55,244,741)	(55,737,546)	(55,244,741)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-
<u>Pension and Medical Aid Deductions</u>				
Opening Balance	-	-	-	-
Current Year Payroll Deductions and Council Contributions	109,226,663	100,178,918	109,226,663	100,178,918
Amount Paid - Current Year	(109,226,663)	(100,178,918)	(109,226,663)	(100,178,918)
Amount Paid - Previous Years	-	-	-	-
Balance Unpaid	-	-	-	-

Councillor's Arrear Consumer Accounts

Arrear accounts totalling R1 690 were outstanding at 30 June 2006 for less than 90 days for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
32 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure:				
- Approved and Contracted for				
Infrastructure	112,323,367	21,044,760	112,323,367	21,044,760
Community	7,515,816	2,417,861	7,515,816	2,417,861
Other	10,860,119	3,280,831	10,860,119	3,280,831
	<u>130,699,302</u>	<u>26,743,452</u>	<u>130,699,302</u>	<u>26,743,452</u>
- Approved but not yet Contracted for				
Infrastructure	232,133,831	337,338,712	232,133,831	337,338,712
Community	31,110,068	27,517,301	31,110,068	27,517,301
Other	79,962,306	64,565,333	79,962,306	64,565,333
	<u>343,206,205</u>	<u>429,421,346</u>	<u>343,206,205</u>	<u>429,421,346</u>
Total Commitments	<u>473,905,507</u>	<u>456,164,798</u>	<u>473,905,507</u>	<u>456,164,798</u>
This expenditure will be financed from:				
- External Loans	115,923,288	151,437,449	115,923,288	151,437,449
- Government Grants	285,941,195	275,320,544	285,941,195	275,320,544
- Other	72,041,024	29,406,805	72,041,024	29,406,805
	<u>473,905,507</u>	<u>456,164,798</u>	<u>473,905,507</u>	<u>456,164,798</u>
The following change in disclosure of the capital commitments were made in the 2005/06 financial year. The 2005/06 financial year includes the 2006/07 financial year capital budget disclosed as approved and contracted for and approved but not yet contracted for. In 2004/05 this principle was not applied and has now been corrected.				
33 CONTINGENT LIABILITIES				
Guarantees by the Council in respect of building society and commercial bank housing loans for officials.	1,376,604	3,393,778	1,376,604	3,393,778
Guarantees for Sports Clubs	-	80,000	-	80,000
	<u>1,376,604</u>	<u>3,473,778</u>	<u>1,376,604</u>	<u>3,473,778</u>



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R

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.

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 owner's name resulting in overpayment of rates by Transnet. 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 2005 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 2005 which was conducted by D. Klug of Metropolitan Employees Benefits.
- The Eastern Cape Local Authorities Provident Fund's last valuation was done as at 30 June 2005 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 2005 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 93.2% funded as at valuation date.
- The East London Municipal A Band and Old Mutual Orion Provident Funds as well as the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/defined contribution funds and are therefore not required to perform actuarial valuations.
- It is Council's policy to fund 70% of Pensioner's medical aid expenses. The current costs amount to approximately R 8.5 million.
- An amount of R 75.7 million (2005: R 70,1 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.

Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
36 CORRECTION OF ERROR				
During the year the following transactions were adjustments to amounts erroneously stated in previously financial periods:				
Restated as follows:				
<u>Corrections to the Reserves on previously incorrect allocations.</u>				
Accumulated surplus		(138,321)		(138,321)
Accumulated Depreciation		112,192		112,192
Government Grant Reserve		1,856,261		1,856,261
Public Contributions and Donations Reserve		(1,830,132)		(1,830,132)
Revaluation Reserve		-		-
<u>Investment in Associate</u>				
Non-Current Investments - portion of investment up to year end (26% shareholding in IDZ)		3,754,258		3,754,258
Corresponding entry to accumulated surplus		(3,754,258)		(3,754,258)
Creditors - adjustment to IDZ prior periods		(10,508,363)		(10,508,363)
Debtors - adjustment to IDZ prior periods		12,029,520		12,029,520
Adjusted to accumulated surplus		(1,521,157)		(1,521,157)
Restatement of future depreciation NDR to correspond with asset register transactions:				
Public Contributions and Donations Reserve		(2,631,282)		(2,631,282)
Government Grant Reserve		(71,939)		(71,939)
Revaluation Reserve		-		-
Effect on Accumulated Surplus		2,703,221		2,703,221
Transactions affecting Creditors		(5,044,266)		(5,044,266)
Transactions affecting Conditional Grants		(500,000)		(500,000)
Transactions affecting Consumer Deposits		6,747		6,747
Transactions affecting Consumer Debtors		(1,184,650)		(1,184,650)
Transactions affecting Other Debtors		1,188,465		1,188,465
Transactions affecting Long-term Liabilities		46,362		46,362
Transactions affecting Vat		1,124,519		1,124,519
Transactions affecting Bank		-		-
Adjusted to accumulated surplus		4,362,823		4,362,823
Provision for SA normal tax regarding 2004/05		19,765		
Net Effect on Accumulated Surplus		1,672,073		1,652,308



Notes to the Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	ECONOMIC ENTITY		BUFFALO CITY MUNICIPALITY	
	2006	2005	2006	2005
	R	R	R	R
37 SURPLUS OF ASSOCIATE				
Share of retained profit on the equity method	1,418,115	3,753,998	1,418,115	3,753,998

Buffalo City Municipality holds 26% of the issued share capital in East London Industrial Development Zone (Pty) Ltd.

38 MUNICIPAL ENTITIES

Buffalo City Development Agency (BCDA)

The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCM. BCDA is 100% controlled by BCM. 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.

The annual financial statements of BCDA, at 30 June 2006, were consolidated in terms of GAMAP 6, the Municipal Systems Act, as amended, and the Municipal Finance Management Act.

39 RELATED PARTY TRANSACTIONS

Buffalo City Municipality has issued grants of R1,429,825 to the development agency during the current financial year (2005: R200,000)

BCDA has paid consumer accounts of R6,250 during the current financial year.



Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

EXTERNAL LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/ written off during the year	Balance at 30/06/2006		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R		R	R
LONG-TERM LOANS									
<u>Local Registered Stock</u>									
1988 @ 16.60%	70	30/06/2008	10,000,000	-	10,000,000	-		-	-
1990 @ 16.50%	72	30/06/2010	21,000,000	-	13,000,000	8,000,000		-	-
1990 @ 17.05%	73	31/12/2011	10,000,000	-	-	10,000,000		-	-
1994 @ 14.20%	78	30/06/2014	25,000,000	-	25,000,000	-		-	-
1990 @ 17.90%	5/90	30/06/2010	160,000	-	-	160,000		-	-
1991 @ 17.50%	1	31/12/2006	1,000,000	-	1,000,000	-		-	-
1990 @ 17.65%	3	30/06/2010	464,000	-	464,000	-		-	-
1988 @ 17.25%	5	30/09/2008	550,000	-	550,000	-		-	-
1990 @ 17.75%	9	30/06/2005	-	-	-	-		-	-
1982 @ 11.35%	20	13/08/2005	1,228,000	-	1,228,000	-		-	-
Total Local Registered Stock			69,402,000	-	51,242,000	18,160,000		-	-



Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

ANNUITY LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/ written off during the year	Balance at 30/06/2006		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R		R	R
1997 @ 16.60%	SCMB	14/06/2007	17,343,549	-	7,956,378	9,387,171		15,807,345	-
1999 @ 16.70%	INCA 1	26/03/2009	25,000,000	-	25,000,000	-		11,485,709	-
1999 @ 16.70%	INCA 2	23/02/2009	25,000,000	-	25,000,000	-		11,485,709	-
2000 @ 16.90%	INCA 3	30/06/2011	22,000,000	-	22,000,000	-		12,981,023	-
2020 @ 13.95%	INCA	30/06/2021	-	122,014,000	1,586,657	120,427,343		49,129,252	-
2001 @ 10.83%	13717	30/06/2021	67,368,421	-	4,210,526	63,157,895		97,717,650	-
2002 @ 11.40%	100124	30/06/2023	125,920,215	21,109,471	2,790,205	144,239,481		-	-
2004 @ 10.15%	100783	30/06/2009	6,000,000	-	-	6,000,000		22,854,079	-
2004 @ 12.56%	101058	31/12/2023	56,428,693	-	859,670	55,569,023		302,852	-
2004 @ 10.11%	101490	31/12/2006	5,487,184	-	3,567,712	1,919,472		-	-
1981 @ 13.13%	BB 27	30/06/2006	14,325	-	14,325	-	63,488,495	-	-
1977 @ 13.00%	SAN 1	30/09/2007	45,612	-	16,543	29,069		-	-
Annuity Loans carried forward			350,607,999	143,123,471	93,002,016	400,729,454		221,763,619	-

Schedule of External Loans

AT 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX A

EXTERNAL LOANS

Issued	Loan No.	Redeemable	Balance at 30/06/2005	Received during the year	Redeemed/written off during the year	Balance at 30/06/2006	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
Annuity Loans brought forward			350,607,999	143,123,471	93,002,016	400,729,454	221,763,619	-
1979 @ 9.50%	CJPF 5	30/06/2009	82,116	-	24,006	58,110	-	-
1980 @ 10.00%	CJPF 6	30/06/2005	59,498	-	12,872	46,626	-	-
2003 @ 9.05%	STAFF	27/07/2006	3,821,011	-	3,514,221	306,790	-	-
Total Annuity Loans			354,570,624	143,123,471	96,553,115	401,140,980	221,763,619	-
<u>Financial Leases :</u>								
2001 @ 13.50%	DCFS	18/09/2006	284,292	-	224,717	59,575	-	-
2000 @ 13.50%	STANNIC	01/09/2005	306,402	-	306,402	-	-	-
2001 @ 13.50%	WESBANK	01/06/2005	172,910	-	172,910	-	-	-
2001 @ 13.50%	WESBANK	01/06/2005	50,827	-	50,827	-	-	-
KWT	ABSA	31/12/2005	204,500	-	204,500	-	284,056	-
Total Financial Leases			1,018,931	-	959,356	59,575	284,056	-
Total External Loans			424,991,555	143,123,471	148,754,471	419,360,555	222,047,675	-

The Opening Balance differs from the Closing Balance at 30 June 2005 due to a restatement - refer note 36.



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
LAND AND BUILDINGS					
Land	81,556,300	41,981,023	-	-	-
Buildings	290,113,049	16,896,927	(104,764)	-	-
Total Land and Buildings	371,669,349	58,877,950	(104,764)	-	-
INFRASTRUCTURE ASSETS					
Electricity					
Festive Lighting	249,990	-	-	-	-
Load Control Equipment	302,823	-	-	-	-
Mains	36,626,346	10,845,766	(10,845,766)	10,250,641	-
Meters	20,294,706	792,831	-	-	-
Reticulation	239,947,665	4,962,248	(999,577)	1,595,879	-
Substations	34,391,417	5,219,978	(5,219,978)	-	-
Transformer Kiosks	69,604	-	-	-	-
	331,882,551	21,820,823	(17,065,321)	11,846,520	-
Roads					
Bridges, Subways and Culverts	3,545,906	1,674,865	(628,038)	-	-
Bus Terminals	154,909	-	-	-	-
Car Parks	298,082	-	-	-	-
Motorways	10,474,203	5,347,435	(2,527,178)	4,554,009	-
Other Roads	429,508,465	6,106,587	(4,007,661)	15,070,276	-
Parking Areas	5,218,888	154,631	-	337,902	-
Parking Meters	1,787,985	1,787,985	(1,787,985)	-	-
Pedestrian Facilities	2,322,241	-	-	499,000	-
Sidewalks	4,535,821	2,980,992	(326,815)	-	-
Stormwater Drains	213,664	-	-	-	-
Street Lighting	16,019,348	2,747,470	-	-	-
Taxi Facilities	7,882,511	2,401,767	(2,281,773)	-	-
Traffic Calming	39,557	428,516	(39,557)	-	-
Traffic Signals	650,327	-	-	-	-
Traffic Signs	1,060,260	536,157	(12,216)	-	-
	483,712,167	24,166,405	(11,611,223)	20,461,187	-
Sewerage					
Outfall Sewers	8,866,931	-	-	-	-
Purification Works	24,844,475	12,597,445	(2,493,693)	5,222,239	-
Sewer Mains	5,956,701	11,658,701	(6,467,243)	13,501,051	-
Sewerage Pumps	2,977,952	494,164	-	2,010,000	-
Sewers	182,743,708	3,077,742	(1,854,492)	-	-
	225,389,767	27,828,052	(10,815,428)	20,733,290	-
Water					
Dams	15,665,087	-	-	-	-
Mains	49,596,599	41,636,746	(37,397,992)	250,000	-
Meters	7,412,953	166,816	-	-	-
Reservoirs	21,030,250	1,294,127	(1,294,127)	6,673,903	-
Reticulation	199,950,436	29,303,971	(6,906,002)	19,529,701	-
Treatment Works	23,185,111	-	-	-	-
	316,840,436	72,401,660	(45,598,121)	26,453,604	-
Infrastructure Assets carried forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R		R	R
123,537,323	-				-	123,537,323
306,905,212	171,245,775	7,896,375			179,142,150	127,763,062
430,442,535	171,245,775	7,896,375		-	179,142,150	251,300,385
249,990	99,996	49,998			149,994	99,996
302,823	302,823	-			302,823	-
46,876,987	26,246,357	1,061,332			27,307,689	19,569,298
21,087,537	10,834,899	635,856			11,470,755	9,616,782
245,506,215	112,062,284	7,312,839			119,375,123	126,131,092
34,391,417	21,981,499	680,631			22,662,130	11,729,287
69,604	6,960	2,320			9,280	60,324
348,484,573	171,534,818	9,742,976		-	181,277,794	167,206,779
4,592,733	206,460	124,757			331,217	4,261,516
154,909	15,491	7,745			23,236	131,673
298,082	200,396	6,968			207,364	90,718
17,848,469	2,574,366	771,042			3,345,408	14,503,061
446,677,667	319,621,106	18,021,400			337,642,506	109,035,161
5,711,421	4,343,835	95,974			4,439,809	1,271,612
1,787,985	-	59,600			59,600	1,728,385
2,821,241	99,771	199,543			299,314	2,521,927
7,189,998	455,679	400,544			856,223	6,333,775
213,664	99,155	7,699			106,854	106,810
18,766,818	11,444,210	262,248			11,706,458	7,060,360
8,002,505	443,192	331,760			774,952	7,227,553
428,516	-	21,426			21,426	407,090
650,327	343,246	23,551			366,797	283,530
1,584,201	674,590	66,119			740,709	843,492
516,728,536	340,521,497	20,400,376		-	360,921,873	155,806,663
8,866,931	1,274,648	318,662			1,593,310	7,273,621
40,170,466	13,779,951	954,763			14,734,714	25,435,752
24,649,210	-	444,570			444,570	24,204,640
5,482,116	363,000	215,002			578,002	4,904,114
183,966,958	111,678,521	4,131,511			115,810,032	68,156,926
263,135,681	127,096,120	6,064,508		-	133,160,628	129,975,053
15,665,087	14,903,289	45,266			14,948,555	716,532
54,085,353	6,923,713	1,874,321			8,798,034	45,287,319
7,579,769	2,170,079	414,908			2,584,987	4,994,782
27,704,153	14,244,265	335,691			14,579,956	13,124,197
241,878,106	138,795,151	17,199,682			155,994,833	85,883,273
23,185,111	15,763,387	446,348			16,209,735	6,975,376
370,097,579	192,799,884	20,316,216		-	213,116,100	156,981,479
1,498,446,369	831,952,319	56,524,076		-	888,476,395	609,969,974



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Infrastructure Assets brought forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-
Security					
Access Control Systems	43,910	24,566	(24,566)	-	-
Fencing	2,094,446	360,047	-	-	-
Lighting	6,585	-	-	-	-
Security Systems	289,283	183,505	-	-	-
	2,434,224	568,118	(24,566)	-	-
Total Infrastructure Assets	1,360,259,145	146,785,058	(85,114,659)	79,494,601	-
COMMUNITY ASSETS					
Buildings					
Agriculture	91,954	-	-	-	-
Aquariums	-	431,338	-	-	-
Beachfront Developments	26,293,225	-	-	-	-
Cemeteries	12,187,715	120,674	(120,674)	-	-
Clinics & Hospitals	3,238,806	1,804,076	(1,651,513)	-	-
Community Centres	8,983,243	839,167	(284,736)	-	-
Fire Stations	175,680	852,236	-	-	-
Libraries	313,594	622,573	-	-	-
Nature Reserves	-	1,189,638	-	-	-
Parks	7,205,111	-	-	-	-
Public Conveniences	1,060,073	-	-	-	-
Sports & Related Stadiums	14,491,942	15,269,444	(5,500,000)	-	-
Zoos	624,945	136,668	-	-	-
	74,666,288	21,265,814	(7,556,923)	-	-
Recreational Facilities					
Floodlighting	129,381	25,872	-	-	-
Outdoor Sports Facilities	17,812,490	3,300,493	-	-	-
Swimming Pools	4,549,281	196,046	-	-	-
Tennis Courts	311,366	-	-	-	-
	22,802,518	3,522,411	-	-	-
Total Community Assets	97,468,806	24,788,225	(7,556,923)	-	-
OTHER ASSETS					
Other Properties					
Caravan Parks	822,015	-	-	-	-
Compost Plant	182,353	-	-	-	-
General	24,071	-	-	-	-
Hawker Facilities	308,884	-	-	-	-
Markets	357,623	-	-	-	-
Nurseries	478,396	-	-	-	-
Recycling Centres	5,042,814	9,304,575	-	-	-
Tip Sites	47,244,281	-	-	-	-
Training Centres	160,331	-	-	-	-
Waste Cells	2,899,842	-	-	-	-
	57,520,610	9,304,575	-	-	-
Other Assets carried forward	57,520,610	9,304,575	-	-	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R	R	R	R
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974	
43,910	7,737	6,325		14,062	29,848	
2,454,493	1,739,094	306,729		2,045,823	408,670	
6,585	6,585	-		6,585	-	
472,788	235,011	66,377		301,388	171,400	
2,977,776	1,988,427	379,431	-	2,367,858	609,918	
1,501,424,145	833,940,746	56,903,507	-	890,844,253	610,579,892	
91,954	9,196	4,598		13,794	78,160	
431,338	-	7,189		7,189	424,149	
26,293,225	23,319,799	104,442		23,424,241	2,868,984	
12,187,715	2,776,514	326,152		3,102,666	9,085,049	
3,391,369	143,523	81,722		225,245	3,166,124	
9,537,674	3,629,796	290,597		3,920,393	5,617,281	
1,027,916	6,109	20,060		26,169	1,001,747	
936,167	268,217	12,645		280,862	655,305	
1,189,638	-	19,827		19,827	1,169,811	
7,205,111	4,245,395	124,814		4,370,209	2,834,902	
1,060,073	70,672	35,336		106,008	954,065	
24,261,386	4,657,507	409,950		5,067,457	19,193,929	
761,613	330,772	12,359		343,131	418,482	
88,375,179	39,457,500	1,449,691	-	40,907,191	47,467,988	
155,253	36,604	6,775		43,379	111,874	
21,112,983	3,932,209	849,567		4,781,776	16,331,207	
4,745,327	2,885,024	101,108		2,986,132	1,759,195	
311,366	102,356	11,612		113,968	197,398	
26,324,929	6,956,193	969,062	-	7,925,255	18,399,674	
114,700,108	46,413,693	2,418,753	-	48,832,446	65,867,662	
822,015	495,187	15,563		510,750	311,265	
182,353	18,236	9,118		27,354	154,999	
24,071	-	-		-	24,071	
308,884	33,554	15,296		48,850	260,034	
357,623	13,141	11,921		25,062	332,561	
478,396	37,603	15,947		53,550	424,846	
14,347,389	91,432	324,647		416,079	13,931,310	
47,244,281	6,106,734	1,525,657		7,632,391	39,611,890	
160,331	32,066	5,344		37,410	122,921	
2,899,842	48,330	96,661		144,991	2,754,851	
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748	
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748	



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Other Assets brought forward		9,304,575	-	-	-
Plant and Equipment	57,520,610				
Chlorination Equipment		-	-	-	-
Compactors	87,765	-	-	-	-
Compressors	5,384,468	-	-	-	-
Cremators	1,722,723	22,214	-	-	-
Electronic Equipment	148,851	1,486,735	-	-	-
Fire Hoses	1,128,948	171,511	-	-	-
General	27,627	294,611	-	-	-
Generators	512,075	332,834	-	-	-
Graders	286,529	158,718	-	-	-
Horticultural Equipment	-	457,899	-	-	-
Laboratory Equipment	1,646,226	13,535	-	-	-
Mobile Pumps	210,659	85,246	-	-	-
Other Emergency Equipment	11,671	819,719	-	-	-
Pumps	51,388	-	-	-	-
Radio Equipment	2,645,948	492,072	-	-	-
Telecommunication Equipment	387,949	-	-	-	-
Tractors	616,205	96,800	-	-	-
Trailers	1,186,780	24,128	-	-	-
Watercraft	117,000	-	-	-	-
Workshop Equipment	117,434	68,052	-	-	-
	575,473	4,524,074	-	-	-
Office Equipment	16,865,719				
Air Conditioners		334,362	-	-	-
Computer Hardware	438,707	8,417,277	(1,329,300)	-	-
Computer Software	13,954,105	3,904,399	-	-	-
Office Machines	1,142,825	2,341,063	-	-	-
	24,456,076	14,997,101	(1,329,300)	-	-
Furniture and Fittings					
Cabinets and Cupboards	130,434	40,487	-	-	-
General	21,537	93,619	-	-	-
Tables and Desks	128,445	117,828	(11,898)	-	-
	280,416	251,934	(11,898)	-	-
Motor Vehicles					
Fire Engines	4,196,062	2,358,466	(1,317,263)	-	-
Mobile Libraries	41,568	-	-	-	-
Motor Vehicles	5,842,244	3,000,122	-	-	(376,194)
Refuse Vehicles	-	532,064	-	-	-
Tankers	434,870	-	-	-	-
Trucks and Bakkies	13,046,678	7,255,656	-	-	-
	23,561,422	13,146,308	(1,317,263)	-	(376,194)
Capital leases					
Motor Vehicles	7,194,234	-	-	-	-
	7,194,234	-	-	-	-
General					
Planning	2,286,846	-	-	772,659	-
	2,286,846	-	-	772,659	-
Total Other Assets	132,165,323	42,223,992	(2,658,461)	772,659	(376,194)
TOTAL	1,961,562,623	272,675,225	(95,434,807)	80,267,260	(376,194)

Under Construction Balance

Opening Balance (incl. in Opening Balance - Cost)	106,293,506
Capitalised during the year	95,434,807
Under Construction 2004-05 carried forward (incl. in Opening Balance - Cost)	10,858,699
Under Construction - 2005-06	80,267,260
Year-End Under Construction Balance	91,125,959

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R		R	R
66,825,185	6,876,283	2,020,154	-		8,896,437	57,928,748
87,765	82,992	4,773	-		87,765	-
5,384,468	2,102,937	367,097	-		2,470,034	2,914,434
1,722,723	689,089	344,545	-		1,033,634	689,089
171,065	49,617	10,664	-		60,281	110,784
2,615,683	412,895	381,358	-		794,253	1,821,430
199,138	2,763	22,676	-		25,439	173,699
806,686	324,802	131,875	-		456,677	350,009
619,363	32,746	74,215	-		106,961	512,402
158,718	-	7,936	-		7,936	150,782
2,104,125	603,989	284,846	-		888,835	1,215,290
224,194	84,264	43,485	-		127,749	96,445
96,917	4,668	10,859	-		15,527	81,390
871,107	2,569	48,977	-		51,546	819,561
2,645,948	1,447,808	146,776	-		1,594,584	1,051,364
880,021	38,795	117,344	-		156,139	723,882
616,205	61,620	123,241	-		184,861	431,344
1,283,580	59,339	131,243	-		190,582	1,092,998
141,128	11,700	25,813	-		37,513	103,615
117,434	3,914	7,829	-		11,743	105,691
643,525	57,547	121,900	-		179,447	464,078
21,389,793	6,074,054	2,407,452	-		8,481,506	12,908,287
773,069	43,871	143,468	-		187,339	585,730
16,008,416	2,743,442	3,328,058	-		6,071,500	9,936,916
17,858,504	9,955,192	4,098,055	-		14,053,247	3,805,257
3,483,888	328,872	404,236	-		733,108	2,750,780
38,123,877	13,071,377	7,973,817	-		21,045,194	17,078,683
170,921	16,646	21,525	-		38,171	132,750
115,156	4,060	12,966	-		17,026	98,130
234,375	8,325	25,822	-		34,147	200,228
520,452	29,031	60,313	-		89,344	431,108
5,237,265	287,880	202,902	-		490,782	4,746,483
41,568	8,314	4,157	-		12,471	29,097
8,466,172	2,428,103	1,345,885	(43,889)		3,730,099	4,736,073
532,064	-	17,735	-		17,735	514,329
434,870	57,982	28,991	-		86,973	347,897
20,302,334	1,813,051	3,119,085	-		4,932,136	15,370,198
35,014,273	4,595,330	4,718,755	(43,889)		9,270,196	25,744,077
7,194,234	6,856,870	337,364	-		7,194,234	-
7,194,234	6,856,870	337,364	-		7,194,234	-
3,059,505	-	-	-		-	3,059,505
3,059,505	-	-	-		-	3,059,505
172,127,319	37,502,945	17,517,855	(43,889)		54,976,911	117,150,408
2,218,694,107	1,089,103,159	84,736,490	(43,889)		1,173,795,760	1,044,898,347



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Opening Balance	Additions	Cost		Disposals
			Under Construction Capitalised	Under Construction	
	R	R	R	R	R
LAND AND BUILDINGS					
Land	81,556,300	41,981,023	-	-	-
Buildings	290,113,049	16,896,927	(104,764)	-	-
Total Land and Buildings	371,669,349	58,877,950	(104,764)	-	-
INFRASTRUCTURE ASSETS					
Electricity					
Festive Lighting	249,990	-	-	-	-
Load Control Equipment	302,823	-	-	-	-
Mains	36,626,346	10,845,766	(10,845,766)	10,250,641	-
Meters	20,294,706	792,831	-	-	-
Reticulation	239,947,665	4,962,248	(999,577)	1,595,879	-
Substations	34,391,417	5,219,978	(5,219,978)	-	-
Transformer Kiosks	69,604	-	-	-	-
	331,882,551	21,820,823	(17,065,321)	11,846,520	-
Roads					
Bridges, Subways and Culverts	3,545,906	1,674,865	(628,038)	-	-
Bus Terminals	154,909	-	-	-	-
Car Parks	298,082	-	-	-	-
Motorways	10,474,203	5,347,435	(2,527,178)	4,554,009	-
Other Roads	429,508,465	6,106,587	(4,007,661)	15,070,276	-
Parking Areas	5,218,888	154,631	-	337,902	-
Parking Meters	1,787,985	1,787,985	(1,787,985)	-	-
Pedestrian Facilities	2,322,241	-	-	499,000	-
Sidewalks	4,535,821	2,980,992	(326,815)	-	-
Stormwater Drains	213,664	-	-	-	-
Street Lighting	16,019,348	2,747,470	-	-	-
Taxi Facilities	7,882,511	2,401,767	(2,281,773)	-	-
Traffic Calming	39,557	428,516	(39,557)	-	-
Traffic Signals	650,327	-	-	-	-
Traffic Signs	1,060,260	536,157	(12,216)	-	-
	483,712,167	24,166,405	(11,611,223)	20,461,187	-
Sewerage					
Outfall Sewers	8,866,931	-	-	-	-
Purification Works	24,844,475	12,597,445	(2,493,693)	5,222,239	-
Sewer Mains	5,956,701	11,658,701	(6,467,243)	13,501,051	-
Sewerage Pumps	2,977,952	494,164	-	2,010,000	-
Sewers	182,743,708	3,077,742	(1,854,492)	-	-
	225,389,767	27,828,052	(10,815,428)	20,733,290	-
Water					
Dams	15,665,087	-	-	-	-
Mains	49,596,599	41,636,746	(37,397,992)	250,000	-
Meters	7,412,953	166,816	-	-	-
Reservoirs	21,030,250	1,294,127	(1,294,127)	6,673,903	-
Reticulation	199,950,436	29,303,971	(6,906,002)	19,529,701	-
Treatment Works	23,185,111	-	-	-	-
	316,840,436	72,401,660	(45,598,121)	26,453,604	-
Infrastructure Assets carried forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R	R	R	R
123,537,323	-	-	-	-	-	123,537,323
306,905,212	171,245,775	7,896,375	-	-	179,142,150	127,763,062
430,442,535	171,245,775	7,896,375	-	-	179,142,150	251,300,385
249,990	99,996	49,998	-	-	149,994	99,996
302,823	302,823	-	-	-	302,823	-
46,876,987	26,246,357	1,061,332	-	-	27,307,689	19,569,298
21,087,537	10,834,899	635,856	-	-	11,470,755	9,616,782
245,506,215	112,062,284	7,312,839	-	-	119,375,123	126,131,092
34,391,417	21,981,499	680,631	-	-	22,662,130	11,729,287
69,604	6,960	2,320	-	-	9,280	60,324
348,484,573	171,534,818	9,742,976	-	-	181,277,794	167,206,779
4,592,733	206,460	124,757	-	-	331,217	4,261,516
154,909	15,491	7,745	-	-	23,236	131,673
298,082	200,396	6,968	-	-	207,364	90,718
17,848,469	2,574,366	771,042	-	-	3,345,408	14,503,061
446,677,667	319,621,106	18,021,400	-	-	337,642,506	109,035,161
5,711,421	4,343,835	95,974	-	-	4,439,809	1,271,612
1,787,985	-	59,600	-	-	59,600	1,728,385
2,821,241	99,771	199,543	-	-	299,314	2,521,927
7,189,998	455,679	400,544	-	-	856,223	6,333,775
213,664	99,155	7,699	-	-	106,854	106,810
18,766,818	11,444,210	262,248	-	-	11,706,458	7,060,360
8,002,505	443,192	331,760	-	-	774,952	7,227,553
428,516	-	21,426	-	-	21,426	407,090
650,327	343,246	23,551	-	-	366,797	283,530
1,584,201	674,590	66,119	-	-	740,709	843,492
516,728,536	340,521,497	20,400,376	-	-	360,921,873	155,806,663
8,866,931	1,274,648	318,662	-	-	1,593,310	7,273,621
40,170,466	13,779,951	954,763	-	-	14,734,714	25,435,752
24,649,210	-	444,570	-	-	444,570	24,204,640
5,482,116	363,000	215,002	-	-	578,002	4,904,114
183,966,958	111,678,521	4,131,511	-	-	115,810,032	68,156,926
263,135,681	127,096,120	6,064,508	-	-	133,160,628	129,975,053
15,665,087	14,903,289	45,266	-	-	14,948,555	716,532
54,085,353	6,923,713	1,874,321	-	-	8,798,034	45,287,319
7,579,769	2,170,079	414,908	-	-	2,584,987	4,994,782
27,704,153	14,244,265	335,691	-	-	14,579,956	13,124,197
241,878,106	138,795,151	17,199,682	-	-	155,994,833	85,883,273
23,185,111	15,763,387	446,348	-	-	16,209,735	6,975,376
370,097,579	192,799,884	20,316,216	-	-	213,116,100	156,981,479
1,498,446,369	831,952,319	56,524,076	-	-	888,476,395	609,969,974



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Infrastructure Assets brought forward	1,357,824,921	146,216,940	(85,090,093)	79,494,601	-
Security					
Access Control Systems	43,910	24,566	(24,566)	-	-
Fencing	2,094,446	360,047	-	-	-
Lighting	6,585	-	-	-	-
Security Systems	289,283	183,505	-	-	-
	2,434,224	568,118	(24,566)	-	-
Total Infrastructure Assets	1,360,259,145	146,785,058	(85,114,659)	79,494,601	-
COMMUNITY ASSETS					
Buildings					
Agriculture	91,954	-	-	-	-
Aquariums	-	431,338	-	-	-
Beachfront Developments	26,293,225	-	-	-	-
Cemeteries	12,187,715	120,674	(120,674)	-	-
Clinics & Hospitals	3,238,806	1,804,076	(1,651,513)	-	-
Community Centres	8,983,243	839,167	(284,736)	-	-
Fire Stations	175,680	852,236	-	-	-
Libraries	313,594	622,573	-	-	-
Nature Reserves	-	1,189,638	-	-	-
Parks	7,205,111	-	-	-	-
Public Conveniences	1,060,073	-	-	-	-
Sports & Related Stadiums	14,491,942	15,269,444	(5,500,000)	-	-
Zoos	624,945	136,668	-	-	-
	74,666,288	21,265,814	(7,556,923)	-	-
Recreational Facilities					
Floodlighting	129,381	25,872	-	-	-
Outdoor Sports Facilities	17,812,490	3,300,493	-	-	-
Swimming Pools	4,549,281	196,046	-	-	-
Tennis Courts	311,366	-	-	-	-
	22,802,518	3,522,411	-	-	-
Total Community Assets	97,468,806	24,788,225	(7,556,923)	-	-
OTHER ASSETS					
Other Properties					
Caravan Parks	822,015	-	-	-	-
Compost Plant	182,353	-	-	-	-
General	24,071	-	-	-	-
Hawker Facilities	308,884	-	-	-	-
Markets	357,623	-	-	-	-
Nurseries	478,396	-	-	-	-
Recycling Centres	5,042,814	9,304,575	-	-	-
Tip Sites	47,244,281	-	-	-	-
Training Centres	160,331	-	-	-	-
Waste Cells	2,899,842	-	-	-	-
	57,520,610	9,304,575	-	-	-
Other Assets carried forward	57,520,610	9,304,575	-	-	-

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R	R	R	R
1,498,446,369	831,952,319	56,524,076	-	888,476,395	609,969,974	
43,910	7,737	6,325		14,062	29,848	
2,454,493	1,739,094	306,729		2,045,823	408,670	
6,585	6,585	-		6,585	-	
472,788	235,011	66,377		301,388	171,400	
2,977,776	1,988,427	379,431	-	2,367,858	609,918	
1,501,424,145	833,940,746	56,903,507	-	890,844,253	610,579,892	
91,954	9,196	4,598		13,794	78,160	
431,338	-	7,189		7,189	424,149	
26,293,225	23,319,799	104,442		23,424,241	2,868,984	
12,187,715	2,776,514	326,152		3,102,666	9,085,049	
3,391,369	143,523	81,722		225,245	3,166,124	
9,537,674	3,629,796	290,597		3,920,393	5,617,281	
1,027,916	6,109	20,060		26,169	1,001,747	
936,167	268,217	12,645		280,862	655,305	
1,189,638	-	19,827		19,827	1,169,811	
7,205,111	4,245,395	124,814		4,370,209	2,834,902	
1,060,073	70,672	35,336		106,008	954,065	
24,261,386	4,657,507	409,950		5,067,457	19,193,929	
761,613	330,772	12,359		343,131	418,482	
88,375,179	39,457,500	1,449,691	-	40,907,191	47,467,988	
155,253	36,604	6,775		43,379	111,874	
21,112,983	3,932,209	849,567		4,781,776	16,331,207	
4,745,327	2,885,024	101,108		2,986,132	1,759,195	
311,366	102,356	11,612		113,968	197,398	
26,324,929	6,956,193	969,062	-	7,925,255	18,399,674	
114,700,108	46,413,693	2,418,753	-	48,832,446	65,867,662	
822,015	495,187	15,563		510,750	311,265	
182,353	18,236	9,118		27,354	154,999	
24,071	-	-		-	24,071	
308,884	33,554	15,296		48,850	260,034	
357,623	13,141	11,921		25,062	332,561	
478,396	37,603	15,947		53,550	424,846	
14,347,389	91,432	324,647		416,079	13,931,310	
47,244,281	6,106,734	1,525,657		7,632,391	39,611,890	
160,331	32,066	5,344		37,410	122,921	
2,899,842	48,330	96,661		144,991	2,754,851	
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748	
66,825,185	6,876,283	2,020,154	-	8,896,437	57,928,748	



Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

	Cost				
	Opening Balance	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Other Assets brought forward	57,520,610	9,304,575	-	-	-
Plant and Equipment					
Chlorination Equipment		-	-	-	-
Compactors	87,765	-	-	-	-
Compressors	5,384,468	-	-	-	-
Cremators	1,722,723	22,214	-	-	-
Electronic Equipment	148,851	1,486,735	-	-	-
Fire Hoses	1,128,948	171,511	-	-	-
General	27,627	294,611	-	-	-
Generators	512,075	332,834	-	-	-
Graders	286,529	158,718	-	-	-
Horticultural Equipment	-	457,899	-	-	-
Laboratory Equipment	1,646,226	13,535	-	-	-
Mobile Pumps	210,659	85,246	-	-	-
Other Emergency Equipment	11,671	819,719	-	-	-
Pumps	51,388	-	-	-	-
Radio Equipment	2,645,948	492,072	-	-	-
Telecommunication Equipment	387,949	-	-	-	-
Tractors	616,205	96,800	-	-	-
Trailers	1,186,780	24,128	-	-	-
Watercraft	117,000	-	-	-	-
Workshop Equipment	117,434	68,052	-	-	-
	575,473	4,524,074	-	-	-
Office Equipment	16,865,719				
Air Conditioners		334,362	-	-	-
Computer Hardware	438,707	8,417,277	(1,329,300)	-	-
Computer Software	13,954,105	3,904,399	-	-	-
Office Machines	1,142,825	2,341,063	-	-	-
	24,456,076	14,997,101	(1,329,300)	-	-
Furniture and Fittings					
Cabinets and Cupboards	130,434	40,487	-	-	-
General	21,537	93,619	-	-	-
Tables and Desks	128,445	117,828	(11,898)	-	-
	280,416	251,934	(11,898)	-	-
Motor Vehicles					
Fire Engines	4,196,062	2,358,466	(1,317,263)	-	-
Mobile Libraries	41,568	-	-	-	-
Motor Vehicles	5,842,244	3,000,122	-	-	(376,194)
Refuse Vehicles	-	532,064	-	-	-
Tankers	434,870	-	-	-	-
Trucks and Bakkies	13,046,678	7,255,656	-	-	-
	23,561,422	13,146,308	(1,317,263)	-	(376,194)
Capital leases					
Motor Vehicles	7,194,234	-	-	-	-
	7,194,234	-	-	-	-
General					
Planning	2,286,846	-	-	772,659	-
	2,286,846	-	-	772,659	-
Total Other Assets	132,193,792	42,434,578	(2,658,461)	772,659	(376,194)
TOTAL	1,961,591,092	272,885,811	(95,434,807)	80,267,260	(376,194)
<u>Under Construction Balance</u>					
Opening Balance (incl. in Opening Balance - Cost)					106,293,506
Capitalised during the year					95,434,807
Under Construction 2004-05 carried forward (incl. in Opening Balance - Cost)					10,858,699
Under Construction - 2005-06					80,267,260
Year-End Under Construction Balance					91,125,959

Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY – APPENDIX B (I)

Closing Balance	Opening Balance	Additions	Accumulated Depreciation		Closing Balance	Carrying Value
			Disposals			
R	R	R	R		R	R
66,825,185	6,876,283	2,020,154	-		8,896,437	57,928,748
87,765	82,992	4,773	-		87,765	-
5,384,468	2,102,937	367,097	-		2,470,034	2,914,434
1,722,723	689,089	344,545	-		1,033,634	689,089
171,065	49,617	10,664	-		60,281	110,784
2,615,683	412,895	381,358	-		794,253	1,821,430
199,138	2,763	22,676	-		25,439	173,699
806,686	324,802	131,875	-		456,677	350,009
619,363	32,746	74,215	-		106,961	512,402
158,718	-	7,936	-		7,936	150,782
2,104,125	603,989	284,846	-		888,835	1,215,290
224,194	84,264	43,485	-		127,749	96,445
96,917	4,668	10,859	-		15,527	81,390
871,107	2,569	48,977	-		51,546	819,561
2,645,948	1,447,808	146,776	-		1,594,584	1,051,364
880,021	38,795	117,344	-		156,139	723,882
616,205	61,620	123,241	-		184,861	431,344
1,283,580	59,339	131,243	-		190,582	1,092,998
141,128	11,700	25,813	-		37,513	103,615
117,434	3,914	7,829	-		11,743	105,691
643,525	57,547	121,900	-		179,447	464,078
21,389,793	6,074,054	2,407,452	-		8,481,506	12,908,287
773,069	43,871	143,468	-		187,339	585,730
16,008,416	2,743,442	3,328,058	-		6,071,500	9,936,916
17,858,504	9,955,192	4,098,055	-		14,053,247	3,805,257
3,483,888	328,872	404,236	-		733,108	2,750,780
38,123,877	13,071,377	7,973,817	-		21,045,194	17,078,683
170,921	16,646	21,525	-		38,171	132,750
115,156	4,060	12,966	-		17,026	98,130
234,375	8,325	25,822	-		34,147	200,228
520,452	29,031	60,313	-		89,344	431,108
5,237,265	287,880	202,902	-		490,782	4,746,483
41,568	8,314	4,157	-		12,471	29,097
8,466,172	2,428,103	1,345,885	(43,889)		3,730,099	4,736,073
532,064	-	17,735	-		17,735	514,329
434,870	57,982	28,991	-		86,973	347,897
20,302,334	1,813,051	3,119,085	-		4,932,136	15,370,198
35,014,273	4,595,330	4,718,755	(43,889)		9,270,196	25,744,077
7,194,234	6,856,870	337,364	-		7,194,234	-
7,194,234	6,856,870	337,364	-		7,194,234	-
3,059,505	-	-	-		-	3,059,505
3,059,505	-	-	-		-	3,059,505
172,366,374	37,508,160	17,551,715	(43,889)		55,015,986	117,350,388
2,218,933,162	1,089,108,374	84,770,350	(43,889)		1,173,834,835	1,045,098,327



Segmental Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY (MUNICIPALITY AND ECONOMIC ENTITY)

Fixed Assets

Description	Historical Cost				
	Opening Balance Cost	Additions	Under Construction Capitalised	Under Construction	Disposals
	R	R	R	R	R
Executive and Council	7,368,780	614,697	-	-	-
Finance and Administration	383,584,767	15,575,710	(1,315,906)	-	(273,389)
Planning and Development	26,794,889	60,567,506	(49,857)	1,772,656	-
Health	5,943,225	4,111,778	(1,651,513)	337,902	-
Community and Social Services	31,015,834	3,376,384	(405,410)	-	-
Housing	1,485,732	-	-	6,038,330	-
Public Safety	13,442,149	11,544,637	(3,105,248)	-	-
Sport and Recreation	55,854,692	19,049,176	(5,500,000)	-	-
Road Transport	12,921,760	1,935,603	-	-	-
Environmental Protection	213,360,959	28,923,565	(10,920,192)	1,724,368	(102,805)
Water	452,653,014	29,060,775	(9,823,238)	30,001,814	-
Waste Management	332,504,518	73,912,321	(45,598,121)	18,344,838	-
Electricity	354,494,086	23,779,872	(17,065,322)	22,047,352	-
Other	70,138,218	223,201	-	-	-
BCDA	28,469	210,586	-	-	-
TOTALS	1,961,591,092	272,885,811	(95,434,807)	80,267,260	(376,194)

Segmental Analysis of Property, Plant and Equipment

AS AT 30 JUNE 2006 - MUNICIPALITY (MUNICIPALITY AND ECONOMIC ENTITY)

Accumulated Depreciation

Closing Balance	Opening Balance	Accumulated Depreciation		Closing Balance	Carrying Value
		Additions	Disposals		
R	R	R	R	R	R
7,983,477	2,086,577	244,632	-	2,331,209	5,652,268
397,571,182	175,286,912	6,484,271	31,895	181,739,288	215,831,894
89,085,194	6,385,334	10,113,327	-	16,498,661	72,586,533
8,741,392	797,104	703,073	-	1,500,177	7,241,215
33,986,808	8,361,984	865,246	-	9,227,230	24,759,578
7,524,062	74,295	87,519	-	161,814	7,362,248
21,881,538	3,881,687	1,533,124	-	5,414,811	16,466,727
69,403,868	35,823,712	1,599,416	-	37,423,128	31,980,740
14,857,363	5,598,032	739,608	-	6,337,640	8,519,723
232,985,895	127,198,472	9,280,631	(11,994)	136,467,109	96,518,786
501,892,365	325,940,712	19,853,562	-	345,794,274	156,098,091
379,163,556	197,150,864	22,267,447	-	219,418,311	159,745,245
383,255,988	188,813,192	10,933,466	-	199,746,658	183,509,330
70,361,419	11,704,282	31,168	-	11,735,450	58,625,969
239,055	5,215	33,860	-	39,075	199,980
2,218,933,162	1,089,108,374	84,770,350	(43,889)	1,173,834,835	1,045,098,327

Segmental Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2006 (MUNICIPALITY AND ECONOMIC ENTITY) – APPENDIX D

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/(Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/(Deficit)
R	R	R		R	R	R
787,622	20,731,442	(19,943,820)	Executive Mayor	17,960,185	66,434,857	(48,474,672)
20,949,215	21,308,402	(359,187)	City Manager	33,176,405	44,705,574	(11,529,169)
425,942,020	158,700,405	267,241,615	Finance	405,824,372	153,423,819	252,400,553
29,864,839	102,774,739	(72,909,900)	Corporate Services	73,233,798	84,920,827	(11,687,029)
782,551,552	730,099,579	52,451,973	Engineering Services	822,809,640	948,927,215	(126,117,575)
82,288,903	118,508,104	(36,219,201)	Planning and Econ. Dev	50,798,531	123,510,819	(72,712,288)
203,941,878	336,297,484	(132,355,606)	Social Services	198,087,904	437,656,789	(239,568,885)
483,128	518,772	(35,644)	BCDA	797,402	1,696,342	(898,940)
1,546,809,157	1,488,938,927	57,870,230	Sub-Total	1,602,688,237	1,861,276,242	(258,588,005)
-	(122,126,002)	122,126,002	Less: Inter-Departmental charges	-	(462,914,622)	462,914,622
1,546,809,157	1,366,812,925	179,996,232	TOTAL	1,602,688,237	1,398,361,620	204,326,617
		3 753 998	Add: Share of Associate			1 418 115
		183 750 230				205 744 732

Actual Versus Budget (REVENUE & EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX E
(MUNICIPALITY AND ECONOMIC ENTITY)

	Actual 2006	Budget 2006	Variance	Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	271,366,074	273,897,670	2,531,596	1	
Service Charges	756,398,603	749,785,660	(6,612,943)	(1)	
Rental of Facilities and Equipment	9,649,462	8,995,029	(654,433)	(7)	
Dividends Received	163,327	-	-	-	
Fines	9,183,555	9,274,832	91,277	1	
Government Grants and Subsidies	264,480,111	279,411,036	14,930,925	5	
Licences and Permits	8,679,557	13,464,906	4,785,349	36	Income received in respect of roadworthy certificates was less than expected.
Other Income	72,601,752	75,850,988	3,249,236	4	
Profit on Sale of Asset	7,280,645	-	-	-	
Donations & Public Contribution- PPE	8,092,821	4,633,671	(3,459,150)	(75)	The transfer of income from Donations & Public Contributions was higher than expected.
Government Grants- PPE	133,505,854	129,726,277	(3,779,577)	(3)	
Interest Earned - External Investments	43,281,158	5,619,640	(37,661,518)	(670)	The increase in the actual interest earned is due to the over-collection from debtors. No interest was raised on indigent accounts, debtors under administration, insolvencies and liquidations, deceased estates, closed accounts, debtors that has prescribed, RDP homes and uncollectable business & domestic debt after legal process.
Interest Earned - Outstanding Debtors	21,170,524	36,900,205	15,729,681	43	
Total Revenue	1,605,853,443	1,587,559,914	(18,293,529)	(1)	

Actual Versus Budget (REVENUE & EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX E
(MUNICIPALITY AND ECONOMIC ENTITY)

	Actual 2006	Budget 2006	Variance	Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
EXPENDITURE					
Executive Mayor	46,639,741	47,960,447	1,320,706	3	
City Manager	28,918,530	40,840,490	11,921,960	29	Expenses relating to consultant fees, printing & stationery, promotions, public participation workshops and travel and subsistence allowance were lower than expected.
Finance	127,201,288	126,646,923	(554,365)	(0)	
Corporate Services	75,918,359	79,973,316	4,054,957	5	Expenses relating to capital charges were higher than expected.
Engineering Services	674,794,037	714,098,194	39,304,157	6	
Planning & Economic Development	93,696,833	92,785,204	(911,629)	(1)	
Social Services	352,661,696	351,817,368	(844,328)	(0)	
BCDA	1,696,342				
Total Expenditure	1,401,526,826	1,454,121,942	54,291,458	4	
NET SURPLUS FOR THE YEAR	204,326,617	133,437,972	(72,584,987)	(54)	

Actual Versus Budget (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2006 – APPENDIX F

Description	2006 Actual	2006 Under Construction Capitalised	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	R	%	
Executive and Council	614,697	-	-	614,697	3,406,257	(2,791,560)	-82	Land and Buildings were added to the asset register which amounted to R 54 292 374 (Revaluation Reserve).
Finance and Administration	15,575,710	(1,315,906)	-	14,259,804	22,361,487	(8,101,683)	-36	
Planning and Development	60,567,506	(49,857)	1,772,656	60,517,649	13,510,471	47,007,178	361	
Health	4,111,778	(1,651,513)	337,902	2,460,265	4,445,343	(1,985,078)	-37	
Community and Social Services	3,376,384	(405,410)	-	2,970,974	6,958,611	(3,987,637)	-57	
Housing	-	-	6,038,330	-	35,075,134	(35,075,134)	-83	
Public Safety	11,544,637	(3,105,248)	-	8,439,389	18,363,644	(9,924,255)	-54	
Sport and Recreation	19,049,176	(5,500,000)	-	13,549,176	14,556,758	(1,007,582)	-7	
Environmental Protection	1,935,603	-	-	1,935,603	3,931,261	(1,995,658)	-51	
Waste Management	28,923,565	(10,920,192)	1,724,368	18,003,373	23,428,746	(5,425,373)	-16	
Road Transport	29,060,775	(9,823,238)	30,001,814	19,237,537	56,968,107	(37,730,570)	-14	
Water	73,912,321	(45,598,121)	18,344,838	28,314,200	38,948,837	(10,634,637)	20	
Electricity	23,779,872	(17,065,322)	22,047,352	6,714,550	33,850,931	(27,136,381)	-15	
Other	223,201	-	-	223,201	834,000	(610,799)	-73	
TOTALS	272,675,225	(95,434,807)	80,267,260	177,240,418	276,639,587	(99,399,169)	-7	Donated Assets were received which amounted to R 13 902 813.