



**Annual Financial Statements
2006/2007**

EC 123

GREAT KEI MUNICIPALITY
YEAR ENDED 30 JUNE 2007

INDEX

	Page
MAYORS FORWARD	
1. GENERAL INFORMATION	1 - 2
3. ACCOUNTING OFFICER'S REPORT	3 - 4
4. ACCOUNTING POLICIES	5 - 7
5. BALANCE SHEET	8
6. INCOME STATEMENT	9
7. CASH FLOW STATEMENT	10
8. NOTES TO THE FINANCIAL STATEMENTS	11 - 16
9. APPENDICES	
A. STATUTORY FUNDS, RESERVES AND TRUST FUNDS	17
B. EXTERNAL LOANS AND INTERNAL ADVANCES	18
C. ANALYSIS OF FIXED ASSETS	19
D. ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007	20
E. DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007	21
F. STATISTICAL INFORMATION	22

GREAT KEI MUNICIPALITY

MAYOR'S FOREWORD

I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2007.

Local Government reform in South Africa poses a challenge to all municipalities and indeed the Great Kei Municipality and as such we have set our targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

The economic viability of the region remains a priority for our municipality. Every effort has been made to stimulate investment in the Great Kei Municipality with the available resources.

The council as an institution is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge the municipality has become increasingly reliant on the equitable share received from national government this is improve the quality of service delivery to population of the Great Kei region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts. We have also been faced with a growing rate of electricity fraud.

Despite the numerous challenges facing the council I and my fellow councillors are confident for the future of the Great Kei Municipality and we remain committed to building a financially sound and prosperous municipality.

In conclusion I wish to express my appreciation to the councillors, the Municipal Manager, Chief Financial Officer and various members of the Budget and Treasure office for their support and hard work during the past financial year.

.....
M Kema
MAYOR

GREAT KEI MUNICIPALITY
GENERAL INFORMATION
YEAR ENDED 30 JUNE 2007

MEMBERS OF THE COUNCIL

Councillors

M Kema (Mayor)

M Mali (Chairperson: - Finance)

W Hollington

N George

N Moli

N Dyani (Chairperson: - LED and Enviromental)

N Pan (Chairperson: - Special Needs and Health)

N Tekile

W Ndora

T Ndolose

Z Blom

Z Mpondo (Chairperson: - Infrastructure)

GRADING OF LOCAL AUTHORITY

Great Kei Municipality is a Grade 2 Local Authority

AUDITORS

Office of the Auditor General - East London

BANKERS

The Standard Bank of South Africa
ABSA Bank

GREAT KEI MUNICIPALITY
GENERAL INFORMATION
YEAR ENDED 30 JUNE 2007

REGISTERED OFFICE

P O Box 21
Komga
Station Street, Komga

Telephone : 043 831 1028
Facsimile : 043 831 1306

MUNICIPAL MANAGER & ACCOUNTING OFFICER

Adv Andile Arnold Sihlahla

Telephone : 043 831 1028

CHIEF FINANCIAL OFFICER

Zolile Gwavu

Telephone : 043 831 1028

APPROVAL OF FINANCIAL STATEMENTS

The **Annual Financial Statements** as set out on pages 4 to 22 were approved by the Municipal Manager and

Chief Financial Officer on the and presented to and approved by Council

on the

.....
MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY

Adv Andile Arnold Sihlahla

.....
CHIEF FINANCIAL OFFICER: GREAT KEI MUNICIPALITY

Zolile Gwavu

GREAT KEI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
YEAR ENDED 30 JUNE 2007

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income:					
Opening Surplus	(3,344,325)	(10,321,002)			
Sundry Transfers	-	3,239			
Operating income for the year	23,130,243	20,223,610	(12.6)	55,936,585	63.8
	19,785,918	9,905,847		55,936,585	
Expenditure					
Operating expenditure for the year	30,106,920	21,680,131	(28.0)	55,936,585	61.2
Contributions to approved funds					
Closing deficit	(10,321,002)	(11,774,284)		-	
	19,785,918	9,905,847		55,936,585	
Significant variances:					
The municipality did not meet their budgeted income target for the year. This has had a negative affect their spending ability during the year.					

1.1 Rates and General Services

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	16,338,207	18,100,834	10.8	53,783,585	66.3
Expenditure	25,382,231	19,117,537	(24.7)	53,107,535	64.0
Deficit	(9,044,024)	(1,016,703)	(88.8)	676,050	250.4
Deficit as % of total income	(55)	(6)			
Significant variances:					
The municipality did not meet their budgeted income target for the year. Both rates income and electricity income increased during the year. The actual grants received were much lower that the budgeted amount.					

1.2 Summary of the operating results of the local authority's Trading Service:

Water Service

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	5,254,822	16,759	(99.7)	-	0.0
Expenditure	2,509,644	0	(100.0)	-	0.0
(Deficit)/Surplus	2,745,177	16,759		-	
Surplus/(deficit) as % total income	52	100			
Significant variances:					
As of 1 July 2006 all water services were taken over by the Amathole District Municipality. Therefore no amount was Budgeted					

GREAT KEI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
YEAR ENDED 30 JUNE 2007

Electricity Service

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	1,537,214	2,106,017	37.0	2,153,000	2.2
Expenditure	2,215,045	2,562,594	15.7	2,829,050	9.4
(Deficit)/Surplus	(677,830)	(456,577)		(676,050)	
Surplus/(deficit) as % total income	(44)	(22)			
Significant variances:					
Electricity income increased during the year.					

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R 5,642,989 (2006 - R 4,401,572).

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

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2007 amounted to R 4,177,977 including current portion and all arrears (2005 - R 7,054,571). Various loans were taken over by the Amathole District Municipality.

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a surplus of R 320,558 (2006 - R 209,580) This amount excludes project, statutory and reserve funds.

External Investments relating to projects, statutory and reserve funds as at 30 June 2007 amounted to R 1,778,790 (2006 - R 33,178)

Trust funds as at 30 June 2007 amount to R 1,766,813 (2006: R 23,120)

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B to the financial statements.

4. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified that would materially affect the municipalities balance sheet.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors and to the municipal staff for their assistance and support during the year.

.....
MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY
 Adv Andile Arnold Sihlahla

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES
YEAR ENDED 30 JUNE 2007

1. Basis of preparation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - * Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - * Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

3. Fixed assets

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

 - * Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - * Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES

YEAR ENDED 30 JUNE 2007

- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

4.2 Other funds and reserves

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

5. Provisions

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

6. Stock

Stock is reflected in the Balance Sheet at the weighted average cost.

7. Retirement benefits

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES
YEAR ENDED 30 JUNE 2007

8. Surpluses and deficits

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

9. Treatment of administration and other overhead expenses

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

10. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

11. Income recognition

11.1 Water billings

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

11.2 Assessment rates

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

11.3 Other income

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

GREAT KEI MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		1,434,109	1,154,348
Statutory Funds	1	1,431,261	1,151,627
Reserves	2	2,848	2,722
RETAINED INCOME / (ACCUMULATED DEFICIT)		(11,774,284)	(10,321,002)
		(10,340,175)	(9,166,654)
TRUST FUNDS	3	1,766,813	23,120
LONG TERM LIABILITIES	4	2,927,338	5,824,719
CONSUMER DEPOSITS: SERVICES	5	98,455	95,411
		(5,547,569)	(3,223,404)
EMPLOYMENT OF CAPITAL			
LONG TERM DEBTORS	8	165,266	202,974
FIXED ASSETS	6	3,329,063	6,677,462
INVESTMENTS	7	1,800,841	86,883
		5,295,170	6,967,319
NET CURRENT ASSETS		(10,842,739)	(10,190,723)
CURRENT ASSETS		7,150,848	4,936,226
Stock	9	223,165	223,165
Debtors	10	6,629,176	4,557,186
Cash Resources	11	298,506	155,875
CURRENT LIABILITIES		17,993,587	15,126,949
Creditors	13	17,662,808	14,062,179
Bank Overdraft	14	-	33,189
Provisions	12	330,779	1,031,581
		(5,547,569)	(3,223,404)

GREAT KEI MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,338,207	25,382,231	(9,044,024)	RATES AND GENERAL SERVICES	18,100,834	19,117,537	(1,016,703)	676,050
13,773,379	20,631,986	(6,858,607)	Community services	16,211,359	16,457,825	(246,466)	1,882,267
108,530	1,211,588	(1,103,058)	Subsidised services	156,526	1,810,683	(1,654,157)	(371,742)
2,456,298	3,538,657	(1,082,359)	Economic services	1,732,949	849,029	883,920	(834,475)
6,792,036	4,724,689	2,067,347	TRADING SERVICES	2,122,776	2,562,594	(439,818)	(676,050)
<u>23,130,243</u>	<u>30,106,920</u>	<u>(6,976,677)</u>	TOTAL	<u>20,223,610</u>	<u>21,680,131</u>	<u>(1,456,521)</u>	<u>-</u>
		-	Appropriations for the year (refer note 19)			3,239	
		(6,976,677)	NET SURPLUS (DEFICIT) FOR THE YEAR			(1,453,282)	
		(3,344,325)	Accumulated deficit beginning of the year			(10,321,002)	
		<u>(10,321,002)</u>	ACCUMULATED DEFICIT END OF THE YEAR			<u>(11,774,284)</u>	

GREAT KEI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		10,430,149	3,159,152
Cash utilised in operations	19	(17,192,587)	(14,097,012)
Investment income		116,277	142,591
(Increase) / Decrease in working capital	20	6,334,620	3,357,929
		<hr/>	<hr/>
		(10,741,690)	(10,596,492)
Less: External interest paid		(470,962)	(937,185)
		<hr/>	<hr/>
Cash (utilised in)/available from operations		(11,212,652)	(11,533,677)
Net Proceeds on disposal of fixed assets		2,957,239	-
Cash contributions from the public and the State		18,685,561	14,692,829
		<hr/>	<hr/>
CASH UTILISED IN INVESTING ACTIVITIES		(5,642,989)	(4,401,572)
Investment in fixed assets		(5,642,989)	(4,401,572)
		<hr/>	<hr/>
NETT CASH FLOW		<u>4,787,159</u>	<u>(1,242,421)</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in Long Term Liabilities	21	(2,897,381)	(123,808)
Decrease / (Increase) in Cash	23	(175,820)	1,376,480
(Increase) / Decrease in External Cash Investments	22	(1,713,958)	(10,251)
		<hr/>	<hr/>
NETT CASH UTILISED		<u>(4,787,159)</u>	<u>1,242,421</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
Revolving Fund	1,428,916	1,149,395
Dog Tax Fund (Invested as per note 7)	2,346	2,232
	<u>1,431,261</u>	<u>1,151,627</u>
<u>The revolving fund is represented by:</u>		
Investments (Note 7)	1,800,841	86,883
Advances to borrowing services	401,725	917,602
Long Term Loans	165,266	202,974
Advances to operating account		
	<u>2,367,833</u>	<u>1,207,460</u>
<i>(Refer to Appendix A for more details, note that the fund is not fully cash-backed)</i>		
2. RESERVES (Invested as per note 7)	<u>2,848</u>	<u>2,722</u>
<i>(Refer to Note 7 and Appendix A for more details)</i>		
3. TRUST FUNDS		
As detailed in Appendix A	<u>1,766,813</u>	<u>23,120</u>
<i>(Refer to Note 7 and Appendix A for more details)</i>		
4. LONG-TERM LIABILITIES		
Development Bank of South Africa	2,927,338	5,824,719
	<u>2,927,338</u>	<u>5,824,719</u>
<i>(Refer to Appendix B for more detail)</i>		
An amount of R 64,859 was included under the current portion of long term liabilities during the prior year. (See note 13)		
5. CONSUMER DEPOSITS: SERVICES		
Service Deposits	<u>98,455</u>	<u>95,411</u>
6. FIXED ASSETS		
Fixed assets at the beginning of the year	39,483,340	35,081,767
Capital expenditure during the year	5,642,989	4,401,572
Less: Assets written off, transferred or disposed of during year	<u>18,578,869</u>	<u>-</u>
Total fixed assets	26,547,460	39,483,340
Less: Loans redeemed and other capital receipts	<u>23,218,397</u>	<u>32,805,878</u>
NET ASSETS	<u>3,329,063</u>	<u>6,677,462</u>
<i>(Refer to Appendix C for more details)</i>		

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
7. INVESTMENTS		
Project Investments	1,766,813	23,119
Reserve Investments	2,848	2,722
Dog Tax Investment	2,346	2,231
Revolving Fund Investments	6,784	5,106
Operating Account Investments	22,051	53,705
	<u>1,800,841</u>	<u>86,883</u>
<p>Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.</p>		
8. LONG TERM DEBTORS		
Squash Club Loan	10,496	15,158
Bowling Green Club Loan	18,206	23,592
Car Loan Mr Gwavu	37,944	37,944
Car Loan Mr Ngqele	39,328	39,328
Car Loan Mr Dicks	59,293	86,953
	<u>165,266</u>	<u>202,974</u>
9. STOCK		
Stock represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock. Stock are divided into different services: Rate and general	<u>223,165</u>	<u>223,165</u>
10. DEBTORS		
Current Debtors (Consumers and others)	3,297,126	10,583,031
VAT Control	2,892,011	2,064,492
Sundry Debtors	2,511,943	1,673,374
VAT Provision	125,443	-
Less: Provision for Doubtful Debts	(2,197,347)	(9,763,712)
	<u>6,629,176</u>	<u>4,557,186</u>
11. CASH AND CASH EQUIVALENT		
Operating Account - Standard Bank	101,724	12,369
Operating Account - ABSA Bank	21,711	-
Operating Account - Traffic Services	175,072	143,507
Cash Floats	-	-
	<u>298,506</u>	<u>155,875</u>
12. PROVISIONS		
Audit Fee Provision	-	542,000
Leave Pay Provision	330,779	489,581
	<u>330,779</u>	<u>1,031,581</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
13. CREDITORS		
Creditors	4,237,861	2,985,228
VAT Control	-	-
VAT Provision	-	-
Sundry Creditors	2,642,074	-
Project Creditors	9,532,234	9,847,099
Current Portion of External Loans	1,250,640	1,229,852
	<u>17,662,808</u>	<u>14,062,179</u>
14. BANK OVERDRAFT		
Operating Account - ABSA Bank	-	33,189
15. ASSESSMENT RATES		
Actual Rateable Income	3,485,682	3,182,247
<u>The basic rate on land and improvements was as follows (Cents per Rand): -</u>		
<u>Composite</u>		
- Komga	0.01540	0.01540
<u>Residential</u>		
- Kei Mouth	0.03940	0.03940
- Morgan Bay	0.03940	0.03940
- Cintsa East	0.04060	0.04060
- Haga Haga	0.03650	0.03650
<u>Buisiness</u>		
- Kei Mouth	0.04950	0.04950
- Morgan Bay	0.04950	0.04950
- Cintsa East	-	-
- Haga Haga	-	-
<u>State</u>		
- Kei Mouth	0.03940	0.03940
- Morgan Bay	0.35510	0.35510
- Cintsa East	-	-
- Haga Haga	0.02880	0.02880
<u>Township</u>		
- Kei Mouth	0.01830	0.01830
<u>Building Clauses</u>		
- Kei Mouth	0.00260	0.00260
- Morgan Bay	0.00260	0.00260
The last valuation came into effect on 1 Jult 1997. A rebate of 20% is granted to state owned land.		
General Valuation: - 1 July 1997		
- Land and Improvements	R 50,082,160	R 50,082,160
16. AUDITOR'S REMUNERATION		
Audit fees	952,352	150,000

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
17. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
- Interest earned	37,242	48,845
- Interest paid	502,049	937,185
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	460,841	865,066
- Interest paid on internal loans	31,088	72,119
- Redemption of external loans	329,544	380,537
- Redemption of internal loans	61,616	127,375
	<u>883,089</u>	<u>1,445,098</u>
18. APPROPRIATIONS		
Appropriation account		
Accumulated deficit at the beginning of the year	(10,321,002)	(3,344,325)
Operating (deficit)/surplus for the year	(1,456,521)	(6,976,677)
	(11,777,523)	(10,321,002)
<u>Less: Appropriations for the year:</u>		
- Prior year adjustments	3,239	-
Accumulated deficit at the end of year	<u>(11,774,284)</u>	<u>(10,321,002)</u>
Operating account		
Capital expenditure - Fixed assets	1,241,163	1,502,054
Contributions to:		
- Revolving Fund	238,669	217,024
	<u>1,479,831</u>	<u>1,719,078</u>
19. CASH UTILISED IN OPERATIONS		
(Deficit) surplus for the year	(1,453,282)	(6,976,677)
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	-	-
<u>Appropriations charged against income:</u>	(3,306,366)	3,402,154
- Revolving Fund	238,669	217,024
- Provisions	(4,786,197)	1,683,076
- Fixed Assets	1,241,163	1,502,054
Investment income (operating account)	(116,277)	(142,591)
<u>Capital charges</u>	883,089	1,445,098
Interest Paid on External Loans	460,841	865,066
Interest Paid on Internal Loans	31,088	72,119
Redemption on External Loans	329,544	380,537
Redemption on Internal Loans	61,616	127,375
Grants and Subsidies Received from the State	(11,773,686)	(11,792,720)
<u>Non Operating Expenditure</u>	(1,505,100)	243,303
- Expenditure charged against funds	(804,298)	(799)
- Expenditure charged against provisions	(700,802)	244,102
<u>Non Operating Income</u>	79,035	(275,579)
- Transfers to funds and reserves	-	(369,324)
- Income Credited to funds and reserves	79,035	93,745
- Income Credited to assets	-	-
	<u>(17,192,587)</u>	<u>(14,097,012)</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
20. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Stores	-	-
(Increase) / Decrease in Debtors, Long Term Debtors	2,730,947	(2,218,511)
(Decrease) / Increase in Creditors, Consumer Deposits	3,603,673	5,576,441
	6,334,620	3,357,929
21. INCREASE / (DECREASE) IN LONG-TERM LIABILITIES		
Loans rased	-	256,729
Loans repaid	(2,897,381)	(380,537)
	(2,897,381)	(123,808)
22. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments Realised	(1,713,958)	(10,251)
Investments Made	-	-
	(1,713,958)	(10,251)
23. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash Surplus / (Deficit) at the beginning of the year	122,686	1,499,166
Less: Cash Surplus / (Deficit) at end of year	298,506	122,686
	(175,820)	1,376,480
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
The municipality has no contingent liabilities nor any contractual obligations.		
25. RETIREMENT BENEFITS		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -		
	<u>Employee</u>	<u>Employer</u>
SALA Pension fund	9.00%	18.00%
Cape Joint Retirement Fund	9.00%	18.00%
SAMWU Provident Fund	5.00%	12.00%
Councilor's Pension Fund *	0.00%	0.00%
* The council no longer contributes towards the councilors pension fund		
26. CAPITAL COMMITMENTS		
<u>Commitments in respect of capital expenditure</u>	1,744,718	-
Capital Expenditure Approved not contracted	-	-
Capital Expenditure Approved and contracted	1,744,718	-
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	1,744,718	-
Other Sources	-	-
Provincial Government	1,744,718	-
	1,744,718	-

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
27. COUNCILLOR'S REMUNERATION		
Mayor's allowance:	493,497	229,156
Allowance	301,561	125,600
Travelling allowance	96,243	31,400
Other allowances	9,528	33,910
Back Pay	62,573	38,246
Council Contributions	23,592	
Councillor's allowances:	1,636,898	658,375
Allowance	984,575	399,134
Travelling allowance	313,289	99,881
Other allowances	81,632	159,360
Back Pay	166,805	-
Council Contributions	90,597	
Total Allowances	<u>2,130,395</u>	<u>887,531</u>
28. DIRECTORS AND OFFICIALS REMUNERATION		
Municipal Manager	234,439	541,791
Salary	132,523	290,895
Travelling allowance	54,108	121,206
Other allowances	36,622	83,142
Bonuses	-	-
Leave paid out	11,187	46,547
Other Senior Manager	1,156,085	390,485
Salary	621,827	210,128
Travelling allowance	267,078	92,941
Other allowances	224,733	54,513
Bonuses	-	-
Leave paid out	42,448	32,903
Total Remuneration	<u>1,390,524</u>	<u>932,276</u>
The municipalities employees cost spend as a percentage of total spend is: -	47.6%	37.7%
29. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
No material contingent liability has been identified.		
30. POST BALANCE SHEET EVENTS		
No material post balance sheet events have been identified.		

GREAT KEI MUNICIPALITY
STATUTORY FUNDS, RESERVES AND TRUST FUNDS
YEAR ENDED 30 JUNE 2007

	Balance at 30 June 2006 R	Contributions during year R	Interest on Investments R	Transfers / (Advance) during year R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2007 R
STATUTORY FUNDS							
Revolving Fund	1,149,395	238,669	40,995		143		1,428,916
Dog Tax	2,232		114				2,346
	<u>1,151,627</u>	<u>238,669</u>	<u>41,109</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>1,431,261</u>
TRUST FUNDS							
<u>Cash Backed Funds</u>							
Pilot Housing	1,534		27		156		1,405
Township Register	1,318		14		156		1,175
Kei Mouth Peoples Housing Project	9,880		185				10,064
Electricity Project	3,695		40				3,734
CMIP / MIG	1,190	2,510,049	37,321			803,843	1,744,718
Town Planning	2,865		143				3,008
Stabilisation Fund	1,361		36				1,397
Siviwe Housing Project	1,278		34				1,312
	<u>23,120</u>	<u>2,510,049</u>	<u>37,799</u>	<u>-</u>	<u>312</u>	<u>803,843</u>	<u>1,766,813</u>
<u>RESERVES</u>							
Scheme Regulation Funds	2,722		126				2,848
	<u>2,722</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,848</u>

APPENDIX A

GREAT KEI MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES
YEAR ENDED 30 JUNE 2007

	Rate	Repayment Terms	Termination	Balance at 30 June 2006 R	Received during the year R	Redeemed/ written off during year R	Transfer to ADM R	Balance at 30 June 2007 R
EXTERNAL LOANS								
Development Bank of South Africa (Sanitation)	15.0%	Bi Annually	30-Jun-2019	2,567,836			2,567,836	-
Development Bank of South Africa (Roads & Drainage)	14.5%	Bi Annually	30-Jun-2014	479,862		34,593		445,270
Development Bank of South Africa (Municipal Building)	11.0%	Bi Annually	30-Jun-2014	2,777,020		294,952		2,482,068
				<u>5,824,719</u>	<u>-</u>	<u>329,545</u>	<u>2,567,836</u>	<u>2,927,338</u>
INTERNAL LOANS								
<u>Internal advances to borrowing services:</u>								
Internal Loans (Old Komga)		Various Loans (Schedules in working paper)		1,007			1,007	-
Internal Loans (Old Kei Mouth)		Various Loans (Schedules in working paper)		916,595		61,616	453,254	401,725
				<u>917,602</u>	<u>-</u>	<u>61,616</u>	<u>454,261</u>	<u>401,725</u>

APPENDIX B

**GREAT KEI MUNICIPALITY
ANALYSIS OF FIXED ASSETS
YEAR ENDED 30 JUNE 2007**

2006 Expenditure		Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Transfer to ADM	Balance at 30 June 2007
R		R	R	R	R	R
3,388,640	Rates & General Services	26,053,767	5,642,989	-	9,053,548	22,643,208
2,188,640	Community services	16,103,873	4,457,840	-	-	20,561,713
1,487,728	Land and Buildings	9,533,000	2,391,764			11,924,764
	General Improvements	139,639	-			139,639
	Streets & Stormwater	1,865,641	81,300			1,946,941
503,848	Plant, Vehicles and Equipment	2,653,226	-			2,653,226
109,560	Community Halls	406,192	436,247			842,439
	Cintsa Assets	757,842	-			757,842
	Town Treasury	311,443	408,177			719,620
87,504	Traffic Services	436,890	-			436,890
	Rescue Equipment	-	1,140,351			1,140,351
-	Subsidised Services	695,725	1,185,150	-	-	1,880,874
	Library	-	-			-
	Plant, Vehicles and Equipment	332,870	-			332,870
	Parks & Recreation	362,855	1,185,150			1,548,004
1,200,000	Economic Services	9,254,169	-	-	9,053,548	200,621
1,170,000	Sewerage & Sanitation	9,053,548			9,053,548	-
	Plant, Vehicles and Equipment	170,621			-	170,621
30,000	Refuse Services	30,000			-	30,000
1,012,932	Trading Services	13,429,573	-	-	9,525,321	3,904,252
1,012,932	Electricity Services	3,904,252			-	3,904,252
	Water Services	9,525,321			9,525,321	-
4,401,572	TOTAL FIXED ASSETS	39,483,340	5,642,989	-	18,578,869	26,547,460
4,552,756	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	(32,805,878)	5,642,989	(391,160)	15,621,630	23,218,397
507,913	Loans redeemed and advances paid	4,134,964		(391,160)	3,024,238	1,501,887
1,502,054	Contributions from operating income	7,902,575	1,241,163			9,143,738
2,542,790	Grants and subsidies	20,768,338	4,401,827		12,597,392	12,572,773
(151,184)	NET FIXED ASSETS	6,677,462	-	391,160	2,957,239	3,329,063

APPENDIX C

GREAT KEI MUNICIPALITY
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
YEAR ENDED 30 JUNE 2007

2006 Actual R		2007 Actual R	2007 Budget R
	INCOME		
11,792,720	Grants and Subsidies	11,773,686	39,676,143
11,288,678	Operating income	8,412,682	16,170,442
3,182,247	Assessment Rates	3,485,682	9,332,116
1,537,214	Electricity Charges	2,106,017	2,153,000
5,254,822	Water Charges	16,606	-
1,314,395	Income from Other Service Charges etc	2,804,377	4,685,326
128,396	Interest Received	37,242	90,000
<u>23,081,398</u>	Total income	<u>20,223,610</u>	<u>55,936,585</u>
	EXPENDITURE		
11,338,980	Salaries, Wages and Allowances	10,313,078	11,020,291
11,213,387	General Expenditure	7,894,410	7,841,701
4,390,377	Repairs and Maintenance	571,860	3,878,000
1,445,098	Capital Charges	883,089	600,000
1,502,055	Contributions to Fixed Assets	1,241,163	31,427,843
217,024	Contributions to Approved Funds	776,530	1,168,750
<u>30,106,920</u>	Total Expenditure	<u>21,680,131</u>	<u>55,936,585</u>

APPENDIX D

**GREAT KEI MUNICIPALITY
DETAILED INCOME STATEMENT
YEAR ENDED 30 JUNE 2007**

2006 Actual income	2006 Actual expenditure	2006 Surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,338,207	25,382,231	(9,044,024)	RATES AND GENERAL SERVICES	18,100,834	19,117,537	(1,016,703)	676,050
13,773,379	20,631,986	(6,858,607)	Community services	16,211,359	16,457,825	(246,466)	1,882,267
147,192	7,867,403	(7,720,212)	Administration	554,154	7,314,905	(6,760,751)	(290,933)
3,182,247	217,024	2,965,223	Assessment Rates	3,485,682	-	3,485,682	9,332,116
5,257	2,049,932	(2,044,675)	Council General	1,004	2,649,887	(2,648,883)	(2,782,655)
-	535,922	(535,922)	Engineering Services	87,206	1,664,414	(1,577,208)	(836,571)
-	598,914	(598,914)	Human Resources	895	627,152	(626,257)	(2,400,141)
-	545,990	(545,990)	Local Economic Development	-	875,459	(875,459)	(775,571)
-	3,153,348	(3,153,348)	Roads and Streets	-	522,217	(522,217)	(4,659,130)
361,919	723,540	(361,621)	Traffic Services	310,730	580,112	(269,382)	(311,575)
10,076,765	4,939,914	5,136,851	Treasury	11,771,688	2,223,679	9,548,010	4,606,727
108,530	1,211,588	(1,103,058)	Subsidised services	156,526	1,810,683	(1,654,157)	(371,742)
3,020	87,275	(84,255)	Cemeteries	4,844	11,160	(6,316)	4,000
-	25,757	(25,757)	Fire Protection	-	82,673	(82,673)	(76,000)
39,105	161,956	(122,851)	Library	2,426	230,662	(228,236)	(184,624)
54,441	936,081	(881,641)	Social Amenities	148,942	1,486,188	(1,337,246)	(115,118)
11,965	519	11,446	Tecoma Old Age Home	314	-	314	-
2,456,298	3,538,657	(1,082,359)	Economic services	1,732,949	849,029	883,920	(834,475)
1,287,752	851,924	435,828	Refuse Services	1,587,851	795,882	791,969	(918,475)
983,674	2,627,894	(1,644,221)	Sewerage and Sanitation	7,378	-	7,378	-
184,872	58,839	126,033	Whispering Waves	137,719	53,147	84,573	84,000
6,792,036	4,724,689	2,067,347	TRADING SERVICES	2,122,776	2,562,594	(439,818)	(676,050)
1,537,214	2,215,045	(677,830)	Electricity Services	2,106,017	2,562,594	(456,577)	(676,050)
5,254,822	2,509,644	2,745,177	Water Services	16,759	-	16,759	-
23,130,243	30,106,920	(6,976,677)	TOTAL	20,223,610	21,680,131	(1,456,521)	-
		-	Appropriations for the year (refer to note 19)			3,239	
		(6,976,677)	NET DEFICIT FOR THE YEAR			(1,453,282)	
		(3,344,325)	Accumulated deficit beginning of the year			(10,321,002)	
		(10,321,002)	ACCUMULATED DEFICIT END OF THE YEAR			(11,774,284)	

APPENDIX E

**GREAT KEI MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION
YEAR ENDED 30 JUNE 2007**

GENERAL STATISTICS

Population	44,469
------------	--------

Site valuations at

- Residential	
- Kei Mouth	57,827,390
- Morgan's Bay	38,238,920
- Haga Haga	17,828,340
- Cintsa	47,766,220
- Komga	28,342,718
- Exempt	(1,623,000)
	188,380,588

Assessment rates:

- All properties 2.086 cents in the rand
- Pensioners can apply for a 40% rebate and Residents 20 % respectively
- Churches exempt
- Sports (non profit) exempt

Number of residential properties	11,363
----------------------------------	--------

Number of employees of local authority	110
--	-----

Water Statistics

Units bought/generated	Unavailable
Units sold	Unavailable

Electricity Statistics

Units bought/generated	Unavailable
Units sold	Unavailable