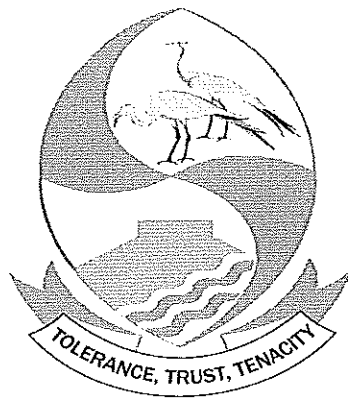


BLUE CRANE ROUTE MUNICIPALITY



FINANCIAL STATEMENTS

2007/08

BLUE CRANE ROUTE MUNICIPALITY

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BLUE CRANE ROUTE MUNICIPALITY

FOREWORD

I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2008.

Local Government reform in South Africa poses a challenge to all Municipalities. The Blue Crane Route Municipality has set out targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

The economic viability of the Blue Crane Route region remains a priority for our Municipality. Every effort has been made to stimulate investment in our region 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 to improve the quality of service delivery in the Blue Crane Route region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

Despite numerous challenges facing the Council, we as Council are confident in the future of the Blue Crane Route Municipality and remain committed in building a financially sound and prosperous Municipality.

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

.....
MAYOR

BLUE CRANE ROUTE MUNICIPALITY

GENERAL INFORMATION FOR THE YEAR ENDED AT 30 JUNE 2008

MEMBERS OF THE COUNCIL

Councillors

NM Scott (Mayor)

JF Froelich

KC Brown

K Olivier

M Nontyi

NR Sibaca

L Simmons

VS Jonas

NP Yantolo

BA Manxoweni

GRADING OF LOCAL AUTHORITY

Blue Crane Route Municipality is a Grade 2 Local Authority

AUDITORS

Auditor General

BANKER

ABSA Bank

REGISTERED OFFICE

PO Box 21

67 Nojoli Street

Somerset East

5850

Telephone: 042 - 2431333

Facsimile: 042 - 2431548

MUNICIPAL MANAGER & ACCOUNTING OFFICER

M A Mene

Telephone: 042 - 2431333

CHIEF FINANCIAL OFFICER

DR Sauls

Telephone: 042 - 2431333

APPROVAL OF FINANCIAL STATEMENTS

This **Annual Financial Statements** were approved by the Municipal Manager and Chief Financial Officer on and presented to and approved by Council on.....

.....
MUNICIPAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY: - M. Mene

.....
CHIEF FINANCIAL OFFICER: BLUE CRANE ROUTE MUNICIPALITY: - D Sauls

BLUE CRANE ROUTE MUNICIPALITY
ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED AT 30 JUNE 2008

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 30/06/08 are as follows:

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget %
Income					
Opening deficit	(16,646,733)	(14,524,085)			
Appropriations for the year	4,542,645	4,468,826			
Operating income for the year	59,534,258	81,844,877	37%	84,362,805	-3%
	47,430,170	71,789,618		84,362,805	
Expenditure					
Operating expenditure for the year	61,954,255	81,825,352	32%	73,360,621	12%
Appropriations for the year					
Closing deficit	(14,524,085)	(10,035,734)			
	47,430,170	71,789,618		73,360,621	
Significant variances:					
The main reason for the increase in the expenditure and income since the previous year, are the additional grant funding for operating expenditure of R12 100 000 from National Government and the fully redemption (settlement) of the DBSA loan of R8 294 246. The provision for bad debts also increased with R1 858 693 in the 2007/08 financial year.					

1.1 Rates and General Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget %
Income	27,500,342	46,668,684	70%	49,917,238	-7%
Expenditure	37,112,864	56,799,399	53%	51,288,898	11%
Deficit	(9,612,522)	(10,130,715)	5%	(1,371,660)	639%
Deficit as % of total income	-35%	-22%		-3%	
Significant variances:					
The reason for the variances under income and expenditure, is the same as above.					

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

Water Service

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget %
Income	6,700,069	7,403,837	11%	7,328,394	1%
Expenditure	3,445,898	5,453,323	58%	3,371,166	62%
(Deficit)/Surplus	3,254,171	1,950,514	-40%	3,957,228	-51%
Surplus/(Deficit) as % total income	49%	26%		54%	
Significant variances:					
Provision for bad debts of R1 607 692 to this service increased the total expenditure. No provision for bad debts were made in the budget under this service.					

Electricity Service

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget %
Income	25,333,847	27,772,356	10%	27,117,173	2%
Expenditure	21,395,493	19,572,630	-9%	18,700,557	5%
(Deficit / Surplus	3,938,354	8,199,726	108%	8,416,616	-3%
Surplus/(Deficit) as % total income	16%	30%		31%	

Significant variances:

No interest was anymore payable to DBSA for a external loan. Therefore the expenditure decreased since the previous year and the surplus increased. The interest payable was an amount of R1 968 262 in the 2006/07 financial year.

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to

The actual expenses were less than the amount budgeted for and consist off the following: -

	Actual 2007 R	Budget 2008 R	Actual 2008 R
Airfield	2,138,585	2,450,543	3,105,668
Clinics	-	256,063	
Commonage and Pound	-	205,000	332,434
Council's Generated Expenses		40,000	12,122
Estates and Properties	-	13,590	12,397
Public Works	524,856	1,878,374	1,226,504
Town Planning	44,613	-	0
Bestershoek		12,000	5,486
Environmental Health		11,020	
Municipal Manager, Corporate and Finance	124,648	314,860	288,525
MIG Administration		24,000	14,115
Traffic	6,431	5,000	2,279
Cemetries	-		
Fire Brigade			
Parks and Recreation	-	95,240	
Refuse Removal Services	-	900,000	55,427
Sewerage Services	4,391,042	7,635,947	6,626,671
Electricity Services	509,913	3,072,088	205,056
Libraries	168,627	197,000	410,772
Water Services	3,038,050	1,129,067	29,208
	10,946,765	18,239,792	12,326,664

Resources used to finance the fixed assets were as follows: -

- Internal Sources	415,188	3,174,893	815,624
- External Sources	10,531,577	15,064,899	11,511,040
Other Sources	280,180	-	-
External Loans	1,178		
Government Grants	10,250,219	15,064,899	11,511,040
	10,946,765	18,239,792	12,326,664

Significant variances:

The underspend in relation to the budgeted amount is attributable to the lack of finance.

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

The annuity loan of Development Bank was fully redeemed during the year. An amount of R8 294 246 was paid as a settlement redemption for the year. The difference of R7 238 070 was written off during the year by the Bank. The arrear interest of R4 976 821 was also written off by DBSA.

The investment of R1 288 614 which was held as security by DBSA, was transferred to the Bank as part of the settlement agreement.

Cash resources and short term deposits were a total amount of R8 945 299 (2007 - R1 100 043) on 30 June 2008. The reason for this positive movement during the year, is grants received from Provincial and National Government.

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

4. FUNDS AND RESERVES

The total balance of the Statutory Funds at 30 June 2008 were R7 290 540 (2007 - R7 113 619) while the reserves were unchanged at R12 000.

The Trust Funds increased from R2 703 857 in 2007 to R8 899 327 at 30 June 2008, due to additional grant funding from Provincial and National Government.

5. GENERAL

The Blue Crane Route Development Agency was established during the 2005 financial year. The main objective of the Agency is to act as a agent on behalf of the Municipality for all tourism, agriculture and business development issues in the demarcated development zone.

6. POST BALANCE SHEET EVENTS

No post balance events occurred after 30 June 2008

7. 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: BLUE CRANE ROUTE MUNICIPALITY: - M Mene

BLUE CRANE ROUTE MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30/06/08

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 in 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 and when an official order is issued.

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 the end of their estimated useful life as determined by the Treasurer. In the year 2007/08, the valuation of all properties that are registered in the name of the Municipality is taken up in the asset register at the Valuation as determined by the Valuer appointed by the Municipality. The Ledger accounts for these assets were adjusted accordingly.

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 coucil funds, assets may also be aquired through:

- * Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefor it is unnecessary to make any further provision for depreciation.
- * Grant or donation, where the amount representing the value of such grant or dontation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

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

4. Funds and reserves

4.1 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.

Provision for bad debts are calculated at all outstanding debtors for 90 days and older, VAT excluded.

6. Inventory

Inventory 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.

8. Surpluses and deficits

Any surpluses and deficits arising from the operation of 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 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.

12. Leased assets

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement. Vehicles bought on behalf of Councillors and also financed under leases, are not capitalised but only shown as a longterm debtor and a corresponding long term liability (leases).

BLUE CRANE ROUTE MUNICIPALITY

BALANCE SHEET FOR THE YEAR ENDED AT 30/06/08

	NOTES	2008 R	2007 R
CAPITAL EMPLOYED			
Funds and Reserves		7,302,540	7,125,619
- Statutory funds	1	7,290,540	7,113,619
- Reserves	2	12,000	12,000
Accumulated Deficit		(10,035,734)	(14,524,085)
		(2,733,194)	(7,398,466)
Trust funds	3	8,899,327	2,703,857
Long-term liabilities	4	194,429	15,580,515
Consumer deposits: Services	5	944,022	751,637
		7,304,584	11,637,543
EMPLOYMENT OF CAPITAL			
Fixed assets	6	48,796	15,612,035
Investments	7	-	1,288,614
Longterm debtors	8	297,165	135,598
Net current assets/(liabilities)		6,958,623	(5,398,704)
Current assets		19,413,804	14,759,808
- Inventory	9	366,782	421,314
- Debtors	10	10,018,157	12,251,093
- Bank and Cash	11	727,604	1,733,040
- Short-term portion of Long-term debtors		83,566	19,313
- Short-term investments		8,217,695	335,048
Current liabilities		(12,455,181)	(20,158,512)
- Provisions	12	4,554,421	2,569,622
- Creditors	13	7,801,260	16,589,325
- Bankoverdraft	14	-	968,045
- Short-term portion of long-term liabilities		99,500	31,520
		7,304,584	11,637,543

BLUE CRANE ROUTE MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30/06/08

Actual Income 2007 R	Actual expenditure 2007 R	Surplus/ (deficit) 2007 R		Actual Income 2008 R	Actual expenditure 2008 R	Surplus/ (deficit) 2008 R	Budget Surplus/(deficit) 2008 R
27,500,342	37,112,864	(9,612,522)	RATES AND GENERAL SERVICES	46,668,684	56,799,399	(10,130,715)	(1,371,660)
20,329,792	27,663,398	(7,333,604)	Community services	31,165,667	43,344,234	(12,178,567)	(7,573,729)
174,551	2,880,780	(2,706,229)	Subsidised services	4,162	2,201,589	(2,197,427)	(449,105)
6,995,999	6,568,688	427,311	Economic services	15,498,855	11,253,576	4,245,279	6,651,174
32,033,916	24,841,391	7,192,525	TRADING SERVICES	35,176,193	25,025,953	10,150,240	12,373,844
<u>59,534,258</u>	<u>61,954,255</u>	<u>(2,419,997)</u>	TOTAL	<u>81,844,877</u>	<u>81,825,352</u>	<u>19,525</u>	<u>11,002,184</u>
		<u>4,542,645</u>	Appropriations for the year (refer to note 15)			<u>4,468,826</u>	
		2,122,648	Nett surplus/(deficit) for the year (refer to note 15)			4,488,351	
		(16,646,733)	Accumulated deficit at the beginning of the year (Refer to note 15)			(14,524,085)	
		<u>(14,524,085)</u>	ACCUMULATED DEFICIT AT THE END OF THE YEAR (Refer to note 15)			<u>(10,035,734)</u>	

BLUE CRANE ROUTE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30/06/08

	NOTES	2008 R	2007 R
CASH (UTILISED)/ RETAINED FROM OPERATING ACTIVITIES			
		26,963,341	19,577,578
Cash generated by operations	16	(13,599,732)	(12,462,175)
Interest earned		701,379	20,894
(Increase)/decrease in working capital	17	(7,082,394)	4,581,240
Less: Interest paid: External Loans		(9,514)	(2,942,587)
Cash (utilised in)/available from operations		(19,990,261)	(10,802,628)
Cash contributions from the public and the state		46,921,013	29,953,505
Nett proceeds on disposal of fixed assets		32,589	426,701
CASH RECEIVED IN INVESTING ACTIVITIES			
Capital expenditure during the year		(12,326,664)	(10,946,765)
NET CASH FLOW			
		14,636,677	8,630,813
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(decrease) in long-term loans (external)	18	(8,080,035)	(26,541)
(Increase)/decrease in cash investments	19	(6,594,033)	17,980
(Increase)/decrease in cash on hand	20	37,391	(8,622,252)
		(14,636,677)	(8,630,813)

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
1 STATUTORY FUNDS		
Revolving fund	6,919,512	6,886,923
Housing Development Fund	371,028	226,696
	<u>7,290,540</u>	<u>7,113,619</u>
<i>(Refer to Appendix A for more details)</i>		
2 RESERVES		
Game Reserve	12,000	12,000
	<u>12,000</u>	<u>12,000</u>
<i>(Refer to Appendix A for more details)</i>		
3 TRUST FUNDS		
Dr. WH Craib Fund	17,015	17,015
LED Zama Fund	63,158	63,158
Integrated Development Plan	17,657	122,809
Zoning Map Fund	30,843	30,843
Pearston Small Farmers Association	1,763	4,043
Cookhouse 313 Houses	71,679	72,041
Municipal Administration	-	10,729
Environmental Impact Study Fund	63,000	63,000
Spatial Development Framework	345,450	-
MIG - Revolving Fund	3,449,108	1,470,874
Cacadu ITC	11,671	4,868
MSIG Funds	448,741	15,959
Fire Management	30,000	30,000
Library Grant - Cacadu	20,081	-
Project Consolidate	15,548	-
Water Services Fund	100,000	65,000
NER Trust Fund	2,394,261	334,726
FMG Grant	76,332	159,439
CMIP - Trust Funds	151,861	151,861
Pearston 300 Houses	86,972	87,492
Free Basic Services Grant	110,026	-
LED Trust Fund	17,670	-
Housing Funds	83,732	-
Elect Rural Lines	-	-
Molenhof - Cacadu	-	-
Computer Project - Cacadu	10,752	-
KV Overhead Line	-	-
CBP Ward Implementation Plan	238,211	-
DWAF	1,043,796	-
	<u>8,899,327</u>	<u>2,703,857</u>
4 LONG-TERM LIABILITIES		
Development Bank of South Africa		15,532,316
ABSA - Vehicle and Asset Finance	48,796	79,719
Lease Commitments	245,133	-
	<u>293,929</u>	<u>15,612,035</u>
Less: Short Term portion transferred to Current Liabilities	(99,500)	(31,520)
External Loans	(35,348)	(35,348)
Leases	(64,152)	-
	<u>194,429</u>	<u>15,580,515</u>

The annuity loan of Development bank was fully redeemed during the year. An amount of R 8 294 245 was paid as redemption and the balance and arrear interest were written off by DBSA.
(Refer to Appendix B for more details)

The Lease commitment represents a vehicle lease on behalf of the Mayor of Blue Crane Municipality. The Mayor will be the owner of the vehicle at the end of the lease in 2011.

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
5 CONSUMER DEPOSITS: SERVICES		
Service Deposits	944,022	751,637
	<u>944,022</u>	<u>751,637</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year	119,924,828	97,051,589
Capital expenditure during the year	12,326,664	10,946,765
Less: Assets written off, transferred or disposed of during the year	(19,403,613)	(11,926,474)
Total fixed assets	<u>151,655,105</u>	<u>119,924,828</u>
Less: Loans redeemed and other capital receipts	151,606,309	104,312,793
Nett fixed assets	<u>48,796</u>	<u>15,612,035</u>

(Refer to Appendix C for more details)

7 INVESTMENTS

Name of Bank	Acc Nr	Type		
ABSA Bank	9062642914	Call Acc	881	968
ABSA Bank	2053825035	Fixed Deposit	7,500	7,500
ABSA Bank	2055844786	Fixed Deposit	15,997	14,691
ABSA Bank	2064372621	32 Days	261	248
ABSA Bank	2084303510	32 Days	10,836	10,141
ABSA Bank	9067623600	Call Acc	4,131,098	147,152
ABSA Bank	3064335048	32 Days	19,590	18,315
ABSA Bank	4064313202	32 Days	11,649	10,866
ABSA Bank	5024312404	32 Days	25,734	24,056
ABSA Bank	9064335011	32 Days	11,288	10,610
ABSA Bank	9073206933	32 Days	25,482	23,688
ABSA Bank	9117216620	Call Acc		1,243
ABSA Bank	9117216777	Call Acc		1,384
ABSA Bank	9186985404	Money Market	1,582,092	
ABSA Bank	9186985878	Money Market	51,803	
ABSA Bank	9191350545	Money Market	2,259,389	
Nedbank	1263036023	Money Market	6,844	7,222
Nedbank	18312483	Fixed Deposit	-	4,000
Nedbank	18312491	Fixed Deposit	4,600	4,600
Nedbank	1263034756	Money Market	52,651	48,364
			<u>8,217,695</u>	<u>335,048</u>

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.

Annuity Investments

Investec	1,288,614
	<u>-</u>
	<u>1,288,614</u>

The annuity investment has been transferred to Development Bank SA, to form part of the settlement agreement with DBSA.

See also Note 4 of this Fin Statements

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
12 PROVISIONS		
Leave Pay Provision	2,254,421	1,969,622
Audit Fee Provision	900,000	600,000
D Crous Package	1,400,000	
	<u>4,554,421</u>	<u>2,569,622</u>
Provisions are not cash backed.		
13 CREDITORS		
Trade creditors	4,454,514	7,892,496
DBSA - Interest on Ext Loan in arrears		4,976,821
Nett VAT returns		99,549
VAT Levied on consumers but not yet Paid	1,910,462	2,070,793
Auditor-General		1,195,218
Income Tax		130,324
Consumers paid in advance	327,935	158,226
Insurance claims paid - not yet utilised	273,828	
Health surplus	531,427	
VAT suspense account	275,022	
Sundry Creditors	28,072	65,898
	<u>7,801,260</u>	<u>16,589,325</u>
14 BANK OVERDRAFT		
<i>Current Bank Account: Absa Bank (Acc 2200000008)</i>		
Overdraft bankstatement balance at the end of the year		<u>778,042</u>
Overdraft cashbook balance at the end of the year		968,045
		<u>-</u>
		<u>968,045</u>
15 APPROPRIATIONS		
Appropriation account:		
Accumulated deficit at the beginning of the year	(14,524,085)	(16,646,733)
Operating (deficit)/surplus for the year	19,525	(2,419,997)
	<u>(14,504,560)</u>	<u>(19,066,730)</u>
Less: Appropriations for the year:	4,468,826	4,542,645
Backpay to Councillors		(275,590)
Adjustment to Provision for Bad debts		(181,025)
SDL Levies claimed		123,594
Health drug allocations - prior years		636,935
Trust Funds already spent - mistake in allocations		796,552
Balances of funds for work in progress that is completed		231,165
Provision for Former CFO's Package		(755,962)
MAX Prof VAT Audit Fees		(387,003)
Adjustment on Audit cost for Auditor-General - Previous years		(62,327)
Adjustment on Audit cost for Internal Auditors - Previous years		(92,644)
Traffic Fines not received as raised in 2005/06		(158,560)
Unknown balances of previous years (Charters & Barnes)		1,305,634
Loss on MSS expenditure written off		(669,486)
Nett additional VAT Claims - MAXPROF		344,851
Adjustment on Loans Redeemed and Other receipts		3,775,097
Audit cost for 2006/07 - under provision	(268,172)	
Bigen Africa Professional fees - under provision 2006/07	(266,850)	
SALA Pension Fund arrear increased contribution	(209,271)	
Write-Off arrear Interest - DBSA	4,976,821	
Other adjustments	236,298	(88,586)
Accumulated deficit at the end of the year	<u>(10,035,734)</u>	<u>(14,524,085)</u>
Operating account:		
Capital expenditure - Fixed assets	815,624	415,188
Contributions to:		
- Revolving Fund		
- Provision for bad debts	6,895,821	5,037,128
- Leave Provision	565,752	495,317
	<u>8,277,197</u>	<u>5,947,633</u>

16 CASH GENERATED BY OPERATIONS

(Deficit)/Surplus for the year	19,525	(2,419,997)
Adjustments in respect of:		
- Prior Year Adjustments	4,468,826	4,542,645
Appropriations charged against income	10,577,197	2,953,561
Revolving fund		
Provisions	9,761,573	6,313,471
Adjustment to loans redeemed and other receipts		(3,775,098)
Fixed assets	815,624	415,188
Investment income	(365,656)	(20,839)
Less: Operating contr from Central and Prov. Govmnt	(27,433,786)	(15,699,550)
Capital charges:	8,334,682	2,970,306
Interest Paid on External Loans	9,514	2,942,587
Redemption on External Loans	8,325,168	27,719
Non Operating Expenditure	(9,344,852)	(5,014,997)
- Expenditure charged against funds	(2,116,440)	(3,369,828)
- Expenditure charged against provisions	(7,228,412)	(1,645,169)
Non Operating Income	144,332	226,696
- Income Credited to Funds	144,332	226,696
- Income Credited to Assets		
	(13,599,732)	(12,462,175)

17 (INCREASE)/DECREASE IN WORKING CAPITAL

(Increase)/Decrease in inventory	54,532	(1,431)
(Increase)/Decrease in Debtors, Long term Debtors	1,458,754	(4,662,876)
Increase/(Decrease) in Creditors, Consumers deposits	(8,595,680)	9,245,547
	(7,082,394)	4,581,240

18 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)

Loans raised	245,133	1,178
Loans repaid	(8,325,168)	(27,719)
	(8,080,035)	(26,541)

19 (INCREASE)/DECREASE IN CASH INVESTMENTS

Investments realised	1,288,614	17,980
Investments made	(7,882,647)	
	(6,594,033)	17,980

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
20 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	764,995	(7,857,257)
Less: Cash balance at the end of the year	727,604	764,995
	<u>37,391</u>	<u>(8,622,252)</u>
21 ASSESSMENT RATES		
Valuation of land and improvements :		
All properties	2,241,987,320	270,100,020
The Rateable valuation was R2,190,567,566		
The Valuation was done in 2006 and implemented on 1 July 2007	<u>2,241,987,320</u>	<u>270,100,020</u>
Actual Rateable Income	<u>4,830,137</u>	<u>3,171,274</u>
22 REMUNERATIONS		
22.1 Council		
Mayor's allowance	364,441	384,746
Salary	262,531	264,611
Travelling allowance	87,510	88,203
Telephone allowance	14,400	12,684
Backpay		19,248
Councillor's allowance	1,262,279	1,110,492
Salaries	886,041	779,409
Travelling allowance	295,346	259,803
Telephone allowance	80,892	71,280
Housing allowance		-
Other allowances		
Councillor's Total Allowances	<u>1,626,720</u>	<u>1,495,238</u>

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
22 REMUNERATIONS (continue)		
22.2 <i>Municipal Manager (Only employed for 5 months)</i>		
Annual Remuneration	164,401	51,714
Travel Allowance	50,000	20,000
Municipal Contributions	30,232	2,735
Total for 5 months	<u>244,633</u>	<u>74,449</u>
22.3 <i>Chief Finance Officer/Acting Municipal Manager</i>		
Annual Remuneration	271,917	214,291
Travel Allowance	108,000	96,000
Municipal Contributions	19,475	12,826
Leave Paid Out (new contract)	63,653	
Acting Allowance	116,178	
	<u>579,223</u>	<u>323,117</u>
22.4 <i>Manager: Corporative Services</i>		
Annual Remuneration	327,919	282,510
Travel Allowance	191,691	188,782
Municipal Contributions	21,196	17,784
Acting Allowance	19,243	
	<u>560,049</u>	<u>489,076</u>
22.5 <i>Manager: Health Services</i>		
Annual Remuneration	401,563	366,256
Travel Allowance	96,000	96,000
Municipal Contributions	10,551	1,435
	<u>508,114</u>	<u>463,691</u>
22.6 <i>Manager: Electricity Services (Only employed for 2 months)</i>		
Annual Remuneration	47,600	126,903
Travel Allowance	20,000	67,451
Municipal Contributions	8,825	715
Total for 2 months	<u>76,425</u>	<u>195,069</u>
23 AUDITOR'S REMUNERATIONS		
Audit Fee: Previous year	868,172	1,630,974
Audit Fee: Previous year paid	(868,172)	(435,756)
Audit fees: Provision for Current year	900,000	600,000
Total Audit fees outstanding (included in creditors and provisions)	<u>900,000</u>	<u>1,795,218</u>

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

2008	2007
R	R

24 FINANCE TRANSACTIONS

Total external interest earned or paid

- Interest earned	701,379	20,894
- Interest paid: External loans	9,514	2,942,587
- Interest paid: Overdraft Bank account	144,136	236,736

Capital charges debited to operating account:

Interest:		
- External	9,514	2,942,587
- Internal		
Redemption:		
- External	8,325,168	27,719
- Internal		
	8,334,682	2,970,306

BLUE CRANE ROUTE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

2008	2007
R	R

25 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

The Municipality currently has unresolved labour disputes. No financial value can be assigned to the disputes.

26 RETIREMENT BENEFITS

The employees of the municipality and the municipality contribute to various Pensions, Provident and Retirement Funds. The main funds being SAMWU, SALA and the Cape Joint Retirement Fund.

	Employee	Employee
SAMWU Provident Fund	5.00%	5.00%
SALA Pension Fund	8.60%	8.60%
Cape Joint Retirement Fund.	9.00%	9.00%

27 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure 1,306,666 13,394,720

This expenditure will be funded financed from:-

- Internal Sources		
- External Sources	1,306,666	13,394,720
Other sources		
Government Grants	1,306,666	13,394,720
	1,306,666	13,394,720

28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of unauthorised expenditure

Opening balance		
Unauthorised expenditure current year		
Approved by Council or condoned		
Unauthorised expenditure awaiting authorising	-	-

Reconciliation of wasteful expenditure

Opening balance		
Fruitless and wasteful expenditure current year	152,936	
Approved by Council or condoned	152,936	
Fruitless and wasteful expenditure awaiting condonement	-	-

Reconciliation of irregular expenditure

Opening balance		
Irregular expenditure current year		
Approved by Council or condoned		
Irregular expenditure awaiting condonement	-	-

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30/06/08

	Balance at 30/06/2007 R	Contr. For the year R	Interest received R	Other income R	Operating expenditure during the year R	Capital expenditure during the year R	Balance at 30/06/2008 R
STATUTORY FUNDS							
Revolving fund	6,886,923			32,589			6,919,512
Housing development fund	226,696			144,332			371,028
	<u>7,113,619</u>	<u>0</u>	<u>0</u>	<u>176,921</u>	<u>0</u>	<u>0</u>	<u>7,290,540</u>
RESERVES							
Game Reserve	12,000						12,000
	<u>12,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,000</u>
TRUST FUNDS							
Dr. WH Craib Fund	17,015						17,015
LED Zama Fund	63,158						63,158
Integrated Development Plan	122,809			50,000	155,152		17,657
Zoning Map Fund	30,843						30,843
Pearston Small Farmers Association	4,043				2,280		1,763
Cookhouse 313 Houses	72,041		42		404		71,679
Municipal Administration	10,729				10,729		0
Environmental Impact Study Fund	63,000						63,000
Spatial Development Framework	0			370,200	24,750		345,450
MIG - Revolving Fund	1,470,874		216,735	12,714,976		10,953,477	3,449,108
Cacadu ITC	4,868			65,920	2,977	56,140	11,671
MSIG Funds	15,959		8,597	734,000	309,815		448,741
Fire Management	30,000						30,000
Library Grant - Cacadu	0			507,079	76,226	410,772	20,081
Project Consolidate	0			79,579	64,031		15,548
Water Services Fund	65,000			35,000			100,000
NER Trust Fund	334,726		97,673	2,400,000	438,138		2,394,261
FMG Grant	159,439			500,000	569,256	13,851	76,332
CMIP - Trust Funds	151,861						151,861
Pearston 300 Houses	87,492		34		554		86,972
Free Basic Services Grant				136,000	25,974		110,026
LED Trust Fund			12,642	206,416	201,388		17,670
Housing Funds				177,735	94,003		83,732
Elect Rural Lines				39,600	39,600		0
Molenhof - Cacadu				75,836	75,836		0
Computer Project - Cacadu				87,552		76,800	10,752
KV Overhead Line				13,538	13,538		0
CBP Ward Implementation Plan				250,000	11,789		238,211
DWAF				1,043,796			1,043,796
	<u>2,703,857</u>		<u>335,723</u>	<u>19,487,227</u>	<u>2,116,440</u>	<u>11,511,040</u>	<u>8,899,327</u>

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30/06/08

	Balance at 30/06/2007 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2008 R
EXTERNAL LOANS				
Issued				
Redeemable				
Development bank:				
DBSA @ 17.00% - Bi Annually 30-09-2016	15,532,316	0	15,532,316	0
DBSA @ 11.00% - (Shown as creditor in 2006/07)	0		0	0
ABSA Vehicle % Asset Finance 30-10-2009	79,719		30,923	48,796
TOTAL EXTERNAL LOANS	15,612,035	0	15,563,239	48,796
INTERNAL LOANS				
Internal advances to borrowing services	8,119,132		8,119,132	8,119,132

The Internal Advances could not be linked to any assets and therefore written off during the year.

BLUE CRANE ROUTE MUNICIPALITY
APPENDIX C
ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30/06/08

Expenditure 2007 R		Budget 2008 R	Balance at 30/06/2007 R	Expenditure during the year R	Written off transferred redeemed or disposed R	Balance at 30/06/2008 R
	RATES AND GENERAL SERVICES	14,038,637	80,744,955	12,092,400	(19,545,613)	112,382,968
7,398,802	Community services	2,759,907	63,643,598	1,893,862	(19,538,613)	85,076,073
700,548	Community Services ex Old Pearston TLC		-			-
	IDP		44,613		44,613	-
44,613	Town Planning	12,000	452,528	5,486		458,014
	Bestershoeck and Nature Reserve	11,020				
	Environmental Health Clinics	256,063	279,400	332,434	12,766	599,068
	Commonage and Pound	205,000				
	Council's General Expenses	40,000	6,700	12,122	1,320	17,502
	Estates and Properties	13,590	23,554,917	12,397	(19,409,992)	42,977,306
524,856	Public Works	1,878,374	37,544,842	1,226,504	(177,000)	38,948,346
124,648	Municipal Manager	314,860	695,664	35,180	667,964	62,880
	Financial Services		625,848	218,922	(65,620)	910,390
	Human Resources			34,423	(598,664)	633,087
	MIG Administration	24,000		14,115		14,115
6,431	Traffic	5,000	427,823	2,279	(14,000)	444,102
	Stores		-			-
	Workshop		11,263			11,263
		2,742,783	2,307,212	3,516,440	-	5,823,652
2,307,212	Subsidised services					
	Subsidised services ex old Pearston TLC		-			-
2,138,585	Airfield	2,450,543	2,138,585	3,105,668		5,244,253
	Cemetries		-			-
	Fire Brigade		-			-
168,627	Libraries	197,000	168,627	410,772		579,399
	Parks and Recreation	95,240	-			-
		8,535,947	14,794,145	6,682,098	(7,000)	21,483,243
4,391,042	Economic services					
	Economic Services Ex Old Pearston TLC		-		(7,000)	362,427
	Refuse Removal Services	900,000	300,000	55,427		
	Sanitation and Vacuum Tank Services		-			-
4,391,042	Sewerage Services	7,635,947	14,494,145	6,626,671		21,120,816
		-	-	-	-	-
	HOUSING SERVICES					
	Township administration		-			-
	Housing administration		-			-
		4,201,155	39,179,873	234,264	142,000	39,272,137
3,547,963	TRADING SERVICES					
	Abattoir		-			-
509,913	Electricity Services	3,072,088	15,470,747	205,056	142,000	15,533,803
3,038,050	Water Services	1,129,067	23,709,126	29,208		23,738,334
		18,239,792	119,924,828	12,326,664	(19,403,613)	151,655,105
10,946,765	TOTAL					
	Less: Loans redeemed and other Capital receipts		104,312,793	12,357,587	(34,935,929)	151,606,309
	Loans redeemed and advances repaid		68,445	30,923		99,368
	Contributions from operating income		7,741,257	815,624	(7,972,246)	16,529,127
	Grants and subsidies		96,387,691	11,511,040	(26,963,683)	134,862,414
	Public contributions		115,400			115,400
	NET FIXED ASSETS		15,612,035	(30,923)	15,532,316	48,796

BLUE CRANE ROUTE MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30/06/08

Actual 2007 R		Actual 2008 R	Budget 2008 R
INCOME			
15,699,550	Government - Grants & Subsidies	27,433,786	27,379,321
43,813,869	Operating income	54,045,435	56,983,484
3,171,274	- Assessment Rates	4,830,137	4,802,019
23,223,886	- Sale of Electricity	25,371,254	24,781,351
5,861,857	- Sale of Water	6,184,016	6,086,686
3,690,759	- Refuse	4,033,287	3,980,788
3,292,012	- Sewerage and Sanitation	3,566,692	3,508,265
4,574,081	- Tariffs, Other Service charges and Sundries	10,060,049	13,824,375
20,839	- Interest Received	365,656	250,000
<u>59,534,258</u>	Total Income	<u>81,844,877</u>	<u>84,362,805</u>
EXPENDITURE			
26,544,557	Salaries,wages and allowances	29,156,595	30,917,239
31,010,900	General expenses	33,525,754	34,256,101
12,195,056	- Bulk Purchases - Electricity	13,856,516	12,310,000
	- Bulk Purchases - Water		
18,815,844	- Other General Expenditure	19,669,238	21,946,101
1,656,047	Repairs and maintenance	2,817,721	3,180,000
2,970,306	Capital charges	8,334,682	1,433,173
415,188	Contributions to fixed assets	815,624	3,174,893
5,532,445	Contributions to funds	7,461,573	1,100,000
6,175,188	Less: Charged out	286,597	700,785
<u>61,954,255</u>	Total Expenditure	<u>81,825,352</u>	<u>73,360,621</u> *

MIG Exp/Income is deducted from these figures and is shown in Appendix "A" under Trust Funds

APPENDIX E
BLUE CRANE ROUTE MUNICIPALITY
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30/06/08

Actual Income 2007 R	Actual expenditure 2007 R	Surplus/ (deficit) 2007 R		Actual Income 2008 R	Actual expenditure 2008 R	Surplus/ (deficit) 2008 R	Budget Surplus/(deficit) 2008 R
27,500,342	37,112,864	(9,612,522)	RATES AND GENERAL SERVICES	46,668,684	56,799,399	(10,130,715)	(1,371,660)
20,329,792	27,663,396	(7,333,604)	Community services	31,165,667	43,344,234	(12,178,567)	(7,573,729)
3,171,274	481,347	3,171,274	Assesment rates	4,830,137	597,137	4,830,137	4,802,019
481,347	481,347	-	Billtong Festival	564,172	597,137	(32,965)	(64,129)
2,449,675	3,052,475	(602,800)	Clinics	3,049,154	3,051,249	(2,095)	6,500
90,937	494,904	(403,967)	Commonage and Pound	224,670	1,168,064	(943,394)	(3,482,215)
520,243	2,165,704	(2,165,704)	Coporate Services	434,000	5,610,950	(5,610,950)	(5,130,883)
432,888	2,364,788	(1,844,545)	Council's General Expenses	526,359	2,148,233	(1,714,233)	(1,973,895)
11,519,339	593,333	(160,445)	Environmental Health	17,918,772	466,230	60,129	(28,776)
433,711	10,389,171	1,130,168	Financial Services	158,007	18,296,856	(378,084)	5,379,879
220,599	1,783,797	(1,350,086)	Housing Administration	592,124	-	-	-
865,770	2,957,575	(2,736,976)	Properties and Leasing	276,275	2,323,708	(2,165,701)	(2,629,608)
144,009	1,716,687	(1,716,687)	Public Works	2,392,551	4,475,832	(3,883,708)	(4,238,580)
174,551	1,012,967	(147,197)	Municipal Manager	199,446	1,897,907	(1,897,907)	(2,012,321)
32,406	1,012,967	(147,197)	MIG Administration	4,162	258,473	17,802	-
17,339	1,012,967	(147,197)	Traffic	4,162	2,540,480	(147,929)	1,653,584
124,806	650,648	(506,639)	Stores	15,498,855	509,115	(309,669)	144,696
6,995,999	650,648	(506,639)	Workshop	4,162	509,115	(309,669)	144,696
3,691,356	650,648	(506,639)	Subsidised services	15,498,855	11,253,576	4,245,279	6,651,174
3,304,643	650,648	(506,639)	Cemetries & Open Spaces	9,096,510	7,435,543	1,660,967	2,644,388
32,033,916	2,880,780	(2,706,229)	Fire Brigade	6,402,345	3,818,033	2,584,312	4,006,786
25,333,847	1,038,157	(1,005,751)	Libraries	35,176,193	25,025,953	10,150,240	12,373,844
6,700,069	145,055	(145,055)	Parks and Recreation	27,772,356	19,572,630	8,199,726	8,416,616
32,033,916	1,175,240	(1,157,901)	Economic services	7,403,837	5,453,323	1,950,514	3,957,228
6,995,999	522,328	(397,522)	Refuse	35,176,193	25,025,953	10,150,240	12,373,844
3,691,356	522,328	(397,522)	Sewerage and Sanitation	27,772,356	19,572,630	8,199,726	8,416,616
3,304,643	522,328	(397,522)	TRADING SERVICES	7,403,837	5,453,323	1,950,514	3,957,228
32,033,916	24,841,391	7,192,525	Electricity	35,176,193	25,025,953	10,150,240	12,373,844
25,333,847	21,395,493	3,938,354	Water	27,772,356	19,572,630	8,199,726	8,416,616
6,700,069	3,445,898	3,254,171	TOTAL	7,403,837	5,453,323	1,950,514	3,957,228
59,534,258	61,954,255	(2,419,997)		81,844,877	81,825,352	19,525	11,002,184
	4,542,645	4,542,645	Appropriations for the year (refer to note 19)			4,468,826	
	2,122,648	2,122,648	Nett surplus/(deficit) for the year			4,488,351	
	(16,646,733)	(16,646,733)	Accumulated deficit at the beginning of the year			(14,524,085)	
	(14,524,085)	(14,524,085)	ACCUMULATED DEFICIT AT THE END OF THE YEAR			(10,035,734)	

BLUE CRANE ROUTE MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION FOR THE YEAR ENDED 30/06/08

		<u>2008</u>	<u>2007</u>
a) General statistics			
- Population		34,357	34,357
- Valuation of "taxable" property			
- Residential	Rand	2,241,987,320	150,021,619
- Commercial	Rand	included in above amount	3,223,210
- Assessment rates:			
Somerset East properties	Rand	See below	0.01409
Pearston properties	Rand	See below	0.01409
Cookhouse properties	Rand	See below	0.01409
Clevedon properties	Rand	See below	0.00987
Unvalued properties	Rand	See below	0.01409
Farmers:			
Up to R100 000 valuation - Tariff less 90% rebate		0.01409	
From R100 001 valuation - Tariff less 60% rebate less 90%		0.01409	
Business:			
Up to R100 000 valuation - Tariff		0.01409	
From R100 001 valuation - Tariff less 60% rebate			
Residential:			
R15 000 exemption on total valuation			
From R15 001 to R100 000 valuation - Tariff		0.01409	
From R15 001 with a valuation more than R100 001 - Tariff less 60% rebate		0.01409	
State/Government:			
On the full valuation - Tariff less 20% rebate		0.01409	
Infrastructure:			
On the full valuation - Tariff less 70% rebate		0.01409	
- Number of residential properties		8,996	7,128
- Number of employees		293	285
b) Electricity statistics			
- Units bought	Kwh	70,016,449	66,173,020
- Units sold	Kwh	62,840,486	58,818,198
- Units lost in distribution	Kwh	7,175,963	7,354,822
- Units lost as a percentage	Perc	10.25%	11.11%
c) Water statistics			
- Units purified	Kl	N/A	N/A
- Units sold	Kl	N/A	N/A
- Units lost in distribution	Kl	N/A	N/A
- Units lost as a percentage	Perc	N/A	N/A