



**Annual Financial Statements  
2007/2008**

**EC 123**

**GREAT KEI MUNICIPALITY**  
**YEAR ENDED 30 JUNE 2008**

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# GREAT KEI MUNICIPALITY

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## MAYOR'S FOREWORD

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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 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 councilors, 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.

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N Tekile  
**MAYOR**

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**GREAT KEI MUNICIPALITY**  
**GENERAL INFORMATION**  
**YEAR ENDED 30 JUNE 2008**

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**MEMBERS OF THE COUNCIL**

Councillors

N Tekile (Mayor / Speaker)	African National Congress
M Mali (Chairperson: - Finance)	African National Congress
W Hollington	Democratic Alliance
N George	African National Congress
N Moli	African National Congress
N Dyani (Chairperson: - LED and Environmental)	African National Congress
N Pan (Chairperson: - Special Needs and Health)	African National Congress
M Kema	African National Congress
W Ndoro	African National Congress
Z Blom	African National Congress
Z Mpondo (Chairperson: - Infrastructure)	African National Congress

The council is a plenary council comprising 12 members, including Mr Tekile, who fulfills the role of both speaker and mayor. The chairperson's of all standing committee's serve on the council as indicated above.

The political affiliation of all councillors is reflected above. At present, the Independent Democrats are not represented on the council, however, their seat has been declared vacant to the Independent Electoral Commission.

**GRADING OF LOCAL AUTHORITY**

Great Kei Municipality is a Grade 2 Local Authority

**AUDITORS**

Office of the Auditor General - East London  
69 Frere Road  
Trust Building  
Vincent  
East London

**GREAT KEI MUNICIPALITY**  
**GENERAL INFORMATION**  
**YEAR ENDED 30 JUNE 2008**

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**LEGAL ADVISORS**

Gravett Schoeman Van Rensburg & Moodley Inc  
4 Derby Road  
Berea  
East London

**BANKERS**

The Standard Bank of South Africa  
CNR Main and Station Streets  
Komga

ABSA Bank  
85 Oxford Street  
East Lonfon  
(Notification has been sent to ABSA to close this account)

**REGISTERED OFFICE**

P O Box 21  
Komga  
Station Street, Komga

Telephone : 043 831 1028  
Facsimile : 043 831 1306

**MUNICIPAL MANAGER & ACCOUNTING OFFICER**

Andile Arnold Sihlahla

Telephone : 043 831 1028

**CHIEF FINANCIAL OFFICER**

Puleng Gwana

Telephone : 043 831 1028

**APPROVAL OF FINANCIAL STATEMENTS**

The **Annual Financial Statements** as set out on pages 4 to 25 were approved by the Municipal Manager and

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

on the .....

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**MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY**  
Andile Arnold Sihlahla

.....  
**CHIEF FINANCIAL OFFICER: GREAT KEI MUNICIPALITY**  
Puleng Gwana

**GREAT KEI MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT**  
**YEAR ENDED 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 June 2008 are as follows:

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
<b>Income:</b>					
Opening Surplus	(10,321,002)	(13,776,814)			
Sundry Transfers	707,517	-			
Operating income for the year	19,122,720	22,971,978	20.1	16,556,397	(38.7)
	<b>9,509,235</b>	<b>9,195,165</b>		<b>16,556,397</b>	
<b>Expenditure</b>					
Operating expenditure for the year	23,286,049	19,335,204	(17.0)	18,160,978	(6.5)
Contributions to approved funds					
Closing deficit	(13,776,814)	(10,140,040)		(1,604,581)	
	<b>9,509,235</b>	<b>9,195,165</b>		<b>16,556,397</b>	
<b>Significant variances:</b>					
The municipality actual exceeded their budgeted expenditure. Actual Income exceeded their budgeted expenditure. This was due to additional grants being received during the financial year.					

**1.1 Rates and General Services**

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
Income	16,999,944	22,971,978	35.1	16,556,397	(38.7)
Expenditure	20,723,455	19,335,204	(6.7)	18,160,978	(6.5)
<b>Deficit</b>	<b>(3,723,511)</b>	<b>3,636,774</b>	<b>(197.7)</b>	<b>(1,604,581)</b>	<b>326.6</b>
Deficit as % of total income	(22)	16			
<b>Significant variances:</b>					
The municipality exceeded their budgeted income target for the year.					

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

**Electricity Service**

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
Income	2,106,017	1,660,638	(21.1)	-	0.0
Expenditure	2,562,594	1,969,611	(23.1)	-	0.0
<b>(Deficit)/Surplus</b>	<b>(456,577)</b>	<b>(308,973)</b>		<b>-</b>	
Surplus/(deficit) as % total income	(22)	(19)			
<b>Significant variances:</b>					
Electricity income decreased during the year.					

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**GREAT KEI MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT**  
**YEAR ENDED 30 JUNE 2008**

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**2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year amounted to R 6,176,826 (2007 - R 5,642,989).

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 2008 amounted to R 5,409,437 including current portion and all arrears (2007 - R 5,174,301). Various loans were taken over by the Amathole District Municipality in the prior year.

Cash resources and short-term deposits less bank overdraft at 30 June 2008 amounted to a surplus of R 5,431,853 (2007 - R 2,138,430) This amount excludes project, statutory and reserve funds.

External Investments relating to projects, statutory and reserve funds as at 30 June 2008 amounted to R 5,542,396 (2007 - R 1,778,790)

Trust funds as at 30 June 2008 amount to R 4,065,232 (2007: R 1,766,813)

More information regarding loans and investments is 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 municipality's financial statements

**5. EXPRESSION OF APPRECIATION**

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

**6. GRANTS RECEIVED NOT BUDGETED FOR**

During the course of the year, the municipality received the following grant from the Department of Local Government and Traditiona Affairs:

Bail-out money for court settlement	R 1,500,000
Funds to pay the Auditor General	R 900,000
Funds to acquire trucks	<u>R 2,000,000</u>
	R 4,400,000

**7. DISCIPLINARY STEPS AS A RESULT OF LOSSES**

Disciplinary action was instituted against two employees for theft during the financial year. One employee, Lusanda Mtetho, was dismissed after a disciplinary hearing, and another resigned prior to her hearing.

**8. PAYMENT OF SERVICES - MUNICIPAL MANAGER AND CHIEF FINANCIAL OFFICER**

An arrangement has been made for the MM and the CFO for municipal services to be deducted directly from salary as only rent money was deducted.

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**GREAT KEI MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT**  
**YEAR ENDED 30 JUNE 2008**

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**7. GENERAL**

Positive occurrences in the prior year have been identified as follows:

- The budget has been balanced.
- A surplus has been earned
- A permit has been obtained for the mining of borrow pits

Room for improvement has been identified in the following area's:

- Performance of monthly reconciliations
- VAT calculations and payments
- Providing a subsidy for refuse to indigent debtors

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**MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY**  
Andile Arnold Sihlahla



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**GREAT KEI MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**YEAR ENDED 30 JUNE 2008**

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**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 Finance Officers 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 an accrual 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 in which 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, and electricity 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 lives 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.

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**GREAT KEI MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**YEAR ENDED 30 JUNE 2008**

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- 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.

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 using the FIFO (First-in, first-out) method

**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.

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**GREAT KEI MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**YEAR ENDED 30 JUNE 2008**

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**8. Surpluses and deficits**

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

**9. 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.

**10. Income recognition**

11.1 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.

11.2 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 2008**

	Note	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		3,431,289	3,199,703
Statutory Funds	1	3,428,243	3,196,855
Reserves	2	3,047	2,848
RETAINED INCOME / (ACCUMULATED DEFICIT)		(10,140,040)	(13,776,814)
		(6,708,751)	(10,577,111)
TRUST FUNDS	3	4,065,232	1,766,813
LONG TERM LIABILITIES	4	3,222,648	3,923,662
CONSUMER DEPOSITS: SERVICES	5	100,239	98,455
		<b>679,368</b>	<b>(4,788,181)</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	8	101,470	165,266
FIXED ASSETS	6	3,934,580	4,325,387
INVESTMENTS	7	9,407,599	3,618,714
		13,443,649	8,109,367
NET CURRENT ASSETS		(12,764,282)	(12,897,548)
CURRENT ASSETS		6,409,377	4,731,467
Stock	9	223,165	223,165
Debtors	10	4,619,562	4,209,796
Cash Resources	11	1,566,650	298,506
CURRENT LIABILITIES		19,173,658	17,629,015
Creditors	13	18,450,349	17,298,236
Current Portion of Long Term Liabilities	4	362,173	-
Provisions	12	361,136	330,779
		<b>679,368</b>	<b>(4,788,181)</b>

**GREAT KEI MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
<b>16,999,944</b>	<b>20,723,455</b>	<b>(3,723,511)</b>	<b>RATES AND GENERAL SERVICES</b>	<b>22,971,978</b>	<b>19,335,204</b>	<b>3,636,774</b>	<b>(1,604,581)</b>
15,110,469	18,063,743	<b>(2,953,274)</b>	Community services	-	-	-	-
156,526	1,810,683	<b>(1,654,157)</b>	Subsidised services	-	-	-	-
1,732,949	849,029	<b>883,920</b>	Economic services	-	-	-	-
-	-	-	Accounting Officer	2	4,207,632	<b>(4,207,630)</b>	(2,598,884)
-	-	-	Budget and Treasury	18,468,646	2,492,358	<b>15,976,288</b>	4,719,371
-	-	-	Community Services	660,383	1,507,595	<b>(847,212)</b>	886,369
-	-	-	Corporate Services	182,449	3,501,849	<b>(3,319,400)</b>	-
-	-	-	Council	-	2,293,100	<b>(2,293,100)</b>	(3,133,494)
-	-	-	Technical Services	3,660,498	5,332,671	<b>(1,672,173)</b>	(1,477,943)
2,122,776	2,562,594	(439,818)	<b>TRADING SERVICES</b>	-	-	-	-
<b>19,122,720</b>	<b>23,286,049</b>	<b>(4,163,330)</b>	<b>TOTAL</b>	<b>22,971,978</b>	<b>19,335,204</b>	<b>3,636,774</b>	<b>(1,604,581)</b>
		707,517	Appropriations for the year (refer note 19)			-	
		(3,455,812)	NET SURPLUS (DEFICIT) FOR THE YEAR			3,636,774	
		(10,321,002)	Accumulated deficit beginning of the year			(13,776,814)	
		<b>(13,776,814)</b>	ACCUMULATED DEFICIT END OF THE YEAR			<b>(10,140,040)</b>	

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

	NOTES	2008 R	2007 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		<b>13,572,694</b>	<b>11,251,698</b>
Cash utilised in operations	18	(17,271,483)	(12,251,783)
Investment income		389,719	116,277
Decrease in working capital	19	807,927	4,312,570
		<hr/>	<hr/>
		(16,073,837)	(7,822,937)
Less: External interest paid		(597,308)	(470,962)
		<hr/>	<hr/>
<b>Cash utilised in operations</b>		<b>(16,671,146)</b>	<b>(8,293,899)</b>
Net Proceeds on disposal of fixed assets		-	1,960,915
Cash contributions from the public and the State		30,243,840	17,584,681
		<hr/>	<hr/>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>(6,176,826)</b>	<b>(5,642,989)</b>
Investment in fixed assets		(6,176,826)	(5,642,989)
		<hr/>	<hr/>
<b>NET CASH FLOW</b>		<b><u>7,395,868</u></b>	<b><u>5,608,708</u></b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
(Decrease) in Long Term Liabilities	20	(338,841)	(1,901,057)
(Increase) in Cash	22	(1,268,143)	(175,820)
(Increase) in External Cash Investments	21	(5,788,884)	(3,531,831)
		<hr/>	<hr/>
<b>NET CASH UTILISED</b>		<b><u>(7,395,868)</u></b>	<b><u>(5,608,708)</u></b>

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	3,425,729	3,194,510
Dog Tax Fund (Invested as per note 7)	2,514	2,346
	<u>3,428,243</u>	<u>3,196,855</u>
<b><u>The revolving fund is represented by:</u></b>		
Investments (Note 7)	1,471,604	6,784
Advances to borrowing services	349,760	401,725
Long Term Loans	101,470	165,266
	<u>1,922,834</u>	<u>573,775</u>
<i>(Refer to Appendix A for more details, note that the fund is not fully cash-backed)</i>		
<b>2. RESERVES</b> (Invested as per note 7)	<u>3,047</u>	<u>2,848</u>
<i>(Refer to Note 7 and Appendix A for more details)</i>		
<b>3. TRUST FUNDS</b>		
As detailed in Appendix A	<u>4,065,232</u>	<u>1,766,813</u>
<i>(Refer to Note 7 and Appendix A for more details)</i>		
<b>4. LONG-TERM LIABILITIES</b>		
Development Bank of South Africa	3,584,821	3,923,662
Less: Current portion of Long Term Liabilities	(362,173)	
	<u>3,222,648</u>	<u>3,923,662</u>
<i>(Refer to Appendix B for more detail)</i>		
<i>DBSA has been approached to waive the interest and re-schedule the payments of the loan</i>		
<i>A loan relating to Water, Sanitation and Sewerage has been taken over by the Amathole District Municipality, however, the DBSA still reflects this loan as being in the name of the Great Kei Municipality. This loan has not been included as a liability in the financial statements, with the exception of a portion of the loan which is under dispute, as the funds were used for buildings rather than sewerage. The Auditor General has quantified this amount as R996,324.</i>		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service Deposits	<u>100,239</u>	<u>98,455</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	26,547,460	20,904,471
Capital expenditure during the year	6,176,826	5,642,989
<b>Total fixed assets</b>	<u>32,724,286</u>	<u>26,547,460</u>
<b>Less:</b> Loans redeemed and other capital receipts	<u>28,789,705</u>	<u>22,222,073</u>
<b>NET ASSETS</b>	<u>3,934,580</u>	<u>4,325,387</u>
<i>(Refer to Appendix C for more details)</i>		

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R	
<b>7. INVESTMENTS</b>			
Project Investments	4,065,232	1,766,813	
Reserve Investments	3,047	2,848	
Dog Tax Investment	2,514	2,346	
Revolving Fund Investments	1,471,604	6,784	
Operating Account Investments	3,865,203	1,839,924	
	<u>9,407,599</u>	<u>3,618,714</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>			
<b>8. LONG TERM DEBTORS</b>			
Squash Club Loan	8,345	10,496	
Bowling Green Club Loan	15,853	18,206	
Car Loan Mr Gwavu	37,944	37,944	
Car Loan Mr Ngqele	39,328	39,328	
Car Loan Mr Dicks	-	59,293	
	<u>101,470</u>	<u>165,266</u>	
<b>9. STOCK</b>			
Stock represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock. Stock is divided into different services: Rate and general	<u>223,165</u>	<u>223,165</u>	
<b>10. DEBTORS</b>			
Current Debtors (Consumers and others)	3,600,446	3,512,649	
VAT Control	3,325,519	1,773,907	
Sundry Debtors	666,718	1,882,488	
<b>Less:</b> Provision for Doubtful Debts	(2,973,121)	(2,959,249)	
	<u>4,619,562</u>	<u>4,209,796</u>	
<p>VAT returns for the 2006/07 financial year have been submitted. As the municipality both owes money to and is entitled to a refund from SARS, the municipality is attempting to have these two amounts netted-off.</p> <p>A service provider has been engaged to update VAT.</p>			
<b>11. CASH AND CASH EQUIVALENT</b>			
Operating Account	Standard Bank 28 072 096 3	83,339	101,724
Operating Account	ABSA 7 0014 6707	532,783	21,711
Traffic Services Account	Standard Bank 28 597 345 2 & 28 5946 11 0	949,527	175,072
Cash Floats		1,000	-
		<u>1,566,650</u>	<u>298,506</u>
<b>12. PROVISIONS</b>			
Leave Pay Provision	361,136	330,779	
	<u>361,136</u>	<u>330,779</u>	



**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>13. CREDITORS</b>		
Creditors	3,443,841	4,453,384
VAT Provision	-	55,171
Department of Transport - MVR	24,716	191,208
Kei Mouth Housing Project Creditors	23,822	23,822
MIG Project	832,863	76,443
Salaries and Wages Control Account	1,795,192	1,678,656
SARS - PAYE/UIF/SDL	41,638	41,638
Project Creditors	10,101,487	9,527,274
DBSA Arrears Account	2,186,789	1,250,640
	18,450,349	17,298,236
 <i>Project Creditors</i>		
These amounts have arisen as a result of previous years' mismanagement and relate to trust monies used for operating purposes		
 <i>VAT</i>		
Arrangements have been made with SARS to off-set the monies owed in respect of the 2006/07 financial years. A VAT audit has been performed by SARS but not processed. Discussions are presently being held to resolve the matter.		
 <b>14. ASSESSMENT RATES</b>		
Actual Rateable Income	3,596,556	3,485,682
<u>The basic rate on land and improvements was as follows (Cents per Rand): -</u>		
<u>Composite</u>		
- Komga	-	0.01540
<u>Residential</u>		
- Komga	0.02115	
- Kei Mouth	0.02115	0.03940
- Morgan Bay	0.02115	0.03940
- Cintsa East	0.02115	0.04060
- Haga Haga	0.02115	0.03650
<u>Business</u>		
- Komga	0.02472	
- Kei Mouth	0.02472	0.04950
- Morgan Bay	0.02472	0.04950
- Cintsa East	0.02472	-
- Haga Haga	0.02472	-
<u>State</u>		
- Kei Mouth	0.02472	0.03940
- Morgan Bay	0.02472	0.35510
- Cintsa East	0.02472	-
- Haga Haga	0.02472	0.02880
<u>Township</u>		
- Kei Mouth	0.02115	0.01830
<u>Building Clauses</u>		
- Kei Mouth	-	0.00260
- Morgan Bay	-	0.00260
 The last valuation in Komga came into effect on 1 July 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

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>15. AUDITOR'S REMUNERATION</b>		
Audit fees	445,303	952,352
Amount owing in respect of audit fee's at year end	1,239,014	1,631,368
<b>16. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	127,008	37,242
- Interest paid	624,302	502,049
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	597,308	460,841
- Interest paid on internal loans	26,993	31,088
- Redemption of external loans	338,841	329,544
- Redemption of internal loans	51,965	61,616
	1,015,108	883,089
<b>17. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated deficit at the beginning of the year	(13,776,814)	(10,321,002)
Operating (deficit)/surplus for the year	3,636,774	(4,163,330)
	(10,140,040)	(14,484,332)
<u>Less: Appropriations for the year:</u>		
- Prior year adjustments	-	707,517
Accumulated deficit at the end of year	(10,140,040)	(13,776,814)
<b>Operating account</b>		
Capital expenditure - Fixed assets	271,327	1,241,163
Contributions to:		
- Revolving Fund	261,426	1,697,235
	532,754	2,938,397
<b>18. CASH UTILISED IN OPERATIONS</b>		
<b>Surplus / (Deficit) for the year</b>	<b>3,636,774</b>	<b>(3,455,812)</b>
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	-	707,517
<u>Appropriations charged against income:</u>	<b>546,626</b>	<b>62,976</b>
- Revolving Fund	261,426	238,669
- Provisions	13,872	(1,416,855)
- Fixed Assets	271,327	1,241,163
Investment income (operating account)	(418,087)	(116,277)
<u>Capital charges</u>	<b>1,015,108</b>	<b>883,089</b>
Interest Paid on External Loans	597,308	460,841
Interest Paid on Internal Loans	26,993	31,088
Redemption of External Loans	338,841	329,544
Redemption of Internal Loans	51,965	61,616
Grants and Subsidies Received from the State	(14,702,803)	(10,672,806)
<u>Non Operating Expenditure</u>	<b>(7,060,550)</b>	<b>(1,505,100)</b>
- Expenditure charged against funds	(7,090,907)	(804,298)
- Expenditure charged against provisions	30,357	(700,802)
<u>Non Operating Income</u>	<b>(288,551)</b>	<b>1,844,629</b>
- Transfers to funds and reserves	(456,253)	-
- Income Credited to funds and reserves	278,582	79,035
- Income Credited to assets	(110,880)	1,765,594
	(17,271,483)	(12,251,783)

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>19. DECREASE IN WORKING CAPITAL</b>		
(Increase) / Decrease in Debtors, Long Term Debtors	(345,971)	1,073,468
(Decrease) / Increase in Creditors, Consumer Deposits	1,153,897	3,239,101
	<u>807,927</u>	<u>4,312,570</u>
<b>20. (DECREASE) IN LONG-TERM LIABILITIES</b>		
Loans repaid	(338,841)	(1,901,057)
	<u>(338,841)</u>	<u>(1,901,057)</u>
<b>21. (INCREASE) IN EXTERNAL CASH INVESTMENTS</b>		
Investments Realised	(5,788,884)	(3,531,831)
	<u>(5,788,884)</u>	<u>(3,531,831)</u>
<b>22. (INCREASE) IN CASH ON HAND</b>		
Cash Surplus / (Deficit) at the beginning of the year	298,506	122,686
Less: Cash Surplus / (Deficit) at end of year	1,566,650	298,506
	<u>(1,268,143)</u>	<u>(175,820)</u>
<b>23. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
The municipality has no other contingent liabilities nor any contractual obligations.		
<b>24. RETIREMENT BENEFITS</b>		
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%	20.78%
Cape Joint Retirement Fund	9.00%	18.00%
SAMWU Provident Fund	5.00%	12.00%
Councilor's Pension Fund *	100.00%	0.00%
The total employee contribution to the funds is: -	<u>R 557,997</u>	<u>R 502,864</u>
Balance outstanding in respect of pension payments	122,913	
* The council no longer contributes towards the councilors pension fund		
<b>25. CAPITAL COMMITMENTS</b>		
<u>Commitments in respect of capital expenditure</u>	1,577,530	12,186,000
Capital Expenditure Approved not contracted	1,577,530	8,164,000
Capital Expenditure Approved and contracted	-	4,022,000
This expenditure will be funded from: -		
- Internal Sources	-	-
- External Sources	1,577,530	12,186,000
Other Sources	-	-
National Government	1,577,530	12,186,000
	<u>1,577,530</u>	<u>12,186,000</u>

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	<b>2008 R</b>	<b>2007 R</b>
<b>26. COUNCILLOR'S REMUNERATION</b>		
<b>Mayor's allowance:</b>	175,813	493,497
Allowance	112,853	301,561
Travelling allowance	40,161	96,243
Other allowances	16,667	9,528
Back Pay	5,266	62,573
Council Contributions	865	23,592
<b>Councillors' allowances:</b>	1,636,682	1,636,898
Allowance	1,013,080	984,575
Travelling allowance	369,070	313,289
Other allowances	178,385	81,632
Back Pay	64,393	166,805
Council Contributions	11,754	90,597
<b>Total Allowances</b>	<u>1,812,495</u>	<u>2,130,395</u>
<b>27. DIRECTORS AND OFFICIALS REMUNERATION</b>		
<b>Municipal Manager</b>	514,836	234,439
Salary	290,100	132,523
Travelling allowance	118,263	54,108
Other allowances	106,473	36,622
Leave paid out	-	11,187
<b>Other Senior Manager</b>	795,617	1,156,085
Salary	456,580	621,827
Travelling allowance	187,422	267,078
Other allowances	130,736	224,733
Leave paid out	20,879	42,448
<b>Total Remuneration</b>	<u>1,310,453</u>	<u>1,390,524</u>
The municipality's employees cost spend as a percentage of total spend is: -	<b>49.8%</b>	<b>43.6%</b>
South African Revenue Services - PAYE per payroll	R 931,268	R 894,561
South African Revenue Services - SDL per payroll	R 61,351	R 63,544
Medical Aid Contributions	R 710,946	R 656,786
Balances Outstanding in respect of the above		
South African Revenue Services - PAYE per payroll	R 1,383,410	R 1,368,911
South African Revenue Services - SDL per payroll	R 10,840	R 41,638
Medical Aid Contributions	R 78,298	R -
<b>28. POST BALANCE SHEET EVENTS</b>		
No material post balance sheet events have been identified.		

**GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008**

	2008 R	2007 R
<b>29. UNAUTHORISED EXPENDITURE</b>		
During the current year the following department's actual expenditure exceeded the budgeted expenditure: -		
Administration	-	4,331,972
Engineering Services	-	827,843
Library	-	23,038
Local Economic Development	-	99,888
Social Amenities	-	701,290
Accounting Officer	1,128,247	-
Technical Services	(2,934,096)	-
Community Services	666,652	-
Whispering Waves	39,402	-
Corporate Services	512,394	-
Information Technology	469,738	-
Administration and Assets	1,843,598	-
<b>Total</b>	<b><u>1,725,935</u></b>	<b><u>5,984,031</u></b>

The technical services actual spend as a directorate was less than the budgeted amount. Technical services includes the following departments: - Streets and Roads, Refuse, Electricity and Town Planning.

The expenditure listed above has been forwarded to the council for approval. At the date of finalisation of the financial statements, this approval was still outstanding.

**30. COMPARATIVE INFORMATION**

During the current financial year the municipality realigned their departments and budget to comply with the National Treasury regulations. The municipality has not shown comparative information for the new departments.

**GREAT KEI MUNICIPALITY**  
**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**  
**YEAR ENDED 30 JUNE 2008**

	Balance at 30 June 2007 R	Contributions during year R	Interest on Investments R	Other Income R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2008 R
<b>STATUTORY FUNDS</b>							
Revolving Fund	3,194,510	261,426	80,676	(110,880)	3		3,425,729
Dog Tax	2,346		168				2,514
	<b>3,196,855</b>	<b>261,426</b>	<b>80,844</b>	<b>(110,880)</b>	<b>3</b>	<b>-</b>	<b>3,428,243</b>
<b>TRUST FUNDS</b>							
<b><u>Cash Backed Funds</u></b>							
Pilot Housing	1,405		35		108		1,333
Township Register	1,175		30		108		1,098
Kei Mouth Peoples Housing Project	10,064		321				10,385
Electricity Project	3,734		105				3,840
CMIP / MIG	1,744,718	4,768,539	47,235			4,982,961	1,577,530
Town Planning	3,008		212				3,220
MSP Fund / Stabilisation Fund	1,397	3,000,000	77,936	(456,253)	23,434	467,044	2,132,602
Siviwe Housing Project	1,312		63				1,375
FMG Fund		1,500,000	67,959	89,903	1,572,249		85,612
MSIG Fund		367,000	16,140	(89,903)	45,000		248,237
	<b>1,766,813</b>	<b>9,635,539</b>	<b>210,037</b>	<b>(456,253)</b>	<b>1,640,899</b>	<b>5,450,005</b>	<b>4,065,232</b>
<b><u>RESERVES</u></b>							
Scheme Regulation Funds	2,848		199				3,047
	<b>2,848</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,047</b>

**APPENDIX A**

**GREAT KEI MUNICIPALITY**  
**EXTERNAL LOANS AND INTERNAL ADVANCES**  
**YEAR ENDED 30 JUNE 2008**

	Rate	Repayment Terms	Termination	Balance at 30 June 2007 R	Received during the year R	Redeemed/ written off during year R	Transfer to ADM R	Balance at 30 June 2008 R
<b>EXTERNAL LOANS</b>								
Development Bank of South Africa (Roads & Drainage)	14.5%	Bi Annually	30-Jun-2014	445,270		40,454		404,815
Development Bank of South Africa (Municipal Building)	11.0%	Bi Annually	30-Jun-2014	2,482,068		298,387		2,183,682
Development Bank of South Africa (Municipal Building)	15.0%	Bi Annually	30-Jun-2019	996,324				996,324
				<u>3,923,662</u>	<u>-</u>	<u>338,841</u>	<u>-</u>	<u>3,584,821</u>
<b>INTERNAL LOANS</b>								
<u>Internal advances to borrowing services:</u>								
Internal Loans (Old Kei Mouth)		Various Loans (Schedules in working paper)		401,725		51,965		349,760
				<u>401,725</u>	<u>-</u>	<u>51,965</u>	<u>-</u>	<u>349,760</u>

**APPENDIX B**

Note that the above redemption represents amounts transferred to the DBSA arrears account. No physical repayment has been made.

**GREAT KEI MUNICIPALITY  
ANALYSIS OF FIXED ASSETS  
YEAR ENDED 30 JUNE 2008**

2007 Expenditure		Balance at 30 June 2007	Expenditure during year	Redeemed, trans- ferred or written off during year	Transfer to ADM	Balance at 30 June 2008
R		R	R	R	R	R
<b>5,642,989</b>	<b>Rates &amp; General Services</b>	<b>22,643,208</b>	<b>6,176,826</b>	-	-	<b>28,820,034</b>
<b>4,457,840</b>	<b>Community services</b>	<b>20,561,713</b>	<b>5,762,715</b>	-	-	<b>26,324,428</b>
2,391,764	Land and Buildings	11,924,764	225,936			12,150,700
-	General Improvements	139,639	-			139,639
81,300	Streets & Stormwater	1,946,941	2,751,872			4,698,813
-	Plant, Vehicles and Equipment	2,653,226	43,350			2,696,576
436,247	Community Halls	842,439	-			842,439
-	Cintsa Assets	757,842	1,280,121			2,037,963
408,177	Town Treasury	719,620	1,461,436			2,181,056
-	Traffic Services	436,890	-			436,890
1,140,351	Rescue Equipment	1,140,351	-			1,140,351
<b>1,185,150</b>	<b>Subsidised Services</b>	<b>1,880,874</b>	<b>4,423</b>	-	-	<b>1,885,297</b>
-	Library	-	-			-
-	Plant, Vehicles and Equipment	332,870	-			332,870
1,185,150	Parks & Recreation	1,548,004	4,423			1,552,427
-	<b>Economic Services</b>	<b>200,621</b>	<b>409,688</b>	-	-	<b>610,309</b>
-	Sewerage & Sanitation	-	-			-
-	Plant, Vehicles and Equipment	170,621	-			170,621
-	Refuse Services	30,000	409,688			439,688
-	<b>Trading Services</b>	<b>3,904,252</b>	-	-	-	<b>3,904,252</b>
-	Electricity Services	3,904,252	-			3,904,252
-	Water Services	-	-			-
<b>5,642,989</b>	<b>TOTAL FIXED ASSETS</b>	<b>26,547,460</b>	<b>6,176,826</b>	-	-	<b>32,724,286</b>
<b>(10,583,805)</b>	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>(22,222,073)</b>	<b>6,176,826</b>	<b>390,806</b>	-	<b>28,789,705</b>
(3,629,402)	Loans redeemed and advances paid	505,563		390,806		896,369
1,241,163	Contributions from operating income	9,143,738	271,327			9,415,066
(8,195,566)	Grants and subsidies	12,572,773	5,905,499			18,478,271
<b>16,226,794</b>	<b>NET FIXED ASSETS</b>	<b>4,325,387</b>	-	<b>(390,806)</b>	-	<b>3,934,580</b>

**APPENDIX C**



**GREAT KEI MUNICIPALITY  
ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
YEAR ENDED 30 JUNE 2008**

2007 Actual R		2008 Actual R	2008 Budget R
<b>INCOME</b>			
10,672,806	Grants and Subsidies	14,702,803	11,368,000
8,412,672	Operating income	8,142,167	5,188,397
3,485,682	Assessment Rates	3,596,556	3,441,471
2,106,017	Electricity Charges	1,660,638	615,557
16,606	Water Charges	-	-
2,804,367	Income from Other Service Charges, Traffic and Sundries	2,884,973	1,131,369
128,396	Interest Received	127,008	-
<u><b>19,085,478</b></u>	<b>Total income</b>	<u><b>22,971,978</b></u>	<u><b>16,556,397</b></u>
<b>EXPENDITURE</b>			
10,154,276	Salaries, Wages and Allowances	9,627,670	9,441,702
8,738,427	General Expenditure	7,832,056	8,480,876
571,860	Repairs and Maintenance	313,744	238,400
883,089	Capital Charges	1,015,108	-
1,241,163	Contributions to Fixed Assets	271,327	-
1,697,235	Contributions to Approved Funds	275,299	-
<u><b>23,286,049</b></u>	<b>Total Expenditure</b>	<u><b>19,335,204</b></u>	<u><b>18,160,978</b></u>

**APPENDIX D**

**GREAT KEI MUNICIPALITY  
DETAILED INCOME STATEMENT  
YEAR ENDED 30 JUNE 2008**

2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 Surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,999,944	20,723,455	(3,723,511)	<b>RATES AND GENERAL SERVICES</b>	22,971,978	19,335,204	3,636,774	(1,604,581)
<b>15,110,469</b>	<b>18,063,743</b>	<b>(2,953,274)</b>	<b>Community services</b>	-	-	-	-
554,154	8,407,658	(7,853,504)	Administration	-	-	-	-
3,485,682	-	3,485,682	Assessment Rates	-	-	-	-
1,004	2,649,887	(2,648,883)	Council General	-	-	-	-
164,408	1,664,414	(1,500,006)	Engineering Services	-	-	-	-
895	627,152	(626,257)	Human Resources	-	-	-	-
-	875,459	(875,459)	Local Economic Development	-	-	-	-
-	522,217	(522,217)	Roads and Streets	-	-	-	-
310,730	580,112	(269,382)	Traffic Services	-	-	-	-
10,593,596	2,736,844	7,856,752	Treasury	-	-	-	-
-	-	-	<b>Accounting Officer</b>	<b>2</b>	<b>4,207,632</b>	<b>(4,207,630)</b>	<b>(2,598,884)</b>
-	-	-	Accounting Officer	-	3,727,131	(3,727,131)	(2,598,884)
-	-	-	Local Economic Development	2	480,501	(480,499)	-
-	-	-	<b>Budget and Treasury</b>	<b>18,468,646</b>	<b>2,492,358</b>	<b>15,976,288</b>	<b>4,719,371</b>
-	-	-	Budget and Treasury	18,468,646	2,492,358	15,976,288	4,719,371
-	-	-	<b>Community Services</b>	<b>660,383</b>	<b>1,507,595</b>	<b>(847,212)</b>	<b>886,369</b>
-	-	-	Community Services	16,903	739,652	(722,749)	886,369
-	-	-	Cemeteries	4,362	-	4,362	-
-	-	-	Carvan Park	76,019	3,102	72,917	-
-	-	-	Library	1,156	99,303	(98,148)	-
-	-	-	Tecoma Old Age Home	221	-	221	-
-	-	-	Traffic Services	463,703	626,136	(162,432)	-
-	-	-	Whispering Waves	98,018	39,402	58,617	-
-	-	-	<b>Corporate Services</b>	<b>182,449</b>	<b>3,501,849</b>	<b>(3,319,400)</b>	-
-	-	-	Corporate Services	-	512,394	(512,394)	-
-	-	-	Human Resources	-	676,119	(676,119)	-
-	-	-	Information Technology	-	469,738	(469,738)	-
-	-	-	Administration and Assets	182,449	1,843,598	(1,661,149)	-
-	-	-	<b>Council</b>	-	<b>2,293,100</b>	<b>(2,293,100)</b>	<b>(3,133,494)</b>
-	-	-	Council	-	2,293,100	(2,293,100)	(3,133,494)

**GREAT KEI MUNICIPALITY  
DETAILED INCOME STATEMENT  
YEAR ENDED 30 JUNE 2008**

2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 Surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
-	-	-	<b>Technical Services</b>	<b>3,660,498</b>	<b>5,332,671</b>	<b>(1,672,173)</b>	<b>(1,477,943)</b>
			Technical Services	90,723	3,180,404	<b>(3,089,681)</b>	(1,477,943)
			Electricity	1,660,638	1,969,611	<b>(308,973)</b>	-
			Refuse	1,909,137	(182)	<b>1,909,318</b>	-
			Streets and Roads	-	182,837	<b>(182,837)</b>	-
			Town Planning	-	-	-	-
<b>156,526</b>	<b>1,810,683</b>	<b>(1,654,157)</b>	<b>Subsidised services</b>	-	-	-	-
4,844	11,160	(6,316)	Cemeteries			-	
-	82,673	(82,673)	Fire Protection			-	
2,426	230,662	(228,236)	Library			-	
148,942	1,486,188	(1,337,246)	Social Amenities			-	
314		314	Tecoma Old Age Home			-	
<b>1,732,949</b>	<b>849,029</b>	<b>883,920</b>	<b>Economic services</b>	-	-	-	-
1,587,851	795,882	791,969	Refuse Services			-	
7,378	-	7,378	Sewerage and Sanitation			-	
137,719	53,147	84,573	Whispering Waves			-	
<b>2,122,776</b>	<b>2,562,594</b>	<b>(439,818)</b>	<b>TRADING SERVICES</b>	-	-	-	-
2,106,017	2,562,594	(456,577)	Electricity Services			-	
16,759	-	16,759	Water Services			-	
<b>19,122,720</b>	<b>23,286,049</b>	<b>(4,163,330)</b>	<b>TOTAL</b>	<b>22,971,978</b>	<b>19,335,204</b>	<b>3,636,774</b>	<b>(1,604,581)</b>
		707,517	Appropriations for the year (refer to note 19)			-	
		<b>(3,455,812)</b>	<b>NET DEFICIT FOR THE YEAR</b>			<b>3,636,774</b>	
		(10,321,002)	Accumulated deficit beginning of the year			(13,776,814)	
		<b>(13,776,814)</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(10,140,040)</b>	

**APPENDIX E**

**GREAT KEI MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATION  
YEAR ENDED 30 JUNE 2008**

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**GENERAL STATISTICS**

Population 44,469

See note 14 for the value of the last general valuation done by the municipality.

Assessment rates:

- See Note 14 for the basic rate charged for buildings and improvements
- 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 106

**Electricity Statistics**

Units bought/generated 10,997,685

Units sold 1,791,666