

MOSSEL BAY MUNICIPALITY



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2005**

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GENERAL INFORMATION

MAYORAL COMMITTEE

Alderman M Carelse Executive Mayor

Alderman W N Adriaans Executive Deputy Mayor

Councillor M De Klerk

Councillor E Lingani

Councillor R Skombingo

GRADING OF LOCAL AUTHORITY

Grade 2

AUDITORS

The Auditor-General

BANKERS

Absa Bank

REGISTERED OFFICE

Civic Centre	P O Box 25	Telephone: 044 6065000
Marsh Street	MOSSEL BAY	Facsimile: 044 6065062
MOSSEL BAY 6500	6500	

ACTING MUNICIPAL MANAGER

Mr E Tyatya: B.A

DIRECTOR: FINANCIAL SERVICES

Mr H F Botha: B.COM A.I.M.FO.

**MEMBERS OF THE TRANSITIONAL COUNCIL OF MOSSEL BAY AT 30
JUNE 2005**

WARD	COUNCILLOR
1.	Me W Gelderbloem
2.	A J van der Merwe
3.	H J Floors
4.	A Nel
5.	E Scheepers
6.	Me M Ferreira
7.	R Skombingo
8.	M Carelse
9.	D E Smith
10.	Me Z Beukes
11.	P Mbebe

PROPORTIONAL REPRESENTATIVE COUNCILLORS

A Cupido
Me E Lingani
Me M de Klerk
W N Adriaans
M Barnard
Me E Domingo
Me K Gildenhuis
N Lodewyks
J van der Merwe
H Levendal

EXECUTIVE MAYOR: Alderman M Carelse

EXECUTIVE DEPUTY MAYOR: Alderman W N Adriaans

FOREWORD

As in the previous financial years, Council strives to improve the quality of life for all and place strong emphasis on basic services as the most effective way of limiting the backlog that still exists. We will have to be creative in what we do to ensure that the Municipality addresses the challenges of present day demands and needs of the communities we serve.

The consolidation of the different local authorities had a significant effect, and the Integrated Development Plan (IDP) is the basic planning tool for the provision of essential services such as water and electricity supply, refuse removal and Local Economic Development. The Mossel Bay Municipality is, however, determined to maintain strict financial control over expenditure and to improve the payment for services by its communities, and thereby ensuring financial stability of the Municipality. One of the most important factors which contribute to financial stability in Mossel Bay is still the ongoing investment in new developments in town.

The challenges facing the Mossel Bay Municipality, and the problems of funding its services, make it essential that we prioritise our resources to ensure that they are applied to the best advantage, To fulfil these tasks it is essential that the Municipality's finances are sound at all times to uplift the quality of service delivery within affordable tariffs.

In conclusion I would like to express my sincere thanks to my fellow Councillors, the Municipal Manager, Directors, and staff for their continuous support and hard work to provide a sustainable and high standard of service to the community of Mossel Bay.

COUNCILLOR ANDRÉ NEL
MAYOR AND CHAIRMAN OF EXECUTIVE COMMITTEE

REPORT OF THE DIRECTOR: FINANCIAL SERVICES

1. INTRODUCTION

- 1.1 Council's financial statements have been compiled in the summarized format of published financial statements for local authorities developed by the Institute of Municipal Financial Officers in co-operation with the Office of the Auditor-General.
- 1.2 Personnel have made good progress in mastering the implementation of the Municipal Finance Management Act no. 56 of 2003 (MFMA), and managing the Municipality's affairs according to its requirements. The Municipal Finance Management Act, No 56 of 2003, was introduced more recently and while good progress has been made with its implementation, it will take more time to become fully acquainted with this Act which already is having a major impact on the way the Municipality manages its financial affairs.

2. OPERATING RESULTS

- 2.1 General
 - 2.1.1 It is my pleasure to give a summary on the operational results of the past year. We managed to keep within the limits of our budgets, and savings with regard to expenditure and larger income from different sources, were contributory factors for closing the financial year with a considerable surplus.
 - 2.1.2 The analyses of the operational income and expenditure per classification and purpose of expenses is given in Annexure D and E. The applicable statistics appear in the Annexure F. The overall operational results for the year which ended on 30 June 2005 are as follows:

INCOME	Actual 2003/04 R	Actual 2004/05 R	Variance 2004/05 %	Budget 2004/05 R	Variance/ Actual Budget %
Opening surplus	14 720 656	13 249 321	10		
Operating income for the year	199 599 860	223 855 935	12.15	213 284 529	4.96
Closing deficit	-				
	214 320 516	237 105 256		213 284 529	
EXPENDITURE					
Opening deficit					
Operating expenditure for the year	191 200 348	210 620 911	10.15	213 230 113	(1,22)
Sundry transfers	9 870 846	8 511 598			
Closing surplus	13 249 321	8 525 895	35.66	54416	
	214 320 516	227 658 404		213 284 529	

2.1.3 Council budgeted for a surplus of R54 416 whilst it closed the year's operational activities with a surplus of R13 235 024. As was mentioned earlier particulars of variances regarding the budgeted surplus are detailed in Annexure E whilst Annexure D indicates the variances according to income and expenditure categories.

According to these schedules it is clear that the actual income exceeded the budgeted income with R10 571 406 and that the nett expenditure indicates a decrease of R2 609 202 against the budgeted expenditure. These nett figures then leave a surplus of R13 235 024 as was mentioned above.

The savings with regard to expenditure can mainly be attributed to a saving in respect of the following items:-

Salaries and wages	R5 701 118
Security Services	R 548 558
Grant in aid services	R 196 853
Water Purchase	R 976 315

The increase of income against the budget can mainly be attributed to various sources of Council's revenue which showed more income than was budgeted for.

Specific mention can be made of the following sources of income:

- New connections	R1 034 196
- Registration motor vehicles	R 813 865
- Building plan fees	R1 624 773

- Industrial Sewerage	R 458 541
- Traffic Fines	R 610 756
- Assessment Rates	R1 886 728
- Refuse Removal	R1 205 193
- Water	R1 377 690
- Electricity	R4 831 112
- Electricity Pre-Paid	R1 267 519

2.1.4 The accumulated surplus as on 30 June 2005 amounted to R17 972 747. This means a nett increase of R4 723 426 as against the previous financial year. This figure is calculated as follows:

Nett surplus 2004/05	R13 235 024
Utilisation of Accumulate Surplus	<u>(8 511 598)</u>
	<u>R 4 723 426</u>

The utilisation of the accumulated surplus can mainly be attributed to the fact that a contribution of R7 000 000 was made to the maintenance fund, as well as several savings to the expenditure and larger income as stated above.

2.1.5 The operational income and expenditure showed a growth of 12,1% and 10,1% respectively as against the actual figures of the previous financial year.

2.2 RATES AND GENERAL SERVICES

	Actual 2003/04 R	Actual 2004/05 R	Variance 2004/05 %	Budget 2004/05 R	Variance Actual/ Budget %
Income	85 116 853	93 956 960	10,38	80 808 690	14
Expenditure	102 132 347	111 911 632	9,57	106 281 419	(5,04)
Surplus/(deficit)	(17 015 494)	(17 954 672)	5,51	(25 472 729)	41,87
Surplus/(deficit) as % of Total Income	19,99	19,10		46,24	

2.2.1 It is clear from the above statement that the actual expenses with regard to rates and general services are 5,04% more than the budgeted amount for the 2004/05 financial year. Still the actual expenditure for the 2004/05 financial year is 9,6% (R9 779 285) more than the actual expenditure of the 2003/04 financial year. The loss with regard to rates and general services amount to R17 954 672 for the 2004/05 financial year as against R17 015 494 in respect of the 2003/04 financial year.

2.2.2 Annexure E clearly indicates that the deficit of R17 954 672 can also be attributed to:
 High administration costs with regard to the departments of the Director Corporate Services, Director: Financial Services and other expenses such as Public Works, Health Services, Traffic Services, Councils general expenditure, Beaches, etc.

2.3 TRADING SERVICES

Council purchases electricity in bulk from ESCOM and then redistributes it to the consumers. The tariffs of electricity are considered together with all other tariffs during the compilation of the operational budget. Any increase in electricity tariffs must be approved by the National Electricity Regulator before Council can implement it. ESCOM normally adjusts its tariffs in January of every year but Council endeavours to limit its increase to only one increase during July every year.

Council has a few of its own water sources of which the Ernest Robertson Dam is the largest. Council also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

2.3.1 ELECTRICITY SERVICE

	Actual 2003/04 R	Actual 2004/05 R	Variance 2004/05 %	Budget 2004/05 R	Variance Actual/ Budget %
Income	81 995 349	92 479 971	12,78	85 662 131	7,95
Expenditure	63 049 046	69 725 223	10,58	66 582 490	(4,72)
Surplus/(deficit)	18 946 303	22 754 748	20,10	19 079 641	19,26
Surplus/(deficit) as % of total income	23,10	24,60		22,27	

2.3.1.1 The total actual income is 7,9% higher than the budgeted amount for the 2004/05 financial year, whilst the expenditure is 4,7% higher than the budgeted amount. Electricity purchases amounts to R43 518 820, whilst the sale of electricity amounts to R88 063 416. This service shows a profit of R22 754 748 for the 2004/05 financial year. This represents a profit percentage of 24,6% against 23,1 % compared to the 2003/04 financial year.

2.3.1.2 See Annexure F for more statistical information regarding electricity purchases, sales, etc.

2.3.2 WATER SERVICE

	Actual 2003/04 R	Actual 2004/05 R	Variance 2004/05 %	Budget 2004/05 R	Variance Actual/ Budget %
Income	32 487 659	37 419 004	15,17	35 802 217	4,51
Expenditure	26 018 955	28 984 056	11,39	28 407 803	(2,02)
Surplus/(Deficit)	6 468 704	8 434 948	30,39	7 394 414	14,07
Surplus/(deficit) as % of total income	19,91	22,54		20,65	

2.3.2.1 The total actual income and actual expenses in respect of the water service are very near to the amounts which were budgeted for. This service showed a profit of R8 434 948 for the 2004/05 financial year. The surplus as a percentage of the total income, amounts to 22,5% compared to the 19,9% of the 2003/04 financial year.

2.3.2.2 Once again you are referred to Annexure F where more information concerning percentage water losses and costs with reference to purification is supplied.

3. CAPITAL EXPENDITURE AND FINANCING

3.1 The expenses which were incurred during the year for the acquisition of fixed assets, amounted to R42 562 987. The actual expenditure is also 58,9% less than that which was budgeted for, largely due to the fact that an ad hoc amount of R35 577 000 for building of houses were budgeted for whilst the actual expenditure amounted to only R1 151 995. Ad hoc amounts of R31 644 311 in respect of the following projects that were budgeted for, did not realize, because the funds were not secured during this financial year:

Building for street children	R 500 000
Community Centres	R 2 000 000
Street and Stormwater - Brandwag	R 500 000
Upgrade Raw Water Pipeline – ER Dam	R 2 000 000
Implementing Urban Renewal	R 2 000 000
Tar Gravel Roads	R15 000 000
Great Brak/Hoogekraal Storm Water Masterplan	R 6 444 311
Main Connections to Vleesbaai	<u>R 3 200 000</u>
	<u>R31 644 311</u>

The overall capital expenditure and financing for the year which ended on 30 June 2004 were as follows:

	2004/05 Actual R	2004/05 Budget R	2003/04 Actual R
Land and Buildings	3 153 367	31 652 000	2 536 532
Infrastructure	38 710 698	68 941 951	35 886 623
Other fixed assets	678 684	2 846 600	846 681
Total investment in Fixed assets	42 542 749	103 440 551	39 269 836
Plus:- Capitalisation - Land and Buildings	-	-	438 004
- Appreciation - Land and Buildings	-	-	-
	42 542 749	103 440 551	39 707 840

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

	2004/05 Actual R	2004/05 Budget R	2003/04 Actual R
Consolidated Loans and Development Fund	19 466 561	23 552 337	18 991 597
External loans - Government - Other	-	-	-
Contribution from:			
- Operating account	1 867 822	550 550	1 704 661
- Reserves	12 038 248	27 970 000	896 188
- Grant and subsidies - Unconditional	-	-	2 463
- Conditional	8 982 228	50 199 664	17 627 358
- Public contributions	187 890	1 168 000	47 569
- Capitalisation - Existing Land and Buildings	-	-	438 004
- Appreciation - Land and Buildings	-	-	-
	42 542 749	103 440 551	39 707 840

An analysis of Capital Expenditure (Budget and Actual) per department, classification of services appears in Annexure C. More details regarding external loans, and internal advances used to finance Fixed Assets, are shown in Annexure B.

3.3 Grants and Subsidies used for Capital Expenditure

DEBTS	2004/05 Actual R	2004/05 Budget R
Conditional grants and subsidies received	11 008 973	80 291 850
Less:- Conditional grants and subsidies used	9 170 118	30 648 651
Conditional grants and subsidies unspent	1 838 855	49 643 199
Unconditional grants and subsidies received	3 441	-
Less:- Unconditional grants and subsidies used	3 441	-
Unconditional grants and subsidies unspent	-	-

4. EXTERNAL LOANS, INVESTMENTS AND CASH

- 4.1 On 30 June 2005 the outstanding external loans amounted to R2 980 675 (R3 548 498 in 2004). Annuity loans to the amount of R239 972 were redeemed during this financial year.
- 4.2 Notwithstanding the fact that Council's cashbook showed a negative balance of R6 275 101 on 30 June 2005, the bank account showed a positive balance of R14 851 864 with external investments amounting to R113 000 000 against R86 035 000 of the previous year. More particulars regarding external loans and investments appear in Note 4 and 7 as well as Annexure B.

5. FUNDS AND RESERVES

- 5.1 The Consolidated Capital Development and Loans Fund showed an increase of R22 720 876 to R151 563 339 (R128 842 463 in 2004). This includes a profit of R19 991 634 on the interest transactions of the fund for the financial year. (See Note 28 for more particulars of this fund).

The total Provident and Reserve Funds of Council amounted to R69 827 830 on 30 June 2005. (R65 797 811 in 2003). An amount of R8 260 000 were contributed to the Bad Debts Reserve Fund.

During this financial year an amount of R9 032 206 being arrear service charges were written off against the Bad Debts Fund. More particulars regarding funds, reserves and provisions appear in notes 1, 2, 3 and 12 as well as Annexure A.

- 5.3 An additional amount of R7 000 000 from the Accumulated surplus were made to the road maintenance reserve fund.

Trust and other funds amounted to R24 215 441 on 30 June 2005 (R19 538 947 for 2004) of which detailed particulars appear in Annexure A as well as in Note 3.

6. DEBTORS

DEBTS	30 June 2004 R	30 June 2005 R	% Variance
Electricity, water & refuse	22 671 007	24 845 003	+9,58
Rates, Sewerage and Availability Charges	15 624 498	18 069 970	+15,65
Housing: Rental/Services	488 733	485 245	-0,72
Purchase instalments	2 099 715	1 920 056	-8,56
Sundry Debtors	2 157 493	1 015 875	-52,92
Sundry Debts	40 963	35 032	-14,48
	43 082 409	46 371 181	+7,63

- 6.1 The most important debts are indicated above.
The Rates and Service charges indicates an increase in arrears debts, compared to the 2003/04 financial year.
- 6.2 Attempts are regularly made to recover arrears amounts, as well as to change the culture of non-payment. Council approved a credit control and indigent policy which will in time alleviate the burden of outstanding debts.

7. EXPRESSION OF APPRECIATION

My thanks go to the Mayor, The Deputy-Mayor, Chairman of the Executive Committee, Councillors, the Municipal Manager and Directors for the support they have given my personnel and myself and to the Auditor-General and his personnel. A special word of thanks to the Heads and their personnel in my department for their special effort and support and valuable contributions, and especially Mr G.J. Vermeulen in the preparation of these financial statements.

H F BOTHA
B. Com. AIMTR (S.A.)
DIRECTOR: FINANCIAL SERVICES

ACCOUNTING POLICIES

1. **Basis of presentation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition - January 1996) and further amendments thereto.
- 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 financial statements include the Rate and General services, Housing service, 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, water and premiums charged by the insurance fund, 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 life as determined by the Treasurer. Where it is impossible to determine the individual costs of properties and other assets, these properties would be brought into the books at current market valuations.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet 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 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 Fixed Property Sales Fund. Net proceeds from the sale of all other assets are credited either to the Special Capital Fund or the Capital Development 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. **Inventory**

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. **Funds and Reserves**

5.1 *Consolidated capital development and Loan Fund (CCDLF).*

Refer to item 14 of this Accounting Policy for full particulars regarding this fund.

5.2 *Dana Bay Development Fund*

This fund was established years ago by way of a contribution from a developer who had the Dana Bay coastal development incorporated into Mossel Bay area. The contribution was made in order to finance new as well as upgrading of existing infrastructure. The capital of the fund can therefore only be utilised for the benefit of Dana Bay Development.

5.3 *Housing Development Fund*

This fund accumulated from a portion of the profit which realised from the sale of housing erven as well as from interest earning on the capital on the fund. It may be utilised for backlogs in housing schemes with the necessary approval of the involved State Housing Department.

5.4 *Parking Area Fund*

The nett income from the operation of parking meters and sites is credited to this fund. The fund is then utilised to provide sufficient parking facilities as well as to regulate parking.

5.5 *External Service Development Fund*

This fund is accumulated from capital contributions by Town Developers and individuals who create mass or single erven in the Municipal area and which place a burden on the sewerage, water and electricity main bulk services. Interest on the capital of the reserve amounts to a considerable figure. The capital of the reserve is only utilised with the approval of Council for the purpose of extending bulk services.

5.6 *Equipment and machinery Maintenance Reserve*

The capital of this reserve was built up over the years from budgeted contributions as well as interest earnings. It is utilised exclusively with the approval of Council for the repair of large breakdowns in equipment and machinery such as sewerage and water pumps, tractors, scrapers etc, except where amount involved falls within the limit where the Town Treasurer has delegated powers of authority.

5.7 *Santos Pavilion Maintenance Reserve*

This fund was created after the pavilion was burnt down a number of years ago and an entrepreneur was willing to restore the pavilion to its original form in exchange for a 99 year lease at a reasonable rental. It was also a condition that he should make R 100 000,00 available to Council as an investment and that the interest earned thereon may be used by Council for the maintenance of the building should he fail to do it himself.

5.8 *Vehicles and Implements Maintenance Fund*

This fund is basically similar to the fund in 5.7 above, except that expenses are limited to ordinary vehicles and implements.

5.9 *Buildings Maintenance Fund*

Contributions to this fund are budgeted for in the operational budget and the capital and interest thereon is utilised to address backlogs in the maintenance of Municipal buildings.

5.10 *Tourism Development Reserve*

Budgeted contributions and allocations from accumulated surpluses are the main sources of income of the fund. It is mainly utilised to mark the vast area of Council attractions, facilities, tourism and development potential.

5.11 *Valuation Reserve*

Budgeted contributions are annually made to this fund. It is utilised for the financing of additional valuations of properties as well as the general valuations. The valuations are Statutory prescribed for the purposes of levying property Tax.

5.12 *Bad Debt Reserve Funds*

Originally this fund accumulated from inter-governmental transfers. Furthermore a substantial portion of provincial and reserve funds were transferred to this fund in the 1998/99 financial year as a counterbalance to a negative cash flow due to the increase in outstanding debtors. Future contributions to this fund will be budgeted for in the operational budget and allocations from accumulated surpluses.

5.13 *Effective Administrative Reserve Fund*

Contributions were made from surplus intergovernmental transfers. This fund is mainly used to improve credit control and other administrative projects.

5.14 *Sport Centre - Reserve Fund*

This fund was started with a contribution from Revenue as a contribution in order to finance existing and new infrastructure of the new established Sport Centre in Kwa-Nonqaba.

5.15 *Mossel Bay Housing Project*

The premier has authorised the Council in terms of Section 111(3)(e) of the Municipal Ordinance 1974 (Ordinance 20 of 1974) to invest an amount from the proceeds of the sale of land in this account to assisting the communities in Mossel Bay by providing housing and other necessities from its own funds.

6. Provisional Funds

Provisional Funds are established to be able to meet responsibilities or obligations or occurrences which are known at the time of balance sheet but of which the particular amounts cannot be determined with reasonable certainty.

7. **Retirement Benefits**

7.1 Council and its employees contribute towards the following pension or provident funds:

- Cape Joint Pension Fund and the Cape Joint Retirement Fund
- S.A.L.A.
- Samwu Provident Fund

7.2 The first two funds provides both a pension fund or a retirement/provident fund. The retirement benefit plan as well as the pension funds are subject to the Pension Fund Act of 1956 and pensions are calculated according to the last year of a person's pensionable remuneration. Council contributions are levied against operational revenue, based on a percentage of the gross salary/wage. Full actuarial valuations are done as follows:

- Cape Joint Pension Fund : every 2 years
- S.A.L.A. : every 3 years

8. **Surpluses and Deficits**

8.1 Any surpluses or deficits resulting from the activities of the Housing, Electricity and Water services are being carried over to rates and General Services.

9. **Treatment of administration and other overhead expenses**

9.1 The cost of administrative services are debited against the various departments making use of it, in accordance with the guidelines in the Institute's **Report on the Accounting of Help Services (1990)**.

10. **Leased assets**

10.1 Fixed Assets acquired through hire - purchase financing are capitalised. Such assets are effectively paid off over the term of the lease agreement.

10.2 The cost of hire - purchase financing is being allocated, in accordance with the effective interest rate method, over the term of the agreement to the accounting periods concerned. This then represents the scope and cost of the hire - purchase financing in each accountancy period.

10.3 All other rental agreements are regarded as operational rental agreements and the applicable rental amount are systematically levied over the rental period (of the use of the particular asset) against the operational account.

11. **Investments**

- 11.1 Investments are shown at the lowest of cost or market value if there is a constant decrease in value. Investment are made in terms of Council's Investment policy as are amended from time to time.

12. **Deferred charges**

- 12.1 The outstanding balance of the cost incurred for taking up of loans on the capital Market is recovered from operational revenue over the period of the particular loans or shorter period as determined by the Treasurer.
- 12.2 The remaining outstanding loans or advances of assets which are written off before such loans or advances have been fully settled, are regarded as deferred cost and is debited in equal amounts over a fixed period against the operational income.

13. **Income acknowledgement**

13.1 *Electricity and Water Billing*

All meters are read on a monthly basis. If a meter cannot be read, an interim levy is made which is based on average use. Income is due on the date when meters are read or levies made.

- 13.2 The Mossel Bay Municipality levies rates on both land and buildings valuations of taxable property. In terms of this system property rates is levied on the value of property and rebates are allowed according to the usage of a particular property. Additional relief is given to the needy and elderly owners on the ground of income and age. The income from rates are acknowledge when the levies are made.

13.3 Other services

The income from services such as refuse removal and sewerage which are recovered by way of debtors, is due when such levies are debited against the account. The income from other (smaller) services, licences or monies is due when it is paid.

14. **Consolidated Capital Development and Loan Fund**

- 14.1 The capital resources of the Consolidated Capital Development and Loan Fund consist of external loans, bridging facilities, interest on internal advances to loan services, interest on external investments, the return from sales of land and loose assets and other sundries income.

Advances are allocated to the loan services at an interest rate equal to the cost of the capital needs which were taken up during the financial year, and if no loan was taken up, at an interest rate determined by the Premier. The advances are paid back over the useful lifespan of the assets which are financed in this way. Regarding advances to loan services during a financial year, the repayments starts on the first day of the following financial year. Concerning the revenue account of the fund at least fifty percent of the surplus for the year is paid to the capital account and the balance thereof the general revenue account of Council. The Town Treasurer can however decide to transfer a higher percentage to the capital account of the C.C.D.L.F.

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BALANCE SHEET AT 30 JUNE 2005

	NOTE	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
		188,034,853	160,908,484
Statutory Funds	1	153,475,332	130,631,259
Reserves	2	34,559,521	30,277,225
ACCUMULATED (DEFICIT) / SURPLUS			
		17,972,747	13,249,321
		206,007,600	174,157,805
TRUST FUNDS			
TRUST FUNDS	3	24,215,441	19,538,947
LONG-TERM LIABILITIES	4	2,140,702	2,945,276
CONSUMER DEPOSITS: SERVICES	5	5,714,784	4,973,825
		238,078,528	201,615,852
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	123,457,309	115,098,560
LONG-TERM DEBTORS	8	9,795,413	12,627,268
INVESTMENTS	7	-	35,000
DEFERRED CHARGES	11	-	-
		133,252,722	127,760,828
NET CURRENT ASSETS / (LIABILITIES)			
		104,825,806	73,855,022
CURRENT ASSETS			
		145,446,944	115,093,351
Inventory	9	3,233,730	3,028,586
Debtors	10	28,465,043	25,159,325
Cash		7,655	5,915
Short - term investments	7	113,000,000	86,000,000
Short - Term Portion of Long Term Debtors	8	740,515	899,525
CURRENT LIABILITIES			
		(40,621,138)	(41,238,329)
Provisions	12	4,219,791	3,823,058
Creditors	13	29,286,274	29,080,292
Short - Term Portion of Long-term Liabilities	4	839,972	603,222
Bank Overdraft		6,275,101	7,731,757
		238,078,528	201,615,850

CERTIFIED CORRECT

THE FINANCIAL STATEMENTS WAS
APPROVED BY COUNCIL ON

H.F. BOTHA
DIRECTOR: FINANCIAL SERVICES
B.COM A.I.M.F.O.

E. TYATYA
ACTING MUNICIPAL MANAGER
B.A

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income R	2004 Actual Expenditure R	2004 Surplus/ (Deficit) R		2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R	2005 Budget Surplus/(Deficit) R
85,116,853	102,132,347	(17,015,495)	RATES AND GENERAL SERVICES	93,956,960	111,911,632	(17,954,672)	(41,737,668)
43,839,531	52,250,355	(8,410,823)	Community Services	46,348,193	58,788,672	(12,440,479)	(29,890,883)
516,684	18,235,777	(17,719,093)	Subsidised Services	507,174	18,874,265	(18,367,091)	(19,662,534)
40,760,637	31,646,216	9,114,421	Economic Services	47,101,593	34,248,695	12,852,898	7,815,749
-	-	-	HOUSING SERVICES	-	-	-	-
114,483,007	89,068,001	25,415,006	TRADING SERVICES	129,898,975	98,709,279	31,189,696	26,474,055
<u>199,599,860</u>	<u>191,200,348</u>	8,399,511	TOTAL	<u>223,855,935</u>	<u>210,620,911</u>	13,235,024	<u>-15,263,613</u>
		(9,870,846)	Appropriation for the year (Refer to Note 18)			(8,511,598)	
		(1,471,335)	Net Surplus /(Deficit) for the year			(4,723,426)	
		<u>14,720,656</u>	Accumulated Surplus/(Deficit): Beginning of the year			<u>13,249,321</u>	
		<u>13,249,321</u>	ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			<u>17,972,747</u>	

(Refer to appendixes D & E for more detail)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	19	61,555,439	47,445,421
Investment Income		8,869,550	9,794,227
(Increase)/Decrease in working capital	20	1,199,153	1,334,302
		71,624,141	58,573,950
Less: External interest paid		(332,019)	(1,752,257)
CASH AVAILABLE FROM OPERATIONS		71,292,123	56,821,693
Cash contributions from the public and the state		-	-
Nett proceeds on disposal of fixed assets		241,845	136,189
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(42,542,749)	(39,707,840)
NET CASH FLOW		<u>28,991,219</u>	<u>17,250,042</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(decrease) in long-term loans	21	(567,823)	(16,049,227)
Increase/(decrease) in short-term loans	22	-	-
(Increase)/Decrease in cash investments	23	(26,965,000)	(3,619,032)
(Increase)/Decrease in cash	24	(1,458,396)	2,418,217
NET CASH (GENERATED) / USED		<u>(28,991,219)</u>	<u>(17,250,042)</u>

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005	2004
1 STATUTORY FUNDS	R	R
Fire Brigade Insurance Fund	182,122	139,360
Dana Bay Development Fund	1,125,858	1,063,033
Mayor's Fund	-	637
Sport Facilities Fund - Hartenbos	29,468	28,554
Lifesaver's Fund	57,814	55,218
Parking Area Development Fund	516,729	501,993
Consolidated Capital Development and Loan Fund	151,563,339	128,842,464
(Refer to Appendix A for more detail)	<u>153,475,332</u>	<u>130,631,259</u>
2 RESERVES		
Sport Centre - Reserve Fund	376,351	366,139
External Services Development Fund	18,642,693	15,366,805
Tourism Development Fund	7,738,917	8,154,629
Vehicle/Plant Maintenance and Renewal Fund	1,284,272	1,287,607
Equipment/Machinery Maintenance Fund	1,471,465	1,709,335
Santos Pavillion Repairs Fund	296,591	281,926
Buildings Maintenance Fund	1,909,590	2,184,634
Service Reserve Fund Rural Areas	467,563	165,931
Effective Administration Reserve Fund	53,759	602,158
Road Maintenance Reserve Fund	2,152,828	
Electricity - Repairs and Maintenance Fund	165,492	158,061
(Refer to Appendix A for more detail)	<u>34,559,521</u>	<u>30,277,225</u>
3 TRUST FUNDS	R	R
Mossel Bay Housing and Infrastructure Trust	10,518,770	7,309,819
Facilities Fund Midbrak	75,242	71,863
Flood Disaster Fund	1,306,802	1,228,009
Casino Facilities Fund	438,596	438,596
Mossel Bay Housing Project	11,849,724	10,362,132
Airfield 263 erven	26,307	25,491
Refuse - 1 Man Contracts		103,037
(Refer to appendix A for more detail)	<u>24,215,441</u>	<u>19,538,947</u>

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005	2004
	R	R
4 LONG TERM LIABILITIES		
Government Loans	-	-
Local Registered Stock	1,626,734	2,031,624
Annuity Loans	<u>1,353,941</u>	<u>1,516,874</u>
	2,980,675	3,548,498
Less: Current Portion transferred to Current Liabilities	(839,972)	(603,222)
Government Loans	-	-
Local Registered Stock	600,000	-
Short-Term Loans	-	-
Annuity Loans	<u>239,972</u>	<u>603,222</u>
	<u>2,140,702</u>	<u>2,945,276</u>
(Refer to appendix B for more detail on long term liabilities)		

LOCAL REGISTERED STOCK

Local registered stock carry interest at rates varying between 8,0% and 18,90% per annum and are repayable over periods of between 13 and 30 years.

ANNUITY LOANS

Carry interest at rates varying between 0% and 17,10% per annum and will be fully redeemed in 2018.
None of the loans are secured by any assets of the Municipality.

5 CONSUMER DEPOSITS - SERVICES

Electricity and water	<u>5,714,784</u>	<u>4,973,825</u>
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Guarantees in lieu of Electricity and Water deposits amounted to R10 000 (R10 000 in 2003/04)

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
6 FIXED ASSETS		
Fixed assets at the beginning of the year	473,563,616	474,684,335
Capital Expenditure during the year	42,542,749	39,707,839
Less: Assets written off, transferred or disposed of during the year	<u>(5,473,930)</u>	<u>(40,828,558)</u>
Total Fixed Assets	510,632,435	473,563,616
Less: Loans redeemed and other capital receipts	<u>(387,175,126)</u>	<u>(358,465,056)</u>
Net Fixed Assets	<u>123,457,309</u>	<u>115,098,560</u>

(Refer to Appendix C and Section 2 of the Treasurer's report for more details on fixed assets)

7 INVESTMENTS

LISTED	-	-		
Municipal Stock	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">-</td></tr></table>	-	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">-</td></tr></table>	-
-				
-				
Other Municipal Stock	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">-</td></tr></table>	-	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">-</td></tr></table>	-
-				
-				
UNLISTED	113,000,000	86,035,000		
Long-Term Deposits	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">-</td></tr></table>	-	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">35,000</td></tr></table>	35,000
-				
35,000				
Other Deposits (Short-term)	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">113,000,000</td></tr></table>	113,000,000	<table border="1" style="width: 100px; height: 15px;"><tr><td style="text-align: center;">86,000,000</td></tr></table>	86,000,000
113,000,000				
86,000,000				
Total Investments	<u>113,000,000</u>	<u>86,035,000</u>		

Market value of listed investments and Management's valuation of unlisted investments

Listed Investments	-	-
Unlisted Investments	113,000,000	86,035,000
Profit/(loss) on investment transactions	-	-
Average rate of return on investments (Gross)	5,95%	7.49%

Council policy is to make investments in accordance with the investment policy as follows:-

- that the broad investment policy framework be applicable
- investments not be placed with foreign banks
- that Council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:-
 - (i) short term investments (0-12 months) - only institutions with an A.1 and higher rating be used.
 - (ii) Long term investments (more than 12 months) only institutions with AA or AAA or higher rating be used
- not more than 50% of the total investments be invested with one institution.

No investments were written-off during the year.

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
8. LONG -TERM DEBTORS		
Housing Loans	6,065,697	6,360,868
Government Loans: Public Organisations & Individuals	-	-
Loans : Public Organisations (C.C.D.L.F.)	2,055,971	2,234,778
Land Sales (C.C.D.L.F.)	662,968	1,752,597
Car Loans (C.C.D.L.F.)	1,511,514	2,765,667
Suspense Account	<u>239,778</u>	<u>412,883</u>
	<u>10,535,928</u>	<u>13,526,793</u>
 Less: Short-Term portion of long-term debtors transferred to current assets	 <u>(740,515)</u>	 <u>(899,525)</u>
	 <u><u>9,795,413</u></u>	 <u><u>12,627,268</u></u>
 The Suspense accounts included the following amounts:		
Personnel Study Loans	176,630	278,177
Personnel computer loans	63,149	134,706
Personnel Fire Arm Loans	-	-
	<u>239,778</u>	<u>412,883</u>
 9. INVENTORY		
Inventory represents consumable stores, raw materials, work-in-progress and finished goods Where necessary specific provision is made for obsolete inventory		
	<u>3,233,730</u>	<u>3,028,586</u>
 Items enclosed in the inventory include the following:		
1. Consumer Stock (Stores)	2,941,478	2,727,125
2. Purification Material	<u>292,252</u>	<u>301,461</u>
	<u><u>3,233,730</u></u>	<u><u>3,028,586</u></u>

Stocks of R15 050 (81 978 in 2003/04) were written-off during this financial year and none during the previous year.

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
10. DEBTORS		
Current Debtors (Consumer and other)	57,601,568	55,068,057
Amounts paid in advance	<u>-</u>	<u>-</u>
	57,601,568	55,068,057
Less: Provision for bad debts	<u>(29,136,525)</u>	<u>(29,908,732)</u>
	<u><u>28,465,043</u></u>	<u><u>25,159,325</u></u>
<p>1. Included in the amount of R57 601 568, is an amount of R188 100 being Land Sales to developers which amounts are payable over the short term in accordance with their Land Sales contracts with Council See Consolidated Loans Fund - Note 28</p> <p>2. For a summary of consumer debtors of R46 336 150, and Sundry Debtors of R11 265 419 respectively, see Information Page 42</p>		
11 DEFERRED CHARGES		
Preliminary Expenses	-	-
Issue expenses	-	-
Commission	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
12 PROVISIONS		
Bad Debt Reserve Fund	29,136,525	29,908,732
Leave Gratuity Fund	2,908,137	2,641,404
Valuation Reserve fund	<u>1,311,655</u>	<u>1,181,655</u>
	33,356,316	33,731,790
Less: Provisions for bad debts	<u>(29,136,525)</u>	<u>(29,908,732)</u>
	<u><u>4,219,791</u></u>	<u><u>3,823,058</u></u>
<p>3. An amount of R9 032 206 (R2 303 936 in 2003/04) being arrear services charges were written-off during the year against the Bad Debt Reserve Fund, that represent 4,03% (1,15% in 2003/04) of the total Operating income for the year. See Note 12 and Appendix A, as well as paragraph 5 - Funds and Reserves of the Director Financial Services' report.</p>		
13 CREDITORS		
Trade Creditors	2,913,945	4,588,158
Sundry Creditors	23,766,732	22,576,358
Deposits - Other	2,605,597	1,915,776
Amounts received in advance	<u>-</u>	<u>-</u>
	<u><u>29,286,274</u></u>	<u><u>29,080,292</u></u>

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

14 ASSESSMENT RATES	VALUATION AS AT 1 JULY 2004 R	ACTUAL INCOME 2005 R	ACTUAL INCOME 2004 R
Residential	4,419,191,811	19,999,219	17,243,890
Commercial	964,361,850	7,719,750	6,819,181
State	107,699,400	818,813	740,082
Municipal	309,332,309		-
Building Clause	11,218,201	25,652	29,382
Assessment Rate: Letting	-	2,552	2,730
Assessment Rate: State Building Kwa Nonqaba	12,135,800	73,796	68,012
Agricultural	275,569,000	278,859	165,209
	<u>6,099,508,371</u>	<u>28,918,641</u>	<u>25,068,486</u>

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The Mosselbay area including the rural farms were revalued with starting date 1 July 2001 whilst the valuation became effective from 1 July 2003. The basic rate which was applicable for the 2004/05 financial year in the various areas ranged between R0,001198 to R0,01940 for land and R0,000577 to R0,00472 on buildings respectively. Qualifying pensioners received an additional rebate of 50% and 30% on property tax. With regard to needy families where the joint income of husband and wife amounted to less than R2500 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes it is noted that income for rates was not based on valuation.

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005	2004
	R	R
15 COUNCILLORS REMUNERATION		
Mayor's Allowance	10,166	12,000
Deputy Mayor's allowance	9,574	8,716
Management Committee Allowances	32,696	26,307
Councillor's Allowances	869,958	797,520
Speaker	9,487	7,967
	<u>931,882</u>	<u>852,510</u>
16 AUDITOR'S REMUNERATION		
Audit Fees		
- Current Year	540,000	834,113
- Underprovision prior year		119,784
	<u>540,000</u>	<u>953,897</u>
17 FINANCE TRANSACTIONS		
Total external interest earned or paid		
- Interest earned	<u>8,869,550</u>	<u>9,794,227</u>
- Interest Paid	<u>332,019</u>	<u>1,752,257</u>
CAPITAL CHARGES DEBITED TO OPERATING ACCOUNT		
Interest:		
- External	-	-
- Internal	15,262,762	14,770,028
Redemption:		
- External	-	-
- Internal	11,106,603	9,717,379
Deferred charges written off		-
	<u>26,369,365</u>	<u>24,487,407</u>

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

18 APPROPRIATIONS	2005 R	2004 R
Appropriation Account:		
Accumulated surplus at the beginning of the year	13,249,321	14,720,656
Operating (Deficit)/Surplus for the year	13,235,024	8,399,511
Appropriations for the year:	(8,511,598)	(9,870,846)
Contributions to provisions and reserves	7,000,000	12,000,000
Contribution to capital expenditure:		-
Prior year adjustments	1,511,598	(2,129,154)
Accumulated (Deficit)/Surplus at the end of the year	<u>17,972,747</u>	<u>13,249,321</u>
OPERATING ACCOUNT		
Capital Expenditure	<u>1,867,822</u>	<u>1,704,661</u>
CONTRIBUTIONS TO:		
Fire Brigade Insurance Fund	35,000	35,000
Sports Centre	100,000	150,000
Tourism Development Fund	-	375,000
Valuation Reserve fund	250,000	200,000
Leave Gratuity Fund	1,340,000	1,225,000
Provision for bad debt	8,260,000	7,600,000
	<u>9,985,000</u>	<u>9,585,000</u>

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
19 CASH GENERATED BY OPERATIONS		
(Deficit)/Surplus for the year	13,235,024	8,399,511
Reversed surplus 50% of C.C.D.L.F. Transactions		
Adjustment in respect of:		
Previous years operating transactions	(8,511,598)	(9,870,846)
Appropriations charged against income	9,885,000	9,585,000
Capital development fund	-	-
Community facilities fund	-	-
Provisions and reserves	9,885,000	9,585,000
Fixed Assets		
Finance of Fixed Assets:		
- Income	1,867,822	1,704,661
- Funds and Reserves	12,038,248	896,187
- Grants and Subsidies	9,016,206	12,685,577
Capital Charges:		
Interest Paid		
- To Internal Funds	3,835,700	3,244,002
- On External Funds	332,019	1,752,257
Redemption:		
- Of internal Advances	11,106,603	9,717,379
- Of External Loans	-	-
Deferred charges written off		
Short term portion of long term debtors/creditors	-	(65,303)
Investment income (Operating account)	(8,869,550)	(9,794,227)
Non-operating income		
Net income from: Funds and Reserves	19,988,529	20,336,778
C.C.D.L.F	22,720,876	13,430,063
Non-operating expenditure:		
Expenditure charged against: Provisions and reserves	(25,089,440)	(11,948,528)
C.C.D.L.F.	-	(2,627,090)
	<u>61,555,439</u>	<u>47,445,421</u>
20 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/Decrease in inventory	(205,144)	(213,829)
(Increase)/Decrease in debtors, long term debtors	457,356	(3,730,845)
Increase/(decrease) in creditors, consumer deposits	946,941	5,278,976
	<u>1,199,153</u>	<u>1,334,302</u>
21 INCREASE/(DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans Raised	77,039	166,428
Loans Repaid	(644,862)	(16,215,655)
	<u>(567,823)</u>	<u>(16,049,227)</u>

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NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
22 INCREASE/(DECREASE) IN SHORT-TERM LOANS (EXTERNAL)		
Loans Raised	-	-
Loans - Repaid	-	-
	<u>-</u>	<u>-</u>
23 INCREASE/(DECREASE) IN EXTERNAL CASH INVESTMENTS		
Investments realised	55,035,000	51,381,006
Investments made	<u>(82,000,000)</u>	<u>(55,000,038)</u>
	<u>(26,965,000)</u>	<u>(3,619,032)</u>
24 INCREASE/(DECREASE) IN CASH ON HAND		
Cash balance at the beginning of the year	(7,725,842)	(5,307,625)
Less: Cash balance at the end of the year	<u>(6,267,446)</u>	<u>(7,725,842)</u>
	<u>1,458,396</u>	<u>(2,418,217)</u>

25 RETIREMENT BENEFITS

The personnel of the Mossel Bay Transitional Council are members of the following Pension funds:

- (a) Cape Joint Pension Fund and Cape Joint Retirement Fund
- (b) S.A.L.A. and
- (c) S.A.M.W.U. Providend Fund

The last actuarial valuations took place as follows:

- Cape Joint Pension Fund and Cape Joint Retirement Fund: 30 June 2003
- S.A.L.A : 1 July 1995

The Cape Joint Pension Fund is funded by 105,6%.

The valuation that was carried out on 30 June 2001 shows a surplus of R134,5 m.

The Cape Joint Retirement Fund financially sound as far as S.A.L.A. is concerned, the result is at this stage not known.

26 CONTINGENT LIABILITIES AND
CONTRACTUAL OBLIGATIONS

Guarantees by Mossel Bay Council in respect of
Building Society and Commercial Bank -
Housing Loans to Officials

203,481

311,444

The Council only guarantees an amount equal to the officials accumulated pension fund contributions where Council has the right to recovery.

Leave Pay outstanding as at 30 June 2005 amounts to

R (R1 127 455 in 2003/04), whereas the

Provision amounts to R2 908 137 (R2 641 404 in 2003/04)

NOTES TO THE FINANCIAL STATEMENTS ENDED JUNE 2005 (CONTINUED)

	2005 R	2004 R
27 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure		
- Approved and contracted for	21,154,535	44,333,960
- Approved but not yet contracted for	<u>95,659,318</u>	<u>59,241,591</u>
	<u>116,813,853</u>	<u>103,575,551</u>
This expenditure will be financed from:		
- Internal Sources	36,566,818	52,207,887
- External Sources	80,247,035	51,367,664
Other Sources	<u>30,536,500</u>	<u>9,209,073</u>
Provincial Government	43,168,285	28,914,280
South Cape District Council	<u>6,542,250</u>	<u>13,244,311</u>
	<u>116,813,853</u>	<u>103,575,551</u>
28 CONSOLIDATED LOANS FUND		
External Loans (See Appendix B)	2,980,675	3,548,498
Internal Fund	151,563,339	128,842,463
Creditors (Temporary advances)	<u>86,331,847</u>	<u>75,910,922</u>
	240,875,860	208,301,882
Less:	(117,418,552)	(93,203,322)
External Investments	<u>113,000,000</u>	<u>86,035,000</u>
Debtors (Sundry Loans)	3,567,484	5,000,445
Debtors (Land Sales)	662,968	1,752,597
Debtors (Development Costs)	188,100	415,280
Internal Advances	-	-
(Refer to appendix B for more details)	<u>123,457,308</u>	<u>115,098,560</u>
Nett expenditure charges to borrowing services at an average rate of 4,3%.		
Interest paid on external loans	332,019	1,752,257
Interest paid on internal investments	3,835,700	3,244,002
Administration charges	-	-
	4,167,719	4,996,259
Less: Interest earned on external investments	(8,869,550)	(9,794,227)
	<u>(4,701,831)</u>	<u>(4,797,968)</u>
29 CAPITAL DEVELOPMENT FUND		
OUTSTANDING ADVANCES TO BORROWING SERVICES		
Accumulated Fund	151,563,339	128,842,463
Less: Internal investment in Consolidated Loans Fund	<u>(28,106,031)</u>	<u>(13,743,903)</u>
	<u>123,457,308</u>	<u>115,098,560</u>
(Refer to Note 1 and Appendix A & B)		

APPENDIX A:

ACCUMULATED FUNDS, RESERVES TRUST FUNDS & PROVISIONS							
	Balance at 30.06.2004	Contribu- tions during the year	Interest on Invest- ments	Other Income	Operating Expenditure during the year	Capital Expendi- ture during the year	Balance at 30.06.2005
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Fire Brigade Insurance Fund	139,360	35,000	7,762	-	-	-	182,122
Dana Bay Development Fund	1,063,033	-	62,825	-	-	-	1,125,858
Mayor's Fund	637	-	6	-	T 643	-	-
Sport Facilities Fund - Hartenbos	28,554	-	914	-	-	-	29,468
Life-Savers Fund	55,218	-	2,596	-	-	-	57,814
Parking Area Development Fund	501,993	-	27,370	-	12,633	-	516,729
Consolidated Capital Dev. & Loan Fund	128,842,464	22,720,876	-	-	-	-	151,563,339
	130,631,259	22,755,876	101,473	-	13,276	-	153,475,332
RESERVES							
Sport Centre Reserve Fund	366,139	100,000	20,570	-	110,358	-	376,351
External Services Development Fund	15,366,805	8,877,208	1,231,728	-	-	6,833,048	18,642,693
Tourism Development Fund	8,154,629	-	499,845	-	915,557	-	7,738,917
Vehicle/Plant Maintenance Renewal Fund	1,287,607	-	73,717	-	77,052	-	1,284,272
Equipment/Machinery Maintenance Fund	1,709,335	-	93,250	-	331,120	-	1,471,465
Santos Pavillion Repairs Fund	281,926	-	14,665	-	-	-	296,591
Buildings Maintenance Fund	2,184,634	-	120,906	-	395,950	-	1,909,590
Service Reserve Fund Rural Areas	165,931	278,859	22,773	-	-	-	467,563
Effective Administration - Reserve Fund	602,158	-	21,898	-	570,297	-	53,759
Road Maintenance Reserve Fund	-	7,000,000	333,861	-	181,033	5,000,000	2,152,828
Electricity - Repairs & Maintenance Fund	158,061	-	7,431	-	-	-	165,492
	30,277,225	16,256,067	2,440,645	-	2,581,368	11,833,048	34,559,521
TRUST FUNDS							
Facilities Fund - Midbrak	71,863	-	3,379	-	-	-	75,242
Flood Disaster Fund	1,228,009	-	73,526	5,267	-	-	1,306,802
Casino Facilities Trust	438,596	-	-	-	-	-	438,596
M/Bay Housing and Infrastructure Trust	7,309,819	2,875,198	538,953	-	-	205,200	10,518,770
Mossel Bay Housing Project	10,362,132	851,997	675,514	-	39,918	-	11,849,724
Airfield - 263 erven	25,491	-	816	-	-	-	26,307
Refuse - 1 Main Contracts	103,037	100,000	1,396	-	204,433	-	-
	19,538,947	3,827,195	1,293,583	5,267	244,351	205,200	24,215,441

APPENDIX A:

ACCUMULATED FUNDS, RESERVES TRUST FUNDS & PROVISIONS (CONT.)							
	Balance at 30.06.2004	Contributions during the year	Interest on Invest- ments	Other Income	Operating Expenditure during the year	Capital Expendi- ture during the year	Balance at 30.06.2005
	R	R	R	R	R	R	R
PROVISIONS							
Bad Debt Reserve Fund	29,908,732	8,260,000	-	-	9,032,206	-	29,136,525
Leave Gratuity Fund	2,641,404	1,340,000	-	-	1,073,267	-	2,908,137
Valuation Reserve Fund	1,181,655	250,000	-	-	120,000	-	1,311,655
	33,731,790	9,850,000	-	-	10,225,473	-	33,356,316
Less: Provisions for Bad Debt	(29,908,732)	(8,260,000)	-	-	(9,032,206)	-	(29,136,525)
	3,823,058	1,590,000	-	-	1,193,267	-	4,219,791
GRAND TOTAL	184,270,489	44,429,137	3,835,701	5,267	4,032,261	12,038,248	216,470,085

**APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES**

EXTERNAL LOANS			Balance at 30 June 2004	Received during the	Redeemed or written off during the year	Balance at 30 June 2005
Local Registered Stock Issued	No.	Redeemable	R	R	R	R
1985 @ 18,90%	6	2005/12/31	150,000			150,000
1985 @ 18,90%	7	2005/12/31	50,000			50,000
1985 @ 18,90%	8	2005/12/31	50,000			50,000
1985 @ 18,90%	9A	2005/12/31	75,000			75,000
1985 @ 18,90%	9B(i)	2005/12/31	35,000			35,000
1985 @ 18,90%	9B(ii)	2005/12/31	40,000			40,000
1985 @ 18,25%	10	2006/06/30	200,000			200,000
1985 @ 17,60%	-	2005/06/30	363,250		363,250	-
1992 @ 16,75%	-	2008/12/31	132,000			132,000
1982 @ 8,00%	1/82	2007/06/30	10,000			10,000
1989 @ 15,00%	1/89/90	2009/12/31	25,000			25,000
1992 @ 14,75%	1/92/93	2010/06/29	42,765			42,765
1982 @ 8,00%	3/82	2007/12/31	9,000			9,000
1986 @ 16,25%	2/86	2005/06/30	27,000		27,000	-
1991 @ 16,50%	1/01/92	2005/09/24	60,423			60,423
1984 @ 8,00%	1/84	2008/12/31	5,000			5,000
1989 @ 15,00%	2/89/90	2005/04/11	14,640		14,640	-
1993 @ 12,50%	1/93/94	2009/03/13	41,740			41,740
1997 @ 15,00%	1/97	2012/12/31	23,700			23,700
1997 @ 15,00%	2/97	2012/12/31	12,310			12,310
1998 @ 15,00%	1/99	2013/12/31	9,250			9,250
1999 @ 15,00%	2/99	2015/12/31	92,500			92,500
2000 @ 15,00%	2/2000/01	2015/11/01	13,538			13,538
2000 @ 15,00%	1/2000/01	2015/07/20	92,308			92,308
2000 @ 15,00%	4/2000/01	2015/03/01	13,847			13,847
2001 @ 15,00%	1/2001/02	2016/10/01	178,462			178,462
2001 @ 15,00%	2/2001/02	2016/10/01	36,924			36,924
2003 @ 15,00%	1/2002/03	2018/03/07	61,539			61,539
2003 @ 12,00%	2/2003/04	2018/10/31	30,714			30,714
2003 @ 12,00%	1/2003/04	2018/09/18	135,714			135,714
Refer to Notes 4 and 28)			2,031,624	-	404,890	1,626,734
Annuity Loans			1,516,874	77,039	239,972	1,353,941
Government Loans (Housing)			-			
(Refer Note 28)			3,548,498	77,039	644,862	2,980,675

INTERNAL ADVANCES TO BORROWING SERVICES	Balance at 30 June 2004	Received during the year	Redeemed or written off during the year	Balance at 30 June 2005
	R	R	R	R
Consolidated Loans Fund	115,098,560	19,499,638	11,140,889	123,457,309
(Refer Note 28 & 29)	115,098,560	19,499,638	11,140,889	123,457,309

**APPENDIX C
ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2005**

Expenditure 2004	Service	Budget 2005	Balance at 2004/06/30	Expenditure during year	Redeemed Transferred or written off	Balance at 2005/06/30
R		R	R	R	R	R
16,667,706	RATES AND GENERAL SERVICES	46,444,001	304,849,545	25,511,257	4,100,012	326,260,790
12,801,075	COMMUNITY SERVICES	33,728,983	62,477,353	12,042,853	3,305,990	71,214,216
11,658	Health Services	380,280	4,474,357	9,456	106,791	4,377,023
11,079,042	Public Works	32,248,384	42,760,757	10,437,519	2,814,362	50,383,915
1,026,769	Administration	444,319	9,676,025	1,136,341	240,927	10,571,439
683,606	Licencing and Traffic	656,000	5,566,214	459,537	143,911	5,881,840
2,521,345	SUBSIDISED SERVICES	8,345,018	145,057,771	5,859,709	493,669	150,423,811
32,723	Cemetries	170,000	724,470	96,917	4,354	817,033
42,341	Library	138,000	2,001,157	142,405	25,079	2,118,482
10,277	Fire Protection	478,000	2,766,112	516,291	52,162	3,230,241
1,320,691	Municipal Land & Building	4,637,000	128,455,299	1,316,547	118,056	129,653,790
1,115,313	Parks and Recreation	2,922,018	10,375,588	3,787,549	294,018	13,869,120
-	Plantations	-	735,145	-	-	735,145
1,345,286	ECONOMIC SERVICES	4,370,000	97,314,421	7,608,695	300,353	104,622,763
6,960	Cleansing	609,000	4,298,295	1,165,051	28,042	5,435,304
1,223,593	Sewerage	2,911,000	68,053,830	5,678,205	201,745	73,530,290
-	Properties	-	-	-	-	-
114,733	Caravan Parks and Beaches	850,000	24,962,296	765,439	70,565	25,657,170
1,531,009	HOUSING SERVICES	35,577,000	17,681,585	1,111,995	1,071,060	17,722,520
-	Letting Schemes	-	21,704	-	-	21,704
1,531,009	Selling Schemes	35,577,000	17,659,881	1,111,995	1,071,060	17,700,816
21,509,124	TRADING SERVICES	21,419,550	151,032,486	15,919,496	302,858	166,649,124
-	Abattoir	-	58,330	-	-	58,330
-	Kwa-Nongaba - Water Scheme	-	503,572	-	-	503,572
11,794,821	Electricity	7,113,550	76,960,326	4,916,638	137,767	81,739,197
9,714,303	Water	14,306,000	73,510,258	11,002,858	165,091	84,348,025
39,707,839	TOTAL FIXED ASSETS	103,440,551	473,563,616	42,542,749	5,473,930	510,632,435
34,676,760	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		(358,465,056)	(45,728,707)	(17,018,637)	(387,175,126)
9,754,956	Loans redeemed and advances repaid		40,233,622	11,140,889	8,016,932	43,357,580
5,447,544	Contributions from operating income		160,722,070	9,884,753	4,388,716	166,218,107
896,187	Contributions from reserves		20,672,453	12,038,248	-	32,710,700
1,704,541	Grants and subsidies		41,363,507	2,525,264	400,882	43,487,889
11,982,039	Other sources		90,726,447	9,010,243	684,332	99,052,357
4,891,493	Temporary Advances		4,746,958	1,129,310	3,527,776	2,348,492
5,031,079	NETT FIXED ASSETS		115,098,560	(3,185,958)	(11,544,708)	123,457,309

APPENDIX D :

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

Actual 2004	INCOME	Actual 2005 R	Budget 2005 R
2,404,793	Grants and Subsidies	3,847,257	3,015,257
-	- Central Government	-	-
2,363,903	- Provincial Government	2,598,591	3,015,257
40,890	- Metropolitan Council	1,248,666	-
197,195,067	Operating Income	220,008,678	210,269,272
24,903,277	- Assessment Rates	28,639,782	26,760,850
78,086,284	- Sale of Electricity	88,063,416	81,964,785
29,153,740	- Sale of Water	33,884,694	32,507,004
65,051,766	- Other service charges	69,420,786	69,036,633
<u>199,599,860</u>		<u>223,855,935</u>	<u>213,284,529</u>
EXPENDITURE			
65,114,486	Salaries, Wages and Allowances	71,870,631	77,571,749
95,972,661	General Expenses	106,795,083	102,421,954
40,109,885	Purchase of electricity	43,518,820	41,690,344
4,601,720	Purchase of water	3,023,685	4,000,000
51,261,056	Other general expenses	60,252,577	56,731,610
6,195,657	Repairs and maintenance	8,123,317	8,457,260
24,454,538	Capital charges	26,369,365	26,755,665
1,704,661	Contributions to fixed assets	1,867,822	1,250,550
9,585,000	Contributions	9,885,000	9,885,000
203,027,003	Gross Expenditure	224,911,217	226,342,178
(11,826,655)	Less: Amounts charges out	(14,290,303)	(13,112,065)
<u>191,200,348</u>	Nett Expenditure	<u>210,620,914</u>	<u>213,230,113</u>

**APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

2004 Actual Income R	2004 Actual Expenditure R	2004 Surplus/ (Deficit) R		2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R	2005 Budget Surplus/(Deficit) R
85,116,853	102,132,347	(17,015,495)	RATES AND GENERAL SERVICES	93,956,960	111,911,632	(17,954,672)	(41,737,668)
43,839,531	52,250,355	(8,410,823)	COMMUNITY SERVICES	46,348,193	58,788,672	(12,440,479)	(29,890,883)
25,398,562	2,151,663	23,246,899	Assesment Rates	29,561,048	2,245,976	27,315,072	-1,904,205
-	494,103	(494,103)	Municipal Manager	-	480,253	(480,253)	(533,282)
5,194	3,087,398	(3,082,203)	Director: Corporate Services	1,505	3,937,748	(3,936,243)	(4,597,759)
596,300	4,064,540	(3,468,240)	Director: Financial Services	2,142,769	5,677,360	(3,534,591)	(4,509,728)
10	66,518	(66,509)	Director: Technical Services	251	83,398	(83,147)	(274,223)
-	756,486	(756,486)	Director: Community Services	-	746,813	(746,813)	(773,462)
48,738	639,807	(591,069)	Computer Centre	56,267	807,797	(751,530)	(756,984)
-	2,479,341	(2,479,341)	Marketing and Tourism	-	1,948,547	(1,948,547)	(2,238,286)
74,970	9,907,405	(9,832,435)	Public Works	69,340	11,503,678	(11,434,338)	(129,337)
2,327,001	5,793,841	(3,466,840)	Health Services	3,769,243	5,723,737	(1,954,494)	(3,943,924)
-	106,982	(106,982)	Internal Audit	-	-	-	-
4,758,464	6,621,162	(1,862,698)	Municipal Police & Traffic	5,998,427	7,895,371	(1,896,944)	(3,790,919)
-	735,609	(735,609)	Stores	-	734,764	(734,764)	(765,531)
7,883,310	8,234,270	-350,959	Council's General Expenses	106,976	8,942,650	(8,835,674)	(128,801)
4,066	98,760	(94,694)	Security Services	13,744	184,634	(170,890)	-100,000
2,388,059	2,444,491	(56,432)	Town Planning & Building Control	3,830,771	2,999,516	(831,255)	(991,016)
23,007	1,857,901	(1,834,895)	Beaches	297,834	1,931,502	(1,633,668)	(2,105,126)
-	779,886	(779,886)	Valuations	74	1,036,885	(1,036,811)	(1,004,081)
331,849	621,644	(289,794)	Properties	499,944	634,396	(134,452)	(340,530)
-	1,308,548	(1,308,548)	Customer Care	-	1,273,647	(1,273,647)	(1,261,291)
516,684	18,235,777	(17,719,093)	SUBSIDISED SERVICES	507,174	18,874,265	(18,367,091)	(19,662,534)
-	-	-	Ambulance	-	-	-	-
101,280	361,053	(259,773)	Cemetries	52,350	389,247	(336,897)	(344,543)
64,690	2,088,233	(2,023,542)	Library	66,176	2,407,610	(2,341,434)	(2,679,958)
16,056	4,285,882	(4,269,827)	Fire and Civil Protection	32,816	4,521,128	(4,488,312)	(4,845,957)
133,407	1,975,208	(1,841,801)	Civic Buildings & Community Halls	123,715	2,092,060	(1,968,345)	(2,061,570)
166,395	1,302,159	(1,135,764)	Municipal Buildings	199,912	1,595,701	(1,395,789)	(1,904,205)
8,100	6,161,017	(6,152,917)	Parks & Recreation	7,437	5,901,068	(5,893,631)	(5,638,091)
14,280	156,266	(141,986)	Plantations	-	169,372	(169,372)	(158,010)
12,476	1,905,959	(1,893,483)	Sport Grounds	24,768	1,798,079	(1,773,311)	(2,030,200)
40,760,637	31,646,216	9,114,421	ECONOMIC SERVICES	47,101,593	34,248,695	12,852,898	7,815,749
2,985,588	2,528,562	457,026	Chalets	3,033,691	2,336,675	697,016	(86,805)
2,627,781	2,114,075	513,706	Caravan Parks	3,353,872	2,396,994	956,878	162,685
11,966,240	10,659,941	1,306,299	Cleansing	13,962,505	12,315,875	1,646,630	555,777
23,181,028	16,343,638	6,837,390	Sewerage	26,751,525	17,199,151	9,552,374	7,184,092
-	-	-	HOUSING SERVICES	-	-	-	-
-	-	-	Economic Housing	-	-	-	-
-	-	-	Sub Economic Housing	-	-	-	-
114,483,007	89,068,001	25,415,006	TRADING SERVICES	129,898,975	98,709,279	31,189,696	26,474,055
81,995,349	63,049,046	18,946,303	Electricity	92,479,971	69,725,223	22,754,748	19,079,641
32,487,659	26,018,955	6,468,703	Water	37,419,004	28,984,056	8,434,948	7,394,414
<u>199,599,860</u>	<u>191,200,348</u>	<u>8,399,511</u>	TOTAL	<u>223,855,935</u>	<u>210,620,911</u>	<u>13,235,024</u>	<u>-15,263,613</u>
		(9,870,846)	Appropriations for the year (Refer to Note 18)			(8,511,598)	
		(1,471,335)	Net surplus/(deficit) for the year			(4,723,426)	
		R 14,720,656	Accumulated surplus/(deficit) beginning of the year			R 13,249,321	
		<u>R 13,249,321</u>	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR			<u>R 17,972,747</u>	

ANNEXURE F :STATISTICAL INFORMATION

	2004	2005
General Statistics		
Population	87,122	87,122
Numbers of Registered voters	37,497	37,976
Area in km2	2007,78	2007,78
Total Valuations:		
- Rateable (R Million)	5,778,957,861	6,316,246,160
- Non Rateable (R Million)	309,332,309	3,042,581,100
- Residential (R Million)	4,694,760,811	5,184,249,460
- Commercial (R Million)	1,084,197,050	1,131,996,700
Valuation dates:	2001/07/01	2001/07/01
Total Stands:	28,162	30,458
Property Tax Rate		
- Basic (per rand) see attached list	Different	Different
- Discount: Residential	50%	50%
- Additional Discount: Pensioners	30%	30%
Number of Employees	838	757
Library		
- Books Issued	529,370	553,170
- Cost per issue	R 3.94	R 4.35
Roads and Stormwater		
- Kilometer Roads	375	375
- Cost per Unit	R 26,006	R 30,286
Refuse		
Refuse Removed (Ton)	21,191	
cost per Ton Removed	R 425.00	
Income per Ton Removed	R 565.00	
Sewerage		
Sewerage Water Purified (MI)	3,396	3,518
Cost per MI Purified	R 1,235	R 1,539
Income per MI Purified	R 6,825	R 7,603
Electricity		
Units (Kwh) Purchase ('000)	240,723	
Purchase Price Per Kwh	16.44c	
Units(Kwh) ('000)	213,010	
Units(Kwh) Lost during Distribution('000)	27,713	
Percentage Loss during Distribution	11.51%	
- Net Purchase Cost	16.44c/u	
- Total Cost	26.12c/u	
- Net Sales	36.87c/u	
Total Income	R 80,626,076	
Water		
MI Purified	7,768	8,739
MI Sold (' 000)	6,874	7,486
MI Lost during Distribution (' 000)	894	1,253
Percentage lost during Distribution	11.50%	14.30%
Cost per MI Purified	R 1,559	R 1,288
Income per MI sold	R 4,574	R 4,861