



PHUMELELA LOCAL MUNICIPALITY

# FINANCIAL STATEMENTS 30 JUNE 2006

PHUMELELA LOCAL MUNICIPALITY

C/o Kuhn & Prinsloo Street, Vrede, 9835. P.O. Box 155, Vrede, 2047  
Tel: + 27 58 913 1222 Fax: + 27 58 913 2317  
E-mail: phumelela.lm@absamail.co.za

## PHUMELELA LOCAL MUNICIPALITY

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# GENERAL INFORMATION

## MEMBERS OF THE COUNCIL:

Councillor T J Motaung  
Councillor M I Kobeni  
Councillor M M Kolatsoeu  
Councillor B D Madonsela  
Councillor B A Mahlaba  
Councillor M J Mofokeng  
Councillor M D Nkabinde  
Councillor A C Scholtz  
Councillor T Thela  
Councillor S T Makhubu  
Councillor S E Tshabalala  
Councillor J H Van Niekerk  
Councillor T R Zwane (Me)  
Councillor O S Tshabalala

- *Mayor*

## GRADING OF LOCAL AUTHORITY:

Grade 4

## AUDITOR:

Auditor-General

## BANKERS:

ABSA Bank  
Branch: Vrede

Account Number: 22-6094-0190  
Account Name: Phumelela Local Municipality

## REGISTERED OFFICE:

Municipal Offices  
Kuhn Street  
Vrede  
Tel: (058) 913-1222

P.O. Box 155  
Vrede  
9835  
Fax: (058) 913-2317

## E-Mail Address:

phumelela.lm@absamail.co.za

## MUNICIPAL MANAGER:

Mr.M. Besani (Acting)

## MANAGER: FINANCE

EXCO representative: Mr. C.B. Van Staden (MBA)

## APPROVAL OF FINANCIAL STATEMENTS:

The annual financial statements as set out on pages 9 to 21 were approved by the Municipal Manager on \_\_\_\_\_ 2007, and will be presented to and approved by the Council on \_\_\_\_\_ 2007.

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MUNICIPAL MANAGER

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EXCO REPRESENTATIVE

**REPORT OF THE ACCOUNTING OFFICER TO THE MEMBERS OF THE PHUMELELA LOCAL MUNICIPALITY  
FOR THE FINANCIAL YEAR 2005 - 2006**

The above matter refers:

We have compiled the Financial Statements of the Phumelela Local Municipality for the Financial Year 2005 - 2006 on the basis of information provided by Management in accordance with the South African Auditing Standard applicable to

Management is responsible for these Financial Statements. We have not audited or reviewed these Financial Statements and accordingly express no assurance thereof.

Yours faithfully,

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**CEDRIC VAN STADEN  
EXCO REPRESENTATIVE**

**REPORT OF THE AUDITOR - GENERAL**

PHUMELELA MUNICIPALITY

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**PHUMELELA MUNICIPALITY  
THE CHIEF FINANCIAL OFFICER'S REPORT**

**1. OPERATING RESULTS**

Details of the operating results per department, classification and object of expenditure are included in appended D and E. The overall operating results for the year ended 30 June 2006 are as follows:

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2006	Variance Actual / Budget
	R	R	%	R	%
<b>INCOME</b>					
Opening surplus	15,871,743	15,604,384			
Operating income - Operating income for the year	37,222,960	31,446,340	(15.52)	33,122,376	94.94
	53,094,703	47,050,724		33,122,376	
<b>EXPENDITURE</b>					
Operating expenditure for the year	33,451,796	28,392,376	(15.12)	33,208,391	85.50
Sundry transfers	-4,038,524	-12,114,438			
Closing surplus	15,604,384	6,543,909			

**1.1 Rate and General Services**

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2006	Variance Actual / Budget
	R	R	%	R	%
Income	23,415,086	21,040,473	(10.14)	21,698,318	96.97
Expenditure	26,785,473	21,307,066	(20.45)	25,738,024	82.78
Surplus / (Deficit)	-3,370,386	-266,593			
Surplus / (Deficit) as % of total income	(14.39)	(1.27)			

**1.2 Trading Services**

**Trading Services - Electricity Services**

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2006	Variance Actual / Budget
	R	R	%	R	%
Income	4,936,852	4,991,241	1.10	4,906,404	101.73
Expenditure	3,485,773	4,334,171	24.34	4,479,187	96.76
Surplus / (Deficit)	1,451,078	657,070			
Surplus / (Deficit) as % of total income	29.39	13.16			

## Trading Services - Water Services

	Actual 2005	Actual 2006	Variance 2005/2006	Budget 2006	Variance Actual / Budget
	R	R	%	R	%
Income	8,871,023	5,414,626	(38.96)	6,517,654	83.08
Expenditure	3,180,550	2,751,139	(13.50)	2,991,180	91.98
Surplus / (Deficit)	5,690,473	2,663,487			
Surplus / (Deficit) as % of total income	64.15	49.19			

### 2. External loans, investments and cash

The figures for external loans, investments and cash are as follows:

	2006	2005
External loans	2,856,510	3,170,879
Investments	3,284,782	8,527,794
Cash on Hand and in Bank	-2,564,340	3,727,438

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

### 3. Funds and Reserves

More information regarding funds and reserves is disclosed in the notes ( 1 to 3 ) and appendix A to the financial statements.

### 4. Post Balance Sheet Events

There were no events subsequent to Balance Sheet date that could have had an effect on the financial statements as disclosed.

### 5. Capital Expenditure and Financing

Capital expenditure to the amount of R 84 031 (2006) subsequent to the previous financial year amounting to R 551 734.

### 6. Appreciation

The appreciation for the 2006 financial year shows a surplus of R 3 053 964 and 2005 financial year shows a surplus of R 3 771 165

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C.B. Van Staden  
Chief Financial Officer  
Date:



## **PHUMELELA LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES:**

#### **1. Basis of Presentation**

The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1996) and Report of the standardization of Financial Statements of Local Authorities (2nd edition, as amended)

The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

The financial statements are prepared on the accrual basis:

\*Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licenses.

\*Expenditure is accrued in the year it is incurred.

#### **2. Consolidation**

The Balance sheet includes the rate and general services, housing services, trading services and the different funds, reserves and provisions. All inter departmental charges are set off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

#### **3. Fixed Assets**

##### **3.1 Fixed assets are stated:**

At historical cost, or

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

##### **3.2 Depreciation**

The balance show against the heading "loans redeemed and other capital receipts" in the notes to the balance sheet is an amount 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 form an immediate and direct charge against the operating income, and therefore it is unnecessary to make 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 the other capital receipts" account.

3.3 All the proceeds from the sale of fixed property are credited to the land trust fund or the infrastructure Fund. Net proceeds from the sale of all other assets are credited to the capital development fund or the fund; such as the renewals fund, which financed the acquisition.

3.4 Capital assets are financed from different sources, including external loans, operating income, endowments and internal advanced. 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 advances are 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 Capital development fund**

The Local Government Ordinance No 8 of 1962, required a minimum contribution of 1,0 percent of the defined income of a local authority for the financial year.

##### **5.2 Loans redemption fund**

The redemption of certain loans is provided for by contributions to the fund over 20 to 25 years to enable redemption to be made on maturity of the loan. Internal loans are repaid in relation to the life of an asset. Redemption on loans were paid half-yearly on an annuity basis.

##### **5.3 Insurance fund**

A general insurance fund is maintained to cover claims that may occur, mainly under the house selling scheme. Comprehensive insurance cover from insurers is maintained.

##### **5.4 Renewal Fund**

The renewal fund is used to finance capital expenditure.

#### **6. Surpluses and Deficits**

Provisions were established to declare obligations and occurrences that came forth with the balance sheet, but where the involving amounts, couldn't be estimated with relative surety.

#### **7. Treatment of Administration and other Overhead Expenses**

Phumelela Local Municipality and its employees contribute to the Free State Municipal Pension Fund, Sala Pension Fund and SAMWU Pension Fund which provides retirement benefits to employees.

The retirement benefit plan is subject to the Pension Fund Act, 1956 with pensions being calculated on the final pension able remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are written-off over the lesser of the remaining period of service of employees, or actuarial valuations are performed at least every three years.

#### **8. Investments**

Any surpluses or deficits arising from the operation of electricity and water services are transferred to the general services to alleviate the tax burden of ratepayers.

#### **9. Surpluses and Deficits**

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

#### **10. Income Recognition**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred and are invested per Circular no. 1 of 1989 issued by the Provincial Administration, Community Development Branch.

**11. Deferred Charges**

No deferred charges are applicable.

**12. Income Recognition**

**12.1 Electricity and water billings**

Meters on all properties are read and billed monthly.

**12.2 Assessment rate**

Phumelela Local Municipality applies the same site rating system. In terms of this system the assessment rates are levied on the land value of property. Rebates were granted to the State owned properties only.

**PHUMELELA MUNICIPALITY  
BALANCE SHEET AT 30 JUNE 2006**

	Note	2006 R	2005 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>			
		<b>12,656,605</b>	<b>12,652,398</b>
Statutory Funds	1	8,938,566	8,908,119
Reserves	3	3,718,039	3,744,279
<b>ACCUMULATED SURPLUS</b>			
	17	6,543,909	15,604,384
		19,200,514	28,256,782
<b>TRUST FUNDS</b>			
	2	9,435	9,435
<b>LONG-TERM LIABILITIES</b>			
	4	2,831,995	3,133,599
<b>CONSUMER DEPOSITS</b>			
	5	220,163	190,962
		<b>22,262,107</b>	<b>31,590,778</b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>			
	6	2,856,510	3,943,595
<b>INVESTMENTS</b>			
	7	3,284,782	8,527,794
<b>LONG-TERM DEBTORS</b>			
	8	39,423	55,454
		6,180,715	12,526,843
<b>NET CURRENT ASSETS</b>			
		<b>16,081,393</b>	<b>19,063,935</b>
<b>CURRENT ASSETS</b>			
		<b>31,384,158</b>	<b>33,315,529</b>
Inventories	9	2,469	50,361
Debtors	10	31,376,158	29,537,730
Cash and Bank	23	5,531	3,727,438
Short term investment	7		
Short term portion of long term debtors	8	0	0
<b>CURRENT LIABILITIES</b>			
		<b>15,302,765</b>	<b>14,251,594</b>
Creditors	12	12,598,191	13,945,123
Provisions	11	110,188	269,191
Short term portion of long term liabilities	4	24,515	37,280
Bank Overdraft	23	2,569,871	0
		<b>22,262,107</b>	<b>31,590,778</b>

**PHUMELELA MUNICIPALITY  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

2005 Actual Income R	2005 Actual Expenditure R	2005 Net Surplus/(Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Net Surplus/(Deficit) R	2006 Budget Surplus/(Deficit) R
23,415,086	26,785,473	-3,370,386	RATES AND GENERAL SERVICES	21,040,473	21,307,066	-266,593	-4,039,706
13,359,761	18,469,383	-5,109,622	Community Services	9,906,229	13,165,627	-3,259,398	-6,607,197
314,759	2,478,946	-2,164,187	Subsidised Services	415,928	2,910,123	-2,494,195	-2,169,196
9,740,566	5,837,144	3,903,423	Economic Services	10,718,316	5,231,316	5,487,000	4,736,687
0	0	0	HOUSING SERVICES	0	0	0	0
13,807,874	6,666,323	7,141,551	TRADING SERVICES	10,405,867	7,085,310	3,320,557	3,953,691
<u>37,222,960</u>	<u>33,451,796</u>	<u>3,771,165</u>	TOTAL	<u>31,446,340</u>	<u>28,392,376</u>	<u>3,053,964</u>	<u>-86,015</u>
		-4,038,524	Appropriations for the year (refer to note 17)			-12,114,438	
		<u>-267,359</u>	Surplus/(deficit) for the year			<u>-9,060,474</u>	
		15,871,743	Accumulated surplus at the beginning of the year			15,604,384	
		<u><u>15,604,384</u></u>	ACCUMULATED SURPLUS: END OF THE YEAR			<u><u>6,543,909</u></u>	

**PHUMELELA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>			
		<b>-5,696,932</b>	<b>5,123,324</b>
Cash generated by operations	19	-3,014,163	342,529
Investment income		196,385	245,287
(Increase) / Decrease in working capital	22	-3,092,236	-8,959,074
		<u>-5,910,014</u>	<u>-8,371,258</u>
Less: External interest paid		0	-561,963
Cash available from operations		<u>-5,910,014</u>	<u>-8,933,220</u>
Cash contribution from the public and the State		213,082	14,056,544
Nett income from sale of Fixed Assets		0	0
<b>CASH UTILISED IN INVESTMENT ACTIVITIES</b>			
Investment in fixed assets	6	-84,031	838,505
<b>NETT CASH FLOW</b>		<u><b>-5,780,963</b></u>	<u><b>5,961,829</b></u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase / (Decrease) in long-term loans	25	-314,368	-145,563
(Increase) / Decrease in cash investments	24	-196,447	-3,556,800
(Increase) / Decrease in cash	23	6,291,778	-2,259,466
<b>NETT CASH ( GENERATED ) / UTILISED</b>		<u><b>5,780,963</b></u>	<u><b>-5,961,829</b></u>

**PHUMELELA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2006**

	<b>2006 R</b>	<b>2005 R</b>
<b>1 STATUTORY FUNDS</b>		
Capital Development Fund	6,107,541	6,107,541
Redemption Fund	414,878	414,878
Insurance Fund	171,476	171,476
Erven Fund	2,244,671	2,214,224
(Refer to appendix A for more detail)	<b>8,938,566</b>	<b>8,908,119</b>
<b>2 RESERVES</b>		
Maintenance Streets & Storm water	15,656	15,656
Renewals	3,702,383	3,702,383
Provision: Repairs & Maintenance	0	23,406
Provision: General	0	2,834
(Refer to appendix A for more detail)	<b>3,718,039</b>	<b>3,744,279</b>
<b>3 TRUST FUNDS</b>		
Disaster Fund	9,435	9,435
(Refer to appendix A for more detail)	<b>9,435</b>	<b>9,435</b>
<b>4 LONG TERM LIABILITIES</b>		
Annuity Loans	2,078,128	2,144,103
Redemption Fund Loans	778,382	1,026,776
	2,856,510	3,170,879
Less Current portion transferred to current liabilities	24,515	37,280
(Refer to appendix B for mor detail on long term liabilities)	<b>2,831,995</b>	<b>3,133,599</b>
No securities held over loans. No balance certificate could be provided be the Municipality, there for the loan values could not be verified.		
<b>5 DEPOSITS</b>		
Electricity	220,163	190,962
Guarantees in lieu Electricity & Water		
	<b>220,163</b>	<b>190,962</b>
<b>6 FIXED ASSETS</b>		
Fixed assets at the beginning of the year	96,276,622	95,724,888
Capital expenditure during the year	84,031	551,734
	96,360,653	96,276,622
Less: Assets written off, transferred or disposed of during the year		0
<b>TOTAL FIXED ASSETS</b>	<b>96,360,653</b>	<b>96,276,622</b>
Less: Loans redeemed and other capital receipts	93,504,143	92,333,027
<b>NET FIXED ASSETS</b>	<b>2,856,510</b>	<b>3,943,595</b>
(Refer to appendix C and section A of the Treasurer's Report for more details of Fixed Assets)		

	2006 R	2005 R
<b>7 INVESTMENTS</b>		
Unlisted		
Long term deposits	3,146,342	8,389,354
Other deposits		
Paid-up shares	138,440	138,440
	<b>3,284,782</b>	<b>8,527,794</b>
Management valuation of unlisted investments		
Average return on investments		
The Local Authorities Ordinance No.23 of 1935 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		
No investments were written off during the year.		
No balance certificate could be provided by the Municipality, therefore the investment values could not be verified.		
<b>8 LONG TERM DEBTORS</b>		
Housing Loans - Staff	0	0
Car Loans	0	4,230
Computer Loans - Staff	39,423	51,224
	<b>39,423</b>	<b>55,454</b>
Less Short term portion transferred to current debtors	0	0
	<b>39,423</b>	<b>55,454</b>
<b>9 STOCK</b>		
Stock represents Raw materials, Maintenance materials and Consumables	<b>2,469</b>	<b>50,361</b>
<b>10 DEBTORS</b>		
Trade Debtors	42,044,454	35,582,504
VAT Control	1,763,441	1,763,441
Other debtors	12,315,165	13,941,305
	<b>56,123,060</b>	<b>51,287,250</b>
Less Provision for bad debts	-23,491,877	-20,971,877
	<b>32,631,183</b>	<b>30,315,373</b>
Less: VAT	-1,255,025	-777,643
	<b>31,376,158</b>	<b>29,537,730</b>

Note: VAT due to the Receiver of Revenue based on accruals to be paid when received is deducted from debtors



	2006 R	2005 R
<b>11 PROVISIONS</b>		
Study Loan Fund	4,935	4,935
Publicity Fund	3,858	3,858
Provisions: Leave	30,073	146,205
Provisions: Audit Fees	71,322	96,562
Provisions: Valuation	0	17,631
	<b>110,188</b>	<b>269,191</b>
<b>12 CREDITORS</b>		
Trade Creditors	0	209,425
Other Creditors	12,571,222	13,721,984
Deposits - Other	26,969	13,714
Amounts received in advance	0	0
	<b>12,598,191</b>	<b>13,945,123</b>
<b>13 ASSESSMENT RATES</b>		
	Site valuations as at  R	
All Properties	Actual income 2006 R 1,776,615	Actual income 2005 R 2,031,836
<b>14 COUNCILLORS' ALLOWANCES</b>		
Mayor's allowance	0	0
Councillors' allowances	657,587	974,676
	<b>657,587</b>	<b>974,676</b>
<b>15 CASH ON HAND</b>		
Cash book balance	-2,564,960	3,726,818
Petty cash	620	620
No assets are held as security for bank overdraft.	<b>-2,564,340</b>	<b>3,727,438</b>
<b>16 AUDITORS' REMUNERATION</b>		
Audit fees	315,282	0
	<b>315,282</b>	<b>0</b>
<b>17 APPROPRIATIONS</b>		
Accumulated surplus (deficit) at the beginning of the year	15,604,384	15,871,743
Operating (deficit)/surplus for the year	3,053,964	3,771,165
Appropriations for the year:	<b>-12,114,438</b>	<b>-4,038,524</b>
Prior year adjustments	<b>-12,114,438</b>	<b>-4,038,524</b>
Accumulated surplus (deficit) at the end of the year	6,543,909	15,604,384
Operating Account:		
Capital expenditure	84,031	0
Contributions to:	<b>30,447</b>	<b>171,447</b>
Accumulated Funds	30,447	30,447
Provisions	0	141,000
Reserves	0	0
Trust Funds	0	0

	2006 R	2005 R
<b>18 FINANCE TRANSACTIONS</b>		
Total Interest earned or paid:	<b>2,674,635</b>	<b>2,571,960</b>
Interest paid - Interest earned on investments	0	169,675
Interest earned on rates	2,674,635	2,402,271
Interest Paid	0	14
Capital charges debited to operating account:	<b>314,368</b>	<b>611,089</b>
Interest - External	0	561,963
Internal	0	0
Redemption - External	65,974	49,126
Internal	248,394	0
<b>19 CASH GENERATED THROUGH ACTIVITIES</b>		
(Deficit)/Surplus for the year	3,053,964	3,771,165
Adjustments in respect of:		
Previous years' operating transactions	-5,871,816	-1,198,870
Appropriations charged against income:	<b>84,031</b>	<b>579,687</b>
Capital Development Fund	0	30,447
Provisions & Reserves	0	141,000
Fixed Assets	84,031	408,240
Capital Charges:	<b>314,368</b>	<b>1,629,694</b>
- Interest paid:	<b>0</b>	<b>561,963</b>
to internal funds	0	0
on external funds	0	561,963
- Redemption:	<b>314,368</b>	<b>1,067,731</b>
of internal advances	248,394	1,025,490
of external loans	65,974	42,241
Income from Investment (Trading)	-196,385	-169,675
Donations and Subsidies (Trading)	-213,082	-4,494,295
Non-trading income:	<b>0</b>	<b>0</b>
Income credited against Provisions and Reserves	0	0
Income credited against Funds	0	0
Non-trading expenditure:	<b>-185,243</b>	<b>-460,234</b>
Expenses debited against Provisions and Reserves	-185,243	-460,234
Expenses debited against Funds	0	0
	<b>-3,014,163</b>	<b>-342,529</b>

	2006 R	2005 R
21 INCREASE/(DECREASE) IN EXTERNAL CASH INVESTMENT		
Investment at beginning of year	8,527,794	4,890,929
Investment at end of year	3,284,782	8,527,794
	<b>-5,243,012</b>	<b>3,636,865</b>
22 CASH UTILISED TO INCREASE/(DECREASE) WORKING CAPITAL		
Increase/(decrease) in Stock	47,892	-126,956
Increase/(decrease) in Debtors	-1,822,397	-7,587,324
Increase/(decrease) in Creditors	-1,317,731	-1,244,794
Increase/(decrease) in Provisions		-319,234
	<b>-3,092,236</b>	<b>-8,959,074</b>
23 INCREASE/(DECREASE) IN CASH ON HAND		
<b>Bank Account</b>		
Cash at beginning of year	3,721,907	1,553,700
Less: Cash at end of year	-2,569,871	3,721,907
	<b>-6,291,778</b>	<b>2,168,207</b>
<b>Petty Cash</b>		
Cash at beginning of year	620	620
Less: Cash at end of year	620	620
	<b>0</b>	<b>0</b>
<b>Advances</b>		
Cash at beginning of year	4,911	4,911
Less: Cash at end of year	4,911	4,911
	<b>0</b>	<b>0</b>
	<b>-6,291,778</b>	<b>2,168,207</b>
24 INCREASE/(DECREASE) IN INVESTMENTS		
Made	196,447	31,286,192
Realised	0	-31,432,534
	<b>196,447</b>	<b>-146,342</b>
25 INCREASE/(DECREASE) IN LONG TERM LOANS		
Loans Made	0	0
Loans repaid	314,368	42,241
	<b>-314,368</b>	<b>42,241</b>

**PHUMELELA MUNICIPALITY  
APPENDIX A**

**ACCUMULATED FUNDS, RESERVES AND PROVISIONS**

DESCRIPTION	Balance at 30-Jun-05	Contribution during year	Interest on investment	income	Expenditure during year	Balance at 30-Jun-06
<b>STATUTORY FUNDS</b>						
Capital Development Fund	6,107,541	0	0	0	0	6,107,541
Redemption Fund	414,878	0	0	0	0	414,878
Insurance Fund	171,476	0	0	0	0	171,476
Erven Fund	2,214,224	30,447	0	0	0	2,244,671
	<u>8,908,119</u>	<u>30,447</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,938,566</u>
<b>TRUST FUNDS</b>						
Disaster Fund	9,435	0	0	0	0	9,435
	<u>9,435</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,435</u>
<b>RESERVES</b>						
Maintenance Streets & Storm water	15,656	0	0	0	0	15,656
Renewals	3,702,383	0	0	0	0	3,702,383
Provision: Repairs & Maintenance	23,406	0	0	0	23,406	0
Provision: General	2,834	0	0	0	2,834	0
	<u>3,744,279</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,240</u>	<u>3,718,039</u>
<b>PROVISION</b>						
Study Loan Fund	4,935	0	0	0	0	4,935
Publicity Fund	3,858	0	0	0	0	3,858
Provisions: Leave	146,205	0	0	0	116,132	30,073
Provisions: Audit Fees	96,562	0	0	0	25,240	71,322
Provisions: Valuation	17,631	0	0	0	17,631	0
	<u>269,191</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159,003</u>	<u>110,188</u>
<b>TOTALS</b>	<u>12,931,024</u>	<u>30,447</u>	<u>0</u>	<u>0</u>	<u>185,243</u>	<u>12,776,228</u>

**PHUMELELA MUNICIPALITY  
APPENDIX B**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

<b>EXTERNAL LOANS</b>	<b>Redeemable</b>	<b>Interest Rate</b>	<b>Balance at 30-Jun-05 R</b>	<b>Received during the year R</b>	<b>Redeemed or written off during the year R</b>	<b>Balance at 30-Jun-06 R</b>
<b>Annuity Loans</b>						
FS Municipal Pension Fund	2005-06-30	9.70%	3,145		3,145	0
FS Municipal Pension Fund	2005-12-31	10.00%	3,729		3,729	0
FS Municipal Pension Fund 1	2008-12-31	16.00%	36,728		827	35,901
FS Municipal Pension Fund 2	2009-06-30	16.00%	23,609		-17,961	41,570
DBSA	2017-03-31	12.00%	431,146		30,284	400,862
DBSA	2019-09-30	17.00%	1,346,552		24,900	1,321,652
DBSA	2015-12-31	12.60%	195,451		13,972	181,479
DBSA	2015-12-31	13.45%	103,742		7,078	96,664
			<u>2,144,103</u>	0	<u>65,974</u>	<u>2,078,128</u>
<b>Redemption Fund Loans</b>						
CMB Nominees (Pty) Ltd	2007	14.9	100,000		24,360	75,640
FBC	2007	Prime less 1%	926,776		224,034	702,742
			<u>1,026,776</u>	0	<u>248,394</u>	<u>778,382</u>
Grand Total			<u><u>3,170,879</u></u>	<u>0</u>	<u><u>314,368</u></u>	<u><u>2,856,510</u></u>

PHUMELELA MUNICIPALITY  
APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2005 R		Balance at 30-Jun-05 R	Expenditure 2006 R	Written off, Transferred Redeemed or Sold 2006 R	Balance at 30-Jun-06 R
<b>551,734</b>	<b>RATES AND GENERAL SERVICES</b>	<b>52,801,119</b>	<b>84,031</b>	<b>0</b>	<b>52,885,150</b>
<b>0</b>	Community Services	<b>16,914,688</b>	<b>84,031</b>	<b>0</b>	<b>16,998,719</b>
0	Ambulance	45,342	0	0	45,342
0	Assessment Rates	0	0	0	0
0	Council General Expenses	0	0	0	0
0	Cemetary	2,855	0	0	2,855
0	Engineering Department	0	0	0	0
0	Fire Fighting	0	0	0	0
0	Health Services	3,973,930	0	0	3,973,930
0	Manager Administration	12,011	0	0	12,011
0	Manager Financial	351,260	84,031	0	435,291
0	Municipal Manager	22,028	0	0	22,028
0	Public Works	12,307,133	0	0	12,307,133
0	Swimming Pool	0	0	0	0
0	Traffic Services	200,129	0	0	200,129
<b>352,622</b>	<b>Subsidised Services</b>	<b>9,381,009</b>	<b>0</b>	<b>0</b>	<b>9,381,009</b>
0	Estates (Camps & Pound)	241,990	0	0	241,990
0	Library	32,962	0	0	32,962
352,622	Municipal Buildings	6,501,265	0	0	6,501,265
0	Parks & Recreation	2,604,792	0	0	2,604,792
<b>199,112</b>	<b>Economic Services</b>	<b>26,505,422</b>	<b>0</b>	<b>0</b>	<b>26,505,422</b>
199,112	Sanitation	1,684,088	0	0	1,684,088
0	Sewerage	24,821,334	0	0	24,821,334
<b>0</b>	<b>HOUSING SERVICES</b>	<b>1,128,224</b>	<b>0</b>	<b>0</b>	<b>1,128,224</b>
0	Municipal Housing	1,128,224	0	0	1,128,224
<b>0</b>	<b>TRADING SERVICES</b>	<b>42,347,279</b>	<b>0</b>	<b>0</b>	<b>42,347,279</b>
0	Electricity	4,812,404	0	0	4,812,404
0	Water	37,534,875	0	0	37,534,875
<b>551,734</b>	<b>TOTAL FIXED ASSETS</b>	<b>96,276,622</b>	<b>84,031</b>	<b>0</b>	<b>96,360,653</b>
	<b>LESS LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>92,333,027</b>	<b>84,031</b>	<b>1,087,085</b>	<b>93,504,143</b>
	Loans Redeemed and Advances Paid	18,165,316		1,087,085	19,252,401
	Contribution ex Operating Income	2,958,004	84,031		3,042,035
	Grants & Aids	62,250,834		0	62,250,834
	Grants & Subsidies Housing	200,315		0	200,315
	Provisions & Reserves	8,758,558		0	8,758,558
		<b>3,943,595</b>	<b>0</b>	<b>-1,087,085</b>	<b>2,856,510</b>

**PHUMELELA MUNICIPALITY  
APPENDIX D**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE PERIOD ENDED 30 JUNE 2006**

Actual 2005 R		Actual 2006 R	Budgeted 2006 R
	INCOME		
2,031,836	Assessment rates	1,776,615	974,472
13,654,546	Equitable Share	14,880,000	14,880,000
169,675	Interest on Investment	196,385	0
4,494,295	Government and Provincial Grants and Subsidies	213,082	240,000
16,872,608	Income from tariffs, service charges, etc	14,380,259	17,027,904
<b>37,222,960</b>	<b>TOTAL INCOME</b>	<b>31,446,341</b>	<b>33,122,376</b>
	EXPENDITURE		
12,485,822	Salaries, Wages and Allowances	10,525,316	11,435,966
9,559,427	General Expenses	9,289,024	12,793,334
1,779,842	Bulk Purchases Electricity & Water	2,670,025	2,545,000
7,779,585	Other General Expenses	6,618,999	10,248,334
4,939,861	Repairs and Maintenance	5,068,893	5,562,480
0	Capital Charges	553,691	463,388
5,447,356	Contributions	363,223	363,223
611,089	Loan Charges	0	0
408,240	Contributions to Fixed Assets	72,230	70,000
0	Provision for Bad Debt	2,520,000	2,520,000
0	Grants & Donations	0	0
<b>33,451,796</b>	<b>Gross Expenditure</b>	<b>28,392,377</b>	<b>33,208,391</b>
0	Less: Amounts Charged out	0	0
<b>33,451,796</b>	<b>NET EXPENDITURE</b>	<b>28,392,377</b>	<b>33,208,391</b>
<b>3,771,165</b>	<b>NET INCOME &amp; EXPENDITURE</b>	<b>3,053,964</b>	<b>-86,015</b>

PHUMELELA MUNICIPALITY  
APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Actual income 2005 R	Actual expenditure 2005 R	Surplus/ (Deficit) 2005 R		Actual income 2006 R	Actual expenditure 2006 R	Surplus/ (Deficit) 2006 R	Budget Surplus/ (Deficit) 2006 R
23,415,086	26,785,473	-3,370,386	RATES & GENERAL SERVICES	21,040,473	21,307,066	-266,593	-4,039,706
<b>13,359,761</b>	<b>18,469,383</b>	<b>-5,109,622</b>	COMMUNITY SERVICES	<b>9,906,229</b>	<b>13,165,627</b>	<b>-3,259,398</b>	<b>-6,607,197</b>
79	0	79	Ambulance	0	0	0	
5,127,234	415,959	4,711,275	Assessment Rates	4,552,036	298,300	4,253,736	3,482,840
258,572	418,509	-159,937	Cemetary	263,824	642,589	-378,765	-343,595
3,021,552	4,624,050	-1,602,497	Council General Expenses	3,213,079	2,739,265	473,814	-882,586
2,250,000	2,861,514	-611,514	Engineering Department	0	818,085	-818,085	-997,373
0	0	0	Fire Fighting	0	0	0	0
100	2,098,753	-2,098,653	Health Services	213,219	138,126	75,093	102,227
0	921,262	-921,262	Manager Administration	0	945,057	-945,057	-2,134,234
2,682,517	4,268,102	-1,585,585	Manager Financial	1,591,333	3,030,114	-1,438,781	-1,233,579
14,400	6,403	7,997	Municipal Housing	14,400	36,309	-21,909	570,225
0	759,043	-759,043	Municipal Manager	0	401,406	-401,406	-918,575
0	2,095,789	-2,095,789	Public Works	2,246	4,116,376	-4,114,130	-4,252,547
0	0	0	Swimming Pool	0	0	0	0
5,307	0	5,307	Traffic Services	56,092	0	56,092	0
<b>314,759</b>	<b>2,478,946</b>	<b>-2,164,187</b>	SUBSIDISED SERVICES	<b>415,928</b>	<b>2,910,123</b>	<b>-2,494,195</b>	<b>-2,169,196</b>
19,681	96	19,585	Estates (Camps & Pound)	139,683	50	139,633	125,863
274,249	695,608	-421,359	Library	240,285	632,278	-391,993	-370,119
20,632	514,741	-494,108	Municipal Buildings	35,960	831,740	-795,780	-554,878
197	1,268,502	-1,268,305	Parks & Recreation	0	1,446,055	-1,446,055	-1,370,062
<b>9,740,566</b>	<b>5,837,144</b>	<b>3,903,423</b>	ECONOMIC SERVICES	<b>10,718,316</b>	<b>5,231,316</b>	<b>5,487,000</b>	<b>4,736,687</b>
5,040,015	3,143,946	1,896,069	Sanitation	5,635,703	2,767,331	2,868,372	2,666,452
4,700,551	2,693,198	2,007,353	Sewerage	5,082,613	2,463,985	2,618,628	2,070,235
<b>0</b>	<b>0</b>	<b>0</b>	HOUSING SERVICES	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	Municipal Housing	0	0	0	0
<b>13,807,874</b>	<b>6,666,323</b>	<b>7,141,551</b>	TRADING SERVICES	<b>10,405,867</b>	<b>7,085,310</b>	<b>3,320,557</b>	<b>3,953,691</b>
4,936,852	3,485,773	1,451,078	Electricity	4,991,241	4,334,171	657,070	427,217
8,871,023	3,180,550	5,690,473	Water	5,414,626	2,751,139	2,663,487	3,526,474
<b>37,222,960</b>	<b>33,451,796</b>	<b>3,771,165</b>	TOTAL	<b>31,446,340</b>	<b>28,392,376</b>	<b>3,053,964</b>	<b>-86,015</b>
		-4,038,524	Appropriations for the year ( Note 17 )			-12,114,438	
		-267,359	Surplus / (deficit) for the year			-9,060,474	
		15,871,743	Accumulated surplus: beginning of year			15,604,384	
		<b>15,604,384</b>	ACCUMULATED SURPLUS: END OF THE YEAR			<b>6,543,909</b>	