

**Phumelela Local Municipality**

**Financial Statements  
for the year ended 30 June 2008**



# Phumelela Local Municipality

## Financial statements

*for the year ended 30 June 2008*

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## **Phumelela Local Municipality**

### **General information**

*for the year ended 30 June 2008*

### **Members of the Phumelela Local Municipal Council**

T J Motaung	<b>Mayor/Speaker</b>
M I Kobeni	Member
M M Kolatsoeu (me)	Member
B D Madonsela	Member
B A Mahlaba	Member
S T Makhubo	Member
M J Mofokeng (me)	Member
M D Nkabinde	Member
A C Scholtz	Member
O S Tshabalala	Member
S E Tshabalala	Member
J H van Niekerk	Member
T R Zwane (me)	Member

### **Municipal Manager**

M J Mthembu (me)

### **Chief Financial Officer**

Vacant

### **Grading of Local Authority**

Grade 4

### **Auditors**

Auditor-General

### **Bankers**

ABSA

## **Phumelela Local Municipality**

### **General information (continued)**

*for the year ended 30 June 2008*

#### **Registered office**

#### **Physical address:**

Civic Centre  
C/o Kuhn & Prinsloo Streets  
Vrede  
9835

#### **Postal address:**

Private Bag X5  
Vrede  
9835

#### **Telephone number:**

058 - 9138300

#### **Fax number:**

058 -9132317

#### **E-mail address:**

[muhlem@phumelelamun.co.za](mailto:muhlem@phumelelamun.co.za)

#### **Map of Phumelela Local Municipal Area**

A map of the Municipal area is available at the Council's offices.

## FOREWORD

The Constitution of the Republic of South Africa, 1996 briefly outlines the following objectives for local municipalities:

- the provision of democratic and accountable government;
- the provision of sustainable services;
- the promotion of social and economic development;
- the promotion of a safe and healthy environment and
- the encouragement of communities to involve themselves in the matters of the municipality

My Council and I would like the people of Phumelela to interpret the above objectives in the following practical ways:

- Do we get value for our money - are the services up to standard
- Does the Council care for our environment - are the streets, pavements and parks properly maintained.
- Can we trust Council with our trust money - are our limited resources wisely spent.
- Does the Municipality have the vision to plan ahead - is it safe to invest in Phumelela.

These are the criteria according to which the people of Phumelela are going to rate the performance of Council and its Officials. A responsible Council will consider this very seriously and at least try to give open and honest answers to these questions.

In a previous foreword I have alluded to the events which led to the Municipality being placed under Provincial Management; the eventual termination of this intervention; Council's subsequent efforts to stabilise the governance and its adopting of a turn-around strategy in order to give impetus to the recovery of Phumelela Local Municipality.

During a relatively short period since the inception of the turn-around strategy, tangible progress has been made i.e.:

- Financial statements for the years ended 30 June 2006, 2007 and 2008 have been compiled;
- Bank reconciliations which have been long outstanding are up to date;
- Payments in respect of PAYE, pension fund and medical aid fund contributions and other third party deductions are up to date;
- All VAT returns have been completed and a considerable amount of VAT has been recovered;
- Council has complied with almost all the requirements of the Municipal Finance Management Act and the Municipal Property Rates Act.
- A valuation of all the properties in the area of jurisdiction of Phumelela has been done and the new valuation roll will be introduced on 1 July 2009.

Council is however still faced with the following immediate challenges:

- A huge backlog in infrastructure development and maintenance;
- The identification and development of a reliable source of water at Warden;
- The proper treatment of sewage at Warden and the disposal of refuse of all the towns

Despite its limited financial resources Council has already initiated the following:

- Appointed professional people to advise Council on the best solutions;
- Approached the Provincial and National Departments and other funding authorities for financial assistance.

My Council and I will not hesitate to answer any questions from the Community and will gladly respond to any suggestions. All we need is time to prove our commitment to make Phumelela a pleasant place for everybody to live in.

I am grateful to the Councillors, the Municipal Manager, heads of departments and all personnel for their loyal support, friendly co-operation and dedication during the past year.

**T J Motaung**  
**Mayor/Speaker**  
**15 April 2009**

## **Phumelela Local Municipality**

### **Approval of financial statements**

*for the year ended 30 June 2008*

The annual financial statements set out on pages 15 to 29 were approved by the Municipal Manager on 15 April 2009.

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***Municipal Manager (M J Mthembu)***





**Report of Smit Kruger to the Members of Phumelela Local Municipality**

*for the year ended 30 June 2008*

We have compiled the financial statements of the Phumelela Local Municipality for the year ended 30 June 2008 as set out on pages 15 to 29 in accordance with South African Auditing Standards applicable to compilation engagements.

Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no opinion thereon.

**DJ Smit**

***Smit Kruger***

**Report of the Auditor-General to the Phumelela Local Municipality**  
*for the year ended 30 June 2008*

The Auditor-General will issue his report upon finalisation of the audit.

## Phumelela Local Municipality

### Report of the Chief Financial Officer (submitted by the Municipal Manager)

for the year ended 30 June 2008

#### Introduction

It is a pleasure to present the report for the 2007/2008 financial year.

#### 1 OPERATING RESULTS

Details of the operating results per classification, department and object of expenditure are included in Appendices D and E. The available statistics are shown in Appendix F.

The overall operating results for the year ended 30 June 2008 are as follows:

<b>Income</b>	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Operating income for the year	42 944 370	50 340 857	17%	43 925 600	15%
Opening surplus (deficit)	(5 037 999)	(10 265 596)			
<b>Total</b>	<b>37 906 371</b>	<b>40 075 261</b>		<b>43 925 600</b>	
<b>Expenditure</b>					
Operating expenditure for the year	47 872 715	52 261 101	9%	46 996 000	-11%
Appropriations	299 252	(215 082)			
Closing surplus (deficit)	(10 265 596)	(11 970 759)		(3 070 400)	
<b>Total</b>	<b>37 906 371</b>	<b>40 075 260</b>		<b>43 925 600</b>	

#### 1.1 Rates and general services

	<b>Actual 2007 R</b>	<b>Actual 2008 R</b>	<b>Variance 2007/2008 %</b>	<b>Budget 2008 R</b>	<b>Variance Actual/Budget %</b>
Income	29 922 058	37 330 450	25%	36 427 500	2%
Expenditure	-34 978 642	-40 128 029	15%	-34 699 600	-16%
Surplus/(deficit)	-5 056 584	-2 797 579		1 727 900	
Surplus/(deficit) as a % of total Income	-11.8%	-5.6%		3.9%	

## Phumelela Local Municipality

### Report of the Chief Financial Officer (continued)

for the year ended 30 June 2008

#### 1.2 Trading services

##### 1.2.1 Water

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Income	6 436 174	6 475 818	1%	2 821 900	129%
Expenditure	-6 327 915	-5 780 970	-9%	-6 811 700	15%
Surplus	108 258	694 849		-3 989 800	
Surplus as a % of total income	0.3%	1.4%		-9.1%	

##### 1.2.2 Electricity

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Income	6 586 138	6 534 588	-0.78%	4 676 200	39.74%
Expenditure	-6 566 157	-6 352 102	-3.26%	-5 484 700	-15.81%
Surplus	19 981	182 486		-808 500	
Surplus as a % of total income	0.0%	0.4%		-1.8%	

#### 2 CAPITAL EXPENDITURE AND FINANCING

During the year fixed assets amounting to R 15 306 973 were acquired. This is 49 % less than the previous year and comprise the following:

	Actual 2007 R	Budget 2008 R	Actual 2008 R
Community services	124 373	0	0
Public buildings & equipment (including roads)	311 223	1 500 000	8 373 409
Electricity network, equipment & vehicles	0	0	0
Water	1 868 152	176 000	2 730 487
Refuse	0	100 000	0
Sewerage network	28 689 669	88 000	4 042 113
	<u>30 993 418</u>	<u>1 864 000</u>	<u>15 306 972</u>

The following resources were utilised to finance the fixed assets:

## Phumelela Local Municipality

### Report of the Chief Financial Officer (continued)

for the year ended 30 June 2008

#### 2 CAPITAL EXPENDITURE AND FINANCING

	Actual 2007 R	Budget 2008 R	Actual 2008 R
Contributions from operating income	2 196 045	1 864 000	1 974 580
Contributions from Government and Province	28 797 373	0	13 332 391
	<u>30 993 418</u>	<u>1 864 000</u>	<u>15 306 972</u>

Details of capital expenditure and financing are shown in Appendices B and C.

#### 3 EXTERNAL LOANS, INVESTMENTS AND CASH

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

	2008 R	2007 R
External loans	1 878 874	2 065 933
External investments	1 130 209	446 069
Cash on hand and in bank	1 205 619	1 908 256

More information regarding external loans, investments and cash are disclosed in notes 2, 5, 10 and Appendix B to the financial statements

#### 4 FUNDS, RESERVES AND PROVISIONS

The current and comparative figures for the statutory and other funds are as follows:

	2008 R	2007 R
Provisions	45 763 002	46 925 372
Capital Development Fund	7 848 459	7 268 802
Erven Trust Fund	2 556 336	2 467 408

More information regarding funds and provisions are disclosed in notes 1, 8 and Appendix A to the financial statements

## **Phumelela Local Municipality**

### **Report of the Chief Financial Officer (continued)**

*for the year ended 30 June 2008*

#### **5 DISTRIBUTION OF REVENUE**

The equitable share was utilised as indicated in the financial statements.

#### **6 POST BALANCE SHEET EVENTS**

No material fact or circumstance has occurred between the accounting date and the date of this report to which reference is required.

#### **7 APPRECIATION**

I would like to thank the Mayor/Speaker, Councillors, Departmental Heads and all officials for the support given to me and the staff of the Department of Finance, and in particular our external consultants for their assistance and support during the year.

.....  
**Municipal Manager**

15.04.2009  
**Date**

## **Phumelela Local Municipality**

### **Accounting policies**

*for the year ended 30 June 2008*

#### **1 Basis of presentation**

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

#### **2 Consolidation**

The financial statements include the rates- and general services, trading services and different funds 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 the date of acquisition), where assets have been acquired by certain grants or donations.
- Fixed assets with a value of less than R 2 000 are not capitalised.

#### **3.2 Depreciation**

The balance shown under 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 immediately or over the period of the long term loan being the source of finance of the particular asset or group of assets.

## **Phumelela Local Municipality**

### **Accounting policies (continued)**

*for the year ended 30 June 2008*

#### **3.2 Depreciation (continued)**

Apart from advances from the various Council funds, assets may also be acquired through:

- Appropriation from income, where the full cost of the asset forms an immediate and direct charge against operating income. Provision for additional depreciation is deemed unnecessary.
- Grants and donations 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 The net proceeds from the sale of immovable property are credited to the Erven trust fund. The net proceeds from the sale of other assets are credited to income.

3.4 Fixed assets are financed from different sources, i.e. internal loans, operating income, endowments and internal advances. These loans and advances are redeemed over a period equal to the expected lives of the assets. Interest is charged to the service concerned at the ruling interest rate applicable at the time of the approval of loans or advances.

#### **4 Inventory**

Inventory is valued at the lower of cost, determined on the weighted average basis and net realisable value after due provision for obsolescence has been made.

#### **5 Funds and reserves**

##### **5.1 Capital Development Fund**

Contributions to fund - 1% of total income. Interest received was credited to the fund on a pro rata basis.

##### **5.2 Erven Trust Fund**

The net proceeds from the sale of immovable property are credited to this Fund. This Fund is utilised for financing projects of a lasting non-productive nature as prescribed in Sec.85(1)(b) of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962). Interest received was credited to the fund on a pro rata basis.



## **Phumelela Local Municipality**

### **Accounting policies (continued)**

*for the year ended 30 June 2008*

#### **6 Provisions**

Provision was made for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

The provision for bad debts refers to current assets and is therefore disclosed as a deduction from debtors.

#### **7 Retirement benefits**

7.1 The retirement benefit plan is subject to the Pension Fund Act of 1956, with pensions being calculated either on the fixed contribution or the fixed benefit method. Current contributions by the Municipality are charged against operating income on the basis of current service cost. Unfavourable experience adjustments and the cost of insurance of the increased benefits are written off over the smallest of the remaining service period or over five years. Favourable experience adjustments are retained in the retirement plan.

7.2 Phumelela Local Municipality and its employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund, SAMWU Provident Fund and Sala Pension Fund, whilst the Councillors contribute to the Pension Fund for Municipal Councillors. All five the funds provide retirement benefits to employees and/or Councillors concerned.

#### **8 Surplus and deficits**

Any surplus or deficit originating from the electricity or water services are transferred to rates and general services.

#### **9 Treatment of administrative and other overhead costs**

The cost of internal auxiliary services are debited against the different services and are in accordance with IMTA's Report on Accounting for Support Services (1990).

#### **10 Leased assets**

Fixed assets held under finance leases are capitalised.

Other leases are treated as operating leases and the relevant rentals are charged to the operating account.

## **Phumelela Local Municipality**

### **Accounting policies (continued)**

*for the year ended 30 June 2008*

#### **11 Investments**

Investments are made in accordance with the requirements of Section 84 of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962) and policy prescribed by the Municipal Finance Management Act, (Act no. 56 of 2003). Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in the Circular issued by Provincial Legislature.

#### **12 Income recognition**

##### **12.1 Electricity and water charges**

All meters are read and billed monthly. Where meters cannot be read during a particular month a provisional bill is issued with the necessary adjustments made in the month when the meters are indeed read.

#### **13 Assessment rates**

The Council applies a uniform rates system. According to this system assessment rates are charged on the value of land and improvements. Certain rebates are granted according to the ownership and/or use to which a particular property is put.

## Phumelela Local Municipality

### Balance sheet

as at 30 June 2008

	Note	2008 R	2007 R
<b>Capital employed</b>			
<b>Funds and reserves</b>			
Statutory Funds	1	10 404 795	9 736 210
Accumulated surplus (deficit)		-11 970 759	-10 265 596
		<u>-1 565 964</u>	<u>-529 385</u>
Long term liabilities	2	1 777 434	1 889 638
Consumer deposits	3	243 375	229 040
<b>Total capital employed</b>		<u><b>454 845</b></u>	<u><b>1 589 292</b></u>
<b>Employment of capital</b>			
Fixed assets	4	1 878 874	2 065 933
Investments	5	1 130 209	446 069
		<u>3 009 083</u>	<u>2 512 002</u>
<b>Net current assets/(liabilities)</b>		<u><b>-2 554 238</b></u>	<u><b>-922 710</b></u>
<b>Current assets</b>			
Stock	6	398 618	0
Debtors	7	10 841 592	11 343 489
Cash and bank	10	1 205 619	1 908 256
<b>Current liabilities</b>			
Provisions	8	2 931 173	2 548 628
Creditors and Unspent Grants	9	11 967 454	11 449 531
Short term portion of long term liabilities	2	101 440	176 296
<b>Total employment of capital</b>		<u><b>454 845</b></u>	<u><b>1 589 292</b></u>

## Phumelela Local Municipality

### Income statement

for the year ended 30 June 2008

Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
2007 R	2007 R	2007 R	2007 R		2008 R	2008 R	2008 R	2008 R
29 922 058	34 978 642	-5 056 584	-319 900	<b>Rates and</b>	37 330 450	40 128 029	-2 797 579	1 727 900
15 835 007	20 971 174	-5 136 167	-8 637 300	<b>General services</b>	23 690 640	27 497 762	-3 807 121	2 945 500
826 799	793 802	32 997	-672 500	Community services	1 002 219	1 071 472	-69 253	-1 028 900
13 260 252	13 213 666	46 586	8 989 900	Subsidised services	12 637 591	11 558 796	1 078 795	-188 700
				Economic services				
13 022 312	12 894 073	128 239	319 900	<b>Trade services</b>	13 010 406	12 133 072	877 334	-4 798 300
42 944 370	47 872 715	-4 928 345	0	<b>Total</b>	50 340 857	52 261 101	-1 920 245	-3 070 400
				Appropriations for the year				
		-299 252		(See note 15)			215 082	
		-5 227 597		Net surplus/(deficit) for the year			-1 705 163	
		-5 037 999		Accumulated (deficit) surplus :				
				Beginning of the year			-10 265 596	
				Accumulated (deficit)/surplus:				
		-10 265 596		End of the year			-11 970 759	

## Phumelela Local Municipality

### Cash flow statement

for the year ended 30 June 2008

	Note	2008 R	2007 R
<b>Cash retained from operating activities</b>		2 128 810	640 370
Cash generated by operations	16	-27 241 659	-15 213 060
Interest received	14	164 991	362 025
Increase/(decrease) in working capital	17	2 166 119	-5 101 848
		-24 910 549	-19 952 883
<b>Less:</b> external interest paid		-312 844	-390 272
<b>Cash available from/(utilised in) operations</b>		-25 223 393	-20 343 155
Cash contributions from government and public bodies		27 352 202	20 983 525
		2 128 810	640 370
<b>Cash utilised in investing activities</b>			
Investment in fixed assets		-1 974 584	-2 196 045
<b>Net cash flow</b>		<u>154 225</u>	<u>-1 555 675</u>
<b>Cash effects of financing activities</b>			
Increase/(decrease) in long term liabilities	18	-187 059	-816 757
Increase/(decrease) in consumer deposits		14 335	-748
(Increase)/decrease in cash investments	19	-684 140	3 383 099
(Increase)/decrease in cash and bank	20	702 638	-1 009 919
<b>Net cash utilised</b>		<u>-154 225</u>	<u>1 555 675</u>

## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>1 Statutory funds</b>		
Capital Development Fund	7 848 459	7 268 802
Erven Trust Fund	2 556 336	2 467 408
	<u>10 404 795</u>	<u>9 736 210</u>
1.1 See appendix A		
<b>2 Long term liabilities</b>		
Development Bank of South Africa - note 2.2	1 862 836	1 936 148
Free State Municipal Pension Fund - note 2.2	16 038	29 784
CMB Nominees note 2.2	0	100 000
	<u>1 878 874</u>	<u>2 065 933</u>
Less: current portion - note 2.1	<u>-101 440</u>	<u>-176 295</u>
	<u>1 777 434</u>	<u>1 889 638</u>
2.1 See appendix B		
2.2 The loans bear interest at rates that varies between 12% and 17% per annum and will be fully redeemed in 2019		
<b>3 Consumer deposits</b>		
Water and Electricity	231 690	224 375
Town Hall Deposits	11 685	4 664
	<u>243 375</u>	<u>229 040</u>
3.1 No guarantees are kept in lieu of electricity deposits.		
<b>4 Fixed assets</b>		
Fixed assets at the beginning of the year	143 418 696	112 425 278
Capital expenditure	15 306 973	30 993 418
Less: assets written-off, transferred or disposed off	<u>-577 343</u>	<u>0</u>
Total fixed assets	<u>158 148 325</u>	<u>143 418 696</u>
Less: loans redeemed and other capital receipts	<u>-156 269 450</u>	<u>-141 352 763</u>
Net fixed assets	<u>1 878 875</u>	<u>2 065 933</u>
4.1 See appendix C and section 2 of the report of the Chief Financial Officer.		

## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>5 Investments</b>		
<b>Unlisted</b>		
Shares	20	20
Member's funds	143 235	137 681
Loan Krynaauwslust Trust	678 586	0
Sanlam - note 5.5	308 368	308 368
	<u>1 130 209</u>	<u>446 069</u>
Less: transfer of short term investments	0	0
	<u>1 130 209</u>	<u>446 069</u>
5.1 Unlisted shares	20	20
5.2 Management's valuation of unlisted shares	20	20
5.3 Average gross rate of return on shares	0%	0%
5.4 Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds and trust funds be invested in prescribed instruments.		
5.5 No investments was written off during the year Market value 30.6.2008 R598 000		
<b>6 Inventory</b>		
Consumables	<u>398 618</u>	<u>0</u>
<b>7 Debtors</b>		
Consumer debtors	51 135 039	50 308 973
Sundry debtors	1 849 162	4 682 121
	<u>52 984 201</u>	<u>54 991 094</u>
Add: debtors with credit balances - note 9	689 220	729 141
Less: provision for bad debts (excluding VAT)	-39 370 300	-40 724 473
Less: provision for VAT on bad debts	-3 461 530	-3 652 271
	<u>10 841 592</u>	<u>11 343 490</u>
7.1 Bad debts written off	6 458 181	417 647
7.2 Days outstanding in debtors are in excess of 1000 days (2007 : 1000 + days).		

## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>8 Provisions</b>		
Leave reserve	2 931 173	2 548 627
Bad debts	42 831 829	44 376 744
	<u>45 763 002</u>	<u>46 925 372</u>
Less: provision transferred to debtors - note 8.2	-42 831 829	-44 376 744
	<u>2 931 173</u>	<u>2 548 627</u>
8.1 Note: see note 7		
8.2 See appendix A		
<b>9 Creditors and Unspent Grants</b>		
Trade and sundry creditors	3 936 846	7 003 853
Debtors with credit balances	689 220	729 141
Unspent Grants	7 341 388	3 716 537
	<u>11 967 454</u>	<u>11 449 531</u>
<b>10 Bank, cash and overdraft balances</b>		
The Municipality has the following bank accounts and cash on hand:		
<b>10.1 Current account (primary bank account) and cash on hand</b>		
ABSA Bank Limited - Vrede branch Account number 2260940190		
Cash book - balance beginning of the year - dt (cr)	1 667 353	488 935
Cash book - balance end of the year - dt (cr)	<u>918 324</u>	<u>1 667 353</u>
Cash on hand	<u>6 390</u>	<u>5 000</u>
Bank statement - balance beginning of the year - cr (dt)	1 667 353	488 935
Bank statement - balance end of the year - cr (dt)	<u>918 324</u>	<u>1 667 353</u>
<b>10.2 Money market fund</b>		
ABSA Bank Limited - Vrede branch Account number 9056988396		
Cash book - balance end of the year	431 028	389 662
Bank statement - balance end of the year	<u>431 028</u>	<u>389 662</u>



## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>10.4 Savings accounts</b>		
ABSA Bank Limited - Vrede branch Account number 9085356273		
Cash book - balance end of the year	0	1 297
Bank statement - balance end of the year	<u>0</u>	<u>1 297</u>
ABSA Bank Limited - Vrede branch Account number 9085355984		
Cash book - balance end of the year	0	5 083
Bank statement - balance end of the year	<u>0</u>	<u>5 083</u>
<b>11 Assessment rates</b>		
	<b>Valuation 30.06.2008 R</b>	<b>Actual Income 2008 R</b>
Government	62 154 520	565 171
Residential and other	<u>215 781 520</u>	<u>1 352 298</u>
	<u>277 936 040</u>	<u>1 917 469</u>
11.1	Valuation of land and improvements is performed every five years. The last general valuation was done during 2004 and came into effect on 1 July 2005.	
11.2	The assessment rates are levied on the following basis: Land and improvements: 0.01299c/R (no rates are levied on the first R15 000 of residential properties) Previous year (2007) Land and improvements: 0.01272c/R (no rates are levied on the first R15 000 of residential properties)	
<b>12 Councillors' remuneration</b>		
Mayor's allowance	480 368	504 783
Councillors' allowances	<u>1 991 671</u>	<u>1 817 876</u>
	<u>2 472 039</u>	<u>2 322 660</u>
12.1	Benefits in-kind The Executive Mayor/Speaker is a councillor. He is entitled to an office and secretarial support by the Council.	

## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>Councillors' remuneration</b>		
12.2	The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).	
12.3	Related party transactions No transactions have been recorded	
13	<b>Auditor's fees</b>	
	Expenses	
	<u>704 673</u>	<u>109 610</u>
	<u>704 673</u>	<u>109 610</u>
14	<b>Finance transactions</b>	
	Total interest received on investments	
	Interest received	
	Investments and bank	Transfer to statutory funds
	-	-
	<u>164 991</u>	<u>362 025</u>
	<u>-164 991</u>	<u>-362 025</u>
	Capital expenses debited against operating account:	
	Interest :	
	- External	- External
	<u>312 844</u>	<u>390 272</u>
	<u>312 844</u>	<u>390 272</u>
	Redemption:	
	- External	- External
	<u>187 059</u>	<u>816 757</u>
	<u>187 059</u>	<u>816 757</u>
15	<b>Appropriations</b>	
	Appropriation account:	
	Accumulated (deficit)/surplus: beginning of the year	
	-10 265 595	-5 037 998
	Operating (deficit)/surplus for the year	
	-1 920 245	-4 928 345
	Appropriations for the year:	
	215 082	-299 252
	Adjustments previous years	
	Assets/Investments not capitalized previous years	
	678 586	-51 225
	Expenses previous years	
	-463 504	-256 869
	Income previous years	
	0	598
	Consumer deposits adjustment	
	0	8 245
	<u>-11 970 758</u>	<u>-10 265 595</u>
	Accumulated surplus (deficit): end of the year	

**Phumelela Local Municipality**

**Notes to the financial statements**

for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>16 Cash generated by operations</b>		
(Deficit)/surplus for the year	-1 920 245	-4 928 345
Adjustments in respect of:		
Previous years' operating transactions	215 082	-299 252
Previous years adjustments	215 082	-299 252
Interest received	-164 991	-362 025
Non-operating expenses debited to income statement	7 789 643	10 812 460
Provisions and reserves	5 628 004	7 799 658
Redemption of loans	187 059	816 757
Fixed assets	1 974 580	2 196 045
Capital charges:		
Interest paid:	312 844	390 272
- External loans	312 844	390 272
Grants and subsidies received	-27 352 202	-20 983 525
Operating income credited against:		
- Statutory funds	668 584	794 261
Non-operating expenditure debited against:		
- Provisions and reserves	-6 790 373	-636 905
	<u>-27 241 659</u>	<u>-15 213 059</u>
<b>17 (Increase)/decrease in working capital</b>		
(Increase)/decrease in inventory	-398 618	0
(Increase)/decrease in debtors	2 046 813	-4 927 425
Increase/(decrease) in creditors	517 923	-174 423
	<u>2 166 119</u>	<u>-5 101 848</u>
<b>18 Increase/(decrease) in long term liabilities</b>		
Loans redeemed	<u>-187 059</u>	<u>-816 757</u>
<b>19 (Increase)/decrease in cash investments</b>		
Investments at the beginning of the year	446 069	3 829 168
Less: investments at the end of the year	-1 130 209	-446 069
	<u>-684 140</u>	<u>3 383 099</u>

## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

	2008 R	2007 R
20	<b>(Increase)/decrease in cash and bank</b>	
	1 908 257	898 337
	1 205 619	1 908 257
	<u>702 638</u>	<u>-1 009 919</u>

### 21 Retirement benefits - pension fund

Fund	Date of last actuarial valuation	Finding
Free State Municipal Pension Fund	30-Jun-05	Financial position: Sound
SAMWU National Provident Fund	30-Jun-05	Financial position: Sound
SALA Pension Fund	01-Jul-05	Financial position: Sound
Free State Municipal Provident Fund	30-Jun-04	Financial position: Sound

### 22 Contingent liabilities and contractual obligations

22.1 Leave pay outstanding at 30 June 2008 : R 2 931 172 (2007: R2 548 627)  
The unions have declared a dispute regarding the treatment of leave pay as directed by the Bargaining Council.

22.2 VAT reconciliations were done by external consultants. The amount claimed from SARS appears to be excessive. The amount claimed by the consultants for services rendered is also in dispute.

22.3 According to information received the Municipality owes the Department of Water Affairs and Forestry an amount in excess of R12 million for water levies raised because the Municipality is in the catchment area of the Vaal Dam. This amount is in dispute. No provision was made for this contingent liability

### 23 Capital development and erven trust fund

23.1 No internal advances were made to borrowing services

### 24 Government grants and subsidies

Equitable share	21 390 915	18 129 735
Central government grants	10 541 972	21 265 268
Provincial government grants	3 000 000	477 521
Other	1 351 003	345 014
Grants from the District Municipality	7 006 937	8 354 478
Health and Ambulance subsidies	77 534	159 255
	<u>43 368 360</u>	<u>20 983 525</u>

#### 24.1 Equitable share

In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigents and free basic water to the remainder of the community. A contribution for free basic electricity is paid directly to Eskom.

## Phumelela Local Municipality

### Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>24.2 Central government grants</b>		
<b>24.2.1 MIG Grant</b>		
Opening balance	-1 087 150	-2 136 776
Current year receipts	-9 041 972	-19 765 268
Receipts next year	-	0
Transferred to fixed assets	4 598 441	20 814 894
Closing balance - (transferred to creditors - note 9)	<u>-5 530 681</u>	<u>-1 087 150</u>

This grant was utilised for bucket eradication and other capital projects.  
The conditions of the grant have been met and no monies have been withheld.

#### 24.2.2 Financial Management Grant

Opening balance	-	0
Current year receipts	-500 000	-500 000
Transferred to income/expenditure	500 000	500 000
Closing balance	<u>-</u>	<u>0</u>

This grant was utilised for Financial Management  
The conditions of the grant have been met and no monies have been withheld.

#### 24.2.3 MSIG grant

Opening balance	-	0
Current year receipts	-1 000 000	-1 000 000
Transferred to income/expenditure	1 000 000	1 000 000
Closing balance	<u>-</u>	<u>0</u>

This grant was utilised to for financial management and upgrading of systems.  
The conditions of the grant have been met and no monies have been withheld.

#### 24.3.1 Provincial Government Grants

Opening balance	-	0
Current year receipts	-3 000 000	-477 521
Transferred to income/expenditure	3 000 000	477 521
Closing balance	<u>-</u>	<u>0</u>

This grant was utilised for upgrading of infrastructure, spatial development, salaries of financial interns and turn around strategy.  
The conditions of the grant have been met and no monies have been withheld.

## Phumelela Local Municipality

### Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007
<b>24.3.2 Grant DBSA - capacity building</b>		
Opening balance	-	0
Current year receipts	-1 351 003	-345 014
Transferred to income/expenditure	1 351 003	345 014
Closing balance - (transferred to creditors - note 10)	<u>-</u>	<u>0</u>

This grant was utilised for the turn-around strategy and revenue collection policies. The conditions of the grant have been met and no monies have been withheld.

### 24.4 Grant - DWAF Drought Relief

Opening balance	-2 629 387	-2 629 387
Current year receipts	-720 749	0
Transferred to fixed assets	1 539 429	0
Closing balance - (transferred to creditors - note 10)	<u>-1 810 707</u>	<u>-2 629 387</u>

The grant was not utilised in full.  
The conditions of the grant have been met and no monies have been withheld.

### 24.5 Health and ambulance claims

Opening balance	128 570	66 137
Adjustment of opening balance	0	0
Claims	77 534	159 255
Current year receipts	-206 104	-96 822
Closing balance - (transferred to debtors - note 8)	<u>0</u>	<u>128 570</u>

The health and ambulance services were taken over by the Department of Health Free State Province. The claims were utilised to defray the expenses incurred by the Municipality and payment for the rental of Municipal buildings.

### 24.6 Grants from the District Municipality

Opening balance	0	0
Current year receipts	-7 006 937	-8 354 478
Transferred to fixed assets	7 006 937	7 982 478
Transferred to income/expenditure	0	372 000
	<u>0</u>	<u>0</u>

## Phumelela Local Municipality

### Notes to the Financial Statements

for the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>25 Employee Related Costs</b>		
Salaries	11 762 874	10 563 683
Contributions - UIF, pension and medical aid funds,	1 691 368	1 544 248
Housing subsidies	13 126	18 742
Industrial Council levies	8 838	8 517
Other allowances	209 820	532 113
Overtime	391 961	517 492
Travel, subsistence and car allowances	652 276	639 521
Protective clothing	99 859	28 055
Skills development	142 959	131 877
	<u>14 973 082</u>	<u>13 984 248</u>
25.1 No advances were made to employees.		
<b>25.2 Remuneration - Municipal Manager</b>		
Annual remuneration - include acting allowances	348 602	405 884
Car allowance	185 900	31 676
	<u>534 502</u>	<u>437 560</u>
<b>25.3 Remuneration - Chief Financial Officer</b>		
Annual remuneration	71 486	0
Car allowance	39 051	0
	<u>110 537</u>	<u>0</u>
Position vacant		
<b>25.4 Remuneration - Manager Corporate Services</b>		
Annual remuneration - include acting allowances	247 088	173 075
Car allowance	86 308	0
	<u>333 396</u>	<u>173 075</u>
<b>25.5 Remuneration - Manager Technical Services</b>		
Annual remuneration - include acting allowances	113 154	308 198
Car allowance	66 270	0
	<u>179 424</u>	<u>308 198</u>

## Phumelela Local Municipality

### Notes to the Financial Statements

for the year ended 30 June 2008

	2008 R	2007 R
<b>26 Additional disclosures - Municipal Finance Management Act</b>		
<b>26.1 Contributions to Organised Local Government</b>		
Opening balance	0	0
Council subscriptions	77 809	53 578
Amount paid - current year	<u>-77 809</u>	<u>-53 578</u>
Closing balance	<u>0</u>	<u>0</u>
<b>26.2 Audit Fees</b>		
Opening balance	0	0
Audit fee - current year (provision)	704 673	109 610
Amount paid current year	<u>-704 673</u>	<u>-109 610</u>
Closing balance - see provisions (note 9)	<u>0</u>	<u>0</u>
<b>26.3 VAT</b>		
VAT (refundable)/payable	<u>-261 937</u>	<u>-3 085 524</u>
<p>The above figure represents the difference between VAT output and VAT input. This receivable from SARS is included in sundry debtors (note 7)</p>		
<b>26.4 Levies - District Municipality</b>		
Opening balance	0	0
Levies current year	0	18 655
Amount paid - current year	<u>0</u>	<u>-18 655</u>
Closing balance	<u>0</u>	<u>0</u>
<b>26.5 PAYE and UIF</b>		
Opening balance	107 739	0
Payroll deductions - current year	1 414 393	1 297 327
Amount paid - current year	<u>-1 414 393</u>	<u>-1 189 588</u>
Closing balance - included in creditors (note 9)	<u>107 739</u>	<u>107 739</u>
<b>26.6 Pension and medical aid fund deductions</b>		
Opening balance	156 694	0
Payroll deductions and council contributions - current year	2 348 454	2 147 449
Amount paid - current year	<u>-2 316 170</u>	<u>-1 741 918</u>
Closing balance - included in creditors (note 9)	<u>188 978</u>	<u>156 694</u>



## Phumelela Local Municipality

### Notes to the financial statements

for the year ended 30 June 2008

2008  
R

#### 26.7 Non-compliance with the Municipal Finance Management Act

- 26.7.1 Chapter 7, Section 53(1)(c)(ii)  
The service delivery and budget implementation plan was approved by the mayor but not within 28 days after the approval of the budget.
- 26.7.2 Chapter 7, Section 53(1)(c)(iii)  
The annual performance agreements of the municipal manager and all senior managers were concluded but no evaluation was done.
- 26.7.3 Chapter 7, Section 53(3)(a) and (b)  
Service delivery targets, performance indicators and performance agreements were not made public.
- 26.7.4 Chapter 8, Section 75  
The accounting officer did not display the documents required in terms of this section on the website of the municipality.
- 26.7.5 Chapter 12, Section 127(2)  
The mayor did not table the annual report of the municipality timeously
- 26.7.6 Chapter 12, Section 127(3)(a) and (b)  
The mayor did not submit a written explanation setting out the reasons for failure to submit the annual report timeously
- 26.7.7 Chapter 12, Section 127(5)  
The accounting officer did not make the annual report available for public knowledge
- 26.7.8 Chapter 12, Section 130(1)  
No meeting was held with the public or any organs of state with regard to the annual report.

**Phumelela Local Municipality**

**Financial statements**

*for the year ended 30 June 2008*

**Appendix A**

**Statutory funds and provisions**

	Balance 01.07.2007 R	Contributions 2008 R	Interest 2008 R	Other Income & Adjustments 2008 R	Expenditure 2008 R	Balance 30.06.2008 R
<b>Statutory funds</b>						
Capital Development Fund	7 268 802	455 204	124 453	0	0	7 848 459
Erven Trust Fund	2 467 408	0	40 538	48 389	0	2 556 336
	<b>9 736 210</b>	<b>455 204</b>	<b>164 991</b>	<b>48 389</b>	<b>0</b>	<b>10 404 795</b>
<b>Provisions</b>						
Accrued leave pay	2 548 627	714 737	0	0	-332 192	2 931 173
<b>Sub total</b>	<b>2 548 627</b>	<b>714 737</b>	<b>0</b>	<b>0</b>	<b>-332 192</b>	<b>2 931 173</b>
Bad debts	44 376 744	4 913 267	0	0	-6 458 181	42 831 829
	<b>46 925 372</b>	<b>5 628 004</b>	<b>0</b>	<b>0</b>	<b>-6 790 373</b>	<b>45 763 002</b>

**Phumelela Local Municipality**

**Financial statements**

for the year ended 30 June 2008

**Appendix B**

**External loans**

Public and other external loans	Interest Rate	Loan No	Date approved	Year of Settlement	Balance	Received	Adjustment	Redeemed/ Written Off	Balance
					01.07.2007 R	2008 R	2008 R	2008 R	30.06.2008 R
Development Bank of South Africa					1 936 148	-	-	-73 312	1 862 836
Sewerage	12.00%	102	1997	2017	381 816	-	-	-21 266	360 550
Vrede Water Network	17.00%	103	1999	2019	1 292 457	-	-	-33 706	1 258 751
Memel Lalf 15304.3	12.60%	101	1985	2015	170 714	-	-	-12 106	158 609
Memel Lalf 15304.2	13.45%	101	1985	2015	91 161	-	-	-6 234	84 927
Freestate Municipal Pension Fund Electricity	16.00%	4	1984	2009	29 784		-	-13 747	16 038
CMB Nominees	14.90%			2008	100 000	-		-100 000	0
<b>Total external loans</b>					<b>2 065 933</b>	<b>0</b>	<b>0</b>	<b>-187 059</b>	<b>1 878 874</b>

# Phumelela Local Municipality

## Financial statements

## Appendix C

for the year ended 30 June 2008

### Analysis of fixed assets

Expenditure 2007	Service	Balance at 01.07.2007	Expenditure 2008	Redeemed, Transferred or Written-off 2008	Balance at 30.06.2008
R		R	R	R	R
<b>29 125 265</b>	<b>Rates and general services</b>	<b>90 249 911</b>	<b>12 576 486</b>	<b>-508 168</b>	<b>102 318 227</b>
<b>311 223</b>	<b>Community services</b>	<b>19 229 285</b>	<b>8 373 409</b>	<b>-355 832</b>	<b>27 246 860</b>
177 602	Public Works - Land & Buildings	14 811 312	5 666 902	-145 313	20 332 901
78 667	Manager Corporate Services	90 678	0		90 678
54 955	Manager Finance	487 840	70 650	-12 383	546 107
	Municipal Manager	16 159	0	-1 839	14 320
	Vehicles - General	200 129	347 110		547 239
	Properties	901 315	2 249 496	-84 107	3 066 705
	Land	383 375			383 374
	Unsold Stands	239 106			239 106
	Town Planning Thembalihle	2 099 371	39 250	-112 190	2 026 431
<b>124 373</b>	<b>Subsidised services</b>	<b>5 870 587</b>	<b>0</b>	<b>-120 588</b>	<b>5 749 999</b>
	Library	21 768	0	-13 544	8 225
	Parks & Recreation	2 600 636	0	-42 605	2 558 030
	Cemetery - Land & Buildings	1 862	0	-1 862	0
124 373	Municipal Buildings	3 246 322	0	-62 578	3 183 744
<b>28 689 669</b>	<b>Economic services</b>	<b>65 150 038</b>	<b>4 203 077</b>	<b>-31 747</b>	<b>69 321 368</b>
	Camps & Pounds	241 990			241 990
	Refuse	1 655 138	160 964	-2 913	1 813 189
28 689 669	Sewerage	63 252 910	4 042 113	-28 835	67 266 188
29 125 265	Balance c/f	90 249 911	12 576 486	-508 168	102 318 227

## Phumelela Local Municipality

### Financial statements

for the year ended 30 June 2008

#### Analysis of fixed assets (continued)

Expenditure 2007	Service	Balance at 01.07.2007	Expenditure 2008	Redeemed, Transferred or Written-off 2008	Balance at 30.06.2008
R		R	R	R	R
29 125 265	Balance b/f	90 249 911	12 576 486	-508 168	102 318 227
-	<b>Housing Services</b>	<b>1 120 142</b>	-	<b>-1 698</b>	<b>1 118 444</b>
	Housing	1 120 142		-1 698	1 118 444
<b>1 868 152</b>	<b>Trading services</b>	<b>52 048 643</b>	<b>2 730 487</b>	<b>-67 478</b>	<b>54 711 653</b>
	Electricity	7 192 654	0	-6 407	7 186 248
1 868 152	Water Services	44 855 989	2 730 487	-61 071	47 525 405
<b>30 993 418</b>	<b>Total fixed assets</b>	<b>143 418 696</b>	<b>15 306 973</b>	<b>-577 343</b>	<b>158 148 324</b>
<b>31 810 175</b>	<b>Less: Loans redeemed and other capital receipts</b>	<b>141 352 763</b>	<b>15 494 030</b>	<b>-577 343</b>	<b>156 269 450</b>
816 757	Loans redeemed and advances paid	543 939	187 059	0	730 998
2 196 045	Contributions ex operating income	25 575 600	1 974 580	-577 343	26 972 838
	This Year	25 575 600	1 974 580	-577 343	26 972 838
	Assets not previously capitalized				0
	Contributions from funds	8 758 558			8 758 558
	Housing - Grants and Subsidies	200 315			200 315
	Contributions from Government and				
28 797 373	District Municipality	106 274 350	13 332 391		119 606 741
28 797 373	This Year	106 274 350	13 332 391		119 606 741
0	Assets not previously capitalized				
<b>-816 758</b>	<b>Net fixed assets</b>	<b>2 065 933</b>	<b>-187 058</b>	<b>-0</b>	<b>1 878 874</b>

## Phumelela Local Municipality

### Financial statements

for the year ended 30 June 2008

### Appendix D

#### Analysis of operating income and expenditure

Actual 2007 R		Actual 2008 R	Budget 2008 R
<b>Income</b>			
20 983 525	Grants and subsidies	27 352 202	25 419 400
19 629 735	- Central government	22 890 915	22 891 000
636 776	- Provincial government	3 110 285	1 660 000
372 000	- District Municipality	0	-
345 014	- Other	1 351 003	868 400
21 960 845	Operating income	22 988 654	18 506 200
1 820 142	- Assessment rates	1 917 469	1 925 500
2 564 787	- Sale of electricity	2 879 137	3 012 600
2 233 010	- Sale of water	2 737 207	2 819 500
15 342 906	- Other services and charges	15 454 841	10 748 600
<u>42 944 370</u>		<u>50 340 857</u>	<u>43 925 600</u>
<b>Expenditure</b>			
15 806 462	Salaries, wages and allowances	17 231 561	16 892 400
16 957 776	General expenses:	22 013 207	19 330 000
3 296 447	- Purchase of electricity	3 530 409	4 022 500
15 935	- Purchase of water	24 034	1 416 000
13 645 395	- Other general expenses	18 458 764	13 891 500
4 497 364	Repairs, maintenance & fuel	5 279 446	7 313 800
2 144 820	Contributions to fixed assets	1 974 581	1 864 000
816 757	Capital charges	187 059	104 900
7 649 535	Contributions	5 575 248	1 490 900
<u>47 872 715</u>		<u>52 261 101</u>	<u>46 996 000</u>
<u>-4 928 345</u>	Net surplus/(deficit) for the year	<u>-1 920 245</u>	<u>-3 070 400</u>

**Phumelela Local Municipality**

**Financial statements**  
for the year ended 30 June 2008

Appendix E

**Detailed income statement**

Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
2007	2007	2007		2008	2008	2008	2008
R	R	R		R	R	R	R
29 576 533	34 633 117	-5 056 584	<b>Rates and general services</b>	37 330 450	40 128 029	-2 797 579	1 727 900
15 489 517	20 625 685	-5 136 167	<b>Community services</b>	23 690 640	27 497 762	-3 807 121	2 945 500
1 820 142	1 030 544	789 598	Assessment rates	3 117 469	2 428 525	688 944	875 500
35 158	3 795 262	-3 760 104	Council's general account	516 897	3 945 351	-3 428 454	-4 882 100
679 803	1 983 880	-1 304 077	Parks and cemeteries	729 070	1 981 967	-1 252 897	-2 248 400
2 204 211	4 544 622	-2 340 411	Public works	1 531 462	6 003 487	-4 472 025	-6 924 800
620 098	1 240 233	-620 135	Properties	782 435	1 112 192	-329 758	-734 800
9 210 606	6 090 161	3 120 445	Town treasurer	16 092 853	9 760 351	6 332 502	18 467 700
377 242	943 104	-565 862	Municipal manager	445 294	1 113 234	-667 940	-662 000
542 258	997 880	-455 622	Corporate services	475 161	1 152 654	-677 493	-945 600
826 799	793 802	32 997	<b>Subsidised services</b>	1 002 219	1 071 472	-69 253	-1 028 900
159 255	126 258	32 997	Health	77 534	146 787	-69 253	-95 700
667 544	667 544	0	Library	924 685	924 685	-0	-933 200
13 260 216	13 213 630	46 586	<b>Economic services</b>	12 637 591	11 558 796	1 078 795	-188 700
5 843 805	5 812 010	31 795	Refuse removal	5 396 226	5 003 057	393 169	425 900
7 416 411	7 401 620	14 791	Sewerage	7 241 365	6 555 739	685 626	-614 600
13 022 312	12 894 073	128 239	<b>Trading services *</b>	13 010 406	12 133 072	877 334	-4 798 300
6 586 138	6 566 157	19 981	Electricity	6 534 588	6 352 102	182 486	-808 500
6 436 174	6 327 915	108 258	Water	6 475 818	5 780 970	694 849	-3 989 800
<u>42 598 845</u>	<u>47 527 190</u>	<u>-4 928 345</u>	<b>Total</b>	<u>50 340 857</u>	<u>52 261 101</u>	<u>-1 920 245</u>	<u>-3 070 400</u>
		-299 252	Appropriations for the year (see note 15)			215 082	
		-5 227 597	Net surplus/(deficit) for the year			-1 705 163	
		-5 037 999	Accumulated surplus/(deficit): beginning of the year			-10 265 596	
		<u>-10 265 596</u>	Accumulated surplus/(deficit): end of the year			<u>-11 970 759</u>	
2 564 787			<b>* Income - Trading Services</b>				
21 352			Sale of Electricity	2 879 137			
4 000 000			Other Income	7 251			
<u>6 586 138</u>			Equitable Share allocated	<u>3 648 200</u>			
				<u>6 534 588</u>			
2 233 010			Sale of Water	2 737 207			
3 163			Other Income	4 311			
<u>4 200 000</u>			Equitable Share Allocated	<u>3 734 300</u>			
<u>6 436 174</u>				<u>6 475 818</u>			

## Phumelela Local Municipality

### Statistics

for the year ended 30 June 2008

### Appendix F

<b>General statistics</b>		<b>2008</b>	<b>2007</b>
1	Population	50 907	45 000
2	Valuation of property : rateable		
	Land	R11 629 770	R11 629 770
	Improvements	R246 078 970	R246 078 970
3	Valuation of property : non rateable		
	Land	R515 700	R515 700
	Improvements	R19 711 600	R19 711 600
4	Date of valuation	2004	2004
5	Number of stands - residential and commercial	10 952	10 952
6	Assessment rate: land and improvements residential property : value less R15 000	R 0.01299	R 0.01272
7	Number of employees	287	220
<b>Electricity Statistics</b>			
1	Electricity purchased (Warden and Ezenzeleni)	2 837 882	2 923 945
2	Electricity sold (Warden and Ezenzeleni)	2 879 137	2 564 787
3	Gross loss (Profit)	(41 255)	359 158
<b>Water Statistics</b>			
1	Income	2 737 207	2 233 010
2	Expenditure	4 784 252	4 678 177
3	Units sold	565 539	554 097
4	Cost per unit sold	R 8.46	R 8.44
5	Income per unit sold	R 4.84	R 4.03



**Report of the Auditor-General on Performance Measurement to the Phumelela Local Municipality**

*for the year ended 30 June 2008*

The Auditor-General will issue his report upon finalisation of the audit.