



**Nkonkobe Municipality**



**Annual Financial Statements  
2003/2004**

# NKONKOBÉ MUNICIPALITY

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# NKONKOBE MUNICIPALITY

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## GENERAL INFORMATION

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### MEMBERS OF THE COUNCIL

H M Mdleleni	Mayor
L G Mbatani	Speaker of Council
Rev DD Ngcuka	Financial Services - Chairperson
M Ncume	Human Resources & Admin - Chairperson
H J Ndlebe	Engineering Services - Chairperson
T P Dwanya	Community Services - Chairperson
W N Nxawe	Sports, Arts & Culture - Chairperson
N H Mini	Strategic Planning & LED - Chairperson

### GRADING OF LOCAL AUTHORITY

Not available

### AUDITORS

Auditor General

### BANKERS

First National Bank, Fort Beaufort

### REGISTERED OFFICE

Somerset Street  
PO Box 36, Fort Beaufort  
5720

Telephone : 046 645 7483  
Facsimile : 046 645 7484

### MUNICIPAL MANAGER

Mr S D Mdila

Telephone : 046 645 7449

### ACTING FINANCE MANAGER

Ms D R Sauls

Telephone : 046 645 7483

# NKONKOBÉ MUNICIPALITY

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## APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 22 were approved by the Municipal Manager and

Acting Finance Manger on the .....2005 and presented to and approved by Council

on the .....2005

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**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**

.....  
**ACTING FINANCE MANAGER: NKONKOBÉ MUNICIPALITY**

# NKONKOBÉ MUNICIPALITY

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## MAYOR'S FOREWORD

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The Nkonkobe Municipality was actively involved in the preparation of the Budget for the 2003/2004 Financial Year.

Although good progress was and is still being made to put management of Nkonkobe Municipal services on a more businesslike basis, our income sources have come under tremendous pressure. This pressure resulted in cash flow problems to which the council had to find quick solutions.

The Council introduced a Credit Control Policy in all areas of the Council's jurisdiction as well as a uniform Indigent Support Policy.

The Nkonkobe Municipality have a responsibility to be actively involved in the running of the municipality. In this regard everything is carried out to render an affordable service to the consumers without neglecting the growth of the town. Unfortunately, the culture non-payment has a diverse effect on the finances of the Municipality and many times creditors cannot be paid on time.

The Council has a clear duty to do everything possible to spare the ratepayers and users of municipal services money and shall keep on doing so for the years to come.

In conclusion, I would like to express my appreciation to the Standing Committees of Council, the Finance Mentor, Mr Andre Marx, Municipal Manager, Mr S D Mdila and other staff for their co-operation in managing the affairs of Nkonkobe Municipality.

.....  
MAYOR

**NKONKOB MUNICIPALITY**  
**ACCOUNTING OFFICER'S REPORT**

**1. OPERATING RESULTS**

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2004 are as follows:

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
<b>Income:</b>					
Opening surplus/(deficit)	20,460,013	27,843,564			
Operating income for the year	69,164,575	67,404,072	(3)	66,542,383	1
	89,624,588	95,247,637		66,542,383	
<b>Expenditure</b>					
Operating expenditure for the year	55,817,600	64,195,529	15	66,535,919	(4)
Contributions to approved funds					
Sundry Transfers	15,664,395				
Closing surplus/(deficit)	27,843,564	(2,921,037)		6,464	
	99,325,559	61,274,493		66,542,383	
<b>Significant variances:</b>					
Grants and Subsidies decreased substantially during the current year. Interest Received increased substantially during the year. This was due to all trust funds being transferred to into individual investment accounts, therefore generating increased interest income. The major contributor to the increase in operating expenditure is Salaries.					

**1.1 Rates and General Services**

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	47,764,367	33,413,812	(30)	41,367,062	(24)
Expenditure	43,563,158	48,462,112	11	45,645,074	6
Surplus/(deficit)	4,201,209	(15,048,300)	(458)	(4,278,012)	72
Surplus/(deficit) as % of total income	9	(45)			
<b>Significant variances:</b>					
The major decrease can be attributed to the finance department. The a major catch up done on Indigents during the current year. Alice Indigents accounts has previously not been updated with the Equitable share received.					

**1.2 The following is a summary of the operating results of the local authority's Trading Services:**

**Electricity Service**

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	6,899,038	6,034,332	(13)	9,516,301	(58)
Expenditure	4,736,003	5,846,689	23	6,758,512	(16)
Surplus/(deficit)	2,163,035	187,643		2,757,789	
Surplus/(deficit) as % total income	31.35%	3.11%			
<b>Significant variances:</b>					
No Significant variance to report.					

**Water Service**

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	14,422,672	27,842,558	93	15,491,020	44
Expenditure	7,399,384	9,777,747	32	14,040,933	(44)
Surplus/(deficit)	7,023,288	18,064,811		1,450,087	
Surplus/(deficit) as % total income	48.70%	64.88%			
<b>Significant variances:</b>					
The Alice water billing increased per the ABACUS system by around R 6 million. The municipality received an amount of R 5,9 Million from the Amathole District Municipality. This was in Lou of services being run by the Amathole District Municipality.					

**Abattoir Service**

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	78,498	113,370	44	168,000	(48)
Expenditure	119,055	108,981	(8)	91,400	16
Surplus/(deficit)	-40,557	4,389		76,600	
Surplus/(deficit) as % total income	-51.67%	3.87%			
<b>Significant variances:</b>					
No Significant variance to report.					

**2. CAPITAL EXPENDITURE AND FINANCING**

The expenditure on fixed assets during the year amounted to R5 909 681.

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

**3. EXTERNAL LOANS, INVESTMENTS AND CASH**

External loans outstanding on 30 June 2004 amounted to R10 949 688. (2003 - R10 218 629)

Cash resources and short-term deposits less bank overdraft at 30 June 2004 amounted to a shortfall of R 3 052 719 (2003 - R2 922 939)

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

**4. EXPRESSION OF APPRECIATION**

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

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**MUNICIPAL MANAGER: NKONKOBÉ MUNICIPALITY**  
(Accounting Officer)

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**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING POLICIES**

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**1. Basis of preparation**

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on 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 balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

**3. Fixed assets**

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

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.



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**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING POLICIES (continued)**

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\* Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

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

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.

3.5 A detailed GAMAP compliant assets register has been prepared.

#### **4. Funds and reserves**

##### **4.1 Revolving fund**

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### **4.2 Other funds and reserves**

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### **5. Provisions**

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

#### **6. Stock**

Stock is reflected in the Balance Sheet at the weighted average cost.

#### **7. Retirement benefits**

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

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**NKONKOBÉ MUNICIPALITY**  
**ACCOUNTING POLICIES (continued)**

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The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

**8. Surpluses and deficits**

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

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

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

**10. Investments**

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

**11. Income recognition**

**11.1 Electricity and water billings**

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

**11.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

**11.3 Other income**

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

**NKONKOBÉ MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2004**

	Note	2004 R	2003 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		13,544,917	12,878,698
Statutory funds	1	10,993,159	10,326,940
Reserves	2	2,551,758	2,551,758
ACCUMULATED DEFICIT		(2,921,037)	27,843,565
		10,623,880	40,722,263
TRUST FUNDS	3	3,276,576	7,844,688
LONG TERM LIABILITIES	4	10,949,688	10,218,629
CONSUMER DEPOSITS: SERVICES	5	849,496	699,215
		<b>25,699,640</b>	<b>59,484,795</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	8	56,991	86,511
FIXED ASSETS	6	10,084,176	6,397,121
INVESTMENTS	7	3,043,243	3,518,726
		13,184,410	10,002,358
NET CURRENT ASSETS		12,515,230	49,482,437
CURRENT ASSETS		40,599,670	60,334,574
Stock	9	323,469	342,242
Accounts receivable	10	38,704,850	59,268,640
Cash resources	11	1,571,351	146,744
Project Control Accounts	13	-	576,948
CURRENT LIABILITIES		28,084,440	10,852,137
Creditors	14	16,455,737	5,541,387
Bank overdraft	15	4,624,070	3,069,683
Project Control Accounts	13	2,456,435	-
Provisions	12	4,548,198	2,241,067
		<b>25,699,640</b>	<b>59,484,795</b>

**NKONKOB MUNICIPALITY**

**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

<b>2003 Actual income</b>	<b>2003 Actual expenditure</b>	<b>2003 surplus/ (deficit)</b>		<b>2004 Actual income</b>	<b>2004 Actual expenditure</b>	<b>2004 surplus/ (deficit)</b>	<b>2004 Budgeted surplus/ (deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
47,764,367	43,563,158	4,201,209	<b>RATES AND GENERAL SERVICES</b>	33,413,812	48,462,112	(15,048,300)	(4,278,012)
43,066,108	35,142,448	7,923,660	Community services	28,132,707	37,534,185	(9,401,478)	(6,787,125)
16,894	1,400,410	(1,383,516)	Subsidised services	38,658	1,691,496	(1,652,838)	(1,502,446)
4,681,365	7,020,300	(2,338,935)	Economic services	5,242,447	9,236,431	(3,993,984)	4,011,559
21,400,208	12,254,442	9,145,766	<b>TRADING SERVICES</b>	33,990,260	15,733,417	18,256,843	4,284,476
<u>69,164,575</u>	<u>55,817,600</u>	<u>13,346,975</u>	<b>TOTAL</b>	<u>67,404,072</u>	<u>64,195,529</u>	<u>3,208,543</u>	<u>6,464</u>
		(5,963,424)	Appropriations for the year (refer note 20)			(33,973,144)	
		7,383,551	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			(30,764,601)	
		20,460,013	Accumulated surplus beginning of the year			27,843,564	
		<u>27,843,564</u>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<u>(2,921,037)</u>	

**NKONKOBE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

	NOTES	2004 R	2003 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		5,705,550	9,860,083
Cash generated by operations	21	(48,978,724)	(8,754,932)
Investment income		210,703	710,091
Decrease/(Increase) in working capital	22	31,895,037	(21,880,494)
		(16,872,984)	(29,925,335)
Less: External interest paid		(1,205,525)	(1,450,443)
<b>Cash available from operations</b>		(18,078,509)	(31,375,778)
Cash contributions from the public and the State		23,784,059	41,235,861
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		(5,880,161)	(15,952,290)
Investment in fixed assets		(5,909,681)	(15,983,500)
Decrease in Long Term Debtors		29,520	31,210
<b>NETT CASH FLOW</b>		<u>(174,611)</u>	<u>(6,092,207)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase in long-term liabilities	23	731,058	173,039
Increase in consumer deposits		150,281	56,944
Increase in cash on hand	26	(129,780)	2,943,575
(Increase)/decrease in external cash investments	24	(576,948)	2,918,649
<b>NETT CASH UTILISED</b>		<u>174,611</u>	<u>6,092,207</u>

	<b>2004 R</b>	<b>2003 R</b>
<b>1. ACCUMULATED FUNDS</b>		
Revolving Fund	10,231,078	9,564,859
Dog Tax Fund	84,735	84,735
Loans Redemption Fund	643,453	643,453
Community Facilities	27,896	27,896
Other	5,997	5,997
	<u>10,993,159</u>	<u>10,326,940</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2. RESERVES</b>	<u>2,551,758</u>	<u>2,551,758</u>
<i>(Refer to Appendix A for more details)</i>		
<b>3. TRUST FUNDS</b>		
As detailed in Appendix A	<u>3,276,576</u>	<u>7,844,688</u>
<i>(Refer to Appendix A for more details)</i>		
<b>4. LONG-TERM LIABILITIES</b>		
Loans outstanding external	1,250,000	1,250,000
DBSA - Capital	4,495,426	4,714,066
DBSA - Capital Arrears Interest	5,204,262	4,254,564
	<u>10,949,688</u>	<u>10,218,630</u>
<i>(Refer to Appendix B for more detail)</i>		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service Deposits	<u>849,496</u>	<u>699,215</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	97,273,433	81,289,933
Capital expenditure during the year	<u>5,909,681</u>	<u>15,983,500</u>
Less: Assets written off, transferred or disposed of during year	<u>-</u>	<u>-</u>
<b>Total fixed assets</b>	103,183,114	97,273,433
Less: Loans redeemed and other capital receipts	<u>93,098,938</u>	<u>90,876,313</u>
	<u>10,084,176</u>	<u>6,397,120</u>
<i>(Refer to Appendix C for more details)</i>		

	2004 R	2003 R
<b>7. INVESTMENTS</b>		
Unlisted - Revolving	<u>3,043,243</u>	<u>2,232,069</u>
Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institution.		
<b>8. LONG TERM DEBTORS</b>		
Vehicle Loans	<u>56,991</u>	<u>86,511</u>
<b>9. STOCK</b>		
Rate & General	190,367	100,788
Electricity Services	133,102	241,454
	<u>323,469</u>	<u>342,242</u>
<b>10. DEBTORS</b>		
Current Debtors	84,547,576	60,209,284
Sundry Debtors	236,033	184,304
VAT	6,081,305	2,735,052
Less Provision for Bad debts	<u>52,160,064</u>	<u>3,860,000</u>
	<u>38,704,850</u>	<u>59,268,640</u>
<b>11. CASH AND CASH EQUIVALENT</b>		
Floats	11,083	11,083
Other	1,560,268	135,661
	<u>1,571,351</u>	<u>146,744</u>
An amount of R 1,697,833 consisting of numerous First National Bank Accounts is being held as security to cover the current bank overdraft at First National Bank.		
<b>12. PROVISIONS</b>		
Leave reserve	3,809,971	1,363,975
Performance Bonuses	115,559	-
Audit Fees	622,668	877,092
	<u>4,548,198</u>	<u>2,241,067</u>
<b>13. PROJECT DEBTORS</b>	<u>(2,456,435)</u>	<u>576,950</u>

	2004 R	2003 R
<b>14. CREDITORS</b>		
Trade Creditors	1,836,211	1,938,293
VAT Provision	7,875,697	-
Unallocated Deposits	5,157,573	-
Sundry Creditors	1,586,256	3,603,094
	<u>16,455,737</u>	<u>5,541,387</u>
<b>15. BANK OVERDRAFT</b>		
Middledrift Municipality	-	2,458
Nkonkobe Municipality	4,624,070	3,067,224
	<u>4,624,070</u>	<u>3,069,682</u>
All Securities have been detailed in Note 11.		
<b>16. ASSESSMENT RATES</b>		
Valuations on land and improvements are performed every four years. The last general valuation came into effect on 1 July 1994. The basic rate on land and improvements is:		
- All properties 2.93 cents in the rand		
- The following rebates were granted: 40 % and 20 %		
<b>17. COUNCILLOR'S REMUNERATION</b>		
Mayor's allowance:	273,915	213,055
Councillor's allowances:	2,970,345	2,936,551
	<u>3,244,260</u>	<u>3,149,606</u>
<b>18. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>251,733</u>	<u>877,092</u>
<b>19. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	<u>210,703</u>	<u>710,091</u>
- Interest paid	<u>1,534,410</u>	<u>14,616,016</u>
Capital charges debited to operating account:		
- Interest paid on external loans	1,205,525	1,450,443
- Interest paid on internal loans	23,121	42,734
- Redemption of external loans	(731,058)	362,226
- Redemption of internal loans	105,567	102,584
	<u>603,155</u>	<u>1,957,987</u>
<b>20. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	27,843,564	20,460,013
Operating surplus for the year	3,208,543	13,346,976
	31,052,107	33,806,989
Less: Appropriations for the year:	(33,973,144)	
- Prior year adjustments	<u>33,973,144</u>	<u>5,963,424</u>
Accumulated surplus at the end of year	<u>(2,921,037)</u>	<u>27,843,565</u>



	2004 R	2003 R
<b>20. APPROPRIATIONS (continued)</b>		
<b>Operating account</b>		
Capital expenditure	486,961	1,307,433
Contributions to:		
- Revolving Fund	666,219	620,034
- Abattoir Reserve		82,500
- Audit Fee		255,000
- Doubtful debts		1,250,000
- Leave Reserve		682,696
- Repairs & Renewals		50,000
	1,153,180	4,247,663
<b>21. CASH GENERATED BY OPERATIONS</b>		
<b>Surplus for the year</b>	3,208,543	13,346,976
<b>Adjustments for:</b>		
<b>Previous year's operating transactions</b>	(33,973,144)	(5,963,424)
<b>Appropriations charged against income:</b>	1,153,180	4,247,663
- Capital outlay	486,961	1,307,433
- Revolving Fund	666,219	620,034
- Provisions and reserves		2,320,196
<b>Capital charges:</b>	603,155	1,957,987
Interest paid:		
- to internal funds	23,121	42,734
- on external loans	1,205,525	1,450,443
Redemption:		
- of internal advances	105,567	102,584
- of external loans	(731,058)	362,226
<b>Investment income credited to Operations account</b>	-	(351,488)
<b>Expenditure charged against Provisions and Reserves</b>	-	(971,765)
<b>Non operating income credited to funds</b>	-	4,773,290
<b>Grants and subsidies received from the state</b>	(19,970,458)	(25,794,171)
	(48,978,724)	(8,754,932)
<b>22. DECREASE/(INCREASE) IN WORKING CAPITAL</b>		
Decrease in Stores	18,773	24,854
Decrease in Suspense	(1,879,487)	(576,952)
Decrease/(increase) in debtors	20,534,270	(21,332,170)
Increase in creditors	13,221,481	3,774
	31,895,037	(21,880,494)
<b>23. INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	-	535,265
Loans repaid	731,058	(362,226)
	731,058	173,039
<b>24. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>	(576,948)	710,091
<b>25. DECREASE IN CASH INVESTMENT COMPRISES</b>		
Investments realised	-	2,918,649
<b>26. INCREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	(2,922,939)	(20,634)
Less: Cash balance at end of year	(3,052,719)	(2,964,209)
	(129,780)	(2,943,575)

	<b>2004</b>	<b>2003</b>
	<b>R</b>	<b>R</b>
<b>27. REVOLVING FUND</b>		
Accumulated Funds	10,231,078	9,564,859
Debtors	(433,055)	(433,055)
	<u>10,231,078</u>	<u>9,131,804</u>
<b>28. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
None		
<b>29. POST BALANCE SHEET EVENTS</b>		
None		

**NKONKOB MUNICIPALITY**  
**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	Balance at 30 June 2003 R	Contributions during year R	Interest on Investments R	Transfers during year R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2004 R
<b>STATUTORY FUNDS</b>							
Revolving Fund	9,564,859	666,219					10,231,078
Dog Tax Fund	84,735						84,735
Loans Redemption Fund	643,453						643,453
Community Facilities	27,896						27,896
Other	5,997						5,997
	<u>10,326,940</u>	<u>666,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,993,159</u>
<b>TRUST FUNDS</b>							
<b><u>Cash Backed Funds</u></b>							
13 Starter Homes		125,252	8,000				133,252
Alice CMIP	28,785		12			518	28,279
Alice Golf Area 1111		13,641,050	222,955			12,851,065	1,012,940
Alice IDP	3,755		183			3,938	0
Alice Kuntselamanzi		3,948,364	95,095			3,931,141	112,318
Alice Planning and Surveying	195,627		1,730			197,357	0
Alice Roads Project	1,414		1			1,415	0
Asset Financing Fund	18,953		964		19,917		0
Bhofolo Phase 2		135,000	958			135,958	0
Essential Services - Informal Settlements	34,257		177			34,434	0
Fishing Project	62,290		4,466				66,756
Fort Beaufort Golf Area 1177		7,693,067	217,302			7,892,282	18,087
Fort Beaufort Gomma Gomma		161,900	659				162,559
Human Settlement - Re-development Plan	971,898		16,097			889,842	98,153
Middledrift Housing	28,077		1,934				30,011
Middledrift Infrastructure	229,548	69,053	82			288,500	10,183
Middledrift Planning	241,698		4,597			246,295	0
Middledrift Town Planning	1,164		57			1,221	0
Mpolweni Housing Development	255,401	663,480	13,859			932,741	-1
Mpolweni Housing Development 2		4,255,962	125,356			4,368,721	12,597
NER Operating Account	-2,458	2,700			406		-164
Self-Help Housing Project	124,830		422			125,252	0
Seymour Extension 6		7,059,038	131,849			5,871,746	1,319,141
Seymour Housing Project Number 2	31,444	49,384	106			41,802	39,132
Youth Development Trust	5,386		262		5,648		0
	<u>2,232,069</u>	<u>37,804,250</u>	<u>847,123</u>	<u>0</u>	<u>25,971</u>	<u>37,814,228</u>	<u>3,043,243</u>
<b><u>Non Cash Backed Funds</u></b>							
MSP Funding	-	233,333					233,333
<b>RESERVES</b>							
Repairs and Renewals	591,831						591,831
Repairs and Maintenance	24,267						24,267
Plant and Stock	14,250						14,250
Maintenance and Renewal	147,839						147,839
Home Improvements	26,495						26,495
Loss of Rental	23,729						23,729
Rent Reserve	1,868						1,868
Abattoir Reserve Fund	1,721,479						1,721,479
	<u>2,551,758</u>						<u>2,551,758</u>

APPENDIX A

**NKONKOBE MUNICIPALITY**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	<b>Rate</b>	<b>Termination</b>	<b>Balance at 30 June 2003 R</b>	<b>Received during the year R</b>	<b>Redeemed/ written off during year R</b>	<b>Balance at 30 June 2004 R</b>
<b>EXTERNAL LOANS - Funding Fixed Assets</b>						
DBSA - Capital	11.0%	30-Sep-2014	4,714,066	-	218,640	4,495,426
DBSA - Capital Arrears Interest	11.0%	30-Sep-2014	1,877,889	-	(313,370)	2,191,259
DBSA - Capital Arrears Interest	16.0%	30-Sep-1998	2,376,675	-	(636,328)	3,013,003
			<u>8,968,630</u>	<u>-</u>	<u>(731,058)</u>	<u>9,699,688</u>
<b>EXTERNAL LOANS - Funding Operations</b>						
Loans outstanding	17.5%	31-Dec-2006	1,250,000	-	-	1,250,000
			<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>
<b>INTERNAL LOANS</b>						
Loans outstanding	Various	Various	<u>490,055</u>	<u>-</u>	<u>105,567</u>	<u>384,488</u>

**APPENDIX B**

**NKONKOB MUNICIPALITY  
ANALYSIS OF FIXED ASSETS**

2003 Expenditure		Balance at 30 June 2003	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2004
R		R	R	R	R
<b>6,248,760</b>	<b>RATES AND GENERAL SERVICES</b>	<b>51,342,693</b>	<b>4,294,744</b>	-	<b>55,637,437</b>
<b>4,822,705</b>	<b>Community Services</b>	<b>37,286,329</b>	<b>3,183,613</b>		<b>40,469,942</b>
45,000	Administration - Housing	351,291			351,291
	Buildings & Land	6,373,395	53,112		6,426,507
	Town Treasure	1,411,713	475,634		1,887,347
1,106,395	Community Facilities	3,554,018	1,268,458		4,822,476
521,572	Furniture & Equipment	567,916	293,225		861,141
	Council and CEO	469,733			469,733
	Civil defence	62,638			62,638
874,688	Town Engineer	13,419,539	119,614		13,539,153
25,731	Traffic Services	303,095			303,095
2,249,319	Roads & Streetworks	10,130,601	973,570		11,104,171
	Health Services	642,390			642,390
<b>14,103</b>	<b>Subsidised Services</b>	<b>801,895</b>	<b>298,924</b>		<b>1,100,819</b>
	Parks and Recreation	721,361	242,233		963,594
14,103	Cemetery	26,283	13,721		40,004
	Fire		42,970		42,970
	Library Services	54,251			54,251
<b>1,411,952</b>	<b>Economic Services</b>	<b>13,254,469</b>	<b>812,207</b>		<b>14,066,676</b>
	Town Estate	1,806,742			1,806,742
1,411,952	Sewerage	11,447,727	812,207		12,259,934
<b>7,588,535</b>	<b>Housing Services</b>	<b>19,428,491</b>	<b>799,705</b>		<b>20,228,196</b>
<b>2,146,205</b>	<b>Trading Services</b>	<b>26,502,249</b>	<b>815,232</b>	-	<b>27,317,481</b>
	Abattoir	357,953	14,710		372,663
1,619,099	Electricity	12,780,583	6,300		12,786,883
527,106	Water	13,363,713	794,222		14,157,935
<b>15,983,500</b>	<b>TOTAL FIXED ASSETS</b>	<b>97,273,433</b>	<b>5,909,681</b>		<b>103,183,114</b>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>(87,814,748)</b>	<b>(5,909,681)</b>	<b>(625,491)</b>	<b>93,098,938</b>
	Contributions from Other Sources	7,775,036		625,491	7,149,545
	Contributions from operating income	12,562,368	486,961		13,049,329
	Grants and subsidies	67,477,344	5,422,720		72,900,064
	<b>NET FIXED ASSETS</b>	<b>9,458,685</b>	-	<b>(625,491)</b>	<b>10,084,176</b>

**APPENDIX C**

## NKONKOBÉ MUNICIPALITY

### ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2004

2003 Actual R		2004 Actual R	2004 Budget R
<b>INCOME</b>			
25,794,171	Grants and subsidies	19,970,458	30,238,214
43,370,404	Operating income	47,433,614	36,304,169
8,574,639	Assessment Rates	9,270,918	9,141,292
700,621	Interest Received	210,703	-
34,095,144	Income from Tariffs, Service Charges etc	37,951,993	27,162,877
<b><u>69,164,575</u></b>	<b>Total income</b>	<b><u>67,404,072</u></b>	<b><u>66,542,383</u></b>
<b>EXPENDITURE</b>			
24,721,858	Salaries, wages and allowances	31,688,668	23,768,876
21,963,797	General expenditure	28,295,345	30,895,798
2,854,085	Repairs and maintenance	2,455,181	2,950,500
2,262,929	Capital charges	603,155	1,468,549
1,307,433	Contributions to fixed assets	486,961	5,192,000
2,707,498	Contributions	666,219	2,260,196
(236,500)	Less Amounts Charged out	-	-
<b><u>55,817,600</u></b>	<b>Total Expenditure</b>	<b><u>64,195,529</u></b>	<b><u>66,535,919</u></b>

**APPENDIX D**

**NKONKOBE MUNICIPALITY**

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004**

2003 Actual income	2003 Actual expenditure	2003 Surplus/ (deficit)		2004 Actual income	2004 Actual expenditure	2004 Surplus/ (deficit)	2004 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
<b>47,764,367</b>	<b>43,563,158</b>	<b>4,201,209</b>	<b>RATES AND GENERAL SERVICES</b>	<b>33,413,812</b>	<b>48,462,112</b>	<b>(15,048,300)</b>	<b>(4,278,012)</b>
<b>43,066,107</b>	<b>35,142,448</b>	<b>7,923,660</b>	<b>Community services</b>	<b>28,132,707</b>	<b>37,534,185</b>	<b>(9,401,478)</b>	<b>(6,787,125)</b>
-	5,073,664	(5,073,664)	Council's General Expenses	-	6,387,226	(6,387,226)	(5,401,607)
2,888,870	2,224,860	664,011	Health	841,994	2,156,130	(1,314,136)	(194,729)
31,120	6,788,375	(6,757,255)	Municipal Manager	-	927,890	(927,890)	(1,188,131)
-	818,994	(818,994)	Fleet Administration	-	982,847	(982,847)	(641,903)
39,043,477	9,996,748	29,046,729	Financial Manager	25,987,142	9,788,816	16,198,326	20,078,026
-	5,581,405	(5,581,405)	Public Works	20,190	6,527,948	(6,507,758)	(10,439,460)
-	1,376,596	(1,376,596)	Civil Defence	-	1,538,255	(1,538,255)	(1,297,183)
158,057	756,570	(598,513)	Traffic Control	153,448	743,987	(590,539)	6,702
-	453,234	(453,234)	Library	225	572,272	(572,047)	(509,989)
350,000	1,338,003	(988,003)	Strategic Planning & LED	-	1,387,930	(1,387,930)	(1,398,593)
594,583	571,411	23,172	Natis	1,129,508	482,815	646,693	(76,367)
-	162,588	(162,588)	A-Grade Testing	-	18,530	(18,530)	(556,103)
-	-	-	Administration & Human Resources	200	6,019,539	(6,019,339)	(5,167,788)
<b>16,894</b>	<b>1,400,410</b>	<b>(1,383,516)</b>	<b>Subsidised services</b>	<b>38,658</b>	<b>1,691,496</b>	<b>(1,652,838)</b>	<b>(1,502,446)</b>
16,894	1,400,410	(1,383,516)	Parks and Recreation	38,658	1,691,496	(1,652,838)	(1,502,446)
<b>4,681,366</b>	<b>7,020,300</b>	<b>(2,338,934)</b>	<b>Economic services</b>	<b>5,242,447</b>	<b>9,236,431</b>	<b>(3,993,984)</b>	<b>4,011,559</b>
1,193,089	4,448,963	(3,255,874)	Refuse	1,347,540	5,702,942	(4,355,402)	(108,345)
3,488,277	2,571,337	916,940	Sewerage	3,894,907	3,533,489	361,418	4,119,904
<b>21,400,208</b>	<b>12,254,442</b>	<b>9,145,766</b>	<b>TRADING SERVICES</b>	<b>33,990,260</b>	<b>15,733,417</b>	<b>18,256,843</b>	<b>4,284,476</b>
6,899,038	4,736,003	2,163,035	Electricity	6,034,332	5,846,689	187,643	2,757,789
78,498	119,055	(40,557)	Abattoir	113,370	108,981	4,389	76,600
14,422,672	7,399,384	7,023,288	Water	27,842,558	9,777,747	18,064,811	1,450,087
<b>69,164,575</b>	<b>55,817,600</b>	<b>13,346,975</b>	<b>TOTAL</b>	<b>67,404,072</b>	<b>64,195,529</b>	<b>3,208,543</b>	<b>6,464</b>
		(5,963,424)	Appropriations for the year (refer to note 20)			(33,973,144)	
		<b>7,383,551</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>(30,764,601)</b>	
		20,460,013	Accumulated surplus beginning of the year			27,843,564	
		<b>27,843,564</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(2,921,037)</b>	

**APPENDIX E**

**NKONKOBÉ MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATION**

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**GENERAL STATISTICS**

Population	<u><u>128,660</u></u>
Site valuations at	
- Residential	844
- Exempt	-
	<u><u>844</u></u>
Assessment rates:	
- All properties 2.086 cents in the rand	
- Pensioners can apply for a 40% rebate and Residents 20 % respectively	
- Churches exempt	
Number of residential properties	
Number of employees of local authority	430

**ELECTRICITY STATISTICS**

Units bought/generated	11,695
Units sold	9,706
Units lost in distribution	1,989
Units lost in distribution as a percentage	17 %
Cost per unit bought	0.4104

**WATER STATISTICS**

Units bought/purified	9,045
Cost per unit bought	1.75
Units sold (metered users)	6,631
Units lost in distribution	2,414
Units lost in distribution as a percentage	26.6%
Cost per unit sold	3.10
Income per unit sold	2.43