

## INKWANCA MUNICIPALITY

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**INKWANCA MUNICIPALITY**  
**GENERAL INFORMATION**

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**MEMBERS OF THE COUNCIL**

M E YEKANI  
K G TYHALA  
J. C. AUCAMP  
P. PARKER  
N. P. MAKALIMA  
N. T. FOLOSE

Mayor

**GRADING OF LOCAL AUTHORITY**

Grade 2

**AUDITORS**

Auditor General

**BANKERS**

Standard Bank  
P. O. Box 14  
Molteno  
5500

**REGISTERED OFFICE**

39 Smith Street	P. O. Box 1	
Molteno	Molteno	Telephone : 045 967 0021
5500	5500	Fax: 045 967 0467

**MUNICIPAL MANAGER**

N. A. NCUBE

# INKWANCA MUNICIPALITY

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## APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 24 were approved by the Municipal Manager on 30 August 2004 and presented to and approved by Council on 30 August 2004

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**MUNICIPAL MANAGER: INKWANCA MUNICIPALITY**  
Dip. Advanced Public Administration (Univ. of Stellenbosch)  
STD (Univ of Transkei)  
AWS (Univ. of Stellenbosch)  
  
(Accounting Officer)

**INKWANCA 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 2003 are as follows:

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
<b>Income:</b>					
Opening surplus/(deficit)	4,406,451	1,717,520			
Operating income for the year	10,615,577	11,500,157	8	10,894,969	5
	15,022,028	13,217,677		10,894,969	
<b>Expenditure</b>					
Operating expenditure for the year	7,996,417	8,280,039	4	10,894,969	(32)
Contributions to approved funds					
Sundry Transfers	5,308,091	2,762,588	(48)		
Closing surplus/(deficit)	1,717,520	2,175,050		0	
	15,022,027	13,217,677		10,894,969	
<b>Significant variances:</b>	Income: Sewerage & sanitation sales increased by R750,000 & interest on overdue debtors increased by R500,000				
	Expenditure: Over budgeted				

**1.1 Rates and General Services**

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	6,995,444	7,884,917	13	4,635,636	41
Expenditure	4,918,338	5,328,580	8	5,316,017	0
Surplus/(deficit)	2,077,106	2,556,337	23	(680,381)	127
Surplus/(deficit) as % of total income	30	32			
<b>Significant variances:</b>	Income: Sewerage & sanitation sales increased by R750,000 & interest on overdue debtors increased by R500,000				
	Expenditure: No significant changes				

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	1,717,617	1,758,928	2	1,960,285	(11)
Expenditure	1,934,214	1,735,307	(10)	1,472,570	15
Surplus/(deficit)	(216,596)	23,621		487,715	
Surplus/(deficit) as % total income	(0)	1.34%		24.88%	
<b>Significant variances:</b>	Income: Over budgeted				
	Expenditure: Reduction attributed to more effective control and pricing				

## Water Service

	Actual 2003 R	Actual 2004 R	Variance 2003/04 %	Budget 2004 R	Variance Actual - Budget %
Income	1,902,516	1,856,312	(2)	1,909,136	(3)
Expenditure	1,073,425	1,102,062	3	471,745	57
Surplus/(deficit)	829,091	754,249		1,437,391	
Surplus/(deficit) as % total income	43.58%	40.63%		75.29%	
<b>Significant variances:</b> Income: Variance not considered significant Expenditure: Increase in water volumes purchased					

## 2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R8,272,680

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 R1,164,517

Cash resources and short-term deposits at 30 June 2004 amounted to R208,476 (2003 - R236,278)

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

## 5. EXPRESSION OF APPRECIATION

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

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**MUNICIPAL MANAGER: INKWANCA MUNICIPALITY**

Dip. Advanced Public Administration (Univ. of Stellenbosch)

STD (Univ of Transkei)

AWS (Univ. of Stellenbosch)

(Accounting Officer)

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**INKWANCA 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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**INKWANCA 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. 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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**INKWANCA 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.

**7. Surpluses and deficits**

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

**8. 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.



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

	Note	2004 R	2003 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		3,219,784	3,021,345
Statutory funds	1	2,721,034	2,588,919
Reserves	2	498,750	432,426
ACCUMULATED SURPLUS		2,175,050	1,717,520
		5,394,834	4,738,865
TRUST FUNDS	3	1,221,903	901,381
LONG TERM LIABILITIES	4	1,164,517	582,996
CONSUMER DEPOSITS: SERVICES	5	97,049	107,218
		<b>7,878,303</b>	<b>6,330,460</b>
<b>EMPLOYMENT OF CAPITAL</b>			
TRUST FUNDS	3	1,221,903	901,381
FIXED ASSETS	6	3,091,151	2,795,307
LONG-TERM DEBTORS	7	36,742	26,537
		4,349,796	3,723,225
NET CURRENT ASSETS		3,528,508	2,607,235
CURRENT ASSETS		6,024,088	5,223,047
Accounts receivable	8	5,815,612	4,976,565
Cash resources			200,385
Short-term deposits		208,476	35,893
Short-term portion of long-term debtors			10,204
CURRENT LIABILITIES		2,495,581	2,615,812
Accounts payable	9	2,290,497	2,465,164
Bank overdraft		122,283	
Provisions	10	82,800	150,648
		<b>7,878,303</b>	<b>6,330,460</b>

**INKWANCA MUNICIPALITY**  
**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
6,995,444	4,918,338	2,077,106	<b>RATES AND GENERAL SERVICES</b>	7,884,917	5,328,580	2,556,337	(112,115)
3,925,705	3,007,106	918,599	Community services	4,037,299	2,793,662	1,243,637	(813,838)
56,082	326,160	(270,078)	Subsidised services	81,909	488,072	(406,163)	126,857
3,013,657	1,585,071	1,428,586	Economic services	3,765,709	2,046,846	1,718,863	574,866
	70,440	(70,440)	<b>HOUSING SERVICES</b>		114,090	(114,090)	(105,326)
3,620,133	3,007,639	612,494	<b>TRADING SERVICES</b>	3,615,240	2,837,369	777,871	217,442
<u>10,615,577</u>	<u>7,996,417</u>	2,619,160	<b>TOTAL</b>	<u>11,500,157</u>	<u>8,280,039</u>	3,220,117	-
		(5,308,091)	Appropriations for the year (refer note 16)			(2,762,588)	
		(2,688,931)	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			457,530	
		4,406,451	Accumulated surplus/(deficit) beginning of the year			1,717,520	
		<u>1,717,520</u>	<b>ACCUMULATED SURPLUS END OF THE YEAR</b>			<u>2,175,050</u>	

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

	NOTES	2004 R	2003 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		9,004,284	5,186,271
Cash generated by operations	17	1,319,830	975,395
(Increase)/Decrease in working capital	18	(664,380)	1,721,248
		655,450	2,696,643
Less: External interest paid		(30,050)	(12,540)
<b>Cash available from operations</b>		625,400	2,684,103
Cash contributions from the public and the State		8,378,884	2,502,168
 <b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets		(8,272,680)	(2,786,286)
 <b>NETT CASH FLOW</b>		<u>731,604</u>	<u>2,399,985</u>
 <b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
(Decrease)/increase in long-term liabilities	19	581,520	
Decrease / (increase) in cash on hand	21	322,668	
Decrease /( increase) in external cash investments	20	(172,583)	
 <b>NETT CASH UTILISED</b>		<u>731,604</u>	<u>                    </u>

**INKWANCA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004**

	2004 R	2003 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	<u>2,721,034</u>	<u>2,588,919</u>
<p>The revolving fund is represented by an investment at standard bank of R197,458 and internal loans of R1,172,467 resulting in an underfunding of R1,351,109 at 30 June 2004.</p>		
<b>2. RESERVES</b>		
Leave Reserve Fund	<u>498,750</u>	<u>432,426</u>
<p>The leave reserve fund is represented by an investment at standard bank of R11,018 resulting in an underfunding of R487,732 at 30 June 2004.</p>		
<b>3. TRUST FUNDS</b>		
Equitable Share Fund		41,661
Integrated Development Plan Fund	34,579	44,565
Resort Development	78,053	83,324
Town Planning Scheme	18,218	17,765
Town Register	25,767	14,245
Land Ownership	64,510	60,582
Structure Plan	27,656	26,164
Interim Transitional	7,255	6,605
Leave Register		47,680
Rapid Land Development		18,804
Sewer Sterkstroom		4,656
Vehicles Sterkstroom		1,218
Community Gardens	135,391	171,760
Bulk Water	29,403	35,991
800 Houses	9,731	40,896
Sportsfields		2,263
Job Creation		10,978
Nomonde Hall and Creche	1,021	12,621
CMIP	177,008	176,401
Nkululeko Development	95,063	83,201
MSP	375,461	
Disaster Fund	9,556	
Survey 158 Dennekruijn	77,719	
Cemetery Investigation	55,513	
	<u>1,221,903</u>	<u>901,381</u>
Invested as follows:		
- Standard Bank short-term investments	311,647	645,585
- Standard Bank current accounts	227,256	255,796
- Advances to Operating Account	683,000	
	<u>1,221,903</u>	<u>901,381</u>
( Refer to Appendix A for more detail)		
<b>4. LONG-TERM LIABILITIES</b>		
African Bank	582,996	582,996
Wesbank DDL3689A	290,758	
Wesbank DDL36725K	290,762	
	<u>1,164,516</u>	<u>582,996</u>
<p>The loan with African Bank is as a result of the Municipality standing surety for a housing development contractor who subsequently was declared insolvent. The loan amount is disputed by Council, repayments have been stopped and the matter has since been handed to the Municipality's attorneys.</p> <p>The two Wesbank loans are in respect of instalment sale agreements entered into for the purchase of two 2003 Isuzu NPR 400 trucks.</p> <ul style="list-style-type: none"> <li>- Monthly instalments: R5,445.17 each</li> <li>- Contract rate: Prime plus .884%</li> <li>- Commencement rate: 12% linked</li> <li>- Commencement date: 18 November 2003</li> <li>- Termination date: 17 November 2008</li> </ul> <p>(Refer to Appendix B for more detail)</p>		
<b>5. CONSUMER DEPOSITS:SERVICES</b>		
Electricity and Water	<u>97,049</u>	<u>107,218</u>

**INKWANCA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	2004 R	2003 R
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	43,688,654	40,902,368
Capital expenditure during the year	<u>8,272,680</u>	<u>2,786,286</u>
<b>Total fixed assets</b>	<u>51,961,334</u>	<u>43,688,654</u>
Less: Loans redeemed and other capital receipts	<u>48,870,183</u>	<u>40,893,347</u>
	<u><u>3,091,151</u></u>	<u><u>2,795,307</u></u>
<b>7. LONG-TERM DEBTORS</b>		
Motor Vehicle Loan	36,742	36,741
Less: Short-term portion of long - term debtors transferred to current assets		<u>10,204</u>
	<u>36,742</u>	<u>26,537</u>
This loan has been handed to the attorneys for collection		
<b>8. ACCOUNTS RECEIVABLE</b>		
Current debtors (consumers)	11,452,244	11,131,015
Less: Provision for bad debts	<u>6,154,450</u>	<u>6,154,450</u>
	5,297,794	4,976,565
Other debtors:	517,818	
Wesbank finance charges in advance	136,395	
Community gardens	22,621	
Vuna awards	186,798	
SARS VAT	122,004	
Community services	<u>50,000</u>	
	<u>5,815,612</u>	<u>4,976,565</u>
Consumer debtors are aged as follows:		
30 days	634,540	1,353,794
60 days	326,427	276,187
90 days	456,660	9,501,034
120 days	370,194	
150 days	388,305	
180 days	<u>9,276,118</u>	
	<u>11,452,244</u>	<u>11,131,015</u>
No additional provision for bad debts has been provided for in this year as the existing provision is considered adequate. Old service debtors amounting to R2,458,387 were written off during the year under prior year adjustments.		
<b>9. ACCOUNTS PAYABLE</b>		
Trade Creditors	<u>2,290,497</u>	<u>2,465,164</u>

**INKWANCA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	2004 R	2003 R
<b>10. PROVISIONS</b>		
Audit Fees	82,800	150,648
<b>11. ASSESSMENT RATES</b>		
Site valuations at 1 July 2002		
- Residential	15,727,895	15,727,895
- Commercial	4,029,590	4,029,590
- Government	5,532,130	5,532,130
- Municipal	702,110	702,110
- Churches Exempt	556,170	556,170
	<u>26,547,895</u>	<u>26,547,895</u>
Income from rates	468,399	616,148
The last general valuation came into effect on 1 July 2000. The basic rate on land and improvements is:		
Molteno:		
- All properties 2 cents in the rand (2002 - 2 cents)		
Sterkstroom:		
- Residential & Commercial 4 cents in the rand (2002 - 4 cents)		
- Government 5 cents in the rand (2002 - 5 cents)		
Rebates of 20% are granted on state-owned properties.		
<b>12. COUNCILLOR'S REMUNERATION</b>		
Mayor's allowance:	50,028	50,028
Salary	33,168	33,168
Travelling allowance	8,292	8,292
Telephone allowance	6,000	6,000
Personal allowance	2,568	2,568
Councillor's allowances:	148,476	150,096
Salaries	66,360	66,360
Pensions	10,548	12,168
Travelling allowances	16,560	16,560
Telephone allowances	30,000	30,000
Personal allowances	12,840	12,840
Medical aid	12,168	12,168
	<u>198,504</u>	<u>200,124</u>
<b>13. AUDITOR'S REMUNERATION</b>		
Audit fees	85,755	204,108
<b>14. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	14,793	26,476
- Interest paid	<u>30,388</u>	<u>13,016</u>
Capital charges debited to operating account:		
- Interest paid on external loans	30,050	12,540
- Interest paid on internal loans	40,275	27,542
- Redemption of external loans	34,564	180,000
- Redemption of internal loans	91,206	81,006
	<u>196,094</u>	<u>301,088</u>
<b>15. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	1,717,520	4,406,451
Operating surplus for the year	3,220,117	2,619,160
	4,937,637	7,025,611
Less: Appropriations for the year:	(2,762,588)	(5,308,091)
- Contribution to leave reserve	55,306	
- Prior year adjustments	2,707,282	(846,359)
- Provision for bad debts		6,154,450
Accumulated surplus (deficit): end of year	<u>2,175,050</u>	<u>1,717,520</u>

**INKWANCA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	<b>2004 R</b>	<b>2003 R</b>
<b>16. APPROPRIATIONS (continued)</b>		
<b>Operating account</b>		
Capital expenditure	108,084	151,043
Contributions to:		
- Revolving Fund	46,211	36,875
	<u>154,295</u>	<u>187,918</u>
<b>PRIOR YEAR ADJUSTMENTS</b>		
Project Accounts		1,338,630
Fund Accounts		115,975
Loans Redeemed		(1,443,102)
VAT	(211,867)	(992,002)
Creditors		84,458
African Bank		(30,627)
Suspense		(151,386)
Underprovision for leave reserve		231,697
Water over-billed 2003	528,610	
Old service charges written off	2,458,387	
Audit overprovision 2003	(67,848)	
	<u>2,707,282</u>	<u>(846,359)</u>
<b>17. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	3,220,117	2,619,160
Appropriations charged against income:	154,295	187,918
- Fixed assets	108,084	151,043
- Revolving Fund	46,211	36,875
Capital charges:	196,094	295,478
Interest paid:		
- to internal funds	40,275	27,542
- on external loans	30,050	12,540
Redemption:		
- of internal advances	91,206	75,396
- of external loans	34,564	180,000
Grants and subsidies received from the state	(2,250,677)	(2,127,162)
	<u>1,319,830</u>	<u>975,395</u>
<b>18. (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in debtors	(839,047)	2,587,339
Increase / (decrease) in creditors	174,666	(866,091)
	<u>(664,380)</u>	<u>1,721,248</u>
<b>19. (DECREASE)/ INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	616,085	
Loans repaid	(34,564)	(180,000)
	<u>581,521</u>	<u>(180,000)</u>
<b>20. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>	<u>(172,583)</u>	<u>(56,403)</u>
<b>21. DECREASE / (INCREASE) IN CASH ON HAND</b>		
Cash balance at the beginning of the year	200,385	
Add: Bank overdraft at end of year	122,283	
	<u>322,668</u>	

**INKWANCA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (Continued)**

	2004 R	2003 R
<b>22. RETIREMENT BENEFITS</b>		
Inkwanca Municipality and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.		
The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.		
Full actuarial valuations are performed at least every three years.		
<b>23. OUTSTANDING ADVANCES TO BORROWING SERVICES</b>		
Internal advances	<u>1,172,467</u>	<u>1,263,673</u>
( Refer to Appendix B for more detail)		
<b>24. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
- Approved and contracted for	19,114,313	6,914,000
- Approved but not yet contracted for	<u>4,965,489</u>	<u>13,047,000</u>
	<u>24,079,802</u>	<u>19,961,000</u>
This expenditure will be financed from:		
- Internal sources	90,000	
- External sources	<u>23,989,802</u>	<u>19,961,000</u>
	<u>24,079,802</u>	<u>19,961,000</u>
<b>25. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
None		
<b>26. POST BALANCE SHEET EVENTS</b>		
None		



**INKWANCA MUNICIPALITY**

**STATUTORY FUNDS, RESERVES AND TRUST FUNDS**

	<b>Balance at 30 June 2003 R</b>	<b>Contributions during year R</b>	<b>Interest on Investments R</b>	<b>Advances to Operating Account R</b>	<b>Operating expenditure during year R</b>	<b>Capital expenditure during year R</b>	<b>Balance at 30 June 2004 R</b>
<b>STATUTORY FUNDS</b>							
Revolving Fund	2,588,919	79,627	52,488				2,721,034
Loan Redemption Fund							
	<u>2,588,919</u>	<u>79,627</u>	<u>52,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,721,034</u>
<b>RESERVES</b>							
Leave Reserve Fund	432,426	66,324					498,750
	<u>432,426</u>	<u>66,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,750</u>
<b>TRUST FUNDS</b>							
Equitable Share Fund	41,661		403		42,064		
Integrated Development Plan Fund	44,565		1397.49		11383.14		34,579
Resort Development	83,324		3,613	77,000	85,884		78,053
Town Planning Scheme	17,765		453				18,218
Town Register	14,245	11,152	370				25,767
Land Ownership	60,582		3,928				64,510
Structure	26,164		1,492				27,656
Masakhe Housing	6,605	196,000			195,350		7,255
Leave Register	47,680		2,096		49,776		
Sewer Sterkstroom	4,656		11		4,667		
Vehicles Sterkstroom	1,218		3		1,221		
Community Gardens	171,760	1,616	73		38,057		135,391
Bulk Water Supply	35,991	154,917	421		161,925		29,403
800 Houses	40,896		1,319		32,484		9,731
Sportsfield Fund	2,263				2,263		
Job Creation	10,978		174		11,152		
Nomonde Hall	12,621	4,450	457		16,507		1,021
CMIP	176,401	281,173	3	170,000	450,568		177,008
Nkululeko Development	102,006	35,880	4,018	66,000	112,841		95,063
MSP		590,000	13,395	370,000	356,012	241,923	375,461
Disaster Fund		83,333	375		74,152		9,556
Survey 158 Dennekruijn		77,000	719				77,719
Cemetery Investigation		55,000	513				55,513
	<u>901,381</u>	<u>1,490,520</u>	<u>35,232</u>	<u>683,000</u>	<u>1,646,307</u>	<u>-</u>	<u>1,221,904</u>

**APPENDIX A**

**INKWANCA MUNICIPALITY**

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	<b>Instalment</b>	<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</b>							
African Bank	Disputed			582,996			582,996
Wesbank DDL3689A	5,384	12% linked	17/11/2008		323,064	32,306	290,758
Wesbank DDL3675K	5,384	12% linked	17/11/2008		323,069	32,307	290,762
				<u>582,996</u>	<u>646,133</u>	<u>64,613</u>	<u>1,164,516</u>
<b>INTERNAL LOANS</b>							
Revolving Fund				<u>1,263,673</u>		91,206	<u>1,172,467</u>
<b>INTERNAL ADVANCES</b>							
Farm - Schoeman	28,599.05	4%	01/06/2021	728,956		28,320	700,636
Electrical Transformer	11,820.40	4%	30/06/2008	52,622		9,716	42,906
Natis Computer	1,925.07	5%	30/06/2004	3,803		3,803	0
Sewerage Scheme 1	16,667	0%	31/12/2011	150,000		16,667	133,333
Sewerage Scheme 2	26,012	5%	01/06/2012	184,892		16,768	168,124
Sewerage Scheme 3	15,933	0%	01/06/2012	143,400		15,933	127,467
				<u>1,263,673</u>		<u>91,206</u>	<u>1,172,467</u>

**APPENDIX B**

**INKWANCA 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>2,786,286</b>	<b>RATES AND GENERAL SERVICES</b>	<b>43,688,654</b>	<b>8,272,680</b>		<b>51,961,334</b>
<b>368,051</b>	<b>Community Assets</b>	<b>2,237,543</b>	<b>91,813</b>		<b>2,329,356</b>
248,051	Land and Buildings	2,050,001	40,000		2,090,001
120,000	Resort Development	187,542			187,542
	Koos Ras Game Reserve		51,813		51,813
<b>2,353,331</b>	<b>Infrastructure Assets</b>	<b>30,474,878</b>	<b>7,222,449</b>		<b>37,697,327</b>
1,897,306	Sewerage	9,755,186	1,874,449		11,629,635
11,000	Water	9,635,787	1,100,000		10,735,787
31,650	Electricity	5,269,912			5,269,912
413,375	Streets and Stormwater	5,813,993	4,248,000		10,061,993
<b>64,904</b>	<b>Other Assets</b>	<b>1,558,449</b>	<b>958,417</b>		<b>2,516,866</b>
	Furniture and Fittings	131,333			131,333
	Land and Buildings	700,146	186,798		886,944
	Tractors	208,286			208,286
64,904	Motor Vehicles	119,213	529,697		648,910
	Graders	319,241			319,241
	Computers	80,230	241,923		322,153
	<b>Housing Services</b>	<b>9,417,785</b>			<b>9,417,785</b>
<b>2,786,286</b>	<b>TOTAL FIXED ASSETS</b>	<b>43,688,654</b>	<b>8,272,680</b>		<b>51,961,335</b>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>40,893,347</b>	<b>7,976,836</b>		<b>48,870,183</b>
	Loans redeemed and advances repaid	5,662,923	125,770		5,788,693
	Contributions from operating income	3,412,909	108,084		3,520,993
	Grants and subsidies	31,817,515	7,742,983		39,560,498
	Public contributions				-
	<b>NET FIXED ASSETS</b>	<b>2,795,307</b>	<b>295,843</b>		<b>3,091,151</b>

**APPENDIX C**

**INKWANCA 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>		
2,127,162	Grants and subsidies	2,250,677	4,675,818
8,488,415	Operating income	9,249,479	6,219,151
1,182,471	Refuse Removal	1,300,121	1,248,665
616,148	Assessment Rates	468,399	559,635
1,831,186	Sanitation/ Sewerage	2,087,455	351,180
77,384	Rent	65,255	57,500
1,717,617	Electricity Sales	1,758,928	1,960,285
1,902,516	Water Sales	1,856,312	1,909,136
15,216	Income from Traffic	72,191	17,000
1,145,877	Income from other Sources	1,640,819	115,750.00
<b><u>10,615,577</u></b>	<b>Total income</b>	<b><u>11,500,157</u></b>	<b><u>10,894,969</u></b>
	<b>EXPENDITURE</b>		
3,589,678	Salaries, wages and allowances	3,460,639	5,425,418
92,892	General expenditure	1,147,579	1,651,833
935,810	Repairs and maintenance	600,598	631,300
180,000	Capital charges	125,770	41,757
151,043	Contributions to fixed assets	108,084	536,000
36,875	Contributions to funds		664,346
1,073,425	Bulk: Water	1,102,062	471,745
1,936,692	Bulk: Electricity Purchases	1,735,307	1,472,570
<b><u>7,996,415</u></b>	<b>Total expenditure</b>	<b><u>8,280,039</u></b>	<b><u>10,894,969</u></b>

**APPENDIX D**

**INKWANCA 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
6,995,443	4,918,338	2,077,106	<b>RATES AND GENERAL SERVICES</b>	7,884,917	5,328,580	2,556,337	(112,115)
<b>3,925,705</b>	<b>3,007,106</b>	<b>918,598</b>	<b>Community services</b>	<b>4,037,299</b>	<b>2,793,662</b>	<b>1,243,637</b>	<b>(813,838)</b>
616,148		616,148	Assessment Rates	468,399		468,399	
279,020	266,034	12,986	Council's General Expenses	291,598	291,598	-	-
558,340	473,071	85,269	Town Clerk	611,465	611,465	-	-
2,306,980	1,710,244	596,737	Town Treasurer	2,593,647	1,260,383	1,333,264	436,074
15,216	877	14,339	Traffic	72,191		72,191	33,200
150,000	556,881	(406,881)	Public Works		630,217	(630,217)	(1,283,112)
<b>56,082</b>	<b>326,160</b>	<b>(270,079)</b>	<b>Subsidised services</b>	<b>81,909</b>	<b>488,072</b>	<b>(406,163)</b>	<b>126,857</b>
3,177	1,643	1,534	Cemetery	5,176	136	5,041	(5,250)
	2,186	(2,186)	Clinic		2,071	(2,071)	(6,600)
2,975	119,305	(116,330)	Library Service	173	113,486	(113,313)	(110,854)
3,731	114,848	(111,117)	Parks and Recreation	6,265	276,967	(270,702)	(252,474)
46,199	88,178	(41,980)	Estates	70,294	95,413	(25,119)	502,035
<b>3,013,657</b>	<b>1,585,071</b>	<b>1,428,586</b>	<b>Economic services</b>	<b>3,765,709</b>	<b>2,046,846</b>	<b>1,718,863</b>	<b>574,866</b>
1,182,471	577,138	605,332	Cleansing	1,678,254	1,141,226	537,028	485,066
1,831,186	1,007,933	823,253	Sewerage	2,087,455	905,620	1,181,835	89,800
	<b>70,440</b>	<b>(70,440)</b>	<b>HOUSING SERVICES</b>		<b>114,090</b>	<b>(114,090)</b>	<b>(105,326)</b>
	70,440	(70,440)	Selling and letting schemes		114,090	(114,090)	
<b>3,620,133</b>	<b>3,007,639</b>	<b>612,495</b>	<b>TRADING SERVICES</b>	<b>3,615,240</b>	<b>2,837,369</b>	<b>777,871</b>	<b>217,442</b>
1,717,617	1,934,214	(216,596)	Electricity supply	1,758,928	1,735,307	23,621	217,442
1,902,516	1,073,425	829,091	Water supply	1,856,312	1,102,062	754,249	-
<b>10,615,577</b>	<b>7,996,416</b>	<b>2,619,160</b>	<b>TOTAL</b>	<b>11,500,157</b>	<b>8,280,039</b>	<b>3,220,117</b>	<b>-</b>
		(5,308,091)	Appropriations for the year (refer to note 16)			(2,762,588)	
		(2,688,931)	<b>NET DEFICIT FOR THE YEAR</b>			<b>457,530</b>	
		4,406,452	Accumulated surplus / (deficit) beginning of the year			1,717,520	
		<b>1,717,520</b>	<b>ACCUMULATED SURPLUS END OF THE YEAR</b>			<b>2,175,050</b>	

**APPENDIX E**

**INKWANCA MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATION**

**GENERAL STATISTICS**

Population	34,697
Site valuations at 1 July 1999	
- Residential	15,727,895
- Commercial	4,029,590
- Government	5,532,130
- Municipal	702,110
- Churches Exempt	556,170
	<u>26,547,895</u>
Assessment rates:	
Molteno:	
- All properties 2 cents in the rand (2002 - 2 cents)	
Sterkstroom:	
- Residential & Commercial 4 cents in the rand (2002 - 4 cents)	
- Government 5 cents in the rand (2002 - 5 cents)	
Rebates of 20% are granted on state-owned properties.	
Number of residential properties	4,168
Number of industrial, agricultural & other properties	480
Number of employees of local authority	75

**ELECTRICITY STATISTICS**

Number of users	1,108
Units bought/generated	5,205,286
Units sold	4,846,807
Units lost in distribution	358,479
Units lost in distribution as a percentage	6.89
Cost per unit sold	0.358
Income per unit sold	0.362

**WATER STATISTICS**

No of users (metered)	1,513
No of users (unmetered)	unknown
Units bought/purified	378,426
Units sold (metered users)	318,689
Units lost in distribution	unknown
Units lost in distribution as a percentage	unknown
Cost per unit sold	3.4580
Income per unit sold	5.8250

**Grants & Subsidies**

100/531	Council	291,597.52	432,835.00
101/531	Town Clerk	611,464.51	962,218.00
300/531	Treasurer	969,482.17	2,497,198.00
475/531	Refuse	378,133.00	378,133.00
		<u>2,250,677.20</u>	4,270,384.00

**Salaries wages & allowances****Council**

100/001	Salaries	108,453.00
100/005	Med Aid	12,168.00
100/006	Pension	10,548.00
100/012	Phone	36,000.00
100/014	Travel	26,721.00
100/015	Personal	16,776.00

**Administration**

205/001	Salaries	364,502.00
205/005	Med Aid	39,517.64
205/006	Pension	53,667.89
205/007	UIF	3,545.36
205/009	Industr. Cncl.	208.00
205/010	Annual Bonus	25,622.12
205/014	Transport	2,640.00

**Treasurer**

300/001	Salaries	94,275.84
300/005	Med Aid	7,501.76
300/006	Pension	10,509.78
300/007	UIF	802.29
300/009	Industr. Cncl.	42.50
300/010	Annual Bonus	5,233.11
30/014	Transport	7,250.10

**Streets**

445/001	Salaries	307,339.28
445/002	Relief Personnel	4,196.75
445/005	Med Aid	6,754.98
445/006	Pension	21,948.48
445/007	UIF	1,688.16
445/009	Industr. Cncl.	185.00
445/010	Annual Bonus	13,841.00
470/001	Salaries	51,780.31
470/005	Med Aid	13,084.44
470/006	Pension	7,406.65
470/007	UIF	4,755.39
470/009	Industr. Cncl.	483.10
470/010	Annual Bonus	38,224.41
470/013	Overtime	6,000.00
470/014	Transport	7,910.10

**Refuse**

475/001	Salaries	753,446.26
475/002	Relief Personnel	11,143.45
475/005	Med Aid	26,379.09
475/006	Pension	79,513.96
475/007	UIF	5,641.64
475/009	Industr. Cncl.	1,195.37
475/010	Annual Bonus	49,236.39
475/014	Transport	7,910.10

**Housing**

700/001	Salaries	92,784.00
700/005	Med Aid	1,872.28
700/006	Pension	11,395.21
700/007	UIF	754.53
700/009	Industr. Cncl.	60.00
700/010	Bonus	7,224.00

**Parks**

480/001	Salaries	155,722.49
480/002	Relief Personnel	611.06
480/005	Med Aid	4,899.58
480/006	Pension	17,630.16
480/007	UIF	1,469.18
480/009	Industr. Cncl.	155.00
480/010	Annual Bonus	11,837.00

**Estates**

605/001	Salaries	2,338.98
605/002	Relief Personnel	230.26

**Library**

615/001	Salaries	70,782.84
615/002	Relief Personnel	805.91
615/005	Med Aid	11,290.80
615/006	Pension	10,663.80
615/007	UIF	676.08
615/009	Industr. Cncl.	60.00
615/010	Annual Bonus	5,634.00

**Water**

800/001	Salaries	324,613.79
800/002	Relief Personnel	35,631.33
800/005	Med Aid	18,343.46
800/006	Pension	36,915.55
800/007	UIF	2,736.53
800/009	Industr. Cncl.	236.85
800/010	Annual Bonus	19,596.41
800/014	Transport	7,910.10

**Electricity**

805/001	Salaries	280,980.86
805/002	Relief Personnel	2,453.67
805/005	Med Aid	15,133.37
805/006	Pension	31,128.57
805/007	UIF	2,468.42
805/009	Industr. Cncl.	178.95
805/010	Annual Bonus	17,655.43
805/012	Telephone	1,800.00
805/014	Transport	7,910.10

3,460,639.25

**Repairs & Maintenance****Administration**

205/300	Service Contracts	613.20
205/304	Buildings	5,391.53
205/308	Furn & Equip	4,689.67
205/320	Vehicles	1,088.16

**Maintenance**

430/320	Vehicles	2,709.89
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**Street Lights**



440/306	Tools	135.35
440/316	Streetlights	34,745.00
<b><u>Streets</u></b>		
445/314	Stormwater	2,861.40
445/318	Streets	69,867.16
445/320	Vehicles	22,183.92
<b><u>Sanitation</u></b>		
470/306	Tools	22,867.72
470/320	Vehicles	76,976.28
<b><u>Refuse</u></b>		
475/306	Tools	14,052.94
475/320	Vehicles	35,980.94
<b><u>Estates</u></b>		
220/304	Buildings	29,880.61
610/304	Buildings	150.00
610/306	Tools	50.04
605/304	Buildings	190.25
<b><u>Parks</u></b>		
480/306	Tools	7,575.63
480/310	Fencing	60,908.66
480/320	Vehicles	1,356.07
480/322	Water	450.00
<b><u>Cemetery</u></b>		
595/306	Tools	135.50
605/304	Buildings	190.25
<b><u>Library</u></b>		
615/308	Furn & Equip	372.94
<b><u>Water</u></b>		
800/302	Electricity	1,637.68
800/304	Buildings	1,539.82
800/306	Tools	26,308.81
800/320	Vehicles	36,041.54
800/322	Purification	13,998.44
<b><u>Electricity</u></b>		
805/302	Electricity	110,785.04
805/306	Tools	5,639.08
805/320	Vehicles	9,224.64
		<u>600,598.16</u>

**Capital Charges**

<b><u>Administration</u></b>		
205/324	Internal	3,802.53
<b><u>Sanitation</u></b>		
470/324	Internal	49,367.84
<b><u>Estates</u></b>		
220/324	Internal	28,320.24
<b><u>Electricity</u></b>		
805/324	Internal	9,715.51
		<u>91,206.12</u>
<b><u>Refuse</u></b>		
475/325	External	34,563.53
		<u>125,769.65</u>