

**ILEMBE DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2004**

# CONTENTS

	<b>Page</b>
1. GENERAL INFORMATION	1
2. FOREWORD	2
3. REPORT OF THE AUDITOR-GENERAL	3
4. ACTING DIRECTOR OF FINANCE'S REPORT	4
5. ACCOUNTING POLICIES	7
6. BALANCE SHEET	10
7. INCOME STATEMENT	11
8. CASH FLOW STATEMENT	12
9. NOTES TO THE FINANCIAL STATEMENTS	13
10. APPENDICES:	
A FUNDS, RESERVES AND PROVISIONS	21
B EXTERNAL LOANS AND INTERNAL ADVANCES	22
C ANALYSIS OF FIXED ASSETS	23
D ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2004	24
E DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004	25
F STATISTICAL INFORMATION	26
11. REPORT OF THE AUDITOR-GENERAL ON THE PERFORMANCE MEASUREMENTS OF COUNCIL	27

# **GENERAL INFORMATION ILEMBE DISTRICT MUNICIPALITY**

## **MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor	Councillor S E Mfayela
Speaker	Councillor K C Ngcobo
Member of the Executive Committee	Councillor M R Shandu
Member of the Executive Committee	Councillor E M L Maphumulo
Member of the Executive Committee	Councillor M S Singh
Member of the Executive Committee	Councillor N J Khuzwayo

## **GRADING OF LOCAL AUTHORITY**

Grade 4

## **AUDITORS**

Auditor-General  
Kwa-Zulu Natal

## **BANKERS**

First National Bank  
Durban Main Branch

## **REGISTERED OFFICE**

59/61 Mahatma Gandhi Street  
KwaDukuza  
4450

P O Box 1788  
KwaDukuza  
4450

Telephone: 032-4379335

Fax: 032-4379582

## **APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements set out in pages 4 to 26 were approved by the Municipal Manager on 22 October 2004 and will be presented to and approved by Council.

---

**MUNICIPAL MANAGER  
B H PRETORIUS**

---

**ACTING DIRECTOR FINANCE  
B H PRETORIUS**

## **FOREWORD**

The completion of another positive and fruitful year has offered the Ilembe District Municipality an opportunity to measure our performance and service delivery against our targets as set in the prior financial year and as depicted by the estimates of our 2003/2004 annual budget.

The 2003/2004 financial year was a challenging year in view of this Municipality being charged with the responsibility of being the water services authority of the Ilembe District for the first time since 01 July, 2003. In addition to this it was the Councils decision to further take on the important responsibility of being the water services provider also effective 01 July 2003.

In view of the above, our financial systems, policies and procedures underwent significant transformation in the 2003/2004 financial year in an attempt to cater for the above changes. We are satisfied with the progress made over the past financial year. In the same voice we do accept that there are areas that we can improve on in order to further improve service delivery, and such strategic plans are currently in progress and will filter through in our IDP.

On the implementation and delivery of projects, we have performed very well in ensuring that the funding earmarked for project expenditure, as received in terms of the Division of Revenue Act and in terms of our IDP was executed in a responsible and efficient manner.

My greatest thanks and appreciation goes out to all persons who contributed positively, in what ever size, nature and magnitude, in making a success of the past financial year. It is only through working together as one that we as a Municipality can continue to ensure that the lives of the poorest of the poor, living in and around our areas are constantly improved for a better quality of life.

Our success as a Municipality was not possible without the assistance from all business enterprises, contractors, service providers, Councillors, employees and the Community at large. I wish to extend a sincere appreciation and gratitude to all of the above individuals and organisations and urge them to strive forward in assisting this Municipality in being the District Municipality of choice.

I would like to wish the Ilembe District Municipality every success in this the, 2004/2005 financial year which has already commenced.

---

**DR S.E MFAYELA**  
**MAYOR**

## REPORT OF THE ACTING DIRECTOR OF FINANCE

### INTRODUCTION

This is the seventh set of financial statements for the Ilembe District Municipality. The Municipality is committed to the socio economic upliftment and development of communities in the area of its jurisdiction.

The Water and Sanitation Services operated within the Municipality's boundaries were taken over with effect from 1 July 2003. The assets and liabilities in respect of these services were taken into the accounting records of the Ilembe District Municipality and the operating expenses and income were accounted for in the Income Statement of the Municipality.

### 1. OPERATING RESULTS

Details of the operating results per classification, department 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:

INCOME	Actual 2004 R	Actual 2003 R	Variance 2003/2004 %	Budget 2004 R	Variance Actual/Budget %
Opening Surplus	28 651 538	33 148 800	(13.6)	-	-
Operating income for the year	131 973 680	72 245 751	82.7	166 768 163	(20.9)
Sundry Transfers	5 789 662	-	-	-	-
Closing deficit	-	-	-	8 493 730	-
<b>Total</b>	<b>166 414 880</b>	<b>105 394 551</b>	<b>-</b>	<b>175 261 893</b>	<b>-</b>
EXPENDITURE					
Operating expenditure for the year	159 389 735	76 667 653	107.9	175 261 893	(9.1)
Sundry Transfers	-	75 360	-	-	-
Closing Surplus	7 025 145	28 651 538	(75.5)	-	-
<b>Total</b>	<b>166 414 880</b>	<b>105 394 551</b>	<b>-</b>	<b>175 261 893</b>	<b>-</b>

The above budget reflects a deficit of R8 493 730 for 2004, which was financed from the Unappropriated Surplus (R7 500 000) and Reserves (R993 730). The actual deficit for 2004 was R4 041 394.

The increase in operating income and expenditure is due to Ilembe District Municipality taking over the water and sanitation functions within its area of jurisdiction with effect from 1 July 2003. Details of the budget, actual income and actual expenditure of the water and sewerage services are more fully disclosed in the Income Statement and Appendix E.

The Unappropriated Surplus has been committed as set out in Note 22.

## 2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R4 514 629 (R9 831 145 in 2003). Details are included in Appendix C and are as follows:-

	<b>ACTUAL 2004 R</b>	<b>BUDGET 2004 R</b>	<b>ACTUAL 2003 R</b>
Furniture and Equipment	1 720 439	612 300	437 658
Computers	411 662	497 500	981 959
Vehicles	2 127 260	498 000	846 528
Buildings	99 279	-	7 565 000
Infrastructure	-	24 750 000	-
Assets purchased ex Umgeni Water	155 989	-	-
Water and Sanitation Assets transferred to Ilembe District Municipality	108 865 880	-	-
	<b>113 380 509</b>	<b>26 357 800</b>	<b>9 831 145</b>

Resources used to finance the fixed assets were as follows:

	<b>ACTUAL 2004 R</b>	<b>BUDGET 2004 R</b>	<b>ACTUAL 2003 R</b>
Contribution from Revenue	4 514 629	1 607 800	9 831 145
External Loans	-	24 750 000	-
Water and Sanitation Assets transferred to Ilembe District Municipality	108 865 880	-	-
	<b>113 380 509</b>	<b>26 357 800</b>	<b>9 831 145</b>

## 3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans totalling R10 158 698 were taken over from the KwaDukuza Municipality as part of the transfer of the assets and liabilities of the Water and Sanitation Services. External loans outstanding on 30 June 2004 amounted to R9 436 021. All these loans are still in the name of the KwaDukuza Municipality. However Ilembe District Municipality is responsible for paying the interest and redemption payable on these loans with effect from 1 July 2003. A loan agreement with the Development Bank of SA in the amount of R1 120 473 for the upgrading of the IT system was concluded on 21 May 2004. However the loan had not been taken up as at 30 June 2004.

Investments amounted to R27 078 335 (R25 958 668 in 2003) and cash on hand R4 500 (R500 in 2003) as at 30 June 2004.

More information on investments is disclosed in Note 5 to the financial statements.

#### **4. PROVISIONS AND RESERVES**

More information regarding provisions and reserves is disclosed in Notes 2 and 8 and Appendix A to the financial statements.

#### **5. EXPRESSION OF APPRECIATION**

I wish to thank the Mayor of Ilembe District Municipality, Council Members, the Municipal Manager and Directors for the support they have given me and my staff for their assistance in the preparation of these financial statements. Special appreciation is also given to the Office of the Auditor-General for their support.

**B. H. PRETORIUS**  
**ACTING DIRECTOR OF FINANCE**

Date: 22 October 2004

# ACCOUNTING POLICIES

## 1. Basis of presentation

The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Financial Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (2nd Edition – 1996 as amended).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 2. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

The financial statements are prepared on the accrual basis as stated:

- ❑ Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received.
- ❑ Expenditure is accrued in the year in which it is incurred.

## 2. Fixed assets

Fixed assets are stated at:

- ❑ historical cost, or
- ❑ valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation.

### Depreciation

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

- ❑ Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and therefore it is unnecessary to make any further provision for depreciation.
- ❑ Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

Net proceeds from the sale of assets are credited to the revenue account.

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 useful 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 the advance was made.

## 3. Inventory

Inventory represents consumable stores and is reflected at the lower of average cost and net realisable value.

## 4. Funds, Reserves and Provisions

Funds, Reserves and Provisions are determined on the following basis:-



#### *Audit Fee Provision:*

This provision was established to meet the audit fees for the current financial year. The provision is based on the budget provision from the Auditor-General.

#### *Maintenance Reserve:*

This reserve was established to make provision for future maintenance of assets that are purchased or constructed. An annual contribution of 1.5% of the annual levy income is made to this reserve and is charged against operating income.

#### *Leave Pay Provision:*

The Leave Pay Provision was established in order to provide for accrued leave payments to all employees who are resigning or retiring from the service as well as commutation of leave accruals during the year. A provision equal to the actual leave credit at 30 June is maintained to provide for leave payments on request. Contributions are charged against the department concerned.

#### *Capital Development Fund:*

These funds were taken over from the kwaDukuza and eNdongakusuka Municipalities when the Water and Sanitation Powers and Functions were taken over by the Ilembe District Municipality. Contributions from revenue may be made to this fund from the operating account on an annual basis. Any unutilised funds in the Capital Development Fund can be advanced to a service to finance capital expenditure.

#### *Other Funds, Reserves and Provisions:*

All accumulated funds in other funds, reserves and provisions not mentioned above are utilised for the purposes for which they were reserved. For details of funds, reserves and provisions see Appendix A.

### **5. Retirement Benefits**

The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.

Staff members are entitled to a maximum contribution of 18.1% of basic salary towards council contributions to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R1 768.

Staff members are afforded the opportunity to utilise any unused contribution, over and above their contribution to the Natal Joint Municipal Pension/Provident Funds and medical aid contribution, as a contribution to a retirement/pension/provident/ medical fund of their own choice as from 1 January 1997.

The said contribution shall not be paid out to the staff member but must be paid directly by the council to the relevant institution.

Current contributions, past service costs and service adjustments are charged against operating income on the basis of current service costs.

## **6. Surpluses and Deficits**

Any surpluses or deficits arising from the operation of the General Services, Water and Sanitation Services and Public Works are retained in that particular service for its own use.

## **7. Administrative Expenses**

The treatment of administration and other overhead expenses involves the cost of internal support services and are transferred to the different services in accordance with the actual cost if available, otherwise an estimate based on the information available.

## **8. Leased Assets**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the asset concerned.

## **9. Investments**

Investments are shown at the lower of cost or, if a permanent decline in their value occurred, at market value and are invested in terms of Circular 10 of 1992 issued by the Office of the Auditor-General.

## **10. Income Recognition**

### *Water Billings:*

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments being made in the month that they are read.

### *Business Levies:*

A fixed rate as approved by the National Minister of Finance is used to calculate the establishment and services levies. Declaration forms are issued on a monthly basis except where they are issued at other intervals as allowed for in the KwaZulu Natal Joint Services Board Act, 1990 (Act No. 84 of 1990). Levy income is recognised when the cash has been received and/or when the declaration forms have been received to enable the determination of the accrual amount.

### *Other Income:*

All other income is recognised on the accrual basis.

**ILEMBE DISTRICT MUNICIPALITY  
BALANCE SHEET AT 30 JUNE 2004**

	Note	2004 R	2003 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>			
		32 559 295	1 542 701
Accumulated Funds	1	11 445 841	-
Reserves	2	21 113 454	1 542 701
<b>RETAINED INCOME / (ACCUMULATED DEFICIT)</b>			
	16	7 025 145	28 651 538
<b>LONG TERM LIABILITIES</b>			
	3	-	-
<b>CONSUMER DEPOSITS</b>			
	9	1 201 316	-
<b>TOTAL CAPITAL EMPLOYED</b>		40 785 756	30 194 239
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>			
	4	11 629 713	9 282
<b>LONG-TERM DEBTORS</b>			
	6	2 340 027	2 861 819
		13 969 740	2 871 101
<b>NET CURRENT ASSETS/LIABILITIES</b>			
		26 816 016	27 323 138
<b>CURRENT ASSETS</b>			
		64 674 263	39 588 264
Inventory	10	539 069	-
Debtors	7	36 820 761	9 503 574
Short Term Investments	5	27 078 335	25 958 668
Bank		231 598	4 125 522
Cash		4 500	500
<b>CURRENT LIABILITIES</b>			
		37 858 247	12 265 126
Provisions	8	8 411 301	6 539 702
Creditors	11	29 446 946	5 725 424
Short term portion of long term liabilities	3	-	-
<b>TOTAL EMPLOYMENT OF CAPITAL</b>		40 785 756	30 194 239

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

2003 Actual Income	2003 Actual Expen- diture	2003 Surplus/ (Deficit)		2004 Actual Income	2004 Actual Expen- diture	2004 Surplus/ (Deficit)	2004 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
<b>72 245 751</b>	<b>76 667 653</b>	<b>(4 421 902)</b>		<b>131 973 680</b>	<b>159 389 735</b>	<b>(27 416 055)</b>	<b>(8 493 730)</b>
-	41 718 520	(41 718 520)	Administration	28 471	51 295 049	(51 266 578)	(29 256 274)
-	34 949 133	(34 949 133)	Regional Functions	1 254 981	60 445 893	(59 190 912)	(93 623 594)
-	-	-	Trading Services	38 741 576	47 648 793	(8 907 217)	(2 567 107)
72 245 751	-	72 245 751	Income	91 948 652	-	91 948 652	116 953 245
<u>72 245 751</u>	<u>76 667 653</u>	<u>(4 421 902)</u>	<b>TOTAL</b>	<u>131 973 680</u>	<u>159 389 735</u>	<u>(27 416 055)</u>	<u>(8 493 730)</u>
		(75 360)	Appropriations, for the year (Refer to note 16)			5 789 662	
		<u>(4 497 262)</u>	Net surplus/(deficit) for the year			<u>(21 626 393)</u>	
		33 148 800	Accumulated surplus/(deficit) at beginning of the year			28 651 538	
		<u>28 651 538</u>	<b>RETAINED INCOME/ (ACCUMULATED DEFICIT) AT END OF THE YEAR</b>			<u>7 025 145</u>	

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

	Note	2004	2003
		R	R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>			
Cash generated by operations	17	4 253 679	2 227 225
Investment income	15	2 331 493	3 846 024
Increase/(Decrease) in working capital	18	(3 377 595)	(8 927 823)
		<u>3 207 577</u>	<u>(2 854 574)</u>
<b>Less:</b> External Interest Paid	15	(1 463 205)	-
<b>Cash available from/(utilised in) operations</b>		<u>1 744 372</u>	<u>(2 854 574)</u>
Cash Contributions from the Public and State		-	-
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Net Proceeds on Disposal of Fixed Assets		-	-
Proceeds from land sales		-	-
Capital expenditure		(4 514 629)	(9 831 144)
<b>NET CASH FLOW</b>		<u>(2 770 257)</u>	<u>(12 685 718)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES:</b>			
(Increase)/Decrease in cash investments	19	(1 119 667)	13 060 059
(Increase)/Decrease in bank and cash on hand	20	3 889 924	(374 341)
Increase/(Decrease) in long term liabilities		-	-
<b>NET CASH (UTILISED)</b>		<u>2 770 257</u>	<u>12 685 718</u>

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004**

	2004	2003
	R	R
<b>1. ACCUMULATED FUNDS</b>		
Capital Development Fund ex Endondakusuka	1 324 537	-
Capital Development Fund ex kwaDukuza	10 121 304	-
	11 445 841	-
<b>2. RESERVES</b>		
Transport	212 273	212 273
Maintenance	1 658 734	1 330 428
Unspent Water Grants Endondakusuka	891	-
Unspent CMIP Grant	10 200 227	-
Unspent MSIG Grant	124 700	-
Unspent IDC LED Grant	500 000	-
Unspent Premiers Fund Grant	1 787 474	-
Unspent Tourism Grant	18 741	-
Unspent Department of Transport Grant	502 730	-
Unspent GIS Grant	187 161	-
Unspent Drought Relief Grant	2 876 077	-
Unspent LUMS and IDP Review Grant	54 158	-
Unspent Water Affairs-Service Units Grant	93	-
Unspent Sports and Recreation Grant	1 952 603	-
Unspent Provincial Government Grant	61 312	-
Unspent Financial Management Grant	976 280	-
(Refer to Appendix A for more detail)	21 113 454	1 542 701
<b>3. LONG TERM LIABILITIES</b>		
Registered Stock	-	-
Long Term Loans	-	-
Annuity Loans	-	-
	-	-
	-	-
<p>The loans taken over from kwaDukuza Municipality in respect of the water and sanitation services totalling R9 436 021 as at 30 June 2004 are reflected under Capital Creditors in Note 11 as the loans are still in the name of kwaDukuza Municipality. A loan agreement with the Development Bank of SA in the amount of R1 120 473 for the upgrading of the IT system was concluded on 21 May 2004. The loan however had not been taken up as at 30 June 2004.</p> <p>(Refer to Appendix B and Section 3 of the Acting Director of Finance's Report for more details on long term liabilities.)</p>		
<b>4. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	18 740 897	11 095 240
Capital expenditure during the year	113 380 509	9 831 144
Adjustments Previous Years	-	529 565
Less: Assets written off, transferred or disposed of during the year	(291 796)	(2 715 052)
<b>Total fixed assets</b>	131 829 610	18 740 897
Less: Loans redeemed and other capital receipts	(120 199 897)	(18 731 615)
<b>Net fixed assets</b>	11 629 713	9 282

In 2004 assets to the value of R108 865 880 were transferred to Ilembe District Municipality in respect of the Water and Sanitation Services.

(Refer to Appendix C and Section 2 of the Acting Director of Finance's Report for more details on fixed assets.)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2004 (continued)

	2004 R	2003 R
<b>5. INVESTMENTS</b>		
<b>Listed</b>		
Listed	-	-
	-	-
<b>Unlisted</b>		
Long-term deposits	-	-
Total Long-term Investments	-	-
Total Short-term Investments	27 078 335	25 958 668
<b>Total Investments</b>	<u>27 078 335</u>	<u>25 958 668</u>
Market value of listed investments and management's valuation of unlisted investments	27 078 335	25 958 668
Listed Investments		-
Unlisted Investments	27 078 335	25 958 668
Average gross rate of return on investment	7.6%	11.8%
Fixed interest investments are reflected at par and are invested in terms Circular 10 of 1992 issued by the Office of the Auditor-General.		
Investment income is brought to account when received or accrued.		
No investments have been written off during the year.		
Included in investments is an amount of R661 467 (R661 467 in 2003) invested with New Republic Bank which is under receivership and therefore it is uncertain if the full amount will be recovered.		
<b>6. LONG TERM DEBTORS</b>		
Car Loans	3 583 319	3 400 659
	<u>3 583 319</u>	<u>3 400 659</u>
<b>Less:</b> Short-term portion of long-term debtors transferred to current assets	1 243 292	538 840
	<u>2 340 027</u>	<u>2 861 819</u>

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

	2004 R	2003 R
<b>7. DEBTORS</b>		
Consumer Debtors	20 648 933	-
Consumer Debtors ex Endondakasuka	14 540 843	-
Consumer Debtors ex kwaDukuza	10 952 912	-
Receiver of Revenue (VAT)	2 602 713	1 266 321
Durban Metro	288 466	3 942 600
Sundry Debtors-Public Works	409 315	617 315
Ndlovu Municipality	-	99 041
Car Loans (Short term portion)	1 243 292	538 840
Study Loans	283 502	195 208
Cellphone Loans	2 448	15 118
IEC	-	280 352
Ndwedwe Municipality	572 374	501 572
Other Debtors	503 037	2 047 207
	<u>52 047 835</u>	<u>9 503 574</u>
Less:Provision for bad debts	15 227 074	-
	<u>36 820 761</u>	<u>9 503 574</u>
Bad debts totaling R379 393 were written off in 2002/03. This is 0.25% of income.		
Consumer Debtors Ageing:		
Current	4 165 207	-
30 Days	2 635 515	-
60 Days	2 094 153	-
90 Days	1 654 936	-
120 Days	1 316 407	-
150 Days+	8 782 715	-
	<u>20 648 933</u>	<u>-</u>
<b>8. PROVISIONS</b>		
Audit fees	375 000	262 482
Leave Pay	2 781 410	1 022 329
Provision as per Section 12	5 254 891	5 254 891
	<u>8 411 301</u>	<u>6 539 702</u>
<b>9. CONSUMER DEPOSITS</b>		
Water Deposits	127 365	-
Water Deposits ex Endondakusuka	341 147	-
Water Deposits ex kwaDukuza	732 804	-
	<u>1 201 316</u>	<u>-</u>
<b>10. INVENTORY</b>		
Water and Sewerage Stock on Hand	539 069	-
	<u>539 069</u>	<u>-</u>
<b>11. CREDITORS</b>		
Sundry Creditors-Public Works	-	136 123
Maphumulo Municipality	115 152	146 693
Trade Creditors	9 360 100	5 442 608
Capital Creditors (kwaDukuza Municipality Loans)	9 436 021	-
Retentions	1 741 097	-
Payments in Advance	5 086 134	-
kwaDukuza Municipality	2 185 882	-
Other Creditors	1 522 560	-
	<u>29 446 946</u>	<u>5 725 424</u>



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

	2004	2003
	R	R
<b>12. LEVY INCOME</b>		
Establishment Levies	14 448 182	15 613 135
Services Levies	7 406 697	6 225 198
Interest on Levies	42 486	717 004
	<u>21 897 365</u>	<u>22 555 337</u>
Establishment Levy	0,12% (excl. VAT) of turnover	
Services Levy	0,30% (excl. VAT) of salaries, wages and drawings	
<b>13. COUNCILLORS' REMUNERATION</b>		
Mayor's Allowance	299 054	272 464
Speaker's Allowance	259 121	234 659
Executive Members' Allowances	979 501	890 464
Councillors' Allowances	457 214	407 223
	<u>1 994 890</u>	<u>1 804 810</u>
<b>14. AUDITORS' REMUNERATION</b>		
Audit fees - Current Year	262 482	377 660
- Underprovision prior years	613 067	-
	<u>875 549</u>	<u>377 660</u>
<b>15. FINANCE TRANSACTIONS</b>		
Total external interest earned and paid:		
Interest earned	2 331 493	3 846 024
Interest paid	<u>1 463 205</u>	<u>-</u>
Capital Charges debited to operating account:		
Interest:		
- External	1 463 205	-
- Internal	302 771	-
Redemption:		
- External	722 677	-
- Internal	585 344	-
	<u>3 073 997</u>	<u>-</u>

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

	2004	2003
	R	R
<b>16. APPROPRIATIONS</b>		
Appropriation account:		
Accumulated Surplus at the beginning of the year	28 651 538	33 148 800
Operating surplus/(deficit) for the year	(27 416 055)	(4 421 902)
	<u>1 235 483</u>	<u>28 726 898</u>
Unappropriated Surplus ex Endondakusuka	3 575 158	-
Unappropriated Surplus ex kwaDukuza	3 120 394	-
	<u>7 931 035</u>	<u>28 726 898</u>
Prior year adjustments:	(905 890)	(75 360)
Audit Fees	(613 067)	-
CMIP	(100)	-
Debtors Written Off	(379 393)	-
Retention	(27 601)	-
Cheques Written Back	110 271	106 440
Insurance	-	(181 800)
Cashier Floats	4 000	-
	<u>7 025 145</u>	<u>28 651 538</u>
Accumulated surplus/(deficit) at the end of the year		
Operating Account:		
Capital Expenditure	<u>4 514 629</u>	<u>9 831 144</u>
Contributions to:		
Maintenance Reserve	328 306	338 330
Audit Fee Provision	375 000	400 000
Leave Pay Provision	3 491 974	990 886
Bad Debts Provision	5 877 030	-
	<u>10 072 310</u>	<u>1 729 216</u>

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

	2004 R	2003 R
<b>17. CASH GENERATED BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(27 416 055)	(4 421 902)
Adjustments in respect of:		
Previous years' operating transactions	(905 890)	(75 360)
Appropriations charged against income	14 586 939	11 560 360
Capital Expenditure	4 514 629	9 831 144
Provisions and Reserves	10 072 310	1 729 216
Investment Income credited to the operating account	(2 331 493)	(3 846 024)
Capital Charges:		
Interest Paid:		
- External Loans	1 463 205	-
- Internal Advances	302 771	-
Redemption:		
- External Loans	722 677	-
- Internal Loans	585 344	-
Non-operating Expenditure:		
Expenditure charged against:		
- Provisions and Reserves	(2 064 768)	(989 849)
Non-operating Income:		
Income charged against:		
- Provisions and Reserves	19 310 949	-
	<u>4 253 679</u>	<u>2 227 225</u>
<b>18. INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
(Increase)/Decrease in Debtors	(16 528 715)	(1 858 506)
Increase/(Decrease) in Creditors	13 562 824	(7 069 317)
Increase/(Decrease) in Consumer Deposits	127 365	-
(Increase)/Decrease in Inventory	(539 069)	-
	<u>(3 377 595)</u>	<u>(8 927 823)</u>
<b>19. (INCREASE)/DECREASE IN CASH INVESTMENTS</b>		
Investments made	(76 722 448)	(46 896 027)
Investments realized	75 602 781	59 956 086
	<u>(1 119 667)</u>	<u>13 060 059</u>

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

	2004	2003
	R	R
<b>20. (INCREASE)/DECREASE IN CASH AND BANK</b>		
Cash and bank balance at the beginning of the year	4 126 022	3 751 681
Less: Cash and bank balance at the end of the year	(236 098)	(4 126 022)
	<u>3 889 924</u>	<u>(374 341)</u>
<b>21. CAPITAL/PROJECT COMMITMENTS</b>		
There were no capital commitments as at 30 June 2003.		
Commitments in respect of project expenditure and functions approved and contracted for is as follows:		
- Approved projects	190 910 000	240 422 000
- Expenditure to date	(54 918 466)	(58 166 000)
	<u>135 991 534</u>	<u>182 256 000</u>
- Commuter Transport	212 273	212 273
	<u>136 203 807</u>	<u>182 468 273</u>
This projects and functions will be financed from:		
- Unappropriated Surplus )		
) Ilembe Funds	42 230 000	14 179 054
- Levies and Grant Income )		
- External Grants	93 761 534	168 076 946
	<u>135 991 534</u>	<u>182 256 000</u>
- Transport Reserve	212 273	212 273
	<u>136 203 807</u>	<u>182 468 273</u>
<b>22. CAPITAL DEVELOPMENT FUND</b>		
Accumulated Funds	11 445 841	-
Less: External Investments	9 218 514	-
Outstanding Advances to Borrowing Services (Refer to Appendix B for more detail)	2 227 327	-
	<u>11 445 841</u>	<u>-</u>

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

**23. RETIREMENT BENEFITS**

The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.

Staff members are entitled to a 18.1% maximum of basic salary towards council contribution to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R1 768.

Staff members are afforded the opportunity to utilise any unused contribution, over and above their contribution to the Natal Joint Municipal Pension/Provident Funds and medical aid contribution, as a contribution to a retirement/pension/provident/medical fund of their own choice as from 1 January 1997.

The said contribution shall not be paid out to the staff member but must be paid directly by the council to the relevant institution.

**APPENDIX A**

**FUNDS, RESERVES AND PROVISIONS**

	Balance at 01/07/03	Contribu- tions during the Year	Interest on investments	Other income	Operating Expenditure during the year	Capital Expenditure during the year	Balance at 30/06/04
<b>FUNDS</b>							
CDF ex Endondakusuka	-	-	8 637	1 315 900	-	-	1 324 537
CDF ex kwaDukuza	-	-	294 134	9 827 170	-	-	10 121 304
	-	-	302 771	11 143 070	-	-	11 445 841
<b>RESERVES</b>							
Maintenance	1 330 428	328 306	-	-	-	-	1 658 734
Transport	212 273	-	-	-	-	-	212 273
Unspent Water Grants Endondakusuka	-	-	-	891	-	-	891
Unspent CMIP Grant	-	-	-	10 200 227	-	-	10 200 227
Unspent MSIG Grant	-	-	-	124 700	-	-	124 700
Unspent IDC LED Grant	-	-	-	500 000	-	-	500 000
Unspent Premiers Fund Grant	-	-	-	1 787 474	-	-	1 787 474
Unspent Tourism Grant	-	-	-	18 741	-	-	18 741
Unspent Department of Transport Grant	-	-	-	502 730	-	-	502 730
Unspent GIS Grant	-	-	-	187 161	-	-	187 161
Unspent Drought Relief Grant	-	-	-	2 876 077	-	-	2 876 077
Unspent LUMS and IDP Review Grant	-	-	-	54 158	-	-	54 158
Unspent Water Affairs-Service Units Grant	-	-	-	93	-	-	93
Unspent Sports and Recreation Grant	-	-	-	1 952 603	-	-	1 952 603
Unspent Provincial Government Grant	-	-	-	61 312	-	-	61 312
Unspent Financial Management Grant	-	-	-	976 280	-	-	976 280
(Refer Note 2)	1 542 701	328 306	-	19 242 447	-	-	21 113 454
<b>PROVISIONS</b>							
Audit Fees	262 482	375 000	-	-	262 482	-	375 000
Leave Pay	1 022 329	3 491 974	-	69 393	1 802 286	-	2 781 410
Provision as per Section 12	5 254 891	-	-	-	-	-	5 254 891
	6 539 702	3 866 974	-	69 393	2 064 768	-	8 411 301

Under Funds above the amounts of R1 315 900 and R9 827 170 reflected under Other Income were taken over from the Endondakusuka and kwaDukuza Municipalities as part of the take over of the Water and Sanitation Services.

## APPENDIX B

### EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/03	Received during the year	Redeemed or written off during the year	Balance at 30/06/04
Nil				R	R	R	R

ADVANCES TO BORROWING SERVICES	Balance at 01/07/03	Received during the year	Redeemed or written off during the year	Balance at 30/06/04
	R	R	R	R
CCDF Endondakusuka Water	-	81 103	28 385	52 718
CCDF Endondakusuka Water	-	2 301	810	1 491
CCDF Endondakusuka Sewerage	-	1 812	1 812	-
CCDF kwaDukuza Water	-	404 090	159 872	244 218
CCDF kwaDukuza Water	-	1 502 672	239 858	1 262 814
CCDF kwaDukuza Sewerage	-	26 953	18 780	8 173
CCDF kwaDukuza Sewerage	-	18 332	1 088	17 244
CCDF kwaDukuza Sewerage	-	775 408	134 739	640 669
<b>TOTAL</b>	-	<b>2 812 671</b>	<b>585 344</b>	<b>2 227 327</b>

All the above advances were taken over from Endondakusuka and kwaDukuza Municipalities as part of the transfer of the Water and Sanitation Services assets and liabilities.

CAPITAL CREDITORS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/03	Received during the year	Redeemed or written off during the year	Balance at 30/06/04
				R	R	R	R
<b>Registered Stock</b>							
FNB (CMB) Nominees	618	16.90	30/06/2011	-	1 015 036	-	1 015 036
<b>Long Term Loans</b>							
Infrastructure Finance Corporation	00-0001	16.00	30/06/2011	-	3 999 500	-	3 999 500
First Rand Bank	412	Prime	-	-	1 070 965	361 567	709 398
First Rand Bank	447	Prime	11/2007	-	1 847 558	-	1 847 558
Standard Bank	-	Prime	-	-	1 479 230	334 920	1 144 310
<b>Annuity Loans</b>							
Development Bank of SA	13527	16.50	-	-	728 894	22 715	706 179
Development Bank of SA	11578	13.45	12/2014	-	15 184	2 954	12 230
Development Bank of SA	11577	15.19	06/2014	-	2 331	521	1 810
<b>TOTAL</b>				-	<b>10 158 698</b>	<b>722 677</b>	<b>9 436 021</b>

All the above loans were taken over from the KwaDukuza Municipality as part of the transfer of the Water and Sanitation Services assets and liabilities. All these loans are still in the name of the KwaDukuza Municipality. However Ilembe District Municipality is responsible for paying the interest and redemption payable on these loans with effect from 1 July 2003. These loans are disclosed under Note 11 as Capital Creditors.

## APPENDIX C ANALYSIS OF FIXED ASSETS

Expenditure 2003	Service	Budget 2004	Balance at 01/07/03	Expenditure 2004	Redeemed transferred or written off during the year	Balance at 30/06/04
R		R	R	R	R	R
119 892	Administration	131 300	276 409	198 796	-	475 205
1 190 548	Council	480 000	3 874 994	3 646 422	291 796	7 229 620
473 517	Technical	217 000	1 857 692	65 420	-	1 923 112
912 288	Financial	369 000	1 048 470	174 552	-	1 223 022
-	Assets transferred to IRC	-	156 053	-	-	156 053
18 256	Municipal Manager	17 000	102 164	2 119	-	104 283
81 208	Tourism/Marketing	20 000	131 089	-	-	131 089
7 565 000	Buildings	-	7 565 000	-	-	7 565 000
-	Assets Contr. From Subsidy	-	2 648 445	-	-	2 648 445
-	Public Works	-	17 567	8 541	-	26 108
-	Assets from KZN	-	1 063 014	-	-	1 063 014
-	Water	16 967 500	-	96 889 329	-	96 889 329
-	Sewerage	8 156 000	-	12 395 330	-	12 395 330
<b>10 360 709</b>	<b>TOTAL FIXED ASSETS</b>	<b>26 357 800</b>	<b>18 740 897</b>	<b>113 380 509</b>	<b>291 796</b>	<b>131 829 610</b>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		<b>18 731 615</b>	<b>101 760 078</b>	<b>291 796</b>	<b>120 199 897</b>
	Contributions ex Operating		12 917 000	4 514 629	291 796	17 139 833
	Transferred from Province		1 352 064	-	-	1 352 064
	Contributions from Revenue		514 393	-	-	514 393
	Public Works		17 567	-	-	17 567
	Public Works		(17 567)	-	-	(17 567)
	Maintenance		146 615	-	-	146 615
	Insurance		8 400	-	-	8 400
	Grants and Subsidies		3 793 143	-	-	3 793 143
	Transferred Water and Sewerage		-	613 729	-	613 729
	<b>Endondakusuka:</b>					
	Loans Redeemed Internal		-	729 279	-	729 279
	Contrib. T/Ship Developers		-	4 016 822	-	4 016 822
	Insurance		-	34 169	-	34 169
	Public Contrib. And Grants		-	9 374 910	-	9 374 910
	Developers Contrib.		-	98 432	-	98 432
	Contrib. Current Income		-	378 133	-	378 133
	<b>kwaDukuza:</b>					
	Loans Redeemed Internal		-	6 098 737	-	6 098 737
	Loans Redeemed External		-	25 734 502	-	25 734 502
	Private T/Ship Developers		-	357 651	-	357 651
	Loan Redemption Fund		-	1 979 791	-	1 979 791
	Donations		-	257 901	-	257 901
	Government Grants		-	32 036 516	-	32 036 516
	Contrib. Current Income		-	15 501 984	-	15 501 984
	Endowment		-	32 893	-	32 893
	<b>NET FIXED ASSETS</b>		<b>9 282</b>	<b>11 620 431</b>	<b>-</b>	<b>11 629 713</b>

Included in the Expenditure 2004 figures above are assets in respect of Endondakusuka (R14 643 035), kwaDukuza (R93 609 115), Umtamjambili (R10 897) and Umgeni Water (R758 821) taken over with the transfer of the assets and liabilities of the Water and Sanitation Services.



**APPENDIX D**

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

Actual 2003 R		Actual 2004 R	Budget 2004 R
<b>INCOME</b>			
45 318 069	Central and Provincial Government Grants and Subsidies	68 296 096	93 952 112
-	Water Income	28 598 451	32 581 294
-	Sewerage Income	9 311 295	13 681 442
22 555 337	Levy Income	21 898 208	24 364 842
3 846 024	Interest on Investments	2 331 493	1 720 473
526 321	Other Income	1 538 137	468 000
<u>72 245 751</u>		<u>131 973 680</u>	<u>166 768 163</u>
<b>EXPENDITURE</b>			
12 642 405	Salaries, wages and allowances	30 638 678	38 813 116
-	Bulk Purchases	9 431 831	8 644 123
19 525 245	General Expenses	37 026 373	54 728 307
873 424	Repairs and Maintenance	9 275 602	1 649 650
-	Capital Charges	3 073 996	2 250 000
9 831 144	Contributions to Fixed Assets	4 514 629	1 607 800
1 729 216	Contributions	10 072 311	6 702 534
32 066 219	Projects	55 356 315	60 866 363
<u>76 667 653</u>	<b>Gross Expenditure</b>	<u>159 389 735</u>	<u>175 261 893</u>
-	Less: Amounts Charged Out	-	-
<u>76 667 653</u>		<u>159 389 735</u>	<u>175 261 893</u>

**APPENDIX E**  
**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 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
-	41 718 520	(41 718 520)	ADMINISTRATION	28 471	51 295 049	(51 266 578)	(29 256 274)
-	1 703 339	(1 703 339)	Administration	-	2 926 257	(2 926 257)	(2 404 639)
-	17 123 183	(17 123 183)	Council General Expenses	-	18 576 750	(18 576 750)	(7 330 235)
-	8 479 388	(8 479 388)	Technical Services	-	6 537 179	(6 537 179)	(7 905 248)
-	5 699 721	(5 699 721)	Financial Services	23 720	8 288 482	(8 264 762)	(4 013 228)
-	1 642 993	(1 642 993)	Department of Municipal Manager	-	1 751 649	(1 751 649)	(1 538 239)
-	5 318 109	(5 318 109)	Public Works	4 751	817 484	(812 733)	-
-	1 751 787	(1 751 787)	Economic Development	-	12 397 248	(12 397 248)	(6 064 685)
-	34 949 133	(34 949 133)	REGIONAL FUNCTIONS	1 254 981	60 445 893	(59 190 912)	(93 623 594)
-	26 748 110	(26 748 110)	Ileembe Projects	-	53 691 486	(53 691 486)	(80 076 363)
-	2 339 445	(2 339 445)	Tourism/Marketing	-	2 639 657	(2 639 657)	(266 700)
-	394 797	(394 797)	Municipal Functions	-	277 465	(277 465)	(240 326)
-	139 539	(139 539)	Disaster Management	-	1 118 531	(1 118 531)	(2 000 000)
-	1 207 737	(1 207 737)	Research and Development	-	2 014 711	(2 014 711)	(4 535 205)
-	525 668	(525 668)	Chairman's Fund	-	506 114	(506 114)	(500 000)
-	87 803	(87 803)	Regional Planning	1 254 981	197 929	1 057 052	(3 905 000)
-	-	-	Establishment Costs	-	-	-	(2 100 000)
-	699 587	(699 587)	PIMMS	-	-	-	-
-	2 806 447	(2 806 447)	Maintenance and Operations	-	-	-	-
-	-	-	TRADING SERVICES	38 741 576	47 648 793	(8 907 217)	(2 567 107)
-	-	-	Water	29 430 281	41 344 777	(11 914 496)	(2 972 358)
-	-	-	Sewerage	9 311 295	6 304 016	3 007 279	405 251
72 245 751	-	72 245 751	INCOME	91 948 652	-	91 948 652	116 953 245
15 613 135	-	15 613 135	Establishment Levies	14 448 182	-	14 448 182	16 811 741
6 225 198	-	6 225 198	Services Levies	7 406 697	-	7 406 697	6 822 156
717 004	-	717 004	Interest on Levies	42 486	-	42 486	730 945
3 846 024	-	3 846 024	Interest on Investments	2 326 742	-	2 326 742	1 720 473
33 666 245	-	33 666 245	External Grants	39 461 735	-	39 461 735	62 916 000
526 321	-	526 321	Other Income	1 538 980	-	1 538 980	468 000
11 651 824	-	11 651 824	Equitable Share	26 723 830	-	26 723 830	27 483 930
72 245 751	76 667 653	(4 421 902)	TOTAL	131 973 680	159 389 735	(27 416 055)	(8 493 730)
		(75 360)	Appropriations for this year (refer to note 16)			5 789 662	
		(4 497 262)	Net surplus/(deficit) for the year			(21 626 393)	
		33 148 800	Opening Accumulated surplus/(deficit)			28 651 538	
		28 651 538	Retained Income/( Accumulated Deficit)			7 025 145	

**APPENDIX F  
STATISTICAL INFORMATION**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
POPULATION (APPROXIMATE)	576 499	571 075	565 701
NUMBER OF LEVYPAYERS	3 207	3 127	2 992
LEVY RATES:-			
Establishment Levy	0.1368% Incl. VAT	0.1368% Incl. VAT	0.1368% Incl. VAT
Services Levy	0.342% Incl. VAT	0.342% Incl. VAT	0.342% Incl. VAT
NUMBER OF PERMANENT EMPLOYEES	260	97	65