



**Nkonkobe Municipality**



**Annual Financial Statements  
2004/2005**

# 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**

Category B

#### **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

#### **ACTING MUNICIPAL MANAGER**

Mr L Gwintsa

Telephone : 046 645 7449

#### **ACTING FINANCE MANAGER**

Ms A Ngwenya

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 .....2006 and presented to and approved by Council on the .....2006

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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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I have pleasure in presenting the Annual Financial Statements which are subject to audit for the year ended 30 June 2005.

Local Government reform in South Africa poses a challenge to all municipalities and indeed the Nkonkobe Municipality and as such we have set our targets to comply with the accounting reforms as envisaged in the MFMA and other pieces of legislation.

The economic viability of the region remains a priority for our municipality. Every effort has been made to stimulate investment in all areas of the Nkonkobe Municipality. To this end, I am proud to report that a municipal entity has been established and various projects for the local economic development will be undertaken in the foreseeable future.

The council as an institution is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge the municipality has become increasingly relevant on the equitable share received from national government is improve the quality of service delivery to population of the Nkonkobe region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

Despite the numerous challenges facing the council I and my fellow councillors are confident for the future of the Nkonkobe Municipality and we remain committed to building a financially sound and prosperous municipality.

In conclusion I wish to express my appreciation to the councillors, the Municipal Manager, Chief Financial Officer and various members of the Budget and Treasure office for their support and hard work during the past financial year.

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**H M Mdleleni**  
**MAYOR**

**NKONKOBE 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 2005 are as follows:

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual - Budget %
<b>Income:</b>					
Opening surplus/(deficit)	27,843,564	(11,633,452)			
Operating income for the year	67,404,072	66,135,412	(2)	60,555,251	8
	95,247,636	54,501,961		60,555,251	
<b>Expenditure</b>					
Operating expenditure for the year	72,907,944	69,834,953	(4)	60,123,567	14
Contributions to approved funds					
Appropriation	33,973,144	(652,463)			
Closing surplus/(deficit)	(11,633,452)	(14,680,530)		431,686	
	95,247,636	54,501,961		60,555,253	
<b>Significant variances:</b>					
Grants and Subsidies increased during the current year. Interest Received was on a par with the prior year. The main reason for the better performance during the current year. Expenses remained consistent with the prior year.					

**1.1 Rates and General Services**

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual - Budget %
Income	33,413,812	46,226,897	38	35,482,385	23
Expenditure	54,551,839	56,866,426	4	36,917,869	35
Surplus/(deficit)	(21,138,027)	(10,639,529)	(50)	(1,435,484)	87
Surplus/(deficit) as % of total income	(63)	(23)			
<b>Significant variances:</b>					
The major decrease in the deficit is due to the increase in 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 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual - Budget %
Income	6,034,332	7,780,263	29	11,257,404	(45)
Expenditure	9,496,707	6,623,603	(30)	9,541,619	(44)
Surplus/(deficit)	(3,462,375)	1,156,660		1,715,785	
Surplus/(deficit) as % total income	-57.38%	14.87%			
<b>Significant variances:</b>					
The main reason for the variance in expenses in the provision for doubtful debts.					

## Water Service

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual - Budget %
Income	27,842,558	12,007,152	(57)	13,565,462	(13)
Expenditure	8,750,417	6,301,712	(28)	13,564,667	(115)
Surplus/(deficit)	19,092,141	5,705,440		795	
Surplus/(deficit) as % total income	68.57%	47.52%			
<b>Significant variances:</b>					
During the 2004 the Alice water billing was not consistent. This has been rectified in the current year thus having the effect of normalising the revenue generated from water.					

## Abattoir Service

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual - Budget %
Income	113,370	121,100	7	250,000	(106)
Expenditure	108,981	43,212	(60)	99,412	(130)
Surplus/(deficit)	4,389	77,888		150,588	
Surplus/(deficit) as % total income	3.87%	64.32%			
<b>Significant variances:</b>					
No Significant variance to report.					

## 2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R10,349,530

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 2005 amounted to R14 644 160. (2004 - R10 949 688)

Cash resources and short-term deposits less bank overdraft at 30 June 2005 amounted to a positive of R 2 016 995 (2004 - R3 052 719 Overdraft)

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: NKKONKOB MUNICIPALITY**  
 (Accounting Officer)

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**NKONKOBE 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 2005**

	Note	2005 R	2004 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		14,428,452	13,544,917
Statutory funds	1	11,876,694	10,993,159
Reserves	2	2,551,758	2,551,758
ACCUMULATED DEFICIT		(14,680,530)	(11,633,452)
		(252,078)	1,911,465
TRUST FUNDS	3	6,367,603	3,276,576
LONG TERM LIABILITIES	4	13,530,134	10,949,688
CONSUMER DEPOSITS: SERVICES	5	945,681	849,496
		<b>20,591,340</b>	<b>16,987,225</b>
<b>EMPLOYMENT OF CAPITAL</b>			
LONG TERM DEBTORS	8	28,073	56,991
FIXED ASSETS	6	12,599,899	10,084,176
INVESTMENTS	7	6,367,603	3,043,243
		18,995,575	13,184,410
NET CURRENT ASSETS		1,595,765	3,802,815
CURRENT ASSETS		32,540,250	31,887,255
Stock	9	335,401	323,469
Accounts receivable	10	30,187,853	29,992,435
Cash resources	11	2,016,996	1,571,351
Project Control Accounts	13	-	-
CURRENT LIABILITIES		30,944,485	28,084,440
Creditors	14	22,829,421	16,455,737
Bank overdraft	15	-	4,624,070
Project Control Accounts	13	2,536,454	2,456,435
Provisions	12	5,578,610	4,548,198
		<b>20,591,340</b>	<b>16,987,225</b>

**NKONKOB MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

2004 Actual income	2004 Actual expenditure	2004 surplus/ (deficit)		2005 Actual income	2005 Actual expenditure	2005 surplus/ (deficit)	2005 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
33,413,812	54,551,839	(21,138,027)	<b>RATES AND GENERAL SERVICES</b>	46,226,897	56,866,426	(10,639,529)	(4,029,004)
28,132,707	44,183,023	(16,050,316)	Community services	40,833,092	43,726,379	(2,893,287)	(838,565)
38,658	1,699,692	(1,661,034)	Subsidised services	-	1,365,320	(1,365,320)	(1,416,845)
5,242,447	8,669,124	(3,426,677)	Economic services	5,393,805	11,774,727	(6,380,922)	(1,773,594)
33,990,260	18,356,105	15,634,155	<b>TRADING SERVICES</b>	19,908,515	12,968,527	6,939,988	4,460,690
<u>67,404,072</u>	<u>72,907,944</u>	<u>(5,503,872)</u>	<b>TOTAL</b>	<u>66,135,412</u>	<u>69,834,953</u>	<u>(3,699,541)</u>	<u>431,686</u>
		(33,973,144)	Appropriations for the year (refer note 20)			652,463	
		(39,477,016)	<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>			(3,047,078)	
		27,843,564	Accumulated surplus beginning of the year			(11,633,452)	
		<u>(11,633,452)</u>	<b>ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR</b>			<u>(14,680,530)</u>	

**NKONKOBÉ MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

	NOTES	2005 R	2004 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		5,567,883	5,705,550
Cash generated by operations	21	(19,314,842)	(48,978,724)
Investment income		253,170	210,703
Decrease/(Increase) in working capital	22	7,087,207	31,895,037
		(11,974,465)	(16,872,984)
Less: External interest paid		(1,511,727)	(1,205,525)
<b>Cash available from operations</b>		(13,486,192)	(18,078,509)
Cash contributions from the public and the State		19,054,075	23,784,059
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		(10,320,612)	(5,880,161)
Investment in fixed assets		(10,349,530)	(5,909,681)
Decrease in Long Term Debtors		28,918	29,520
<b>NETT CASH FLOW</b>		<u>(4,752,729)</u>	<u>(174,611)</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase in long-term liabilities	23	(413,171)	731,058
Increase in consumer deposits		96,185	150,281
Increase in cash on hand	26	5,069,715	(129,780)
(Increase)/decrease in external cash investments	24	-	(576,948)
<b>NETT CASH UTILISED</b>		<u>4,752,729</u>	<u>174,611</u>

**NKONKOBE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005**

	<b>2005 R</b>	<b>2004 R</b>
<b>1. ACCUMULATED FUNDS</b>		
Revolving Fund	11,114,613	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>11,876,694</u>	<u>10,993,159</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>6,367,603</u>	<u>3,276,576</u>
All trust funds are back by investments held with various bank. <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	4,250,686	4,495,426
DBSA - Capital Arrears Interest	5,159,439	5,204,262
Wesbank	2,870,009	-
	<u>13,530,134</u>	<u>10,949,688</u>
<i>(Refer to Appendix B for more detail)</i>		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service Deposits	<u>945,681</u>	<u>849,496</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	103,183,114	97,273,433
Capital expenditure during the year	<u>10,349,530</u>	<u>5,909,681</u>
Less: Assets written off, transferred or disposed of during year	<u>-</u>	<u>-</u>
<b>Total fixed assets</b>	113,532,644	103,183,114
Less: Loans redeemed and other capital receipts	<u>100,932,745</u>	<u>93,098,938</u>
	<u>12,599,899</u>	<u>10,084,176</u>
<i>(Refer to Appendix C for more details)</i>		

**NKONKOBÉ MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)**

	2005 R	2004 R
<b>7. INVESTMENTS</b>		
Unlisted - Revolving	<u>6,367,603</u>	<u>3,043,243</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>28,073</u>	<u>56,991</u>
<b>9. STOCK</b>		
Rate & General	193,840	190,367
Electricity Services	<u>141,561</u>	<u>133,102</u>
	<u>335,401</u>	<u>323,469</u>
<b>10. DEBTORS</b>		
Current Debtors	89,692,135	75,835,161
Sundry Debtors	245,899	236,033
VAT	3,399,846	6,081,305
Less Provision for Bad debts	<u>63,150,027</u>	<u>52,160,064</u>
	<u>30,187,853</u>	<u>29,992,435</u>
<b>11. CASH AND CASH EQUIVALENT</b>		
Floats	11,083	11,083
Other	<u>2,005,913</u>	<u>1,560,268</u>
	<u>2,016,996</u>	<u>1,571,351</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	4,245,542	3,809,971
Performance Bonuses	440,400	115,559
Audit Fees	<u>892,668</u>	<u>622,668</u>
	<u>5,578,610</u>	<u>4,548,198</u>
<b>13. PROJECT DEBTORS</b>	<u>(2,536,454)</u>	<u>(2,456,435)</u>

**NKONKOBÉ MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)**

	2005 R	2004 R
<b>14. CREDITORS</b>		
Trade Creditors	3,125,943	1,836,211
VAT Provision	9,414,362	7,875,697
Unallocated Deposits	8,712,792	5,157,573
Sundry Creditors	243,548	1,476,881
Current Portion of DBSA Loan	1,114,026	-
Current Portion of INCA Loan	218,750	109,375
	<u>22,829,421</u>	<u>16,455,737</u>
<b>15. BANK OVERDRAFT</b>		
Middledrift Municipality	-	-
Nkonkobe Municipality	-	4,624,070
	<u>-</u>	<u>4,624,070</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:	291,947	273,915
Councillor's allowances:	3,502,249	2,970,345
	<u>3,794,196</u>	<u>3,244,260</u>
<b>18. AUDITOR'S REMUNERATION</b>		
Audit fees	<u>270,000</u>	<u>251,733</u>
<b>19. FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
- Interest earned	253,170	210,703
- Interest paid	<u>1,530,468</u>	<u>1,534,410</u>
Capital charges debited to operating account:		
- Interest paid on external loans	1,511,727	1,205,525
- Interest paid on internal loans	22,175	23,121
- Redemption of external loans	413,171	-731,058
- Redemption of internal loans	64,723	105,567
	<u>2,011,796</u>	<u>603,155</u>
<b>20. APPROPRIATIONS</b>		
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	(11,633,452)	27,843,564
Operating surplus for the year	(3,699,541)	3,208,543
	<u>(15,332,993)</u>	<u>31,052,107</u>
Less: Appropriations for the year:	652,463	(33,973,144)
- Prior year adjustments	<u>(652,463)</u>	<u>33,973,144</u>
Accumulated surplus at the end of year	<u>(14,680,530)</u>	<u>(2,921,037)</u>



**NKONKOBÉ MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)**

	2005 R	2004 R
<b>20. APPROPRIATIONS (continued)</b>		
<b>Operating account</b>		
Capital expenditure	1,377,125	486,961
Contributions to:		
- Revolving Fund	883,535	666,219
- Abattoir Reserve		
- Audit Fee		
- Doubtful debts		
- Leave Reserve		
- Repairs & Renewals		
	2,260,660	1,153,180
<b>21. CASH GENERATED BY OPERATIONS</b>		
<u>Surplus for the year</u>	(3,699,541)	3,208,543
Adjustments for:		
Previous year's operating transactions	652,463	(33,973,144)
Appropriations charged against income:	2,260,660	1,153,180
- Capital outlay	1,377,125	486,961
- Revolving Fund	883,535	666,219
- Provisions and reserves		
<b>Capital charges:</b>	2,011,796	603,155
Interest paid:		
- to internal funds	22,175	23,121
- on external loans	1,511,727	1,205,525
Redemption:		
- of internal advances	64,723	105,567
- of external loans	413,171	(731,058)
Investment income credited to Operations account	-	-
Expenditure charged against Provisions and Reserves	-	-
Non operating income credited to funds	-	-
Grants and subsidies received from the state	(20,540,220)	(19,970,458)
	(19,314,842)	(48,978,724)
<b>22. DECREASE/(INCREASE) IN WORKING CAPITAL</b>		
Decrease in Stores	-11,932	18,773
Decrease in Suspense	(80,019)	(1,879,487)
Decrease/(increase) in debtors	(224,938)	20,534,270
Increase in creditors	7,404,096	13,221,481
	7,087,207	31,895,037
<b>23. INCREASE IN LONG-TERM LIABILITIES</b>		
Loans raised	-	-
Loans repaid	(413,171)	731,058
	(413,171)	731,058
<b>24. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS</b>	-	(576,948)
<b>25. DECREASE IN CASH INVESTMENT COMPRISES</b>		
Investments realised	-	-
<b>26. INCREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	(3,052,719)	(2,922,939)
Less: Cash balance at end of year	2,016,996	(3,052,719)
	5,069,715	(129,780)

**NKONKOBÉ MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (Continued)**

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	<b>2005</b>	<b>2004</b>
	<b>R</b>	<b>R</b>
<b>27. REVOLVING FUND</b>		
Accumulated Funds	11,114,613	10,231,078
Debtors		
	<u>11,114,613</u>	<u>10,231,078</u>
<b>28. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
None		
<b>29. POST BALANCE SHEET EVENTS</b>		
None		

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

	Balance at 30 June 2004 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 2005 R
<b>STATUTORY FUNDS</b>							
Revolving Fund	10,231,078	883,535					11,114,613
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>883,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,876,694</u>
<b>TRUST FUNDS</b>							
<b><u>Cash Backed Funds</u></b>							
13 Starter Homes	133,252		7,186				140,438
Alice CMIP	28,279				605	-	27,674
Alice Golf Area 1111	1,012,940	2,463,879	63,210		392	3,041,373	498,264
Alice Kuntselamanzi	112,318	1,503,718	12,848		350	1,536,033	92,501
Bhofolo Phase 2	-				341	-	(341)
Bhofolo Phase 2	-	8,988,107	23,557		926	8,769,618	241,120
Erhoxeno Peoples Housing Project	-	831,300	17,168		511	633,371	214,586
Erhoxeno Peoples Housing Project (2)	-		38	(1,054,621)	1,189	1,029,549	23,921
Fishing Project	66,756		4,100		-	-	70,856
Fort Beaufort Golf Area 1177	18,087	2,590,500	107,004		365	185,505	2,529,721
Fort Beaufort Gomma Gomma	162,559	1,585,000	15,384		170	1,278,153	484,620
Human Settlement - Re-development Plan	98,153		6,065		-	102,000	2,218
Kwankobokobo Peoples Housing Project	-	879,900	13,721		561	752,034	141,026
McFarland Peoples Housing Project	-	834,300	14,468		532	678,866	169,370
McFarland Peoples Housing Project (2)	-		15	(918,801)	1,218	917,598	-
Middledrift Housing	30,011		1,843		-	-	31,854
Middledrift Infrastructure	10,183	92,763			613	59,696	42,637
Mpolweni Housing Development	-				-	-	-
Mpolweni Housing Development 2	12,597	1,763,200	30,323	(80,000)	410	1,873,339	12,371
MSP Funding	-		3,334	(233,333)	-	115,930	120,737
MSP Funding	-	466,666	6,903		-	-	473,569
NER Operating Account	(164)	713,000	723		807	384,331	328,421
Nonzwakazi Housing Project	-	1,013,273	13		1,764	1,011,522	-
Seymour Extension 6	1,319,141	524,514	32,439		207	1,349,711	526,176
Seymour Housing Project	-	161,683			297	-	161,386
Seymour Housing Project Number 2	39,132	8,837	72		362	13,201	34,478
Youth Development Trust	-				-	-	-
	<u>3,043,244</u>	<u>24,420,640</u>	<u>360,414</u>	<u>(2,286,755)</u>	<u>11,620</u>	<u>23,731,830</u>	<u>6,367,603</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**

	Rate	Termination	Balance at 30 June 2004 R	Received during the year R	Redeemed/ written off during year R	Balance at 30 June 2005 R
<b>EXTERNAL LOANS - Funding Fixed Assets</b>						
DBSA - Capital	11.0%	30-Sep-2014	4,495,426	-	244,740	4,250,686
DBSA - Capital Arrears Interest	11.0%	30-Sep-2014	3,013,003	-	-	3,013,003
DBSA - Capital Arrears Interest	16.0%	30-Sep-1998	2,191,259	-	44,823	2,146,436
Wesbank	9.5%	1-Feb-2010	-	1,786,245	80,617	1,705,628
Wesbank	9.5%	1-Mar-2010	-	1,207,372	42,991	1,164,381
			<u>9,699,688</u>	<u>2,993,617</u>	<u>413,171</u>	<u>12,280,134</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>384,488</u>	<u>-</u>	<u>64,723</u>	<u>319,765</u>

**APPENDIX B**

**NKONKOB MUNICIPALITY  
ANALYSIS OF FIXED ASSETS**

2004 Expenditure		Balance at 30 June 2004	Expenditure during year	Redeemed, trans- ferred or written off during year	Balance at 30 June 2005
R		R	R	R	R
<b>4,294,744</b>	<b>RATES AND GENERAL SERVICES</b>	<b>55,637,437</b>	<b>9,420,295</b>	-	<b>65,057,732</b>
<b>3,183,613</b>	<b>Community Services</b>	<b>40,469,942</b>	<b>6,472,805</b>		<b>46,942,747</b>
53,112	Administration - Housing	351,291	-		351,291
475,634	Buildings & Land	6,426,507	-		6,426,507
1,268,458	Town Treasure	1,887,347	-		1,887,347
293,225	Community Facilities	4,822,476	1,584,210		6,406,686
	Furniture & Equipment	861,141	-		861,141
	Council and CEO	469,733	1,234,276		1,704,009
	Civil defence	62,638	-		62,638
119,614	Town Engineer	13,539,153	150,758		13,689,911
	Traffic Services	303,095	579,472		882,567
973,570	Roads & Streetworks	11,104,171	2,924,089		14,028,260
	Health Services	642,390	-		642,390
<b>298,924</b>	<b>Subsidised Services</b>	<b>1,100,819</b>	<b>391,356</b>		<b>1,492,175</b>
242,233	Parks and Recreation	963,594	370,852		1,334,446
13,721	Cemetery	40,004	14,841		54,845
42,970	Fire	42,970	5,663		48,633
	Library Services	54,251	-		54,251
<b>812,207</b>	<b>Economic Services</b>	<b>14,066,676</b>	<b>2,556,134</b>		<b>16,622,810</b>
	Town Estate	1,806,742	2,492,506		4,299,248
812,207	Sewerage	12,259,934	-		12,259,934
	Mining	-	63,628		63,628
<b>799,705</b>	<b>Housing Services</b>	<b>20,228,196</b>			<b>20,228,196</b>
<b>815,232</b>	<b>Trading Services</b>	<b>27,317,481</b>	<b>929,235</b>	-	<b>28,246,716</b>
14,710	Abattoir	372,663	-		372,663
6,300	Electricity	12,786,883	337,672		13,124,555
794,222	Water	14,157,935	591,563		14,749,498
<b>5,909,681</b>	<b>TOTAL FIXED ASSETS</b>	<b>103,183,114</b>	<b>10,349,530</b>		<b>113,532,644</b>
	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	<b>(93,098,938)</b>	<b>(7,355,913)</b>	<b>477,894</b>	<b>100,932,745</b>
	Contributions from Other Sources	7,149,545		(477,894)	7,627,439
	Contributions from operating income	13,049,329	1,377,125		14,426,454
	Grants and subsidies	72,900,064	5,978,788		78,878,852
	<b>NET FIXED ASSETS</b>	<b>10,084,176</b>	<b>2,993,617</b>	<b>477,894</b>	<b>12,599,899</b>

**APPENDIX C**

## NKONKOBÉ MUNICIPALITY

### ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual R		2005 Actual R	2005 Budget R
<b>INCOME</b>			
19,970,458	Grants and subsidies	20,540,220	20,552,000
47,433,614	Operating income	45,595,192	40,003,251
9,270,918	Assessment Rates	8,350,568	9,343,226
210,703	Interest Received	253,170	-
37,951,993	Income from Tariffs, Service Charges etc	36,991,455	30,660,025
<b><u>67,404,072</u></b>	<b>Total income</b>	<b><u>66,135,412</u></b>	<b><u>60,555,251</u></b>
<b>EXPENDITURE</b>			
31,688,668	Salaries, wages and allowances	33,673,653	28,325,543
37,007,760	General expenditure	29,394,707	23,287,747
2,455,181	Repairs and maintenance	2,494,137	2,595,806
603,155	Capital charges	2,011,796	1,805,848
486,961	Contributions to fixed assets	1,377,125	1,035,743
666,219	Contributions	883,535	3,072,880
-	Less Amounts Charged out	-	-
<b><u>72,907,944</u></b>	<b>Total Expenditure</b>	<b><u>69,834,953</u></b>	<b><u>60,123,567</u></b>

**APPENDIX D**

**NKONKOBE MUNICIPALITY**

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005**

2004 Actual income	2004 Actual expenditure	2004 Surplus/ (deficit)		2005 Actual income	2005 Actual expenditure	2005 Surplus/ (deficit)	2005 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
<b>33,413,812</b>	<b>54,551,839</b>	<b>(21,138,027)</b>	<b>RATES AND GENERAL SERVICES</b>	<b>46,226,897</b>	<b>56,866,426</b>	<b>(10,639,529)</b>	<b>(4,029,004)</b>
<b>28,132,707</b>	<b>44,183,023</b>	<b>(16,050,316)</b>	<b>Community services</b>	<b>40,833,092</b>	<b>43,726,379</b>	<b>(2,893,287)</b>	<b>(838,565)</b>
-	6,387,226	(6,387,226)	Council's General Expenses		7,521,982	(7,521,982)	(7,138,760)
841,994	2,156,130	(1,314,136)	Health	95,555	2,175,392	(2,079,837)	-
-	927,890	(927,890)	Municipal Manager		1,295,594	(1,295,594)	(896,279)
-	982,847	(982,847)	Fleet Administration		1,479,324	(1,479,324)	(1,765,662)
25,987,142	16,437,654	9,549,488	Financial Manager	38,477,401	14,737,316	23,740,085	23,912,122
20,190	6,527,948	(6,507,758)	Public Works	223,444	5,491,293	(5,267,849)	(5,550,025)
-	1,538,255	(1,538,255)	Civil Protection		2,036,157	(2,036,157)	(1,725,589)
153,448	743,987	(590,539)	Traffic Control	130,520	839,541	(709,021)	167,037
225	572,272	(572,047)	Library		666,804	(666,804)	(649,782)
-	1,387,930	(1,387,930)	Strategic Planning & LED		1,077,649	(1,077,649)	(1,353,000)
1,129,508	482,815	646,693	Natis	1,903,372	421,254	1,482,118	146,196
-	18,530	(18,530)	A-Grade Testing	-	-	-	-
200	6,019,539	(6,019,339)	Administration & Human Resources	2,800	5,984,073	(5,981,273)	(5,984,823)
<b>38,658</b>	<b>1,699,692</b>	<b>(1,661,034)</b>	<b>Subsidised services</b>	<b>-</b>	<b>1,365,320</b>	<b>(1,365,320)</b>	<b>(1,416,845)</b>
38,658	1,699,692	(1,661,034)	Parks and Recreation		1,365,320	(1,365,320)	(1,416,845)
<b>5,242,447</b>	<b>8,669,124</b>	<b>(3,426,677)</b>	<b>Economic services</b>	<b>5,393,805</b>	<b>11,774,727</b>	<b>(6,380,922)</b>	<b>(1,773,594)</b>
1,347,540	5,124,496	(3,776,956)	Refuse	1,436,025	5,807,920	(4,371,895)	(2,187,792)
3,894,907	3,544,628	350,279	Sewerage	3,957,780	5,966,807	(2,009,027)	414,198
<b>33,990,260</b>	<b>18,356,105</b>	<b>15,634,155</b>	<b>TRADING SERVICES</b>	<b>19,908,515</b>	<b>12,968,527</b>	<b>6,939,988</b>	<b>4,460,690</b>
6,034,332	9,496,707	(3,462,375)	Electricity	7,780,263	6,623,603	1,156,660	4,349,054
113,370	108,981	4,389	Abattoir	121,100	43,212	77,888	111,614
27,842,558	8,750,417	19,092,141	Water	12,007,152	6,301,712	5,705,440	22
<b>67,404,072</b>	<b>72,907,944</b>	<b>(5,503,872)</b>	<b>TOTAL</b>	<b>66,135,412</b>	<b>69,834,953</b>	<b>(3,699,541)</b>	<b>431,686</b>
		(33,973,144)	Appropriations for the year (refer to note 20)			652,463	
		<b>(39,477,016)</b>	<b>NET (DEFICIT) SURPLUS FOR THE YEAR</b>			<b>(3,047,078)</b>	
		27,843,564	Accumulated surplus beginning of the year			(11,633,452)	
		<b>(11,633,452)</b>	<b>ACCUMULATED DEFICIT END OF THE YEAR</b>			<b>(14,680,530)</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