

QAUKENI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 JUNE 2005**

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

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QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

GENERAL INFORMATION

For the year ended 30 June 2005

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor LV Ntsubane	Resigned (04/02/2005)
Mayor W Ngozi	Chairperson of the Executive Committee (Appointed 04/02/2005)
Councillor SW Qhuba	Chairperson of the Local Economic Development Committee
Councillor K Mviko	Executive Member
Councillor M M Makubalo	Chairperson of the Human Resources & Administration Committee
Councillor S Nabile	Chairperson of the Technical and Infrastructure Committee
Councillor NE Mjojeli	Executive Member
Councillor JN Sabona	Executive Member
Councillor G Ball	Chairperson of the Finance Committee
Councillor NF Mtsotso	Chairperson of the Community and Protection Services Committee
Councillor MM Njisane	Chairperson of the Housing Committee

GRADE OF LOCAL AUTHORITY

Grade 3

AUDITORS

Auditor-General

BANKERS

Meeg Bank
Standard Bank
First National Bank

REGISTERED OFFICE

135 Main Street
FLAGSTAFF
4810

P.O. Box 14
FLAGSTAFF
4810

Telephone: 039 – 252 0131
Facsimile: 039 – 252 0699

ACTING MUNICIPAL MANAGER

EL Cezula

ACTING CHIEF FINANCIAL OFFICER

RN Davids

QAUKENI LOCAL MUNICIPALITY

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For the year ended 30 JUNE 2005

For the year ended 30 June 2005

MEMBERS OF THE QAUKENI LOCAL COUNCIL

Ward	Councillor
Speaker	TN Gandela
Party representative	RN Mlata
Party representative	GS Sigcau
Party representative	PN Mankonkwana
Party representative	M Sinukela
Party representative	VN Blaai
Party representative	CSL Hogana
Party representative	DD King
Party representative	N Mjoji
Party representative	N Sigcau
Party representative	T Wana
Party representative	LP Godo
Party representative	D Zinti
Party representative	V Gwegwe
Party representative	LL Mavundla
Party representative	F Mqungqutho
Party representative	TT Gxabu
Ward 1	WJ Mdedelwa
Ward 2	D Mjokovana
Ward 3	Z Dushu
Ward 4	B Laleni
Ward 5	M M Njisane
Ward 6	T Nako
Ward 7	MG Maxhayi
Ward 8	SA Kango
Ward 9	S Rhodolo
Ward 10	NM Vava
Ward 11	S Nabile
Ward 12	MV Mfolozi
Ward 13	LS Sapu
Ward 14	B Thabalaza
Ward 15	T Cezula
Ward 16	HN Mkhombe
Ward 17	B Nkani
Ward 18	ZN Mbewu
Ward 19	P Mboyi
Ward 20	CK Gxabu
Ward 21	S Nkwakwa
Ward 22	F Mbane
Ward 23	B Joyi
Ward 24	MC Dingezweni
Ward 25	JD Myolwa
Mayor	W Ngozi

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

QAUKENI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
For the year ended 30 JUNE 2005**

The annual financial statements set out on pages 1 to 25 were approved by the Municipal Manager on the 7th July 2006.

ACTING MUNICIPAL MANAGER
(Accounting Officer)
07 July 2006

ACTING CHIEF FINANCE OFFICER
07 July 2006

QAUKENI LOCAL MUNICIPALITY

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FOREWORD

For the year ended 30 June 2005

For the period commencing December 2003 to August 2004 the Qaukeni Local Municipality has been under the administration of the Eastern Cape Provincial Executive; an intervention by the Provincial Executive Committee to restore peace and stability as well as continued provision of the basic services to the community. To this extent the council worked extremely hard in restoring the confidence of our respective constituents. The efforts of the council did not go through unnoticed as our municipality received an award from the mother District Municipality in recognition of our efforts.

For a municipality to function with resonance it requires a strong financial muscle, outstanding human resource capacity and an enabling environment in terms of up-to-date and user friendly infrastructure. As we all know, our municipality is predominantly rural which means that there are inherent challenges in achieving a healthy financial state through effective revenue collection to realize dependence on our own means of generating revenue as opposed to placing heavy reliance on grant funding. It has been and continues to be a significant challenge to attract and retain the required skills to assist the municipality deliver in accordance with its constitutional mandate. Notwithstanding these challenges systematic capacity building through various interventions is beginning to take place. As part of continuous improvement initiatives, we are also working on motivational aspects to create a conducive and productive working environment for our personnel.

On hardcore service delivery we have spent an amount of about R6,2 million in Local Economic Development. It is our belief that if our communities do all that is in their power to harness the opportunities the municipality affords the community through different programs managed in this department; they would be in a position to positively and greatly contribute towards the revival of our community. The upgrading of taxi and bus ranks is in progress with the project envisaged to be completed towards the end of the ensuing financial year. A number of projects relating to the rehabilitation of roads infrastructure overlaps to the next financial year, to date, we have spent approximately R1,7 million in this regard.

Municipal priorities for the ensuing year include making visible strides towards growing the municipality's revenue base by employing intensive revenue management strategies, improve co-ordination amongst ourselves, the District Municipality and Provincial Government and also intensify capacity building programmes for our personnel as we believe these are key to improving service delivery to our respective constituents.

On behalf of the Council I would like to express a profound word of appreciation for the support we receive from our communities and other relevant stakeholders. In conclusion, I would like to express my appreciation to the Executive Committee, the Council and the Acting Municipal Manager and his entire team for their support, commitment and hard work.

**W Ngozi
Mayor and Chairperson of the
Executive Committee**

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

TREASURER'S REPORT

For the year ended 30 June 2005

1. REVIEW OF OPERATING RESULTS

Tabulated here below are the highlights of the operating results in respect of the year ended 30 June 2005. Detailed operating results are presented on Appendices C and D. The reported budget figures represent the revised budget figures.

INCOME	Budget 2005	Actual 2005	Variance Budget / Actual	Actual 2004
Grants and Subsidies				
➤ Central Government	43 050 212	40 860 258	(2 189 954)	41 573 815
➤ Provincial Government	2 874 000	6 187 017	3 313 017	7 866 603
➤ Other	-	27 450	27 450	-
Operating Income				
➤ Assessment Rates	1 920 000	1 926 117	6 117	1 924 663
➤ Refuse Removal	483 847	330 449	(153 398)	207 011
➤ Other Income	1 265 549	3 459 194	2 193 645	6 780 342
➤ Transfer from reserves	21 712 558	-	(21 712 558)	-
	71 306 166	52 790 485	(18 515 681)	58 352 434
EXPENDITURE				
Salaries, wages and allowances	22 053 265	16 858 853	5 194 412	12 982 770
General Expenses	15 899 526	13 589 693	2 309 833	19 059 860
Bad debts	-	4 075 931	(4 075 931)	4 423 113
Repairs and Maintenance	4 142 552	2 269 577	1 872 975	1 743 327
Contributions to Fixed Assets	28 137 166	3 203 082	24 934 084	4 549 845
	70 232 509	39 997 136	30 235 373	42 758 915
Surplus	1 073 657	12 793 349	11 719 692	15 593 519

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

For the year ended 30 June 2005

1. REVIEW OF OPERATING RESULTS (continued)

1.1 Commentary on the operating results

Income

Grant subsidies (Central and Provincial Government combined) are more than budget by a total figure of R1 150 513. This is attributable to further provincial allocations not anticipated at budgeting stage. Actual rates and refuse removal income are marginally less than budget by R147 281. Other income is better than budget by R 2 193 645. The positive variance on other income is attributable to additional interest received than previously anticipated and is due to an existence of surplus funds that have been invested.

Operational expenditure

Total budgeted operational expenditure amounted to R42 095 343 (2004: R35 141 650) and the capital expenditure budgeted amount to R28 137 166 (2004: R16 436 500) resulting in a total expenditure budget of R 70 232 509 (2004: R51 578 150). Actual operational expenditure is R36 794 054 (2004: R38 209 070) and actual capital expenditure is R 3 203 082 (2004: R4 549 845) with a total actual expenditure of R39 997 136 (2004: R42 758 915).

A total of 89% of the operational budget was spent. This variance comprises savings of R5.2m in salaries, wages and allowances as a result of unfilled vacancies; R2.3m savings in general expenses and R1.9m savings in repairs and maintenance. These savings have been largely offset by R4.1m worth of bad debts provided for in the current year. As referred to in the Mayor's foreword, the extent of bad debts (collection of revenue) remains a major challenge for this municipality.

TREASURER'S REPORT (continued) For the year ended 30 June 2005

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

2. CAPITAL EXPENDITURE AND FINANCING

Total fixed asset additions during the year amounted to R3 203 082 (2004: R4 549 845). They are made up as follows:

Capital expenditure category	Budget 2005	Actual 2005	Variance Budget / Actual	Actual 2004
Land & Buildings	5 000 000	315 707	4 684 293	498 869
Furniture and Fittings	326 500	403 996	(77 496)	212 130
Plant and Equipment	40 000	-	40 000	3 058 563
Motor Vehicles	500 000	349 257	150 743	376 725
Tools and Equipment	252 166	21 462	230 704	-
Office equipment	326 500	-	326 500	403 558
Sports Fields & Recreation Centres	300 000	-	300 000	-
Community Centres	4 500 000	342 059	4 157 941	-
Local Economic Development	5 750 000	-	5 750 000	-
Computer equipment	567 000	65 000	502 000	-
Land Fill Sites	300 000	263 158	36 842	-
Upgrading of Taxi and Bus Ranks	4 000 000	765 011	3 234 989	-
Cemetery	100 000	-	100 000	-
Various Projects	3 150 000	-	3 150 000	-
Road Construction – Access Roads	3 000 000	613 543	2 386 457	-
Road signs	25 000	54 352	(29 352)	-
Informal traders facilities	-	9 537	(9 537)	-
	28 137 166	3 203 082	24 934 084	4 549 845

TREASURER'S REPORT (continued)
For the year ended 30 June 2005

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

2. CAPITAL EXPENDITURE AND FINANCING (continued)

Resources used to finance fixed assets were as follows:

Contributions from:	Budget 2005	Actual 2005	Variance Budget / Actual	Actual 2004
Revenue Contributions	16 882 300	-	16 882 300	-
Grants and subsidies	11 254 866	3 203 082	8 051 784	4 549 845
	-	-	-	-

2.1 Commentary on capital expenditure and financing

In the current financial year, we spent 11% (2004: 28%) of the total capital budget of R28 137 166. The upgrading of the Lusikisiki and Flagstaff taxi and bus ranks commenced towards the end of the financial year and thus only 19% of the capital budget was expended in the current financial year, with the balance being expended in 2005/06.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

The municipality has no external loans.

4. POST BALANCE SHEET EVENTS

No material events have occurred since the balance sheet date.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive committee of the Council, the Council, the Municipal Manager for the support they have given me and to the staff of the Finance Department and the local representatives of the Auditor-General for their assistance and support during the year.

RN Davids
Acting Chief Financial Officer
07 July 2006

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

ACCOUNTING POLICIES

For the year ended 30 June 2005

1. BASIS OF PRESENTATION

- 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 in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second edition – January 1996 as amended).
- 1.2** The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 5. 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:
- Income is accrued when measured and available to finance operations.
Certain direct income is accrued when received, such as fines and certain licenses.
 - Expenditure is accrued in the year it is incurred.

2. REVENUE

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at approved monthly flat rates. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognized as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

To the extent that they affect previously disclosed financial information (amounts), changes in accounting policies are accounted for with retrospective effect resulting in a restatement of previously disclosed retained surplus or accumulated deficit and comparatives as applicable. Changes in accounting estimates have no retrospective effect and these are accounted for by adjusting current year and future accounting estimates. Where changes in estimates have a fundamental effect on the current year financial information, these are disclosed as abnormal items. Fundamental prior year errors are corrected through a prior year adjustment entry restating the previously disclosed retained surplus or accumulated deficit with a restatement of comparatives. The nature of the error and the impact of the correcting entry are briefly explained in the correcting note. For completeness purposes, a further note depicting the previously disclosed amounts against the corrected amounts is disclosed.

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

ACCOUNTING POLICIES

For the year ended 30 June 2005

4. ACCUMULATED SURPLUS

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

5. TRUST FUNDS

Trust funds are representative of external funding received and set aside for specific projects. Receipts into and disbursements out of these trust funds only impact the relevant trust fund account and the equivalent trust fund bank account with no impact on the rest of the municipality's financial information as the funds are held in trust.

6. PROJECT FUNDS

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

7. FIXED ASSETS

7.1 Fixed assets are stated at cost or valuation where assets have been acquired by grant or donation, while they are in existence and fit for use.

7.2 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. Through this "provision" assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts.

7.3 Fixed assets are financed from different sources of funding which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

7.4 All net proceeds from the sale of fixed assets are credited to the revolving fund.

8. INVESTMENTS

Investments are stated at the lower of cost or market value if a permanent decline in the value has occurred.

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ACCOUNTING POLICIES

For the year ended 30 June 2005

8. PROVISIONS

Provisions are recognized when the municipality has a present or a constructive obligation as a result of past events and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

9. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering all employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. The municipality's contributions to the defined contribution fund are charged to the income statement during the year to which they relate.

10. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with the provisions of the Municipal Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means expenditure incurred not in accordance with the company's' authorization process and levels. All unauthorized expenditure is charged against income in the period in which it is incurred.

12. POST BALANCE SHEET EVENTS

Post balance sheet events are classified into two categories; material events occurring after the balance sheet date that confirm the accurate position of disclosed financial information at the balance sheet date and those events occurring after the balance sheet date with no impact on the financial information disclosed at the balance sheet date yet material enough for the appreciation of the financial statements as a whole. In respect of the former category, adjustments are made to the balance sheet and in respect of the latter category appropriate disclosure is made in the directors' report stating the nature and the impact and the timing of the event.

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
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As at 30 JUNE 2005

		2005	2004
	Notes	R	R
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	-	109 616
ACCUMULATED SURPLUS		<u>48 639 810</u>	<u>35 846 461</u>
		48 639 810	35 956 077
TRUST FUNDS	2	(597)	123 888
PROJECT FUNDS	3	3 645 786	6 238 111
		<u>52 284 999</u>	<u>42 318 076</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	-	-
NET CURRENT ASSETS		<u>52 284 999</u>	<u>42 318 076</u>
CURRENT ASSETS		61 010 596	50 036 230
Debtors	5	<u>11 997 661</u>	<u>13 247 722</u>
Short-term investments	6	<u>47 468 875</u>	<u>32 035 115</u>
Bank and cash	7	<u>1 544 060</u>	<u>4 753 393</u>
CURRENT LIABILITIES		8 725 597	7 718 154
Provisions	8	<u>1 340 095</u>	<u>430 000</u>
Creditors	9	<u>7 385 502</u>	<u>6 294 674</u>
Bank overdraft		<u>-</u>	<u>993 480</u>
		<u>52 284 999</u>	<u>42 318 076</u>

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
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INCOME STATEMENT

For the year ended 30 June 2005

2004 Actual income R	2004 Actual expenditure R	2004 Surplus/ deficit R		2005 Actual income R	2005 Actual Expenditure R	2005 Surplus/ Deficit R	2005 Budget Surplus/deficit R
RATES &							
58 352 434	42 758 915	15 593 519	GENERAL SERVICES	52 790 485	39 997 136	12 793 349	1 073 657
58 145 423	41 974 353	16 171 070	Community services	52 460 036	36 372 186	16 087 850	4 502 920
207 011	784 562	(577 551)	Economic Services	330 449	3 624 950	(3 294 501)	(3 429 263)
58 352 434 42 758 915 15 593 519 TOTAL				52 790 485 39 997 136 12 793 349			
(1 615 956) Appropriations for the year						-	
13 977 563 Net surplus for the year						12 793 349	
21 400 016 Accumulated surplus at the beginning of the year						35 377 579	
- Prior year adjustment (Note 12)						468 882	
- Restated accumulated surplus at the beginning of the year						35 846 461	
ACCUMULATED SURPLUS AT THE END							
35 377 579 OF THE YEAR						48 639 810	

QAUKENI LOCAL MUNICIPALITY

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STATEMENT OF CHANGES IN FUNDS For the year ended 30 June 2005

	Note	Funds	Accumulated surplus	Total
Balance at 01 July 2003		3 175 915	21 400 016	24 575 931
Surplus for the year		-	13 977 563	13 977 563
Balance at 01 July 2004		3 175 915	35 377 579	38 553 494
Prior year adjustment	12	3 295 700	468 882	3 764 582
Restated opening balance – 01 July 2004		6 471 615	35 846 461	42 318 076
Surplus for the year		-	12 793 349	12 793 349
Advances and interest received		11 768 763	-	11 768 763
Withdrawals		(14 595 189)	-	(14 595 189)
Balance at 30 June 2005		3 645 189	48 639 810	52 284 999

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

CASH FLOW STATEMENT For the year ended 30 June 2005

	Note	2005	2004
		R	R
CASH FROM OPERATING ACTIVITIES			
Cash generated by operations	13	14 314 575	18 901 177
Interest received		1 682 110	3 320 115
Decrease/(increase) in working capital	14	3 250 984	(7 946 685)
Cash generated from operations		<u>19 247 669</u>	<u>14 274 607</u>
Interest paid		(254)	(14 551)
Net cash from operating activities		<u>19 247 415</u>	<u>14 260 056</u>
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(3 203 082)	(4 549 845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in statutory funds, trust funds and project funds		(2 826 426)	(429 232)
Net increase in cash and cash equivalents		<u>13 217 907</u>	<u>9 280 979</u>
Cash and cash equivalents at the beginning of the year		<u>35 795 028</u>	<u>26 514 049</u>
Cash and cash equivalents at the end of the year		<u><u>49 012 935</u></u>	<u><u>35 795 028</u></u>

QAUKENI LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2005

	2005 R	2004 R
1. STATUTORY FUNDS		
Revolving Fund	-	108 914
Employers Levy Fund	-	702
(Refer to appendix A for more details)	<u>-</u>	<u>109 616</u>
2. TRUST FUNDS		
Pilot Housing Fund	<u>(597)</u>	<u>123 888</u>
3. PROJECT FUNDS		
Natis Fund	585 239	2 512 538
Tourism Fund	378 645	365 440
Disbursement Fund	16 070	15 826
503 Housing Fund	(138 681)	825 848
Traffic testing fund	<u>2 804 513</u>	<u>2 518 459</u>
	<u>3 645 786</u>	<u>6 238 111</u>
4. FIXED ASSETS		
Fixed assets at the beginning of year	10 595 232	7 512 164
Capital expenditure during the year	3 203 082	4 549 845
Disposals	-	(1 466 777)
Total fixed assets	<u>13 798 314</u>	<u>10 595 232</u>
Less: Contributions from revenue contributions	(8 129 741)	(8 129 741)
Contributions from grants and subsidies	<u>(5 668 573)</u>	<u>(2 465 491)</u>
Net fixed assets	<u>-</u>	<u>-</u>

QAUKENI LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2005

	2005 R	2004 R
5. DEBTORS		
Customer debtors		
Rates and refuse	6 952 543	5 192 297
Provision for bad debts	<u>(5 944 309)</u>	<u>(4 423 113)</u>
	<u>1 008 234</u>	<u>769 184</u>
Sundry debtors		
VAT	6 229 559	5 009 357
Other debtors	1 174 670	2 297 930
	<u>7 404 229</u>	<u>7 307 287</u>
O.R. Tambo District Municipality		
This amount relates to water, sanitation and sewerage debtors which were transferred to the O.R. Tambo District Municipality	5 121 711	5 171 251
Provision for bad debts	<u>(1 536 513)</u>	<u>-</u>
	<u>3 585 198</u>	<u>5 171 251</u>
	<u>11 997 661</u>	<u>13 247 722</u>
6. SHORT – TERM INVESTMENTS		
Unlisted		
Equitable Share	173 448	163 218
Revolving Fund	-	108 914
Employer's Levy	-	702
Disbursement Fund	16 071	15 826
Pilot Housing Fund	(597)	123 887
Traffic Testing Fund	2 804 513	2 518 459
Natis Fund	585 239	2 512 538
Tourism Fund	378 645	365 440
Integrated Development Plan	28 672	28 672
Lusikisiki council members – account no. 1	2 723 679	2 574 716
Lusikisiki council members – account no. 2	1 598 307	1 497 016
Stanlib income account	11 465 082	10 727 776
Municipal investment account	26 603 736	11 058 579
Standard bank call	763 025	-
First National Bank Fixed Deposit – Account No.2	122 525	115 929
503 Low Cost Housing account	20 283	48 607
First National Bank Fixed Deposit – Account No.1	176 883	165 880
First National Bank 32 Day Notice Deposit	9 364	8 956
	<u>47 468 875</u>	<u>32 035 115</u>

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2005

	2005 R	2004 R
7. BANK AND CASH		
Bank balances and cash	<u>1 544 060</u>	<u>4 753 393</u>
8. PROVISIONS		
Audit fees	710 469	320 000
Accounting fees	110 000	110 000
Service Bonus (13 th cheque)	311 102	-
Leave pay	208 524	-
	<u>1 340 095</u>	<u>430 000</u>
9. CREDITORS		
Trade creditors	260 861	626 050
Sundry creditors	7 097 778	5 668 624
Payroll creditors	26 863	-
	<u>7 385 502</u>	<u>6 294 674</u>
10. AUDITORS' REMUNERATION		
Audit fees – current year provision	<u>390 469</u>	<u>320 000</u>
11. COUNCILLORS' ALLOWANCES		
Mayors' allowances	371 985	251 730
Councillors' allowances	3 482 052	3 026 404
Council pension contributions	341 018	351 245
	<u>4 195 055</u>	<u>3 629 379</u>

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ANNUAL FINANCIAL STATEMENTS

For the year ended 30 JUNE 2005

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005 R	2004 R
12. PRIOR YEAR ADJUSTMENT		
12.1 Traffic Testing and 503 Housing Fund Accounts were erroneously written off in the past while the corresponding investment bank accounts remained intact. This entry reverses the prior year write off.		(2 160 263)
12.2 In prior years, a number of cheque and investment bank accounts were not recorded in prior years' financial statements. This correcting entry recognizes and accounts for these previously omitted account balances.		407 246
12.3 A number of invalid system generated cheques were previously recorded and accounted for as valid cheques. These are now being reversed.		2 111 468
12.4 Sundry debtors balances previously omitted, now being recognized.		110 433
		<u>468 884</u>
Where relevant, comparative figures have been restated.		
13. CASH GENERATED BY OPERATIONS		
Surplus for the year	12 793 349	15 593 519
Adjustment for:		
Prior year adjustment	-	468 884
Appropriations for the year	-	(1 615 956)
Prior year overstatement of accumulated surplus	-	3 210 449
Capital expenditure	3 203 082	4 549 845
Interest paid	254	14 551
Interest received	(1 682 110)	(3 320 115)
	<u>14 314 575</u>	<u>18 901 177</u>
14. DECREASE / (INCREASE) IN WORKING CAPITAL		
Decrease /(increase) in debtors	1 250 061	(6 704 913)
Increase /(decrease) in creditors	1 090 828	(1 671 772)
Increase in provisions	910 095	430 000
	<u>3 250 984</u>	<u>(7 946 685)</u>

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APPENDIX A: STATUTORY FUNDS, TRUST FUNDS AND PROJECT FUNDS

	Balance at 30 June 2004	Prior year adjustment	Interest on investments	Contributions during the year	Expenditure during the year	Balance at 30 June 2005
STATUTORY FUNDS						
Revolving Fund	108 914	-	-	-	(108 914)	-
Employers Levy Fund	702	-	-	-	(702)	-
TOTAL	109 616	-	-	-	(109 616)	-
TRUST FUNDS						
Pilot Housing Fund	123 888	-	-	-	(124 485)	(597)
TOTAL	123 888	-	-	-	(124 485)	(597)
PROJECT FUNDS						
Natis Fund	2 512 538	-	49 899	4 395 650	(6 372 848)	585 239
Tourism Fund	365 440	-	13 205	-	-	378 645
Disbursement Fund	15 826	-	244	-	-	16 070
503 Housing Fund	48 607	777 241	16 001	4 409 684	(5 390 214)	(138 681)
Traffic Testing Fund	-	2 518 459	117 256	2 766 824	(2 598 026)	2 804 513
TOTAL	2 942 411	3 295 700	196 605	11 572 158	(14 361 088)	3 645 786
GRAND TOTAL	3 175 915	3 295 700	196 605	11 572 158	(14 595 189)	3 645 189

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APPENDIX B: ANALYSIS OF FIXED ASSETS

Expenditure	Budget 2005 R	Redeemed,			Balance at 30 June 2005 R
		Balance at 30 June 2004 R	Expenditure during year R	transferred, written off R	
4 549 845 Rates and General Services	28 137 166	10 595 232	3 203 082	-	13 798 314
4 549 845 Community services	28 137 166	10 595 232	3 203 082	-	13 798 314
498 869 Land & Buildings	5 000 000	1 143 845	315 707	-	1 459 552
212 130 Furniture and Fittings	326 500	945 508	403 996	-	1 349 504
3 058 563 Plant and Equipment	40 000	3 390 068	-	-	3 390 068
376 725 Motor vehicles	500 000	2 241 579	349 257	-	2 590 836
- Electrical Infrastructure	-	3 406	-	-	3 406
- General Improvements	-	561 442	-	-	561 442
- Tools and Equipment	252 166	57 224	21 462	-	78 686
- Administration Infrastructure	-	737 671	-	-	737 671
403 558 Office equipment	326 500	532 191	-	-	532 191
- Mayoral Gown	-	1 382	-	-	1 382
- Sports Fields & Recreation Centres	300 000	-	-	-	-
- Community Centres	4 500 000	-	342 059	-	342 059
- Local Economic Development	5 750 000	-	-	-	-
- Computer Equipment	567 000	-	65 000	-	65 000
- Land Fill Sites	300 000	-	263 158	-	263 158
- Upgrading of Taxi and Bus Ranks	4 000 000	-	765 011	-	765 011
- Township Development	-	976 711	-	-	976 711
- Cemetery	100 000	-	-	-	-
- Various Projects	3 150 000	-	-	-	-
- Road Construction – Access Roads	3 000 000	-	613 543	-	613 543
- Road Signs	25 000	4 205	54 352	-	58 557
- Informal traders facilities	-	-	9 537	-	9 537
4 549 845 TOTAL FIXED ASSETS	28 137 166	10 595 232	3 203 082	-	13 798 314
4 549 845 LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	28 137 166	10 595 232	3 203 082	-	13 798 314
3 647 418 Revenue Contributions	16 882 300	8 129 741	-	-	8 129 741
902 427 Grants and Subsidies	11 254 866	2 465 491	3 203 082	-	5 668 573
- NET FIXED ASSETS	-	-	-	-	-

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APPENDIX C: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

Actual 2004 R	INCOME	Actual 2005 R	Budget 2005 R
49 440 418	Government Grants & Subsidies:	47 074 725	45 924 212
41 573 815	Central Government	40 860 258	43 050 212
7 866 603	Provincial Government	6 187 017	2 874 000
-	Other	27 450	-
8 912 016	Operating Income:	5 715 760	3 669 396
1 924 663	Assessment Rates	1 926 117	1 920 000
207 011	Refuse	330 449	483 847
6 780 342	Other Income	3 459 194	1 265 549
-	Transfer from reserves	-	21 712 558
<u>58 352 434</u>	TOTAL INCOME	<u>52 790 485</u>	<u>71 306 166</u>

Actual 2004 R	EXPENDITURE	Actual 2005 R	Budget 2005 R
38 209 070	Total Operational Expenditure:	36 794 054	42 095 343
12 982 770	Salaries, Wages and Allowances	16 858 853	22 053 265
19 059 860	General Expenses	13 589 693	15 899 526
4 423 113	Bad Debts	4 075 931	-
1 743 327	Repairs and Maintenance	2 269 577	4 142 552
<u>4 549 845</u>	Contributions to fixed assets	<u>3 203 082</u>	<u>28 137 166</u>
42 758 915	GROSS EXPENDITURE	39 997 136	70 232 509
<u>42 758 915</u>	NET EXPENDITURE	<u>39 997 136</u>	<u>70 232 509</u>
<u>15 593 519</u>	NET SURPLUS	<u>12 793 349</u>	<u>1 073 657</u>

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APPENDIX D: DETAILED INCOME STATEMENT

2004	2004	2004		2005	2005	2005	2005
Actual income R	Actual expenditure R	Surplus/ (deficit) R		Actual income R	Actual expenditure R	Surplus/ (deficit) R	Budget surplus /(deficit) R
58 352 434	42 758 915	15 593 519	RATES & GENERAL SERVICES	52 790 484	39 997 136	12 793 349	1 073 657
58 145 423	41 974 353	16 171 070	Community services	52 460 036	36 372 186	16 087 850	4 502 920
1 924 663	-	1 924 663	Assessment rates	1 926 117	-	1 926 117	1 920 000
-	-	-	Council	-	4 666 192	(4 666 192)	(5 209 574)
-	-	-	Office of the mayor	-	1 892 916	(1 892 916)	(2 611 632)
-	-	-	Municipal manager	-	2 898 043	(2 898 043)	(7 504 922)
-	-	-	Administration	-	3 993 425	(3 993 425)	(6 609 517)
56 220 760	41 974 353	14 246 407	Finance	50 533 919	7 851 079	42 682 840	55 758 188
-	-	-	Human resources	-	1 784 961	(1 784 961)	(1 722 072)
-	-	-	Local economic development	-	3 442 012	(3 442 012)	(6 236 364)
-	-	-	Land and housing	-	300 969	(300 969)	(365 857)
-	-	-	Community safety	-	4 308 542	(4 308 542)	(1 904 951)
-	-	-	Parks, cemetery and pound	-	376 041	(376 041)	(2 087 889)
-	-	-	Infrastructural development	-	4 858 006	(4 858 006)	(18 922 490)
207 011	784 562	(577 551)	Economic services	330 449	3 624 950	(3 294 501)	(3 429 263)
207 011	784 562	(577 551)	Refuse removal	330 449	3 624 950	(3 294 501)	(3 429 263)
58 352 434	42 758 915	15 593 519	TOTAL	52 790 484	39 997 136	12 793 349	1 073 657

(1 615 956) Appropriations for the year
(refer to note 13)

13 977 563 Net surplus for the year

12 793 349

21 400 016 Accumulated surplus at the beginning of
the year

35 377 579

- Prior year adjustment (Note 12)

468 882

- Restated accumulated surplus at the
beginning of the year

35 846 461

**35 377 579 ACCUMULATED SURPLUS AT THE END
OF THE YEAR**

48 639 810

QAUKENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2005

APPENDIX E: STATISTICAL INFORMATION

GENERAL STATISTICS

1. Population

Age group	Age group as percentage of total	Total Population	Males	Females
0 – 4	14%	35 588	17 809	17 779
5 – 14	32%	82 696	41 047	41 649
15 – 34	30%	77 542	34 601	42 941
35 – 64	18%	45 280	17 023	28 257
65	6%	14 269	4 789	9 480
	100%	255 375	115 269	140 106

2. Assessment rates

2.1 Property valuation and assessment rates

	Valuation as at July 2004 R	Actual income 2004 R
State	17 146 145	325 777
Residential	43 761 749	831 473
Commercial	57 238 763	1 087 537
	118 146 657	2 244 787

General Valuation 1991

Interim valuation 2004

The basic assessment rate is 1.9 cents per rand.

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ANNUAL FINANCIAL STATEMENTS For the year ended 30 JUNE 2005

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2005

APPENDIX E: STATISTICAL INFORMATION (continued)

GENERAL STATISTICS

2. Population

2.2 Number of properties

	Total number of properties	Non valued	Non rated	Net rateable number of sites
Residential property	1 323	190	21	1 112
Commercial property	57	2	-	55
Total	1 380	192	21	1 167