

Ugu District Municipality

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2005

KwaZulu-Natal Government
Provincial Treasury
2005-12-07
PO BOX 3613
PIETERMARITZBURG 3200

UGU DISTRICT MUNICIPALITY

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UGU DISTRICT MUNICIPALITY

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GENERAL INFORMATION

2004/2005

MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr S B Cele (Mayor)
Cllr V L Ntanza (Deputy Mayor)
Cllr Alderman J F de Wet
Cllr M B Khawula
Cllr N A Mhlongo
Cllr R R Pillay (Speaker; Ex-officio)

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

Aqua House, 28 Connor Street, Port Shepstone
P.O. Box 33, Port Shepstone, 4240

MAYOR

Cllr S B Cele

DEPUTY MAYOR

Cllr V L Ntanza

MUNICIPAL MANAGER

K E Mpungose

DEPUTY MUNICIPAL MANAGER

N T Ndelu

MANAGER: INTERNAL AUDIT

T S Masondo

MANAGER: MAYORAL & COMMUNICATION SERVICES

V Mbhele

MANAGER: HIV/AIDS & SPECIAL PROJECTS

M Mnguni

MANAGER: IN THE OFFICE OF THE MUNICIPAL MANAGER

S P Zuma

GENERAL MANAGER: TREASURY

V H Hukum

MANAGER: GRANTS & EXPENDITURE

Vacant

MANAGER: INCOME

C T Wilcocks

MANAGER: EQUITY & ACCOUNTS

S J van Rooyen

GENERAL MANAGER: CORPORATE SERVICES

K D Bhimma

MANAGER: SECRETARIAT, IT & AUXILIARY SERVICES

J E Myers

MANAGER: JOB EVALUATION PROCESS

H E A M Wilcocks

ACTING MANAGER: HUMAN RESOURCES

S D Mbhele

GENERAL MANAGER: PLANNING & ENVIRONMENT

N M Mkhize

MANAGER: IDP, TOURISM & LOCAL ECONOMIC DEVELOPMENT

N Ndonga

MANAGER: PMU

D Govender

MANAGER: PIMSS CENTRE

K J Zulu

MANAGER: LED & TOURISM

P S Watson

GENERAL MANAGER: WATER SERVICES

M N Pawandiwa

MANAGER: SANITATION

G J Smit

MANAGER: WATER SERVICES AUTHORITY

A P A Tanner

MANAGER: WATER SERVICES INCOME

Z Mkhize

MANAGER: MECHANICAL/ELECTRICAL TRANSPORTATION

P F Hart

MANAGER: RETICULATION

J L Anderson

MANAGER: ADMINISTRATION: PARK RYNIE

D I MacIntosh

MEMBERS OF UGU DISTRICT MUNICIPAL COUNCIL

Cllr R R Pillay (Speaker)

Members:

Cllr S B Cele (Mayor; Exco Member)

Alderman J F de Wet (Exco Member)

Cllr N A Mhlongo (Exco Member)

Cllr C H Hartin

Cllr M G Sonwabo

Cllr M O Zama

Cllr S T Gumede

Cllr N A Madlala

Cllr H S Makhanya

Cllr M A Makinyane

Cllr T R Mdubeki

Cllr C B Cele

Cllr B Lubanyana

Cllr I M Mavundla

Cllr M Pillay

Cllr F B Shezi

Cllr S M Zuma

Cllr V L Ntanza (Deputy Mayor; Exco Member)

Cllr M B Khawula (Exco Member)

Cllr C S Zuma

Cllr E M Bux

Cllr J Z Cele

Cllr M K Gumede

Cllr D M M Hlengwa

Cllr J M Madonda

Cllr M V Vezi

Cllr M F Mbele

Cllr T R Mfeka

Cllr D A Ngubo

Cllr P Naidoo (31/08/2004)

Cllr S D Ngcobo

Cllr D Snashall

Cllr S A Zuma

Cllr J J G Potgieter (23/09/2004)

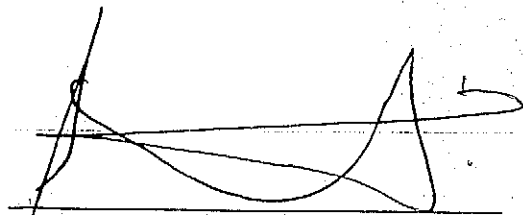
UGU DISTRICT MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS 30 JUNE 2005

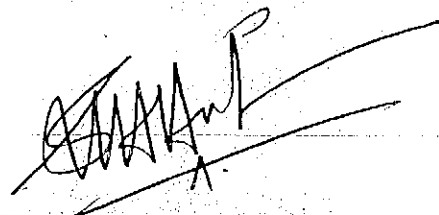
The Annual Financial Statements of the Municipality and all other information presented in this report are the responsibility of management.

Management discharge this responsibility primarily by ensuring the establishment and maintenance of accounting systems and related internal controls. These Annual Financial Statements have been prepared in accordance with the Institute of Municipal Financial Officers standards.

The Annual Financial Statements as set out on pages 6 to 39 were approved by the Municipal Manager and Chief Financial Officer on 29 August 2005 and are certified by them to the best of their knowledge, to be true and fair.



MUNICIPAL MANAGER



CHIEF FINANCIAL OFFICER

UGU DISTRICT MUNICIPALITY

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REPORT FROM THE AUDITOR-GENERAL

AWAITED

UGU DISTRICT MUNICIPALITY

6

REPORT OF THE GENERAL MANAGER: TREASURY FOR THE YEAR ENDED 30 JUNE 2005

It gives me great pleasure to present to Council the financial position of Ugu District Municipality at 30 June 2005 and the results of its operations and cash flows for the year then ended.

The balance sheet at 30 June 2005 indicates an increase in Funds, a decrease in Reserves and an increase in Retained Surplus.

The increase in Funds is ascribed primarily to the contribution to the Capital Development Fund, the decrease in Reserves can be collectively attributed to an increased spending of Grant Reserves, and a R14 million contribution from equitable share to fund free basic water to all standpipes, within the area of jurisdiction of the municipality, has resulted in the increase in Retained Surplus.

The cash flows for the year ended 30 June 2005; reflect a net cash inflow of **R24.87M**. Such inflow was utilised to reduce long-term liabilities amounting to R3.45M; the balance was invested at market related interest rates.

The operating results, as set out below, are explained in detail per operational activity of the municipality.

1. OPERATING RESULTS

Details of the operating results per classification and description of income and expenditure are included in appendices D and E. The applicable statistics are shown in appendix F.

The services offered by Ugu District Municipality, generally cover the following areas:

-	general services:	this entails the management of infrastructure and other grants and the collection of regional services and establishment levies, which are used primarily for infrastructure development, local economic development and tourism marketing and development.
-	economic services:	this entails essentially the construction, operation and maintenance of sanitation schemes located within the jurisdiction of the municipality.
-	trading services:	this entails the construction, operation and maintenance of all water schemes located within the jurisdiction of the municipality.

Each of the aforementioned are closed accounts and are therefore discussed separately.

1.1 General Services

This comprises of Regional Services and Establishment Levies and infrastructure and other grants. It is a closed account.

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	178 844 224	199 641 024	11.62	214 998 145	(7.15)
Expenditure	181 008 590	214 565 720	18.53	214 998 145	(0.21)
Surplus/(deficit)	(2 164 366)	(14 924 696)	-	0	-
Surplus/(deficit) as % of total income	(1.21)	(7.47)	-	-	-

1.1.1 Actual income as compared to budgeted income is as follows:

	R
Levies	(5 084 128)
Grants and subsidies received	30 642 788
Investment income	(90 419)
Sundry	(11 897)
Contribution from prior years Reserves and Funds	(40 813 495)

() - Actual income less than budgeted income.

Levies are calculated by all registered levy payers, and is based on two factors, namely a factor on turnover, and a factor on salaries and wages. The higher these factors, the more levy income is due to the District Municipality. In the 2004/2005 financial year, R5 084 128 less than the budgeted amount was received. This was mainly due to a gradual increase in the legal action, against defaulters, business apathy, the slow process of registration of new consumers, the non-marketing of compulsory registration requirements of new and existing businesses, staff vacancies not being filled timeously, the inflexibility of the levy computer system to generate statistics, and the recent announcement by the Minister of Finance to abolish levies with effect from July 2006.

Grants were received from both Provincial and National Government for specific and general projects during the year. Included in the 2004/2005 actual grants, was an amount of approximately R25.7M which represented monies for drought relief, adhoc Provincial grants, a Flagship Feasibility Project grant, a Harding Weza Pipeline grant, Public Works grant surpluses, and a refurbishment grant, all of which were not budgeted for.

The decrease in investment income is as a result of a fall in interest rates coupled with less funds than anticipated being generated from revenue sources like levies.

1.1.2 Actual expenditure as compared to budgeted expenditure is as follows:

	R
Salaries, wages and allowances	(4 064 673)
General expenses	(2 317 638)
Repairs and maintenance	(33 092)
Capital charges	(3 042 821)
Projects	(5 217 986)
Grants spent	15 353 121
Contributions to capital expenditure	(124 819)
Contributions	(984 519)

() – Actual expenditure less than budgeted expenditure.

The under expenditure of salaries is primarily due to the fact that expenditure was curtailed in anticipation of reduced income from the levy base.

The under expenditure of general expenses is primarily as a result of lower charge out rates from support departments, and a lower than anticipated spending of the MSIG grant.

The under expenditure of capital charges is as a result of not taking up an external loan, for which external interest and redemption provision had been made in the 2004/2005 budget.

The under expenditure of project expenditure is as a result of lower than anticipated charge out costs being received from support departments, and the under spending on the LED budget, disaster management budget, and local functions performed by the district budget. This under spending has curtailed the deficit growth, resulting from the material under recovery of levy income.

The over expenditure of grants is as a result of expending grant monies received during the year, which were not included in the 2004/2005 grant budget, as well as accelerated grant expenditure spending, from previous years reserves and funds.

The under expenditure of contributions to Capital Expenditure is due to the fact that not all assets as per the capital budget were purchased.

The under expenditure of contributions is due primarily to the non provision of audit fees and a lower than budgeted for contribution to the loan redemption fund.

The accumulated results are as follows:

INC-OME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Operating surplus	26 989 019	27 664 580	2.50		
Operating income for the year	178 844 223	199 641 024	11.62	214 998 145	(7.15)
Surplus adjustments	(30 965)	51 885	-		
	205 802 277	227 357 489	10.47	-	-
EXPENDITURE					
Operating expenditure for the year	181 008 590	214 565 720	18.53	214 998 145	(0.21)
Transfer from reserves	(2 870 893)	(5 221 301)	81.87		
Closing surplus	27 664 580	18 013 070	(34.89)		
	205 802 277	227 357 489	10.47	-	-

The position of accumulated funds with regard to meeting project allocations is as follows:

	2003 R	2004 R	2005 R
Funds allocated unspent	5 375 368	11 000 000	10 000 000
Funds unallocated	21 613 651	16 664 580	8 013 070
	26 989 019	27 664 580	18 013 070

1.2 Economic Services

The economic services, which comprises of sanitation schemes, conservancy tank waste removal and other directly related services, are all closed accounts:

1.2.1 Sanitation

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	28 141 403	43 141 259	53.30	49 480 875	(12.82)
Expenditure	33 046 454	43 330 912	31.12	49 480 875	(12.43)
Surplus/(deficit)	(4 905 051)	(189 653)	-	0	-
Surplus/(deficit) as % of total income	(17.43%)	(0.43)	-	-	-

Actual income as compared to budgeted income is as follows:

Income	R
Sewer charges	(6 060 156)
Sundry Income	92 819
Investment income	(372 279)

() - Actual income less than budgeted income.

The under recovery of sewer charges is primarily due to unrealistic information used as a basis for budgeting, as supplied by local municipalities on take over of the sanitation service. During the current year this trend continued, hence the procurement of specialised services to cleanse the current consumer database.

The increase in sundry income results from sewer off-loading charges paid by private contractors, which charges were not budgeted for.

The decrease in investment income is as a result of falling interest rates prevailing in the South African economy during the year.

Actual expenditure as compared to budgeted expenditure is as follows:

	R
Salaries, wages and allowances	(3 896 177)
General expenses	(3 763 200)
Repairs and maintenance	(1 107 476)
Capital charges	(237 840)
Contributions to fixed assets	271 553
Contributions	2 583 174

() - Actual expenditure less than budgeted expenditure.

The under expenditure of salaries is primarily as a result of lesser departmental charge outs being processed to the vote, due to the anticipated under recovery of sewer income.

The under expenditure of general expenses and repairs and maintenance is as a result of the curbing of expenditure in light of lower than expected actual revenue streams.

The under-expenditure of capital charges is primarily due to unrealistic information used, as a basis for budgeting.

The over expenditure of contributions to fixed assets is due to more current income monies being used to finance the replacement of the deteriorated sanitation infrastructure assets.

The over expenditure in contributions is due to an increased contribution to the loan redemption fund and a provision of R2.39M for sanitation doubtful debtors.

The accumulated results are as follows:

INCOME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Opening surplus	2 442 016	0	-	0	-
Operating income for the year	28 141 403	43 141 259	53.30	49 480 875	(12.82)
Sundry adjustments	0	0	-	0	-
Closing deficit	2 463 036	2 674 574	8.58	0	-
	33 046 455	45 815 833	38.64	49 480 875	(7.41)
EXPENDITURE					
Opening deficits	0	2 463 036	-	0	-
Operating expenditure for the year	33 046 455	43 330 912	31.12	49 480 875	(12.43)
Sundry adjustments	0	21 885	-	0	-
Closing surplus	0	0	-	0	-
	33 046 455	45 815 833	38.64	49 480 875	(7.41)

1.3 Trading Services

The trading services which comprises of water schemes, are all closed accounts.

1.3.1 Water

	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Income	129 219 453	141 908 803	9.81	134 387 712	5.59
Expenditure	125 598 200	129 959 496	3.47	134 387 712	(3.30)
Surplus/(deficit)	3 621 254	11 949 307	229.97	0	-
Surplus/(deficit) as % of total income	2.94	8.42	-	-	-

1.3.1.1 The results of the actual against the budget are as follows:

	R
Income from service charges and tariffs	12 918 210
Investment income	(5 450 419)
Rent received	94 015
Sundry	(145 727)
Contributions from prior years Reserves and Funds	0
Water rates, penalties and collection fees	105 012

(-) - Actual income less than budgeted income.

The surplus in income from service charges and tariffs is primarily as a result of a R14 million contribution from equitable share to fund free basic water to all standpipes, within the area of jurisdiction of the municipality. Excluding such contribution, one would note a slight under recovery of budgeted income. This can be ascribed to less water sold than anticipated.

The decrease in investment income is as a result of the higher than expected drop in interest rates.

The increase in rental income is primarily as a result of the under budgeting of Umgeni Water, Vodacom, MTN, and Cell C rental income.

The decrease in sundry income results primarily from a smaller contribution of local government WSA support to the Water Services department to cover operational expenditure.

The increase in water rates, penalties and collection fees results primarily from penalties and collection fees raised, and more than expected rates certificates issued.

1.3.12 The results of the actual against the budget are as follows:

	R
Salaries, wages and allowances	2 581 672
Water purchases	1 692 231
General expenses	3 026 860
Repairs and maintenance	(715 283)
Capital charges	(2 342 608)
Contributions to capital expenditure	(459 074)
Contributions	(8 212 013)

() - Actual expenditure less than budgeted expenditure.

The increase in salaries expenditure is due to excessive overtime being worked and an increased charge out rate being applied to Water Services, due to the increased time spent by politicians and management on material water related concerns.

The over expenditure in water purchases is as a result of approximately R0.5M being paid to eThekweni Municipality for cross-boarder operations that had not been budgeted for. Also, contributing to this over expenditure was the demand placed on the municipality to continue with the supply of water to drought stricken areas, throughout its northern region.

Furthermore, this excess consumption could give indications that leaks, in the reticulation system, are not being located and repaired timeously.

The over expenditure in general expenses is primarily due to the transfer out of audit fees from the provision vote, bad debt write-offs amounting to R1.1M, and an overspending on electricity, materials connection and transport costs.

The under expenditure on repairs and maintenance is due mainly to deliberate prudent expenditure measures undertaken by management resulting in cost savings.

The under expenditure in capital charges is due to the lower actual amounts raised.

The savings in contributions to capital expenditure is due to assets not being purchased or assets purchased being funded from an alternative source.

The under expenditure in contributions is due primarily to the reduction in the provision for doubtful debts.

The accumulated results are as follows:

INCOME	Actual 2004 R	Actual 2005 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/ Budget %
Opening surplus	20 873 271	24 303 607	16.43	0	-
Operating income for the year	129 219 454	141 908 803	9.81	134 387 712	5.59
Sundry adjustments	0	345 029	-	0	-
Closing deficit	0	0	-	0	-
	150 092 725	166 557 439	10.96	134 387 712	23.93
EXPENDITURE					
Opening deficits	0	0	-	0	-
Operating expenditure for the year	125 598 200	129 959 496	3.47	134 387 712	(3.30)
Sundry adjustments	190 918	0	-	0	-
Closing surplus	24 303 607	36 597 943	50.58	0	-
	150 092 725	166 557 439	10.96	134 387 712	23.93

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R15 553 607; 83.39% less than that of the previous year. This percentage is as a result of the 2004 years expenditure incorporating assets taken over from the local municipalities. The actual expenditure is 39.87% less than that budgeted for, and consists of the following:

	2005 Actual R	2005 Budget R	2004 Actual R
Land	0	0	0
Buildings	1 703 250	26 025 500	3 730 686
Roads and storm water drainage	0	0	0
Other infrastructure	9 059 238	7 930 000	12 183 549
Other fixed assets	4 791 119	5 050 500	8 076 599
	15 553 607	39 006 000	23 990 834

Resources used to finance the fixed assets were as follows:

	2005 Actual R	2005 Budget R	2004 Actual R
External loans	153 065	25 000 000	0
Capital development fund	6 400 122	7 000 000	21 057 248
Contributions from operating income	6 502 260	6 814 600	2 933 586
Other internal funds	0	0	0
Contributions: public and state	2 498 160	191 400	0
	15 553 607	39 006 000	23 990 834

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 **R94 612 948** (R98 069 944 in 2004) as set out in appendix B. During the year loans totalling R3 456 996 were repaid.

Long term investments and net cash and bank on 30 June 2005 amounted to **R202 065 487** (R182 844 597 in 2004). Council should therefore be able to meet its obligations in the foreseeable future.

More information regarding loans and investments is disclosed in the notes (3 and 6) and appendix B to the annual financial statements.

4. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in notes 1 and 2 and appendix A of the annual financial statements.

5. POST BALANCE SHEET EVENTS

No material items and/or events, pertaining to the 2004/2005 financial year have occurred subsequent to balance sheet date that warrants reporting on.

6. GENERAL

6.1 Section 12 Notice Notification

In terms of a Section 12 notice, which had arisen as a result of demarcation, total net asset value amounting to R11 156 459 must be transferred from Ugu District Municipality to eThekweni Municipality.

in terms of a Section 12 notice, which had arisen as a result of demarcation, total net asset value amounting to R869 736 must be transferred to Ugu District Municipality from Illembe District Municipality.

6.2 National & Provincial Ministerial Determination of Powers & Functions

In accordance with the division of powers and functions between local and district municipalities as per the Municipal Structures Act 117 of 1998, the function of water and sanitation services vests with Ugu District Municipality, effective from 1 July 2003.

The district municipality is currently in the process of finalising the legal registration process of assets and loans taken over from the affected local municipalities, as per the ministerial determination of powers and functions.

7. **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager, the Deputy Municipal Manager, Heads of Department, management and staff for their unflinching support, given during the course of the 2004/2005 financial year. Appreciation is also expressed to the Auditor-General for their assistance and support during the year under review.



VED H HUKUM
GENERAL MANAGER: TREASURY

UGU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2005

1. Basis of presentation

- 1.1 The Annual Financial Statements have been prepared in accordance with standards as laid down by the Institute of Municipal Finance Officers (IMFO) in its Code of Accounting Practice for Local Authorities in South Africa (1996).
- 1.2 The Annual Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Annual Financial Statements are prepared on the accrual basis;
 - except for levy income which is accounted for on a cash received basis.

2. Consolidation

The balance sheet includes general, economic and trading services and the different funds, reserves and provisions. All inter account charges are set-off against each other.

3. Fixed assets

3.1 Fixed assets are stated:

- at historical cost, or
- at valuation (based on the market value 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 General Manager: Financial Services.

3.2 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. By way of this "provision" assets are written down over their estimated useful life. Apart from external loans and advances from the various internal funds, assets may also be acquired through:

- Appropriations from 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.
- 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 assets are credited to the capital development fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, endowments, grants, donations 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.

4. Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. Funds and reserves

5.1 Capital development fund

The Water Services Ordinance of Natal, requires a minimum contribution of 3,0 percent of the defined expenditure of a water undertaking for the immediately preceding financial year.

5.2 Loans redemption fund

The redemption of local registered stock is provided for by the annual repayment of advances made to the borrowing accounts calculated on the estimated life of assets acquired but subject to a limitation of a maximum of 30 years on the life of any individual asset. Internal loans are repaid in relation to the life of an asset. Redemptions on annuity loans are paid half yearly on an annuity basis.

5.3 Capital reserve

A reserve is being built up with the object of providing capital to meet any possible contingencies.

5.4 Depreciation and renewal fund

The water schemes accumulate funds on assets whose useful life is less than the period of external loans.

5.5 General reserves

Reserves consist of grants and funds received. Such grants and funds are recorded under income in the year of receipt. At a financial year-end any unspent or spent portions of the grants and funds, are transferred to or from the reserve respectively.

6. Retirement benefits

Ugu District Municipality and its employees contribute to the KwaZulu-Natal Joint Municipal Pension and Provident Funds, which provides retirement benefits to such employees.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three years.

7. Post retirement medical aid benefits

It is Council's policy to continue providing their share of medical aid benefits to retired employees. The cost of this contribution is charged against current income as incurred.

8. Surpluses and deficits

Any surpluses or deficits other than funds specifically appropriated, arising from the operation of the general, economic and trading services (as they are closed accounts) are retained in that service for its own future use.

9. Accounting treatment of internal support services

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

10. Leased assets

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

Lease finance charges would be 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 assets concerned.

11. Accounting treatment of investment income

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per circular No. LG 3 of 1991 issued by the Provincial Administration, Community Development Branch.

12. Accounting treatment of deferred charges

12.1 Assets written off prior to the loans financing them are fully repaid.

12.2 Preliminary expenses include pre-production expenses.

13. Income recognition

13.1 Water Billings

Meters on all properties are read and billed monthly.

Accruals are made for water consumed during the financial year but only billed the following year.

13.2 Assessment rates

The Ugu District Municipality applies a flat rating system when the water services assessment rates are levied.

13.3 Sanitation

In respect of consumers who have access to waterborne sewerage, revenue is raised based on a charge linked to land and/or building valuations.

All other related charges are raised in terms of Council's tariffs of charges.

UGU DISTRICT MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2005

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
Accumulated funds	1	254,308,166	251,237,616
Reserves	2	171,635,973	163,344,122
		82,672,193	87,893,494
RETAINED SURPLUS			
		33,923,369	21,840,570
LONG TERM LIABILITIES			
CONSUMER DEPOSITS : SERVICES	3	72,235,552	97,909,216
	4	12,497,101	10,853,395
		<u>372,964,188</u>	<u>381,840,797</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS			
INVESTMENTS	5	142,067,790	151,098,968
LONG TERM DEBTORS	6	20,590,865	24,978,219
	7	0	0
		162,658,655	176,077,186
DEFERRED CHARGES			
		29,731	29,731
NET CURRENT ASSETS			
		210,275,802	205,733,880
CURRENT ASSETS			
		312,146,324	284,804,902
Inventory	8	3,018,917	2,806,187
Debtors	9	127,652,785	122,591,323
Cash and Bank	10	181,474,622	159,407,391
CURRENT LIABILITIES			
Provisions	11	4,245,199	3,906,080
Creditors	12	75,247,927	73,462,420
Bank Overdraft	10	0	1,541,012
Loans : short term portion	3	22,377,395	180,729
		<u>372,964,188</u>	<u>381,840,797</u>


KHAYO E. MPUNGOSE
MUNICIPAL MANAGER

29 AUGUST 2005
DATE


VED H. HUKUM
GENERAL MANAGER : TREASURY

MUNICIPAL ACCOUNTANT

NAME : S J VAN ROOYEN
QUALIFICATION : B Compt. (Hons)
EXPERIENCE : Thirteen Years

UGU DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income	2004 Actual Expenditure	2004 Surplus/ (Deficit)	Note	2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)	2005 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
178,844,224	181,008,590	-2,164,366	GENERAL SERVICES	199,641,021	214,565,720	-14,924,696	0
28,141,403	33,046,455	-4,905,051	ECONOMIC SERVICES	43,141,259	43,330,912	-189,653	0
429,219,454	125,598,200	-3,621,254	TRADING SERVICES	141,908,803	129,958,496	11,949,308	0
<u>336,205,081</u>	<u>339,653,244</u>	-3,448,164		<u>384,691,087</u>	<u>387,856,128</u>	-3,165,041	0
		-897,445	Appropriations for the year			10,026,539	
		2,670,893	Transfer (to) from Reserves			5,221,301	
		-1,474,716	Net surplus/(deficit) for the year			12,082,799	
		23,315,286	Accumulated surplus/(deficit) beginning of year			21,840,570	
		<u>21,840,570</u>	ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR			<u>33,923,369</u>	

UGU DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005	2004
		R	R
CASH RETAINED FROM (UTILISED BY) OPERATING ACTIVITIES:		40,431,185	19,841,505
Cash generated from operations	17	38,250,936	26,707,249
Investment income		9,363,810	13,395,558
(Increase)/decrease in working capital	18	618,510	(21,225,253)
		48,233,256	18,877,554
Less : External interest paid		(9,703,384)	(8,154,313)
Cash available from (utilised by) operations		38,529,872	10,723,241
Cash contributed from the public and State		1,901,313	9,118,265
Net proceeds on disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES		(15,553,607)	(21,866,368)
Investment in Fixed Assets			
NET CASH INFLOW (OUTFLOW)		<u>24,877,578</u>	<u>(2,024,862)</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long term loans	19	(22,377,396)	(1,248,853)
Increase/(decrease) in short term loans	20	18,920,398	(25,057)
(Increase)/decrease in cash investments	21	2,187,662	0
(Increase)/decrease in cash	22	(23,606,243)	3,298,772
		(24,877,578)	2,024,862

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
1. ACCUMULATED FUNDS		
Levy Fund	18,013,070	27,664,590
Capital Development Fund	110,564,085	97,020,659
Loan Redemption Fund	23,400,601	19,000,667
Renewals Fund	2,455,620	2,455,620
Capital Reserve Fund	17,202,596	17,202,596
Total accumulated funds	171,636,973	163,344,122
(Refer to appendix A for more detail)		
2. RESERVES		
Balance at beginning of the year	87,893,494	90,764,387
Net Transfer to (from) Reserves	(5,221,301)	(2,870,893)
Balance at end of the year	82,672,193	87,893,494
Reserves consist of unspent grants and funds:-		
- Land Suitability & Low Cost Housing Grant	49,384	46,283
- Social Empowerment Grant	12,623	11,830
- Equitable Share	19,841,921	32,790,648
- General Grant	820,576	658,935
- MFC and ADTEC Grant	0	(81,994)
- Sports field Grant	171,123	160,378
- Bulk Services Ifafa Mission Grant	7,451	82,803
- Bulk Services Master Plan Grant	1,577	1,478
- PMS (Land Development Objectives)	227,951	242,137
- CMIP (Solid Waste)	2,772,765	2,598,655
- Water Services Development Plan	0	0
- UGH Special Salaries Assistance	32,010	30,000
- Tourism KZN Cultural Village	70,226	65,816
- GIS	232,768	218,152
- UGH Integrated Development Plan	282,317	201,749
- UGH Rural Services Centre	337,383	316,373
- ISWIP Project (DWAF Funded)	0	0
- Pre Paid Meter	32,931	30,863
- Eskom Electrification	0	0
- CMIP Refurbish Gamalakhe Reticulation	157,103	147,238
- CMIP Southern Water Leakage Mgt System	510,504	440,294
- Panel Support - Immediate Capacity Support	134,372	125,934
- Cholera Epidemic Funding	376,929	353,261
- Municipal Infrastructure Grant	24,453,106	0
- Training Fund	525,816	525,816
- Rehabilitation of Oatlands Solid Waste Disposal Site	3,038,736	3,038,736
- RDP Fund (Department of Water Affairs & Forestry)	0	15,383,841
- CBPW Fund (Department of Public Works)	2,002,176	3,962,219
Totals carried forward	55,891,746	61,351,443

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
2: RESERVES (continued)		
Totals brought forward	55,891,746	61,351,443
- Transitional Grant	1,085,304	1,030,721
- CMIP (Solid Waste)	0	0
- Municipal Systems Improvement Grant	5,445,936	2,630,492
- ISRD/ Nodal Development Grant	1,813,442	2,318,054
- Civil Protection	0	9,019
- Transformation Manager Grant	65,147	210,662
- Communication Community Initiative Grant	201,057	424,636
- Municipal Monitoring Systems Grant	453,086	424,636
- CMIP: Hibiscus Coast Municipality	0	0
- CMIP: Umhloni Municipality	0	0
- CMIP: American Board Mission	0	0
- Rural Water Scheme Funding	3,588,509	5,136,007
- Unidentified Grant Deposit	0	0
- Aids: Mayor's Golf Day	14,373	13,471
- Mayor's Bursary Fund	31,448	29,473
- PIMSS Grant	437,801	410,311
- Management Audit	13,758	55,900
- LED Programme	68,099	63,823
- Southbroom Intersection	227,975	644,899
- MIU Study	146,131	0
- Current Public Transport Records Grant	14,482	33,386
- Improvements in Conditions of Service	0	0
- CMIP Projects	0	6,771,309
- Sports & Recreation Grant	2,566,588	2,122,643
- DIMS	166,052	155,625
- Finance Management Grant	934,132	1,037,500
- Disaster Vehicle Grant	47,294	44,324
- Land Use Management Systems Grant	0	79,735
- Mkhunya Taxi Rank Grant	533,500	500,000
- Drought Relief	0	2,395,425
- GIS Grant	206,700	0
- Day of Reconciliation Grant	387,563	0
- Flagship Feasibility Project Grant	1,320,155	0
- Water Learner ship Grant	93,663	0
- Vuna Awards Grant	756,281	0
- Harding Wesa Pipeline Grant	619,095	0
- DPW Phase II	3,105,656	0
- DPW Phase III	2,417,219	0
	<u>82,672,193</u>	<u>87,893,494</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
3. LONG TERM LIABILITIES		
Local registered stock	22,944,081	22,944,081
Other loans	20,000,000	20,000,000
Annuity loans	38,967,157	40,236,492
Short term loans	0	0
Lease commitments	12,701,709	14,889,371
	<hr/>	<hr/>
	94,612,948	98,069,944
Less : Current portion transferred to Current liabilities	22,377,396	160,729
	<hr/>	<hr/>
Local registered stock	0	0
Annuity loans	177,704	160,729
Other loans	20,000,000	0
Short term loans	2,199,692	0
Lease commitments	0	0
	<hr/>	<hr/>
	72,235,552	97,909,216
	<hr/>	<hr/>

(Refer to Appendix B for more details on long term liabilities)

LOCAL REGISTERED STOCK

The loan authority has been approved for a period of 30 years.
The Loan Redemption Fund has been established based on the period of the loan authority.
The loan is not secured by any assets of the UGU DISTRICT MUNICIPALITY.

LEASE COMMITMENTS

The lease commitment represents sale and leaseback agreements of the Lower South Coast Water Treatment Plants and the Uvongo Sewerage Treatment Plant. A twenty year contract period was concluded, effective from 24 March 1986 to 24 March 2006. Rental is calculated at 14 percent semi annually on the amount advanced by ABSA Corporate Bank, on the sale and leaseback, and paid over on the 31 March, 31 May, 30 June, 30 September, 30 November and 31 December of each year. The entire lease amount, which is secured by investments of the UGU DISTRICT MUNICIPALITY is redeemable on 24 March 2006. In terms of powers and functions, further lease commitments were taken over from a local municipality in respect of sanitation vehicles.

OTHER LOANS

The Loan Redemption Fund has been established based on the period of Eleven Years.
The loan is secured by an zero coupon bond with a maturity value of R 20 000 000 on 20 March 2006.

ANNUITY LOANS

The loan authority has been approved for a period of up to 30 years with various interest rates.
The loans are redeemed over the period of the loan authority in equal bi-annual instalments.
The loan is not secured by any assets of the UGU DISTRICT MUNICIPALITY.

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

4. CONSUMER DEPOSITS : SERVICES

Water

2005	2004
12,487,101	10,853,395

Guarantees in lieu of water deposits

542,614	10,848,572
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5. FIXED ASSETS

Fixed assets at the beginning of the year

368,740,215	294,000,861
-------------	-------------

Capital expenditure during the year

(A) 15,553,607	95,826,971
----------------	------------

Less: Assets written off, transferred or disposed of during the year

(B) 0	(21,087,617)
-------	--------------

Total fixed assets

384,293,822	368,740,215
-------------	-------------

Loss: Loans Redeemed and Other Capital Receipts

(242,226,033)	(217,641,247)
---------------	---------------

Net fixed assets

142,067,790	151,098,968
-------------	-------------

Included under Total Fixed Assets are Assets totalling R12 294 027 which have been subject to sale and leaseback agreements.

(Refer to notes 3 and 6 of the Annual Financial Statements for more details.)

(Refer to appendix C and section 2 of the Treasurer's Report for more details on fixed assets.)

(A) The comparative capital expenditure includes an amount of R71 836 136 which represents the historical cost of water and sanitation assets taken over by the Municipality in July 2003 as a result of the ministerial determination of powers and functions. These assets were not revalued at date of take-over as they do not operate in the active market. We estimate that the replacement cost of these assets will far exceed the historical cost.

(B) Comparatives include the historical cost of Cemetery & Landfill sites transferred to local municipalities as per ministerial determination of powers & functions.

6. INVESTMENTS

Unlisted

Long-term fixed deposit

20,590,865	24,978,219
------------	------------

Short-term fixed deposits and call accounts

0	0
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Total investments

20,590,865	24,978,219
------------	------------

Average rate of return on gross investments.

6.70%	8.60%
-------	-------

Included under total investments are amounts totalling R12 294 027 (2004 : R14 481 689) which serve as security for lease commitments of the UGU DISTRICT MUNICIPALITY.

Interest receivable is calculated at 16 percent semi annually on the amounts deposited with ABSA

Corporate Bank and received on 31 March, 31 May, 30 June, 30 September 30 November and 31 December of each year.

(See note 3 of the Annual Financial Statements for more details on the lease commitment.)

No investments have been written off during the year.

7. LONG TERM DEBTORS

There are no long term debtors.

8. INVENTORY

Inventory includes consumable stores. Where necessary specific provision is made for obsolete stock.

3,018,017	2,806,167
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UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
9. DEBTORS		
Current charges (consumer and other)	115,912,512	115,558,777
Other	472,654	643,786
Deposits:	302,657	302,657
RDP Programme (Department of Water Affairs & Forestry)	0	23,610,587
Municipal Infrastructure Grant	26,383,640	0
CBPW Programme (Department of Public Works)	2,011,775	2,369,458
	145,083,238	142,485,266
Less: Provision for doubtful debts	(17,430,454)	(19,893,942)
	<u>127,652,784</u>	<u>122,591,323</u>
Amounts totalling R 182 571 (2004 : R 4 434) were written off as bad debts. This represents 0,75% (2004 : 0,004%) of the total operating income for the year.		
10. CASH AND BANK		
Ugu Cash and Bank	6,946,175	4,164,979
Ugu Bank Overdraft	0	(1,541,012)
Ugu Short term Investments and Call Accounts	127,892,445	110,848,180
RDP Programme (Department of Water Affairs & Forestry)	0	11,164,894
Municipal Infrastructure Grant	46,638,027	0
CMIP Programme	0	27,633,782
CBPW Programme (Department of Public Works)	(25)	5,595,537
	<u>181,474,622</u>	<u>157,866,379</u>
11. PROVISIONS		
Audit fee provision	0	0
Mayor's Fund	0	0
Doubtful debt provision	0	0
Forensic audit provision	0	0
Leave provision	4,245,199	3,906,860
	<u>4,245,199</u>	<u>3,906,860</u>
12. CREDITORS		
Trade creditors	15,806,838	9,750,223
Sundry	10,864,953	20,941,912
RDP Programme (Department of Water Affairs & Forestry)	0	17,905,017
Municipal Infrastructure Grant	48,566,561	0
CMIP Programme	0	20,862,473
CBPW Programme (Department of Public Works)	9,574	4,002,795
	<u>75,247,927</u>	<u>73,462,420</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
13. COUNCILLORS' REMUNERATION		
Mayor's allowance and benefits	392,082	489,334
Deputy Mayor's allowance and benefits	324,827	314,857
Speaker's allowance and benefits	286,598	298,976
Executive committee allowances	994,905	987,873
Councillor's allowances	1,267,689	1,075,490
	<u>3,265,102</u>	<u>3,166,540</u>
14. AUDITORS' REMUNERATION		
Audit fees - current year	(54,781)	569,684
- under provision prior year	0	0
	<u>(54,781)</u>	<u>569,684</u>
15. FINANCE TRANSACTIONS		
Total interest earned or paid:		
Interest earned	9,363,810	15,179,195
Interest paid	16,492,288	13,860,358
Capital charges debited to operating account:		
Interest : External	9,703,384	8,154,313
Internal	6,789,004	5,706,045
Temporary advances	0	1,783,636
Redemption : External	3,456,997	1,233,910
Internal	12,528,685	8,941,938
	<u>32,478,070</u>	<u>25,819,843</u>
16. APPROPRIATIONS		
Appropriation account	21,840,570	23,315,286
Accumulated surplus at the beginning of the year	(3,165,041)	(3,448,164)
Operating (deficit)/surplus for the year	10,026,539	(897,445)
Appropriations for the year :		
Prior year adjustments	375,026	(221,884)
Fixed Assets	0	0
Levies Fund	9,651,510	(675,561)
Contribution to capital development fund	0	0
Transfer (to) / from reserve	5,221,301	2,870,893
	<u>33,923,369</u>	<u>21,840,570</u>
Operating account		
Audit fee provision	(678,923)	569,684
Accounting fee provision	0	0
Chairman's Fund	0	0
Doubtful debt provision	(2,463,498)	4,463,140
Forensic audit fee provision	0	0
Leave reserve	1,940,761	3,073,335
Contributions to Capital Development Fund	4,453,053	3,058,104
Fixed Assets	0	0
Contributions to Renewals Fund	0	0
Contributions to Reserve Fund	0	3,058,104
Loan redemption fund	4,399,933	3,754,575
	<u>7,651,336</u>	<u>17,976,942</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
17. CASH GENERATED BY OPERATIONS		
(Deficit)/surplus for the year	(3,165,041)	(3,448,164)
Adjustments in respect of:		
Previous years' operating transactions	375,029	(221,884)
Previous years' loan redemption fund	0	0
Previous years' fixed assets	10,054,636	17,976,912
Appropriations charged against income:		
Loan Redemption Fund	4,399,933	3,754,575
Capital Development Fund	4,453,053	3,058,104
Depreciation and Renewals Fund	0	0
Contributions to Reserve Fund	0	3,058,104
Fixed Assets	0	0
Provisions and reserves	1,201,650	8,106,159
Contribution to capital expenditure	6,502,251	2,472,403
Capital charges:		
Interest paid:		
on external funds	9,703,384	8,154,313
to internal funds	6,789,004	5,706,045
on temporary advances	0	1,783,636
Redemption:		
of external loans	3,456,997	1,233,910
of internal advances	12,528,686	8,941,938
Investment income:	(7,070,520)	(12,935,980)
Non operating expenditure	(923,499)	(2,955,912)
Expenditure charged against provisions and reserves		
	<u>38,250,936</u>	<u>26,707,249</u>
18. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in Inventory	(212,729)	(903,822)
(Increase)/decrease in Debtors	(2,597,973)	(22,441,191)
Increase/(decrease) in Creditors and Consumer deposits	3,429,212	2,119,780
	<u>618,510</u>	<u>(21,225,233)</u>
19. INCREASE/(DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	(22,377,396)	(1,248,853)
	<u>(22,377,396)</u>	<u>(1,248,853)</u>
20. INCREASE/(DECREASE) IN SHORT TERM LOANS (EXTERNAL)		
Loans raised	22,377,396	160,729
Loans repaid	(3,456,997)	(185,786)
	<u>18,920,399</u>	<u>(25,057)</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
21. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investments realised	2,187,662	0
Investments made	<u>0</u>	<u>0</u>
	<u>2,187,662</u>	<u>0</u>
22. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	157,866,379	161,165,151
Less: Cash balance at the end of the year	<u>181,474,622</u>	<u>157,866,379</u>
	<u>(23,608,243)</u>	<u>3,298,772</u>
23. RETIREMENT BENEFITS		
23.1 The results of the last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Retirement Fund) which covered a triennial period to 31 March 2003 revealed that the fund had a shortfall of R133,145 million. This shortfall will be taken into account in determining future surcharges, which will be met by increased employer contributions.		
23.2 The last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Superannuation Fund) was done at 31 March 2000. This valuation revealed that the fund was in a sound financial condition at that date.		
23.3 The last actuarial valuation of the Natal Joint Municipal Pension Fund (Provident Fund) was done at 31 March 2000. This valuation disclosed that the amount of the members share account was equal to the total of the members full benefits.		
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
24.1 None		
25. CAPITAL COMMITMENTS		
Functions	0	0
Projects	0	0
Other	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
26. CAPITAL DEVELOPMENT FUND		
Outstanding advances	110,564,096	97,020,659
Accumulated fund	<u>65,347,255</u>	<u>70,870,683</u>
Less: Internal Investments	<u>45,216,820</u>	<u>26,149,976</u>
	<u>45,216,820</u>	<u>26,149,976</u>
(See appendix B for more details)		

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005	2004
	R	R
27. LOAN REDEMPTION FUND		
Outstanding advances	23,403,601	19,000,667
Accumulated fund	1,598,846	1,598,846
Less: Internal Investments		
	<u>21,801,754</u>	<u>17,401,821</u>
(See appendix B for more details)		
28. RENEWALS FUND		
Outstanding advances	2,455,620	2,455,620
Accumulated fund	561,706	561,706
Less: Internal Investments		
	<u>1,893,914</u>	<u>1,893,914</u>
(See appendix B for more details)		
29. GRANTS RECEIVED AND GRANTS SPENT		
Included in grants received of Appendix D of the Annual Financial Statements are the following amounts received from the :-		
Department of Water Affairs and Forestry	0	35,214,954
CMIP	0	46,846,248
Municipal Infrastructure Grants	99,485,540	0
Department of Public Works	0	7,645,880
- Community Based Public Works Programme Phase II & III		
	<u>99,485,540</u>	<u>89,707,090</u>
Grants have attracted an amount of R3 186 210 (2004 : R4 280 592), which represents interest received on unutilised funds.		
Council is acting as an Implementing Agent for the National Department of Provincial and Local Government.		
30. REMUNERATION OF SENIOR MANAGERS		
Municipal Manager	737,370	662,319
Deputy Municipal Manager	638,081	618,930
Chief Financial Officer	619,757	589,089
General Manager: Corporate Services	623,866	597,703
General Manager: Water Services	633,854	594,942
General Manager: Planning and Environment	648,551	600,303
	<u>3,901,481</u>	<u>3,663,287</u>

UGU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (continued)

2005

2004

31. POST-BALANCE SHEET EVENTS

31.1 Section 12 notice Allocation

In terms of the section 12 notice, which had arisen as a result of demarcation, total net asset value amounting to R 11 156 459 must be transferred from Ugu District Municipality to eThekweni Municipality.

In terms of the section 12 notice, which had arisen as a result of demarcation, total net asset value amounting to R 869 736 must be transferred to Ugu District Municipality from Ilombe District Municipality.

31.2 National and Provincial Ministerial Determination of Powers and Functions

In accordance with the division of powers and functions between local and district municipalities as per the Municipal Structures Act 117 of 1998, the function of sanitation services vests with Ugu District Municipality as at 1 July 2003. In effect this means that the Hibiscus Coast, Umdoni and Umuziwabantu Municipalities who were performing the function prior to this date would have ceased to perform same as at the effective date and Ugu would assume all responsibility in terms of operations and maintenance.

UGU DISTRICT MUNICIPALITY
ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30/06/2004	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30/06/2005
	R	R	R	R	R	R
ACCUMULATED FUNDS						
Levy Funds	27,664,580	(9,651,510)	0	0	0	18,013,070
Capital Development Fund	97,020,659	4,453,053	9,090,374	0	0	110,564,086
Loan Redemption Fund	19,000,667	4,399,933	0	0	0	23,400,601
Renewals Fund	2,455,620	0	0	0	0	2,455,620
Capital Reserve Fund	17,202,596	0	0	0	0	17,202,596
	<u>163,344,122</u>	<u>(798,523)</u>	<u>9,090,374</u>	<u>0</u>	<u>0</u>	<u>171,635,973</u>
PROVISIONS						
Audit fee provision	0	(678,923)	0	678,923	0	0
Accounting fee provision	0	0	0	0	0	0
Chairman's Fund	0	0	0	0	0	0
Doubtful debt provision	0	0	0	0	0	0
Forensic audit provision	0	0	0	0	0	0
Leave provision	3,906,860	1,940,761	0	0	1,602,422	4,245,199
	<u>3,906,860</u>	<u>1,261,838</u>	<u>0</u>	<u>678,923</u>	<u>1,602,422</u>	<u>4,245,199</u>
RESERVES						
Grants and Funds Unspent	87,093,494	0	3,186,210	168,754,788	177,162,299	82,672,193

UGU DISTRICT MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

	Interest rate	Loan number	Redeemable	Loan authority expires	Balance at	Received	Redeemed or	Balance at
					30/06/2004	during the year	written off during the year	30/06/2005
					R	R	R	R
EXTERNAL LOANS -								
Local registered stock								
Natal Joint Pension Fund	08.75	12	30/09/2003	30/09/2003	0	0	0	0
BM Wood	10.00	69	30/06/2004	30/06/2004	0	0	0	0
CMB Nominees (Pty) Ltd.	16.75	62	31/12/2007	30/01/2020	1,500,000	0	0	1,500,000
Infrastructure Finance Corporation Limited	16.80	A161	30/06/2007	30/06/2007	30,000	0	0	30,000
Infrastructure Finance Corporation Limited	16.80	94	30/06/2007	30/06/2007	1,114,081	0	0	1,114,081
Infrastructure Finance Corporation Limited	15.60	99	30/06/2011	30/06/2011	1,800,000	0	0	1,800,000
Infrastructure Finance Corporation Limited	16.80	A162	30/06/2011	30/06/2011	18,500,000	0	0	18,500,000
					<u>22,944,081</u>	<u>0</u>	<u>0</u>	<u>22,944,031</u>
Other loans								
Standard Corporate & Merchant Bank	16.57	N/A	20/03/2006	25/02/2023	20,000,000	0	0	20,000,000
					<u>20,000,000</u>	<u>0</u>	<u>0</u>	<u>20,000,000</u>
Annuity loans								
Borough of Scottburgh	08.75	N/A	31/12/2003	31/12/2003	0	0	0	0
Development Bank of Southern Africa	10.00	N/A	22/06/2013	22/06/2013	2,205,880	0	160,856	2,045,024
Ex Umdoni Municipality CDF					2,348,939	0	0	2,348,939
Ex Umdoni Municipality PIF					151,021	0	0	151,021
Ex Umdoni Municipality - External Loan					2,600,278	0	160,913	2,439,365
Ex Hibiscus Coast Municipality CDF					5,705,831	0	0	5,705,831
Ex Hibiscus Coast Municipality LRF					138,356	0	0	138,356
Ex Hibiscus Coast Municipality - External Loan					23,547,793	0	902,756	22,645,038
Ex Umuziwabantu Municipality CDF					2,027,784	0	0	2,027,784
Ex Umuziwabantu Municipality - External Loan					1,510,609	0	44,810	1,465,799
					<u>40,236,492</u>	<u>0</u>	<u>1,269,335</u>	<u>38,967,157</u>
Lease Commitments								
Absa Corporate Bank	14.00	N/A	24/03/2006	N/A	14,481,689	0	2,187,662	12,294,027
Ex Hibiscus Coast Municipality					407,682	0	0	407,682
Ex Hibiscus Coast Municipality					0	0	0	0
					<u>14,889,371</u>	<u>0</u>	<u>2,187,662</u>	<u>12,701,709</u>
					<u>98,069,944</u>	<u>0</u>	<u>3,456,997</u>	<u>94,612,948</u>

UGU DISTRICT MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES (continued)

	Interest rate	Loan number	Redeemable	Loan authority expires	Balance at 30/06/2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2005 R
INTERNAL ADVANCES								
L.S.C.R.W.S.C. Renewals Fund	4.00-16.00				561,706	0	0	561,706
L.S.C.R.W.S.C. Loan Redemption Fund	4.00-16.00				1,456,296	0	0	1,456,296
L.S.C.R.W.S.C. Capital Development Fund	9.00				54,842,099	23,033,852	12,528,696	65,347,265
L.S.C.R.W.S.C. CDF to Sewerage Schemes	9.00				1,868,124	0	207,569	1,660,555
U.R.W.S.C. Capital Development Fund	10.00				16,028,584	(16,028,584)	0	0
Sanitation Capital Development Fund	9.00				0	794,438	0	794,438
Uvongo Sewer Scheme Loan Redemption Fund	16.00				142,550	0	0	142,550
					74,899,359	7,799,706	12,736,255	69,962,811

UGU DISTRICT MUNICIPALITY

ANALYSIS OF FIXED ASSETS

Expenditure 2004		Budget 2005	Balance at 30/06/2004	Expenditure 2005	Written off transferred redeemed or disposed of during the year	Balance at 30/06/2005
R		R	R	R	R	R
	GENERAL SERVICES					
2,192,621	Community Services	25,503,002	4,709,667	339,846	0	5,049,513
	ECONOMIC SERVICES					
66,995,236	Sewerage	7,027,000	88,368,403	7,463,125	0	95,831,529
	TRADING SERVICES					
26,639,114	Water	6,476,000	275,662,145	7,750,635	0	283,412,780
95,826,971	TOTAL FIXED ASSETS	39,006,002	368,740,215	15,553,607	0	384,293,822
	LESS: LOANS REDEEMED AND OTHER					
	CAPITAL RECEIPTS		217,641,247	24,584,785	0	242,226,033
	Loans redeemed and advances paid		77,280,346	14,001,078	0	91,281,425
	Contributions ex operating income		10,891,891	6,502,261	0	17,394,151
	Contributions from Reserve Fund		28,571	0	0	28,571
	Connection fees		11,832	0	0	11,832
	Contributions from Renewals Fund		176,452	0	0	176,452
	Compensation future mains		51,000	0	0	51,000
	Developers contribution		26,939,913	3,339,106	0	30,329,018
	Insurance		19,868	0	0	19,868
	Grants and subsidies		100,152,502	692,340	0	100,844,842
	Contributions from Local Authority		2,088,873	0	0	2,088,873
	NET FIXED ASSETS		151,098,968	(9,031,178)	0	142,067,790

UGU DISTRICT MUNICIPALITY

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

2004	Note	2005	2005
Actual		Actual	Budget
R		R	R
INCOME			
97,451,956		125,905,289	112,987,079
20,654,404		22,871,072	27,955,200
150,232,760	29	168,754,788	138,112,000
12,935,980	15	7,070,520	12,983,637
21,146,840		26,104,550	32,164,705
192,775		199,621	105,606
1,052,608		22,906,001	22,970,776
26,883,687		5,332,266	46,145,761
5,654,072		5,546,979	5,441,957
0		0	0
0		0	0
<u>336,205,081</u>		<u>384,691,087</u>	<u>398,866,732</u>
EXPENDITURE			
74,690,499		80,067,857	85,447,034
11,777,872		9,692,231	8,000,000
32,711,202		48,952,527	52,006,504
8,334,281		8,878,149	10,734,000
27,345,037	15	30,546,705	36,171,973
0		0	0
10,992,669		17,701,528	22,919,514
153,103,652		177,162,299	161,809,178
2,591,140		6,502,261	6,814,600
18,106,893	16	8,350,573	14,963,930
<u>339,653,244</u>		<u>387,056,128</u>	<u>398,866,732</u>
<u>(3,448,164)</u>		<u>(3,165,041)</u>	<u>0</u>
			Net surplus/(deficit) for the year

APPENDIX F

UGU DISTRICT MUNICIPALITY

STATISTICAL INFORMATION

	2005	2004	2003
Water Statistics			
Number of users	32,700	32,078	28,116
Units sold	12,144,130	11,723,936	11,306,948
Average price per unit sold	R 10.37	R 8.31	R 8.54
Cost per unit sold	R 11.08	R 10.71	R 7.74
Number of Ratepayers	6,205	6,163	6,393
Flat rate/site	R 787	R 722	R 660
Sewer Statistics			
Cost of purification	R 43,141,259	R 33,046,455	R 6,837,803
Effluent purified-kl/annum	8,676,016	7,887,296	1,129,680
Cost per kilolitre purified-R/kl	R 4.97	R 4.19	R 6.05
Levies Statistics			
Number of levy payers	6,484	5,899	5,913