



UTHUKELA DISTRICT MUNICIPALITY

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MEMBERS OF THE EXECUTIVE COMMITTEE

MAYOR : Mr. S.A. Mvelase
Deputy Mayor: Mr E.S. Zulu
Speaker: G. Singh
Exco Councillor : Mr B.C. Dlamini
Mr Khan
Mr Shelembe
Mr Mnculwane
Councillor : S.M. Sithole
S.I. Sibeko
S.A. Mbongwa
M.M. Mabanga
R. Lees
D.E. Mdunge
V.M. Zimba
B.E. Mabaso
M.S. Magubane
S.P. Hadebe
Z.B. Rassool
A.L. Sibisi
J.K. Kheswa
C.J.S. Nunes
B.H. Sithole
S.N. Zwane
S.A. Jiyane
M. Asmal
I.V.B. Madonsela
L. Chetty
G.N. Mbongwa
J.N. Shabalala
M.V. Madlala

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor - General: Pietermaritzburg

BANKERS

ABSA Bank - Ladysmith

REGISTERED OFFICE

76 Murchison Street
Ladysmith
3370

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Ladysmith
3370

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The annual financial statements set out on pages 3 to 21 were approved by the Municipal Manager on 31 August 2005 and will be presented to the Council for approval on the 30th of September 2005.

MUNICIPAL MANAGER

Mr. S S B Nkehli

CHIEF FINANCIAL OFFICER

Mr. J N Madondo

MEMBERS OF THE UTHUKELA COUNCIL

COUNCILLOR

Councillor : *Speaker*

Councillor : *Mayor*

Councillor :

Councillor :

Councillor :

MAYOR :

Councillor :

Councillor :

Other Councillors:

MAYOR

DEPUTY MAYOR -

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements set out on pages ___ to ___ were approved by the Municipal Manager on _____ and presented to and approved by Council _____.

MUNICIPAL MANAGER

CHIEF FINANCE OFFICER

FOREWORD

The functions of the Council centre towards promoting the interest of its ratepayers, employees residents and customers by striving to render the highest quality of services, advancing the interest of its employees by providing safe, secure and satisfying working environments, maintaining its low cost base for its dominant industrial sector so as to secure and increase employment in the area and contribute to the national objective of economic upliftment.

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MAYOR



CHIEF FINANCIAL OFFICERS REPORT

1) INTRODUCTION

The mission of the Uthukela District Municipality is to improve the general quality of lives of the communities in the Uthukela region by satisfying their basic needs through infrastructural provision and also meet the developmental needs via various programmes whilst ensuring effective local governance.

In pursuit of the above, Council has met extreme financial challenges which in many instances is aggravated by external factors e.g. the changes in powers and functions. However a multi-faceted strategy is being developed/implemented to face up to challenge e.g. Municipal Assistance Programme (MAP) from Provincial Government etc.

The physical take over of the water and sanitation functions have been included in the 30 June 2005 financial statement from the audited information obtained from the local municipalities and Uthukela Water (Pty) Ltd. This take on has imposed added financial pressures to the finances of this Municipality e.g. debtors take over of R30M, thus requiring that we provide for bad debt a provision of R32.9M, which inflates drastic the accumulated deficit resulting in a negative balance sheet among other things.

It is of paramount importance to mention that the disengagement process from Uthukela Water (Pty) Ltd is in progress and is expected to be finalised in the 05/06 financial year.

Resource Support Services realised an actual surplus of R6 412 615 whilst District Water and Sanitation services resulted in a deficit of (R50 158 428) the contributing factors thereto are explained below.

The operating deficit of (R43 745 813) and appropriations of R3 239 468 have resulted in a net deficit of (R40 506 345) which increased the accumulated deficit of (R37 333 616) at 30 June 2004 to R(77 839 961) at 30 June 2005.

2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2005 are as follows :

INCOME	Actual 2003/04 R	Actual 2004/05 R	Variance Actual/ Budget %	Budget 2004/05 R
Opening Surplus	-	-		
Operating Income for the Year	110,603,270	189,043,115	-3.1%	195,130,287
Sundry Transfers	(8,251,592)	3,239,468		
	102,351,678	192,282,583		195,130,287
EXPENDITURE				
Opening Deficit	13,516,217	37,333,616		
Operating Expenditure	126,169,077	232,788,928	-19.3%	195,130,287
Closing Deficit	(37,333,616)	(77,839,961)		
	102,351,678	192,282,583		195,130,287

The operating deficit for the year (R43 745 813) is mainly attributed to the following factors:

- 1) Unforeseen expenditures with regards to;
 - a) Free basic services Indigent costs exEmnambithi/ Ladysmith Municipality R9 477 864
 - b) Provision for bad debts for water debtors taken over from Local Municipalities R 31 779 944
 - c) Water and Sanitation expenditure incurred by Local municipalities and Uthukela Water (Pty) Ltd

It is important to note that these expenditures are still subject to audit and/or verification through various processes.

2.1) RESOURCE SUPPORT SERVICES

	Actual 2003/04 R	Actual 2004/05 R	Variance Actual/ Budget %	Budget 2004/05 R
Income	96,319,874	114,783,369	-5.32%	121,130,287
Expenditure	97,418,041	108,370,754	10.38%	120,358,595
(Deficit)/Surplus	(1,098,167)	6,412,615		771,692
Surplus (Deficit) as % of Total Income	-1.14%	5.59%		0.64%

2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2003/04 R	Actual 2004/05 R	Variance Actual/ Budget %	Budget 2004/05 R
Income	14,283,396	74,259,746	0.35%	74,000,000
Expenditure	28,751,036	124,418,174	-33.93%	74,771,692
<i>Deficit</i>	(14,467,640)	(50,158,428)		(771,692)
Surplus (Deficit) as % of Total Income	-101.29%	67.54%		-1.04%

The District Municipality appointed uThukela Water (Pty) Ltd from the 1st of July 2004 as the Water Services provider for this district. On the 9th of December 2004 this function reverted back to the District Municipality. The Local Municipalities performed the billing and collection functions up to the 30th of June 2005.

3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2004/05	Budget 2004/05
CAPITAL EXPENDITURE		
Resource Support Services	485,583	102,538
Regional Water services	209,103,642	52,991,000
	209,589,225	53,093,538
FINANCING OF THE FIXED ASSETS		
Internal loan Capital Development Fund	294,153	-
Contributions from Current Income	1,640,974	3,752,538
Grants and Subsidies	199,233,065	49,341,000
External Loans	8,342,715	-
DBSA Creditor	78,318	-
	209,589,225	53,093,538

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.

Water and sanitation assets from the local Municipalities has been capitalised during this financial year as is reflected at book value and loan values respectively as supplied by the Local Municipalities.

4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2005 amounted to R 33 792 074 as set out in appendix "B"
Loans totalling R 1 486 032 were repaid during the year.

Investments amounted to R10 233 789 on 30 June 2005.

and at cost plus interest capitalised for others.

The Bank Overdraft on 30 June 2005 amounted to R 14 880 160.

More information regarding loans and investments is disclosed in notes 5 and 7 and appendix B to the financial statements.

5) FUNDS AND RESERVES

The Consolidated Capital Development Fund has increased by R4 086 225 to R 11 603 476. Advances amounting to R 294 153 have been granted to borrowing services while R 699 527 has been repaid and/or written-off. The total advances to borrowing services amounted to R 2 164 843 as at 30 June 2005.

More information regarding funds and reserves is disclosed in notes 1 to 4 and appendix A to the financial statements.

6) GOING CONCERN

The accumulated deficit of R77 839 961 as at 30 June 2005 is addressed via a contribution to prior years deficit as budgetted. The accumulated deficit has increased as a result of the water function takeon and due to unforeseen expenditures, as mentioned in the operating results above
For 04/05 R1 000 000 is provided, whilst in 05/06 financial year an amount of R3 804 355 has been provided in the budget to address the accumulated deficit. Futhermore the municipal assistance program (MAP) has been introduced by provincial government to help address this and the effects of the demarcation board on this council

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillor's, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Treasury Department for their support and loyalty.

CHIEF FINANCIAL OFFICER

DATE :



ACCOUNTING POLICIES

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 Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (5th Edition, as amended).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure as more fully detailed in 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 collectable and measurable.
Expenditure is accrued in the year it is incurred.

2) CONSOLIDATION

The Balance Sheet includes the Resource Support Services, District Water and Sanitation services and the different Funds, Reserves and Provisions. All inter departmental charges are set-off against each other, with the exception of Regional Council levies and subsidies, which is treated as income and expenditure in the respective Departments.

3) FIXED ASSETS

- 3.1 *Fixed assets are stated :*
 - at historical cost, or
 - at valuation (based on market price at date of acquisition).where assets have been acquired by Grant or Donation these assets were capitalised at the the values supplied by the Local Municipalities and to the value of the balance of external loans. Where no values were available, assets were capitalised at a nominal R1-00 value.
- 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. Apart from advances from the various council funds, assets may also be acquired through :

 - appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
 - grants and donations, 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 and insurance claims are credited to the Capital Development Fund.
- 3.4 Capital Assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest on internal loans is charged at a 10% interest rate in the financial year following the purchase and is charged to the service concerned.

4) STOCK

Stock is reflected in the Balance Sheet at the original cost.

5) FUNDS AND RESERVES

5.1 Capital Development Fund

Section 103(9)(b)(l) of the Local Authority Ordinance, 1974 (No.25 of 1974) requires a contribution of not less than 3 per cent of the annual revenue accruing to the borough fund and to the relevant trading funds; provided that when a capital development fund has reached an amount which is sufficient for the councils immediate or foreseeable needs the council may suspend or reduce contributions to the fund for a period as may be approved by the Premier.

5.6 PROVISIONS

Provisions are utilised for the specific purposes and contributions are made from the operating account.

5.7 TRUST FUNDS

Trust funds represents the balance of amounts received less expended for deceased employees and councillors and the amount held in the Premier Fund for special projects.

6) SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of each serve is transferred to the appropriation account.

7) LEASED ASSETS

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

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

8) INVESTMENTS

Investments are shown at original cost and interest capitalised. Investments are made in accordance to councils financial regulations.

For Metropolitan Life Investment Policies which are shown at Actual Surrender values at financial year end

9) INCOME RECOGNITION

9.1 *Water and Sanitation Billing*

Meters are read and billed monthly and income from water and sanitation sales is recognised on the date for such billing.

Levy Assessments.

Estimated assessments are raised for delinquent payers, even though the measurability and collectability of the income is not reasonably assured, due to the ever changing status of most of the levy payers.

10) PROVISIONS

Provisions are established where considered necessary and the basis used to determine contributions is as follows;

Maintenance provision: Contributions are based on current year budgets as deemed necessary unless specifically deemed otherwise.

Leave provision: Leave and pro-rata leave due to all employees is calculated as at the end of the financial year. The value thereof is based at current salary scales as at the end of the financial year.

Bad debt provision: a provision for bad debt has been made to provide for envisaged irrecoverable consumers debtors, sundry debtors and levy debtors.



BALANCE SHEET AS AT 30 JUNE 2005

	<i>Notes</i>	2004/2005 R	2003/2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		31,984,095	8,174,063
Statutory Funds	1	11,603,476	7,517,251
Reserves	2	734,399	656,812
Non-distributable Reserve	3	19,646,220	-
ACCUMULATED DEFICIT	18	(77,839,961)	(37,333,616)
		(45,855,866)	(29,159,553)
TRUST FUNDS	4	1,003,440	781,825
LONG-TERM LIABILITIES	5	30,061,957	25,567,755
		(14,790,470)	(2,809,973)
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	35,956,918	29,427,291
INVESTMENTS	7	10,233,789	7,383,289
LONG-TERM DEBTORS	8	1,132,599	1,789,344
		47,323,306	38,599,924
NET CURRENT LIABILITIES		(62,113,776)	(41,409,897)
CURRENT ASSETS			
		29,726,877	14,752,102
Inventory	9	313,454	103,902
Debtors	10	29,023,406	14,105,253
Cash and cash equivalents	13	5,300	3,800
Short term portion of long-term debtors	8	384,717	539,147
CURRENT LIABILITIES			
		91,840,653	56,161,999
Provisions	11	4,960,685	1,591,881
Creditors	12	68,269,691	31,609,272
Short-term portion of Long-term Liabilities	5	3,730,117	1,367,636
Bank Overdraft	13	14,880,160	21,593,210
		(14,790,470)	(2,809,973)

.....
MUNICIPAL MANAGER

.....
CERTIFIED AS CORRECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

2003/2004 Actual Income <i>R</i>	2003/2004 Actual Expenditure <i>R</i>	2003/2004 Actual Surplus/ (Deficit) <i>R</i>		2004/2005 Actual Income <i>R</i>	2004/2005 Actual Expenditure <i>R</i>	2004/2005 Actual Surplus/ (Deficit) <i>R</i>	2004/2005 Budgeted Surplus/ (Deficit) <i>R</i>
110,603,270	126,169,077	(15,565,807)	<i>District Service</i>	189,043,115	232,788,928	(43,745,813)	-
96,319,874 14,283,396	97,418,041 28,751,036	(1,098,167) (14,467,640)	<i>Resources Support Services District Water and Sanitation</i>	114,783,369 74,259,746	108,370,754 124,418,174	6,412,615 (50,158,428)	771,692 (771,692)
110,603,270	126,169,077	(15,565,807)	TOTAL	189,043,115	232,788,928	(43,745,813)	-
		(8,251,592)	Appropriation for this Year (Refer working papers)			3,239,468	
		(23,817,399)	Net deficit for the Year			(40,506,345)	
		(13,516,217)	Accumulated (Deficit)/Surplus beginning of the year			(37,333,616)	
		(37,333,616)	ACCUMULATED DEFICIT AT END OF THE YEAR			(77,839,961)	

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

	Note/	2005	2004	#
		R	R	
CASH GENERATED IN OPERATING ACTIVITIES		211,486,418	6,162,990	
Cash generated/(utilised) in operations	19	71,064,679	(108,002,215)	
Investment income	17	1,690,334	348,151	
Decrease in working capital	20	30,982,145	9,120,079	
		103,737,158	(98,533,985)	
<u>Less</u> : External Interest Paid	17	(3,186,857)	(2,952,373)	
Cash generated/(utilised) in operations		100,550,301	(101,486,358)	
Cash contributions from the public and the state		110,917,006	107,590,232	
Net proceeds on disposal of fixed assets		19,111	59,116	
CASH GENERATED FROM INVESTING ACTIVITIES		(208,778,050)	(16,418,343)	
Decrease/(increase) in Long Term Debtors		811,175	247,643	
Investments in Fixed assets	6	(209,589,225)	(16,665,986)	
NET CASH INFLOW		2,708,367	(10,255,353)	
Cash effects of financing activities				
Increase/(Decrease) in long-term borrowings	21	6,856,683	(1,436,734)	
(Increase)/Decrease in cash investments	22	(2,850,500)	23,756,407	
(Increase) in cash and cash equivalents	23	(6,714,550)	(12,064,320)	
Net Cash (utilised)/ Generated		(2,708,367)	10,255,353	

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2004/2005 R	2003/2004 R
1) Statutory Funds		
Capital Development Fund RSS	11,603,476	6,620,708
Capital Development Fund Emnambithi	-	896,543
	11,603,476	7,517,251
<i>(Refer to appendix A for more details)</i>		
2) Reserves		
Maintenance Fund	734,399	656,812
	734,399	656,812
<i>(Refer to appendix A for more details)</i>		
3) Non-distributable Reserve		
Water and Sanitation take-on balances	19,646,220	-
	19,646,220	-
This represents the net-effect of the entire Water and Sanitation take-on balances from the Local Municipalities.		
4) Trust Funds		
Estate Late M.N.Sithole	52,901	47,323
Estate Late V.J. Mngomezulu	71,418	65,936
Estate Late J.P. Sokhela	58,555	52,301
Estate Late G. Matatoka	132,569	118,539
Estate Late C. Buthelezi	28,751	25,708
Estate Late S.I.T.Ndlovu	9,682	8,668
Estate Late ZP Mthabela	474,735	424,532
Estate Late NM Khumalo	136,531	-
Premier fund	38,298	38,819
	1,003,440	781,825
<i>(Refer to appendix A for more details)</i>		
5) Long Term Liabilities		
Annuity Loans: DBSA	33,426,432	26,243,434
Lease commitments	365,642	691,957
	33,792,074	26,935,391
Less : Current portion transferred to Current Liabilities		
Annuity Loans: DBSA	3,730,117	1,367,636
Lease commitments	3,464,305	1,252,787
	265,812	114,849
Long term liabilities	30,061,957	25,567,755
<i>(Refer to appendix B for more detail on Long-term Liabilities)</i>		

ANNUITY LOANS

Loans bear an interest rate between 0% and 15.25% per annum and are repayable over periods between five and twenty years. The annuity loans comprises of 6 loans approved by the Development Bank of South Africa namely R 10 522 000 @ 10% and R 310 000 @ semi-floating interest rate for the Emnambithi RWS projects. A loan of R 5 720 000 @ 12% and R 960 000 @ 15.25% for the Emnambithi Reticulation projects, and a loan of the R 5 000 000 @ 12% for the Uthukela Rural Water and Sanitation projects. A loan of R 3 300 000 @ semi-floating interest rate for the Ekuvukeni water meters project. New Loans taken over from the Local Municipalities as a result of the take over of the Water and Sanitation functions for the current year are: Ezakheni Water DBSA ex Ladysmith @ 11% for R 10 617 255 and two DBSA loans for Winterton ex Okhahlamba Local Council 1) @ 13,75% R17 720 and the 2) @ 14.6% R65 000.

LEASES

Leases consist of 6 various vehicle leases. Interest is coupled to the prime lending rate. One lease is for a vehicle transferred to Indaka local municipality.

	2004/2005 R	2003/2004 R
6) Fixed Assets		
Fixed assets at the beginning of the year	132,865,214	155,644,404
Capital Expenditure during the year	209,589,225	16,665,986
Less : Assets written off, transferred or disposed of during the year	634,977	39,445,176
Total Fixed Assets	341,819,462	132,865,214
Less : Loans Redeemed and Other Capital Receipts	305,862,544	103,437,923
Net Fixed Assets	35,956,918	29,427,291
<i>(Refer to Appendix C and Section 3 of the Executive Director Finance's Report for more details on fixed assets)</i>		
7) Investments		
<i>Unlisted</i>		
<i>Fixed Deposit</i>	609,282	713,652
<i>Metropolitan Life Investment policies</i>	9,624,507	6,669,637
	10,233,789	7,383,289
Managements Valuations of Unlisted investments	10,233,789	7,383,289
Average Rate of Return on Investments	12.43%	
The Metropolitan Life Investment Policies amounting to R 7 472 992 are ceded to ABSA Bank as security for Bank Overdraft Facility.		
8) Long Term Debtors		
Deposits	355,205	138,033
Vehicle Loans	1,162,111	2,190,458
Less: Short term portion of of long-term debtors	384,717	539,147
	1,132,599	1,789,344
9) Inventory		
Inventory represents promotional items and chemicals.	313,454	103,902
10) Debtors		
South African revenue services	4,089,807	152,473
Sundry debtors	11,585,339	10,870,764
Advances	61,839	49,318
Group life	82,544	35,000
Deposits		
Consumers & others	46,145,002	1,395,234
Levy debtors	-	1,206,334
Amounts paid in advance	65,108	204,414
Debtors (Projects)	-	548,179
	62,029,639	14,461,716
Less :Provision for doubtful debts	(33,006,233)	(356,463)
	29,023,406	14,105,253
11) Provisions		
Leave Gratuity	4,960,685	1,591,881
<i>(Refer to appendix A for more details)</i>		
12) Creditors		
Imbabazane municipality	(5,127,727)	(4,304,820)
Development Planning projects	(16,122)	(66,518)
KZN C.M.I.P.	-	(44,520)
DWAF	(13,612,074)	(14,178,489)
Social Pilot project	(856,860)	-
Community Based Public Works Programme	(343,793)	(803,092)
Trade Creditors	(10,430,658)	(2,509,995)
Department of Land Affairs	(1,050,923)	(1,297,672)
KZN Projects (Grant Funding)	(1,028,414)	(5,398,803)
PIMMS	(1,663,207)	(714,004)
MIG	-	(1,099,576)
South african Revenue Services	(5,521,148)	-
Uthukela Water (Pty) Ltd	(8,265,439)	-
Sundry	(7,339,757)	(8,854)
Other	(2,965,087)	(1,182,929)
	(68,221,209)	(31,609,272)
Consumer deposits	(48,482)	-
	(68,269,691)	(31,609,272)

	2004/2005 R	2003/2004 R
13) Cash and Cash Equivalents		
Bank Overdraft	14,880,160	21,593,210
Main bank account - overdraft	15,262,251	22,435,120
Less: Community Based Public Works Program account	(343,793)	(803,092)
Bank Premier fund afisun	(38,298)	(38,818)
Cash and Cash Equivalents	5,300	3,800
Cashier float	300	300
Petty Cash	5,000	3,500

The Bank Overdraft above is partially secured by Metropolitan Life Investment policies ceded to ABSA Bank, refer to note 7 above .

	2004/2005 R	2003/2004 R
14) Councillor's Remuneration		
Mayor's Allowance	300,548	322,934
Deputy Mayor's Allowance	256,100	271,912
Councillors	770,900	838,225
Executive Committee	288,791	161,452
Standing Committee	-	2,580
Local municipality Attendance	4,000	224,734
Speaker Allowance	-	24,146
Use of Personal Facilities	28,211	-
Medical Aid Contributions	23,154	36,373
	1,671,704	1,882,356

The salaries, allowances and benefits of political office bearers and councillors of the municipality, are within the upper limits as prescribed by government notice R1097 (Public office bearers Act 20/1998) government gazette No.25265 dated 28July2003

	2004/2005 R	2003/2004 R
15) Remuneration Section 57 Employees		
<i>Annual Package:</i>	4,099,980	
Municipal Manager	794,904	-
Deputy Municipal Manager	735,288	-
Executive Director Corporate Services	548,484	-
Executive Director Technical services	548,484	-
Chief Financial officer	580,284	-
Director Social and Economic Services	446,268	-
Water Services Authority Manager	446,268	-
<i>Performance Bonus:</i>	620,199	
Municipal Manager	120,238	-
Deputy Municipal Manager	111,222	-
Executive Director Corporate Services	82,969	-
Executive Director Technical services	82,969	-
Chief Financial officer	87,769	-
Director Social and Economic Services	67,516	-
Water Services Authority Manager	67,516	-
	4,720,179	

	2004/2005 R	2003/2004 R
16) Auditor's Remuneration		
Audit Fees		
- Current year	748,861	252,237
- Underprovision prior year	168,463	27,874
	917,324	280,111

	2004/2005 R	2003/2004 R
17) Finance Transactions		
Total external interest earned or paid :		
Interest earned	1,690,334	348,151
Interest paid	3,186,857	2,952,373
Capital Charges debited to operating account :		
Interest :	3,424,353	3,233,079
External	3,186,857	2,952,373
Internal	237,496	280,706
Redemption :	1,900,982	2,144,055
External	1,397,559	1,515,052
Internal	503,423	629,003
	5,325,335	5,377,134
18) Appropriations		
Appropriation account :		
Accumulated deficit at the beginning of the year	(37,333,616)	(13,516,216)
Operating Deficit for the year	(43,745,813)	(15,565,807)
Appropriations for the year	3,239,468	(8,251,593)
Transferred to deficit	1,000,000	13,516,217
Prior year adjustments	2,239,468	(21,767,810)
	(77,839,961)	(37,333,616)
Operating account		
Capital Expenditure	1,640,974	64,161
Contributions to :		
Maintenance Reserve	-	30,000
Capital development Fund	3,504,485	1,522,013
Leave gratuity	3,368,804	391,315
Bad debts	32,649,770	78,183
	39,523,059	2,021,511
19) Cash generated/(utilised) by operations		
(Deficit) for the year	(43,745,813)	(15,565,807)
Adjustments in respect of :		
Previous year's operating transactions	3,239,468	(8,251,592)
Appropriations charged against income :	41,164,032	2,085,672
- Capital development Fund	3,504,485	1,522,013
- Reserves	-	30,000
- Provisions	36,018,573	469,498
- Capital Outlay	1,640,974	64,161
Capital Charges	5,206,587	5,236,780
* Interest paid	3,305,605	3,092,725
- To internal funds	118,748	140,352
- On external Loans	3,186,857	2,952,373
* Redemption	1,900,982	2,144,055
- Of internal advances	503,423	629,003
- Of external Loans	1,397,559	1,515,052
Loss on disposal of fixed assets	284,579	-
Investment income charged to operating account	(443,882)	(174,048)
Non operating income	137,764,931	(90,916,040)
- Credited to funds provisions and reserves	171,557,925	464,532
- From grants	(33,792,994)	(91,380,572)
Non operating expenditure	(72,405,223)	(417,179)
- Expenditure charged against Statutory Funds	-	(408,714)
- Expenditure charged against Creditor Reserves	(72,392,408)	-
- Expenditure charged against Trust Funds	(12,815)	(8,465)
Amount To Cashflow Statement	71,064,679	(108,002,214)

	2004/2005 R	2003/2004 R
20) Cash utilised to decrease working capital		
(Increase)/Decrease in Stores	(209,552)	553,457
(Increase) in Debtors	(47,567,923)	(4,801,459)
Increase in Creditors	78,759,620	13,368,081
Amount To Cashflow Statement	30,982,145	9,120,079
21) Increase/(Decrease) in Long term borrowings		
- Loans raised	8,342,715	78,318
- Loans repaid	(1,486,032)	(1,515,052)
Amount To Cashflow Statement	6,856,683	(1,436,734)
22) (Increase)/Decrease in cash investments		
- Investments realised	15,226,942	23,814,036
- Investments made	(18,077,442)	(57,629)
Amount To Cashflow Statement	(2,850,500)	23,756,407
23) (Increase) in Cash and Cash Equivalents :		
- Cash Balance at beginning of year	(21,589,410)	(33,653,730)
- Less: Cash Balance at end of year	(14,874,860)	(21,589,410)
	(6,714,550)	(12,064,320)
24) Contingent Liabilities and Contractual Obligations		
South African Revenue Services pending VAT disallowance	2,990,456	-
	-	-
	2,990,456	-
25) Capital Commitments		
Commitments in respect of capital expenditure: Approved but not contracted for	28,571,392	22,579,913
	28,571,392	22,579,913
This expenditure will be financed from:		
-External Sources	28,571,392	22,579,913
MIG	-	1,099,576
PIMMS	2,106,289	714,004
Grants - KZN	5,454,035	4,824,600
Comm. Based Public Works programme	343,793	803,092
C.M.I.P.	-	44,520
Department of Land Affairs	1,186,904	1,160,666
Department of Water Affairs	13,612,074	13,933,455
DPLG - Drought Relief	4,615,727	
Sports and Recreation	1,252,570	
26) Capital Development Fund		
Outstanding advances to borrowing services	11,603,476	7,517,251
Accumulated Funds	(9,438,633)	(4,947,034)
Less: Invested	2,164,843	2,570,217

(refer to appendix A & B for more detail)

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

UPDATED

	Balance at 2004/06/30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2005/06/30
ACCUMULATED FUNDS						
CAPITAL DEVELOPMENT FUNDS						
Consolidated Capital Development Funds	7,517,251	3,504,485	562,629	19,111	-	11,603,476
Total	7,517,251	3,504,485	562,629	19,111	-	11,603,476
RESERVES						
Maintenance Fund	656,812	-	77,587	-	-	734,399
Total	656,812	-	77,587	-	-	734,399
TRUST FUNDS						
Estate Late M.N.Sithole	47,323	-	5,578	-	-	52,901
Estate Late V.J. Mngomezulu	65,936	-	7,775	-	2,293	71,418
Estate Late J.P. Sokhela	52,301	-	6,254	-	-	58,555
Estate Late G. Matatoka	118,539	-	14,030	-	-	132,569
Estate Late C. Buthelezi	25,708	-	3,043	-	-	28,751
Estate Late S.I.T.Ndlovu	8,668	-	1,014	-	-	9,682
Estate Late ZP Mthabela	424,532	-	50,203	-	-	474,735
Estate Late NM Khumalo	-	146,531	-	-	10,000	136,531
Premier Fund	38,819	-	-	-	521	38,298
	781,826	146,531	87,897		12,814	1,003,440
PROVISIONS						
Leave Gratuity	1,591,881	3,368,804	-	-	-	4,960,685
Total	1,591,881	3,368,804	-	-	-	4,960,685
	10,547,770	7,019,820	728,113	19,111	12,814	18,302,000

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance 2004/06/30	Received during the Year	Redeemed, written off during the Year	Balance 2005/06/30
<i>Is Redeemable</i>				
Finance leases	691,957	-	326,315	365,642
Annuity Loans: DBSA	26,243,434	8,342,715	1,159,717	33,426,432
	26,935,391	8,342,715	1,486,032	33,792,074

INTERNAL ADVANCES TO BORROWING SERV.	Balance 2004/06/30	Received during the Year	Redeemed, written off during the Year	Balance 2005/06/30
Capital Development Fund	2,570,217	294,153	699,527	2,164,843
	2,570,217	294,153	699,527	2,164,843

ANALYSIS OF FIXED ASSETS

Expended 2004	SERVICE	Budget 2005	Balance at 2004/07/01	Expended 2004/2005	Written off, transferred, redeemed or disposed of during the Year	Balance at 2005/06/30
<i>R</i>		<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
16,665,986	GENERAL SERVICES	53,093,538	132,865,214	209,589,225	634,977	341,819,462
16,665,986		53,093,538	132,865,214	209,589,225	634,977	341,819,462
1,644,223	Resources Support Services	102,538	27,523,995	485,583	634,967	27,374,611
15,021,763	District Water and Sanitation Services	52,991,000	105,341,219	209,103,642	-	314,444,851
				-	10	-
16,665,986	TOTAL FIXED ASSETS	53,093,538	132,865,214	209,589,225	634,977	341,819,462
18,410,878	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		103,437,923	202,775,021	350,400	305,862,544
1,041,241	Loans Redeemed		2,995,346	741,265	179,509	3,557,102
64,161	Contributions from Current Income		2,791,646	1,640,974	48,074	4,384,546
16,209,661	Grants and Subsidies		81,036,311	199,233,065	122,817	280,146,559
1,095,815	DBSA Loan redeemed		16,524,681	1,159,717	-	17,684,398
	Proceeds Insurance Claims		79,723	-	-	79,723
	Bank Overdraft		10,216	-	-	10,216
(1,744,892)	NET FIXED ASSETS		29,427,291	6,814,204	284,577	35,956,918

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

<i>Actual 2004</i> R		<i>Actual 2005</i> R	<i>Budget 2005</i> R
110,603,270	INCOME	(189,043,115)	(195,130,287)
18,477,189	-Levy income	(18,179,205)	(15,900,000)
91,380,572	-Grants and Subsidies	(106,012,968)	(114,552,887)
745,509	-Water and Sanitation Sales	(64,246,286)	(64,000,000)
-	-Other income	(604,656)	(677,400)
126,169,077	GROSS EXPENDITURE	232,788,928	195,130,287
24,848,365	- Salaries, Wages and Allowances	43,888,189	48,852,254
26,399,753	- General Expenses	59,663,724	34,343,527
1,222,218	- Repairs and Maintenance	3,994,023	5,488,001
5,407,755	- Capital Charges	4,954,658	9,256,863
64,161	- Contribution to Fixed Assets	1,640,974	3,752,538
1,552,013	- Contributions	40,523,058	3,600,000
66,674,812	- Capital Projects	78,124,302	89,837,104
126,169,077	NET EXPENDITURE	232,788,928	195,130,287

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

2003/2004 Actual Income <i>R</i>	2003/2004 Actual Expenditure <i>R</i>	2003/2004 Actual Surplus/ (Deficit) <i>R</i>		2004/2005 Actual Income <i>R</i>	2004/2005 Actual Expenditure <i>R</i>	2004/2005 Actual Surplus/ (Deficit) <i>R</i>	2004/2005 Budgeted Surplus/ (Deficit) <i>R</i>
96,319,874	97,418,041	(1,098,167)	Resources Support Services	114,783,369	108,370,754	6,412,615	771,692
18,372,995	7,253,314	11,119,681	Council	24,384,190	7,804,015	16,580,175	17,455,291
-	2,914,991	(2,914,991)	Municipal Manager's Office	-	2,803,146	(2,803,146)	(2,843,012)
-	5,509,939	(5,509,939)	Corporate Services	-	5,453,396	(5,453,396)	(5,760,199)
213,915	4,800,236	(4,586,321)	Finance	-	3,950,038	(3,950,038)	(3,833,651)
17,514,716	1,684,689	15,830,027	Levy Collection	18,179,205	1,603,925	16,575,280	14,156,613
-	770,839	(770,839)	Technical Regional, GIS, project management	-	1,715,107	(1,715,107)	(1,819,107)
-	3,288	(3,288)	Van Reenen	-	-	-	0
-	2,002,766	(2,002,766)	Social Economic Services	-	2,318,896	(2,318,896)	(2,538,457)
-	528,299	(528,299)	Craig Roads Depot	-	244,361	(244,361)	(244,361)
-	517,669	(517,669)	Doornkraal Roads depot	-	310,596	(310,596)	(310,596)
-	675,263	(675,263)	Satellite offices	-	586,527	(586,527)	(730,827)
-	823,053	(823,053)	Corporate Social Services	-	149,956	(149,956)	(176,313)
-	744,331	(744,331)	Tourism	-	-	-	-
-	706,454	(706,454)	Tech: Planning & I.T	-	775,771	(775,771)	(959,543)
-	1,590,503	(1,590,503)	Tech:Project management	-	1,990,214	(1,990,214)	(1,896,000)
-	196,527	(196,527)	Technical Local Government Support	-	-	-	-
-	13,968	(13,968)	Water Services Authority	-	540,504	(540,504)	(633,929)
-	7,100	(7,100)	Multi Purpose Community centres.	-	-	-	-
60,218,248	66,674,812	(6,456,564)	Special Projects	72,219,974	78,124,302	(5,904,328)	(9,094,217)
14,283,396	28,751,036	(14,467,640)	TRADING SERVICES:	74,259,746	124,418,174	(50,158,428)	(771,692)
14,207,220	28,480,082	(14,272,862)	District Water and Sanitation	74,259,746	124,418,174	(50,158,428)	(771,692)
11,540,288	23,385,386	(11,845,098)	Water & Sanitation Services	74,259,746	124,418,174	(50,158,428)	(771,692)
-	363,432	(363,432)	Loskop	-	-	-	-
290,765	3,983,788	(3,693,023)	Emnambithi Bulk Supply	-	-	-	-
-	14,768	(14,768)	Langkloof Bulk	-	-	-	-
-	45,240	(45,240)	Tugela estate	-	-	-	-
500,000	182,900	317,100	Umtshezi	-	-	-	-
429,352	-	429,352	Okhahlamba	-	-	-	-
1,446,815	504,588	942,247	Ekuvukeni	-	-	-	-
76,176	270,954	(194,778)	Sewerage	-	-	-	-
76,176	251,629	(175,453)	Ekuvukeni Sewerage	-	-	-	-
-	19,325	(19,325)	Uthukela Sewerage	-	-	-	-
110,603,270	126,169,077	(15,565,807)	TOTAL	189,043,115	232,788,928	(43,745,813)	-
		(8,251,592)	Appropriation for this Year (Refer Note 17)			3,239,468	
		(23,817,399)	Net Surplus (Deficit) for the Year			(40,506,345)	
		(13,516,217)	Accumulated Surplus (Deficit) beginning of the year			(37,333,616)	
		(37,333,616)	ACCUMULATED SURPLUS (DEFICIT) END OF YEAR			(77,839,961)	

STATISTICAL INFORMATION

	2005	2004
a) General Statistics		
(i) <i>Levy tariffs</i>		
Regional Services Levy (% of Salaries, wages and drawings)	0.30%	0.30%
Regional Establishment Levy (% of Turnover excluding VAT)	0.12%	0.12%
(ii) <i>Number of Registered Levy Payers</i>	5602	5602
(iii) <i>Number of Employees</i>	564	229
(iv) <i>Water Tariffs</i>		
Description		
1 <i>Tariff for accessibility to water (occupied and unoccupied)</i>	R20.00/month	
2 <i>Sewer Tariff (Fixed Amount occupied and unoccupied)</i>	R40.00/month	
3 <i>Water tariff for restricted water use (un-metred)</i>	R40.00/month	
4 <i>Sewer tariff for restricted usage (un-metred)</i>	R40.00/month	
5 <i>Servicing sewer conservancy tanks/pits</i>	R50.00/month	
Intergrated Step Tariff		
6 <i>Water tariff for water usage up to 1 000kl</i>	R4.38/kl	
7 <i>Water tariff for water usage above 1 000kl</i>	R1.80/kl	
8 <i>Bulk Raw water supply</i>	R0.85/kl	
9 <i>Bulk Portable water supply (IFC Estate)</i>	R1.60/kl	
10 <i>Emergency Services Connection (excluding emergency services)</i>	R10.00kl	
11 <i>All connections, repairs and work required from Council Domestic</i>	Average Cost + 10%	
12 <i>All connections, repairs and work required from Council other</i>	Cost+10%	
13 <i>Trade Effluent</i>	$R = E \cdot \text{Flow}(35 + (S \times 0.35) + (A \times 0.08))$	
14 <i>Account Deposits</i>	2.5 Times Avg Monthly Account for new and defaulting consumers	