

**AMAJUBA DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2005**

AMAJUBA DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor MS Mlangeni - Mayor
Councillor WJ Schoeman - Deputy Mayor
Councillor HT Coka
Councillor MF Rehman
Councillor AT Zwane

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

ABSA Bank Limited - Newcastle

REGISTERED OFFICE

Ithala Building
B9356
MADADENI
2951

Private Bag 6615
NEWCASTLE
2940

Tel No.(034)314 3759
Fax No.(034)314 3785

COUNCIL MEMBERS OF AMAJUBA DISTRICT MUNICIPALITY

Cllr. GA Mncube - Speaker
Cllr. YI Amod
Cllr. TV Buthelezi
Cllr. P. Croft
Cllr. MS Duma
Cllr. AM Mvemve
Cllr. ME Khoza
Cllr. BZ Maduna
Cllr. MI Dlamini
Cllr. DFR Buthelezi
Cllr. LM Ndlovu
Cllr. E. Sigasa
Cllr. SC Nyembe
Cllr. WZ Radebe
Cllr. TC van Rooyen
Cllr. L. Vundla
Cllr. A. Sithole
Cllr. DL Thwala
Cllr. VP Thwala
Cllr. TC Thungo

MUNICIPAL MANAGER

B S Duma - MSc Development Admin & Planning(London)

CHIEF FINANCIAL OFFICER


Linda Africa - B.Com (UNISWA) LIMFO

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 5 to 29 were received by the Municipal Manager on the 31st of October 2005 and will be presented to and approved by the Council.



MUNICIPAL MANAGER



CHIEF FINANCIAL OFFICER

FOREWORD BY HIS WORSHIP MAYOR MS MLANGENI

It is my pleasure to present the 2004/05 Annual Financial Statements. These statements fairly present the state of affairs of the municipality and its performance as at end June 2005. The Municipal Finance Management Act, 56 of 2003 has introduced a new regime in financial management and reporting for municipalities. The establishment of Uthukela Water entity brought with challenges the extent of which was not fully understood and appreciated until now.

It is against this background and the high staff turn over at management level in the financial services department of the municipality that the financial statements could not be produced on time. Attempts are being made by the municipality to ensure that it adheres to the new compliance regime in terms of financial reporting.

Due credit should go to the staff of Amajuba DM particularly the financial services department who, notwithstanding the challenges already outlined, managed to produce this report on the financial state of affairs in the municipality. Service delivery challenges remain in our communities and it when the finances of the municipality are properly managed, that we would be able to deliver some of the services to beneficiary communities. It is my hope that the new council, when it is installed after the local government, will continue where we would have left off with service delivery.

Cllr MS Mlangeni
Mayor

AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2005

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

On 01 July 2003, in terms of the allocation of powers and functions, Amajuba District Municipality was determined a Water Services Authority. All the water and sanitation services assets and liabilities from the local municipalities were therefore supposed to be transferred to us. With the coming into operation of uThukela Water (Pty) Ltd on 01 July 2004, the water and sanitation assets and liabilities were to be transferred to the newly formed entity. This has, however, not been finalised. The financial statements have therefore been prepared but have not been consolidated to include our portion of uThukela Water.

2. OPERATING RESULTS

Details of the operating 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:

	Actual 2004	Actual 2005	Variance 2004-2005	Budget 2005	Variance Actual/Budget
	R	R	%	R	%
Income					
Opening Surplus/(Deficit)	24,027,393	19,735,583		-	
Operating Income for the year	64,008,286	55,931,860	-12.6%	84,733,655	-34.0%
Sundry Transfers	-	-			
Sub-total	88,035,679	75,667,443	-14.0%	84,733,655	-10.7%
Expenditure					
Operating Expenditure for the year	58,319,325	50,616,652	-13.2%	83,848,575	-39.6%
Sundry Transfers	9,980,770	10,513,034			
Closing Surplus/(Deficit)	19,735,583	14,537,757		885,080	1542.5%
Sub-total	88,035,678	75,667,443	-14.0%	84,733,655	-10.7%

AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2005

2.1 Resource Support Services

	Actual 2004	Actual 2005	Variance 2004-2005	Budget 2005	Variance Actual/Budget
	R	R	%	R	%
Income	27,586,418	55,931,860	102.8%	45,422,834	23.1%
Expenditure	20,398,142	50,616,652	148.1%	39,163,445	29.2%
Surplus / (Deficit)	7,188,276	5,315,208	-26.1%	6,259,389	-15.1%
Surplus as %age of total income	26.1%	9.5%	-25.4%	13.8%	-65.2%

2.2 Economic Services: Sanitation

	Actual 2004	Actual 2005	Variance 2004-2005	Budget 2005	Variance Actual/Budget
	R	R	%	R	%
Income	-	-	#DIV/0!	1,843,670	-100.0%
Expenditure	-	-	#DIV/0!	2,007,884	-100.0%
Surplus / (Deficit)	-	-	#DIV/0!	-164,214	-100.0%
Deficit as %age of total income	#DIV/0!	#DIV/0!	#DIV/0!	-8.9%	100.0%

2.3 Trading Services: Bulk Water

	Actual 2004	Actual 2005	Variance 2004-2005	Budget 2005	Variance Actual/Budget
	R	R	%	R	%
Income	31,738,990	-	-100.0%	31,991,567	-100.0%
Expenditure	36,148,792	-	-100.0%	33,095,284	-100.0%
Surplus / (Deficit)	-4,409,802	-	-100.0%	-1,103,717	-100.0%
Deficit as %age of total income	-13.9%	#DIV/0!	100.0%	-3.5%	100.0%

2.4 Trading Services: Water Reticulation

	Actual 2004	Actual 2005	Variance 2004-2005	Budget 2005	Variance Actual/Budget
	R	R	%	R	%
Income	4,682,878	-	-100.0%	5,475,584	-100.0%
Expenditure	4,772,392	-	-100.0%	9,581,962	-100.0%
Surplus / (Deficit)	-89,514	-	-100.0%	-4,106,378	-100.0%
Surplus as %age of total income	-1.9%	#DIV/0!	100.0%	-75.0%	100.0%

3. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R45 985 472, 72.5% more than the previous year due to an increase in infrastructure projects.

AMAJUBA DISTRICT MUNICIPALITY

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The expenditure consists of the following:

	Actual 2005	Budget 2005	Actual 2004
	R	R	R
Furniture & Equipment	703,599	578,300	889,486
Vehicles	-	400,000	724,823
Infrastructure Projects	-	6,785,000	-
Water Projects	-	20,316,000	8,132,881
Land & Buildings	3,194,326	1,400,000	-
	3,897,925	29,479,300	9,747,190

A complete analysis of capital expenditure is included in Appendix C.

Resources used to finance the fixed assets were as follows:

	Actual 2005	Budget 2005	Actual 2004
	R	R	R
Revenue Contributions	3,654,799	578,300	745,496
Grants & Subsidies	243,127	21,716,000	9,001,694
Consolidated Capital Development Fund	-	6,785,000	-
Maintenance Provision	-	-	-
Finance Leases	-	400,000	-
	3,897,926	29,479,300	9,747,190

More details regarding external loans, internal advances and other sources of financing used to finance fixed assets are shown in Appendices B and C respectively.

AMAJUBA DISTRICT MUNICIPALITY

30 JUNE 2005

4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2005 amount to R300 515 (R36 888 935 in 2004) as set out in note 4 and Appendix B. External loans amounting to R36 339 399 were transferred to uThukela Water

Investments and cash as at 30 June 2005 amount to R57 103 658 (R41 368 350 in 2004)

5. FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and provisions is set out in Appendix A.

A contribution of 3% of total income was made to the capital development fund and 50% of the interest earned by the capital development fund was transferred back to the operational services in terms of the Local Authorities Ordinance of 1974, Act No. 25 of 1974.

An amount of R13 555 368 was contributed to reserves during the year under review. The provision for leave payments was increased to R668 903 (R946 093 in 2004). An amount of R617 827 was transferred to uThukela Water as part of the transfer of water and sanitation assets & liabilities.

6. REVIEW OF POST BALANCE SHEET EVENTS

The water and sanitation assets and liabilities must be transferred to uThukela Water (Pty) Ltd on the 01st July 2004 in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the four WSAs being uMzinyathi District Municipality, Amajuba District Municipality, uThukela District Municipality and Newcastle Local Municipality.

With Newcastle being designated a water services authority, the Ngagane water plant which forms a major portion of the water assets and liabilities must be transferred to Newcastle at 01 July 2005. This will have a significant impact on the shareholding of Amajuba DM at uThukela Water.

The income, expenditure, assets and liabilities in respect of our portion of uThukela Water will be consolidated into our books once the transfer process as detailed above has been finalised.

7. APPRECIATION

I would like to thank the Mayor, the Deputy Mayor, the Speaker, Members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support they have given me and my personnel during the year.

LINDA AFRICA B.COM RMA LIMFO
ACTING CHIEF FINANCIAL OFFICER
UMZINYATHI DISTRICT MUNICIPALITY

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 for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd 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 3. The accounting policies are consistent with those applied in the previous year, except otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
 - Income is accrued when collected and measurable
 - Levy income is accrued when received.
 - Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes the Resource Services, Regional Water Services and the different funds, provisions and reserves.
All inter-departmental 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 price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use.

3.2 Depreciation

The balance shown against the heading "loans redeemed and other receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of the "provision" assets are written down over their estimated useful life. Apart from advances from the various Council Funds assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and it is therefore 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 Sale of fixed property

All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

3.4 Financing

Fixed assets are financed from different sources including external loans, operating income, endowments and internal advances.

These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the services concerned at the ruling interest rate applicable at the time the advance is made.

3.5 Inventory

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

4. FUNDS AND RESERVES

4.1 Consolidated Capital Development Fund

Legislation requires a contribution of at least 3% of the annual revenue accruing to the borough fund and to the relevant trading funds, provided that when a capital development fund which is sufficient for the council's immediate or foreseeable needs, the council may suspend or reduce contributions into such a fund.

4.2 Loans Redemption Fund

A loan from INCA was raised and portion of the loan was invested to ensure that sufficient capital is available, in the investment on maturity of the loan.

A Loan Redemption Fund has been established where the interest accruing to the investment is brought to account on an annual basis.

4.3 Disaster Management Fund

This fund is established from contributions from the council and the purpose is to render emergency assistance to vulnerable residents during and within the recovery period after disasters.

4.4 Other Reserves

All other reserves are established from grants received and are utilized to assist local municipalities with operating and capital expenditure. The district municipality also utilize a portion of the reserve for own operating and capital expenditure.

5. SURPLUSSED AND DEFICITS

Any surpluses or deficits arising from the operation of each service are retained in that service for its own use.

6. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services is transferred to the various services.

7. LEASED ASSETS

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

- Lease finance charges are allocated to the 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 relating to the period of use of the assets concerned.

8. INVESTMENTS

Investments are shown at a lower cost or market value if a permanent decline in the value occurred and are invested in accordance with Section 125 of the Local Authorities Ordinance 1974 (no. 25 of 1974) and in terms of the KwaZulu Natal Joint Services Act(No. 84 of 1990).

9. INCOME RECOGNITION

9.1 Water Billing

Meters are read and billed monthly and income from water sales is recognised simultaneously with the raising of the levies.

9.2 District Municipality Levy Assessments

Levies are raised simultaneously with the receipt of payment by the levy payer.

10. PROVISIONS

Provisions are established where considered necessary.

11. RETIREMENT BENEFITS

The Council and its employees contribute to the Natal Joint Municipal Pension Funds, which provide retirement benefits to such employees.

The retirement benefit plans are subject to the Pension Funds Act, 1956, with pensions being calculated on the final annual 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 charged to operating income by way of increased contributions usually within five to seven years or such other period recommended by the actuary. Favourable experience adjustments are retained in the retirement plan. Full actuarial valuations are performed every three years.

AMAJUBA DISTRICT MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2005

	<u>Note</u>	2005 <u>R</u>	2004 <u>R</u>
CAPITAL EMPLOYED			
FUNDS AND RESERVES		19,857,038	39,858,864
Accumulated funds	1	8,896,467	23,142,567
Reserves	2	10,960,571	16,716,297
ACCUMULATED SURPLUS	16	14,537,757	19,735,583
		34,394,795	59,594,447
LONG TERM LIABILITIES	3	107,797	36,459,216
CONSUMER DEPOSITS	11	0	9,500
		34,502,592	96,063,163
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	1,391,110	36,503,751
INVESTMENTS	5	6,254,665	6,254,665
LONG TERM DEBTORS	6	102,553	4,659,786
		7,748,329	47,418,202
NET CURRENT ASSETS		26,754,263	48,644,961
CURRENT ASSETS		52,705,502	61,590,442
Stock	7	0	0
Debtors	8	1,856,509	7,077,654
Long Term Debtors - short term portion	6		106,209
Investments	5	34,257,197	35,113,685
Cash	21	16,591,796	19,292,894
CURRENT LIABILITIES		25,951,239	12,945,481
Provisions	9	668,903	946,093
Creditors	10	25,089,619	11,569,669
Loans - short term portion	3	192,717	429,719
		34,502,592	96,063,163

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

Actual Income	2004 Actual Expenditure	Surplus/ (Deficit)		Actual Income	2005 Actual Expenditure	Surplus/ (Deficit)	2005 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
27,586,418	20,398,142	7,188,276	RESOURCE SUPPORT SERVICES	55,931,860	50,616,652	5,315,208	6,259,389
0	0	0	ECONOMIC SERVICES: SANITATION	0	0	0	0
31,738,990	33,148,782	(1,409,802)	TRADING SERVICES: BULK WATER	0	0	0	0
4,682,878	4,772,392	(89,514)	TRADING SERVICES: WATER RETIC	0	0	0	0
<u>64,008,286</u>	<u>58,319,326</u>	<u>5,688,960</u>	TOTAL	<u>55,931,860</u>	<u>50,616,652</u>	<u>5,315,208</u>	<u>6,259,389</u>
		(9,980,770)	Appropriations, for the year (refer to note 15)			(10,513,034)	
		<u>(4,291,810)</u>	Net surplus/(deficit) for the year			<u>(5,197,826)</u>	
		24,027,393	Accumulated surplus beginning of the year			19,735,583	
		<u>19,735,583</u>	ACCUMULATED SURPLUS / (DEFICIT) END OF THE YEAR			<u>14,537,757</u>	

AMAJUBA DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES:			
		192,361	6,391,764
Cash generated by operations	17	(11,194,148)	(5,178,754)
Investment income	15	3,202,720	4,246,156
(Increase) / Decrease in working capital	18	(3,988,074)	13,029,506
		(11,979,502)	12,096,908
LESS : External interest paid		51,324	(5,705,144)
Cash available from operations		<u>(11,928,178)</u>	<u>6,391,764</u>
Cash contributions from the public and State		12,120,539	0
Proceeds from the disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES:			
		(3,897,926)	(745,496)
Investment in fixed assets	4	(3,897,926)	(745,496)
NET CASH FLOW			
		<u>(3,705,565)</u>	<u>5,646,268</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in long-term loans	19	(249,021)	(412,220)
Investment written-off	5 / 16	0	0
(Increase) / decrease in cash investments	20	1,253,487	(9,731,552)
(Increase) / Decrease in cash on hand and at bank	21	2,701,098	4,497,504
NET CASH GENERATED		<u>3,705,564</u>	<u>(5,646,268)</u>

AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
1. ACCUMULATED FUNDS		
Consolidated Capital Development Fund	8,896,467	16,887,902
Loans Redemption Fund	0	6,254,665
	0	0
(Refer to appendix A for more detail)	<u>8,896,467</u>	<u>23,142,567</u>
2. RESERVES		
Intergrated Development Plan Fund	0	10,502,934
Professional Assistance	351,217	351,217
Department Public Works	0	310,823
Local Municipalities: IDP Compilation	168,931	168,931
CMIP Amounts received in advance	418,512	3,223,424
MUNICIPAL ASSISTANCE PROGRAM	237,921	555,285
DEPT OF SPORTS & RECREATION	1,267,825	937,920
Public Transport Grant	308,503	598,466
Disaster Management Fund	67,297	67,297
ISWIP PROGRAM	122,245	0
WSDP GRANT PROJECT	258,374	0
DWAF EMERGENCY INTERVENT	101,570	0
DISASTER RELIEF GRANT	2,449,426	0
IMPLEMENT OF SERVICE DELIVER	280,000	0
FACILIT OF BACKLOG STUDY	140,433	0
MIIP IMPLEMENTATION PLAN	220,000	0
DWAF REFURBISHMENT GRANT	746,520	0
AMATUNGWA LAND REFORM	116,215	0
INKLULULEKO YOMPAKATHI LD	802	0
GIS SUPPORT GRANT	95,577	0
PLANNING SUPPORT GRANT	147,591	0
PMIS CENTRE GRANT	291,538	0
RURAL SERVICE CENTRE GRA	450,000	0
IDP REVIEW GRANT	39,428	0
DIMMS-DISTRICT INFORM MANAGE	350,000	0
MUNICIPAL MONITORING SYS	70,985	0
MUNICIPAL FINANCE MANAGEMENT	250,000	0
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	1,335,665	0
DISASTER MANG-VEHICLE	24,467	0
DISASTER MANG-CIVIL PROT	16,471	0
DISASTER MANAGEMENT CENTRE	293,037	0
DISASTER MANAGEMENT FORUM	50,000	0
DISASTER MANAGEMENT PLAN	290,000	0
(Refer to appendix A for more detail)	<u>10,960,571</u>	<u>16,716,297</u>
3. LONG TERM LIABILITIES		
Annuity loans	0	22,442,750
Finance leases	300,514	549,536
Local registered stock	0	0
Other loans	0	13,896,649
	<u>300,514</u>	<u>36,888,935</u>
Less: Current portion transferred to		
Current liabilities	192,717	429,719
Annuity loans	0	144,484
Finance leases	192,717	246,495
Local registered stock	0	0
Other loans	0	38,740
(Refer to appendix B for more detail on long term liabilities)	<u>192,717</u>	<u>429,719</u>
	<u>107,797</u>	<u>36,459,216</u>

The finance leases are secured by assets of Amajuba District Municipality as reflected in note 4.

AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
4. FIXED ASSETS		
Fixed assets	109,470,427	99,773,764
Capital outlay during the year	3,897,926	9,747,189
Less : Assets written off, transferred or disposed of during the year	97,872,202	50,526
Total fixed assets	<u>15,496,151</u>	<u>109,470,427</u>
Less : Loans redeemed and other capital receipts	14,105,040	72,966,676
Net fixed assets	<u>1,391,110</u>	<u>36,503,751</u>

Fixed assets totalling R300 515 (2004: R549 536) have been provided as security for finance leases. (Refer note 3)

(Refer to appendix C and section two of the Treasurer's Report for more detail on fixed assets)

5. INVESTMENTS

Unlisted :		
Long term deposits	6,254,665	6,254,665
Call deposits	34,257,197	35,113,685
Total investments	<u>40,511,862</u>	<u>41,368,350</u>
Managements' valuation of unlisted investments.	<u>40,511,862</u>	<u>41,368,350</u>
Average gross rate of return on investments	8%	6%

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

Investments valued at R14 608 744,05 included in the total investments figure have been earmarked to be transferred to uThukela Water as part of the transfer of water and sanitation assets and liabilities.

A financial institution at which Council has invested surplus funds at 30 June 2005 of R2 057 908 (2004 : R2 149 251) was placed under receivership. At present the recoverability of this investment is uncertain. No provision has been made in this regard.

6. LONG TERM DEBTORS

Car loans	0	135,869
LESS: Provision for doubtful debts	<u>0</u>	<u>0</u>
	0	135,869
Inter-authority Loans: uMzinyathi District Municipality	0	4,490,519
Study Loan	<u>102,553</u>	<u>139,607</u>
	102,553	4,765,995
LESS: short-term portion	0	106,209
	<u>102,553</u>	<u>4,659,786</u>

Amounts totalling R NIL (2004 - R NIL) were written off as bad debts.

7. STOCK

Stock represents consumable stores.
Where necessary, provision is made for obsolete stock.

<u>0</u>	<u>0</u>
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AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
8. DEBTORS		
Consumer debtors	0	5,182,495
Levy Debtors	20,570	11,842
Suspense & Sundry Debtors	854,237	275,520
Inter-authority debtors	0	0
Staff debtors	0	0
Dicks OOMM	0	4,800
NWC Networks	0	987,846
Deposits	0	58,143
Short-term portion of long-term debtors	0	106,209
Receiver of Revenue - Value added tax	1,007,694	1,829,066
LESS: Provision for doubtful debts	(25,991)	(1,396,997)
	<u>1,856,509</u>	<u>7,058,924</u>
Consumer (Water) debtors were transferred to uThukela Water during the year.		
Bad debts totalling R NIL (2004: R1 006 165) were written-off in 2005		
Debtors written off as a percentage of operating income	0%	2%
Number of days consumer debtors outstanding	#DIV/0!	0
Consumer Debtor Ageing :		
Current & 30 days	0	3,071,826
60 days & more	0	2,122,511
	<u>0</u>	<u>5,194,337</u>
9. PROVISIONS		
Leave pay	668,903	946,093
(Refer to appendix A for more detail)	<u>668,903</u>	<u>946,093</u>
10. CREDITORS		
Trade Creditors and accruals	3,585,186	9,799,038
Other creditors & deposits	3,545,928	5,438
Pension buy-off	101,877	101,878
Inter-authority Creditors	0	374,369
Land Reform	0	181,843
Retentions	724,414	478,338
Receiver of Revenue - Value added tax	0	628,765
uThukela Water - Water & Sanitation Transfer	17,132,213	
	<u>25,089,619</u>	<u>11,569,669</u>
11. CONSUMER DEPOSITS		
	<u>0</u>	<u>9,500</u>
There were no guarantees in lieu of deposits.		
12. LEVY INCOME		
Basic rate		
Regional Establishment Levy (% of turnover excluding VAT)	0.12%	0.12%
Regional Services levy (% of salaries, wages & drawings)	0.30%	0.30%
	R	R
Levy income		
Regional Establishment Levy	17,376,107	14,692,230
Regional Services levy	6,840,364	6,499,248
Interest Received	468	0
	<u>24,216,939</u>	<u>21,191,478</u>

AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
13. COUNCILLORS' REMUNERATION		
Mayor's allowance	229,664	245,083
Deputy Mayor's allowance	174,238	210,937
Speaker's allowance	174,238	193,063
Executive committee allowances	477,130	540,165
Members' allowances	1,093,640	1,021,847
Local Authority attendance fees	26,697	0
Medical aid contributions	2,028	0
Pension fund contributions	15,558	0
	<u>2,193,192</u>	<u>2,211,095</u>
14. AUDITORS' REMUNERATION		
Audit fees	<u>613,379</u>	<u>342,519</u>
15. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	3,202,720	4,246,156
Interest paid	<u>51,324</u>	<u>5,705,144</u>
Capital charges debited to operating account:		
Interest :		
External	51,324	5,705,144
Internal	135,000	178,737
Redemption :		
External	249,021	412,220
Internal	369,742	142,626
Proir year adjustment	0	0
	<u>805,088</u>	<u>6,438,727</u>
16. APPROPRIATIONS		
<u>Appropriation account</u>		
Accumulated surplus / (deficit) at the beginning of the year	19,735,583	24,027,393
Operating surplus / (deficit) for the year	5,315,208	5,688,960
Appropriations for the year	<u>(10,513,034)</u>	<u>(9,980,770)</u>
Prior year expenditure	(464,048)	
Cancelled cheques written back	0	108,341
Salaries	(103,761)	(25,493)
Provision for Bad Debts	(799,400)	(1,396,997)
DBSA Loan	194,869	(29,981)
Creditors Adjustments	247,002	(670,389)
Write-off of Debtors/Creditors	122,986	(1,006,165)
uMzinyathi income	(223,487)	(160,733)
Audit Provision Correction	(4,220)	(49,530)
DWAF Interest Provision correction	(35,797)	824,744
Councillor Pension fund		(143,400)
Audit Query correction		246,579
Income prior year: projects		(7,305,031)
RD Corrections		(39,587)
Income correction		(475,070)
VAT Corrections		141,942
Appropriation - Building Renovation	(9,000,000)	
Prior year Grant income correction	(465,632)	
Credit Card corrections	(11,183)	
Cancelled orders	29,636	
	<u>14,537,757</u>	<u>19,735,583</u>
<u>Operating account</u>		
Capital expenditure	3,654,799	745,496
Contributions to provisions:	340,637	10,715
Maintenance provision	0	0
Leave pay	<u>340,637</u>	<u>10,715</u>
Contribution to Consolidated Capital Development Fund	1,677,956	1,920,248
Disaster Management	0	0
	<u>5,673,392</u>	<u>2,676,459</u>

AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
17. CASH GENERATED BY OPERATIONS		
Surplus / (deficit) for the year	5,315,208	5,688,960
Adjustments in respect of:		
Previous years' operating transactions	(562,234)	(10,981,206)
Appropriations charged against income:	5,673,392	2,676,459
Consolidated Capital Development Fund	1,677,956	1,920,248
Provisions	340,637	10,715
Doubtful debts	0	0
Depreciation and renewals fund	0	0
Fixed Assets	3,654,799	745,496
Capital charges :	805,088	6,438,727
Interest paid :		
- to internal fund	135,000	178,737
- on external loans	51,324	5,705,144
Redemption :		
- of internal advances	369,742	142,626
- of external loans	249,021	412,220
Investment income (operating account)	0	0
Other income	0	0
Non-operating expenditure :		
Expenditure charged against Accumulated funds and reserves	(22,425,602)	(9,001,693)
	<u>(11,194,148)</u>	<u>(5,178,753)</u>
18. (INCREASE) / DECREASE IN WORKING CAPITAL		
Decrease / (Increase) in stock	0	287,452
Decrease in debtors	5,221,145	13,545,525
Decrease in creditors	(13,519,950)	(803,471)
Decrease in long-term debtors	4,557,233	0
Decrease in consumer deposits	(9,500)	0
Decrease in short-term portion of long-term liabilities	(237,002)	0
	<u>(3,988,074)</u>	<u>13,029,506</u>
19. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans redeemed	(249,021)	(412,220)
	<u>(249,021)</u>	<u>(412,220)</u>
20. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments made	0	(9,731,553)
Investments realised	1,253,487	0
	<u>1,253,487</u>	<u>(9,731,553)</u>
21. (INCREASE) / DECREASE IN CASH ON HAND AND AT BANK		
Cash balance: beginning of the year	19,292,894	23,790,398
Less: Cash balance end of the year	16,591,796	19,292,894
	<u>2,701,098</u>	<u>4,497,504</u>

AMAJUBA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
22. RETIREMENT BENEFITS		
<p>Employees belong to the following funds within the Natal Joint Municipal Pension Fund which provides retirement benefits to such employees.</p> <p>(i) Natal Joint Municipal Pension Fund (retirement)</p> <p>(ii) Natal Joint Municipal Pension Fund (superannuation).</p> <p>(ii) Natal Joint Municipal Pension Fund (provident).</p> <p>The retirement plan is subject to the Pension Funds Act, 1956.</p>		
<p><u>Retirement Fund</u></p> <p>An actuarial valuation of the the Natal Joint Municipal Pension Fund (Retirement) was conducted as at 31 March 2002. The value of the assets taken at full market value was less than the liabilities by R103 431 000 (the fund did not hold an "Investment Reserve"). There was a surplus of R29 714 000 in the Memorandum Account and a shortfall of R133 145 000 in the balance of the Fund which requires additional corrective measures to be taken. The overall position of the fund has improved in that the funding level has increased from 73,2% to a current level of 83,9%.</p> <p>Basic contributions for future service exceeded that required by 2,7% of members pensionable emoluments. The surcharges payable should meet the service deficit by eight years provided increases in pensionable emoluments does not exceed inflation.</p>		
<p><u>Superannuation Fund</u></p> <p>An interim valuation of the the Natal Joint Municipal Pension Fund (Superannuation) was conducted as at 31 March 2002. The value of the assets taken at 95,5% of market value exceeded the value of the liabilities for the service of members to that date and for pensioners by R26 706 000. There was a surplus of R12 836 000 in the Memorandum Account and a surplus of R13 870 000 in the balance of fund. The fund held an Investment Reserve of some R78 400 000 as a cushion against volatility in investment markets.</p> <p>The total contribution rate payable exceeded that required for future service by 4,06% of members pensionable emoluments. The fund was in a sound financial condition at 31 March 2002 and the Actuary is satisfied that the asset composition of the fund at that date was appropriate to the nature of its liabilities.</p>		
<p><u>Provident Fund</u></p> <p>An interim actuarial investigation of the Fund was performed as at 31 March 2002. The Investment Reserve Account stood at R13 150 000 and the Unallocated Reserve Account at R 5 098 000, which covers certain death benefits and expenses.</p> <p>The costs of death benefits and expenses exceed the contributions of 3,75% being allocated to the Unallocated Reserve Account and the resultant shortfall will be met out of the assets in the Account. The Actuary estimates that after five years it will be necessary to reduce benefits or increase contributions.</p>		
23. CAPITAL COMMITMENTS		
<p>Commitments in respect of capital expenditure:</p>		
Approved and contracted for	9,655,920	6,338,363
Approved but not yet contracted for	18,735,350	0
	<u>28,391,270</u>	<u>6,338,363</u>
<p>This expenditure will be financed from:</p>		
Internal sources	10,682,963	0
External sources	81,313,000	6,338,363
	<u>91,995,963</u>	<u>6,338,363</u>
24. CONSOLIDATED CAPITAL DEVELOPMENT FUND		
<p>Outstanding advances to borrowing services:</p>		
Accumulated fund	8,896,467	16,887,902
less: External investments	7,621,467	15,243,162
Temporary advance	0	0
	<u>1,275,000</u>	<u>1,644,740</u>
(Refer to appendices A and B for more detail)		

AMAJUBA DISTRICT MUNICIPALITY

APPENDIX B EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance at 30/06/2004	Received During the Year	Redeemed or Written off During the Year	Transferred During the Year	Balance at 30/06/2005
	R	R	R		R
LOCAL REGISTERED STOCK					
Redeemable	0	0	0		0
	0	0	0		0
ANNUITY LOANS					
Department of Water Affairs & Forestry	22,442,750	0	0	22,442,750	0
	22,442,750	0	0	22,442,750	0
OTHER LOANS					
INCA loan 16.85% 2011	12,467,240	0	0	12,467,240	0
DBSA loan 12.00% 2019	1,429,409	0	0	1,429,409	0
Finance leases Linked to prime Various	549,536	0	249,021		300,515
	14,446,185	0	249,021	13,896,649	300,515
(Refer to notes 3)	36,888,935	0	249,021	36,339,399	300,515

INTERNAL ADVANCES TO BORROWING SERVICES

Capital Development Fund	1,644,742	0	369,742		1,275,000
Temporary advances					
Consolidated Capital Development Fund	0		0		0
Depreciation and renewals fund	0		0		0
	1,644,742	0	369,742		1,275,000

AMAJUBA DISTRICT MUNICIPALITY

APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2004 R	Service R	Budget 2005 R	Balance at 30/06/2004 R	Expenditure 2005 R	Written off transferred R	Balance at 30/06/2005 R
9,744,563	Resource Support Services	0	21,700,938	3,897,926	10,102,713	15,496,151
2,626	Regional Water Services	0	87,769,489	0	87,769,489	0
2,626	Ngagane RWS	0	87,769,489	0	87,769,489	0
0	Eskom RWS	0	0	0	0	0
0		0	0	0	0	0
0		0	0	0	0	0
<u>9,747,189</u>	TOTAL FIXED ASSETS	<u>0</u>	<u>109,470,427</u>	<u>3,897,926</u>	<u>97,872,202</u>	<u>15,496,151</u>
10,302,036	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		72,966,676	4,172,788	63,034,422	14,105,042
554,847	Loans redeemed		3,333,361	274,862	2,673,384	934,840
745,496	Contributions from operating income		12,221,817	3,654,799	4,366,961	11,509,656
9,001,693	Grants and Subsidies		57,411,498	243,127	55,994,078	1,660,547
<u>(554,847)</u>	NET FIXED ASSETS		<u>36,503,751</u>	<u>(274,862)</u>	<u>34,837,780</u>	<u>1,391,108</u>

AMAJUBA DISTRICT MUNICIPALITY

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

Actual 2004 R		Actual 2005 R	Budget 2005 R
INCOME			
5,382,542	Government and Provincial grants and subsidies	14,025,786	14,382,000
21,191,478	Levy income	24,216,939	22,302,973
31,593,962	Water sales	0	37,467,151
0	Sanitation Fees	0	1,843,670
5,840,304	Other	17,689,135	3,957,861
<u>64,008,286</u>		<u>55,931,860</u>	<u>79,953,655</u>
EXPENDITURE			
16,758,319	Salaries, wages and allowances	13,400,340	28,192,896
25,753,120	General expenses	12,539,943	35,113,080
6,692,696	Repairs and maintenance	547,205	4,545,676
6,438,728	Capital charges	452,804	7,348,466
745,497	Contributions to fixed assets	460,473	1,006,000
1,930,965	Contributions	2,096,499	5,300,032
0	Capital Projects	21,119,388	0
<u>58,319,325</u>	Gross expenditure	<u>50,616,652</u>	<u>81,506,150</u>
0	Less: Amounts charged out	0	0
<u>58,319,325</u>	Net expenditure	<u>50,616,652</u>	<u>81,506,150</u>

AMAJUBA DISTRICT MUNICIPALITY

APPENDIX F : STATISTICAL INFORMATION

	<u>2005</u>	<u>2004</u>
a	General Statistics	
i	Levy tariffs	
	Regional Establishment Levy (% of Turnover excluding vat)	
	0.12	0.12
	Regional Services Levy (% of Salaries, wages & drawings)	
	0.30	0.30
ii	3,052	1,791
iii	25	22
iv	50	86