

ILEMBE DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2005**

ILEMBE DISTRICT MUNICIPALITY GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor	Councillor S E Mfayela
Speaker	Councillor K C Ngcobo
Member of the Executive Committee	Councillor M R Shandu
Member of the Executive Committee	Councillor E M L Maphumulo
Member of the Executive Committee	Councillor M S Singh
Member of the Executive Committee	Councillor N J Khuzwayo

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General
Kwa-Zulu Natal

BANKERS

First National Bank
Durban Main Branch

REGISTERED OFFICE

59/61 Mahatma Gandhi Street
KwaDukuza
4450

P O Box 1788
KwaDukuza
4450

Telephone: 032-4379335

Fax: 032-4379582

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements as set out on pages 4 to 26 were amended and approved by the Municipal Manager on 29 June 2006 and were presented to and approved by Council on 11 July 2006.

**ACTING MUNICIPAL MANAGER
M D NEWTON**

**ACTING MUNICIPAL MANAGER
M D NEWTON**

ILEMBE DISTRICT MUNICIPALITY

FOREWORD

It is with a great sense of achievement that I present this report.

This report serves to represent the excellent progress made by the Ilembe District Municipality over the past financial year, where huge strides have been undertaken in the fields of infrastructure delivery, poverty alleviation and job creation. The challenges posed by the take over of certain functions have been met, and improvements made to ensure an enhanced level of service delivery is experienced by the communities served by this Council.

My greatest thanks goes out to all persons who contributed in what ever size or magnitude in making the Ilembe District Municipality a success over the last financial year. The achievements within a region such as our District can not be attributed to one factor or person only, but rather to a number of initiatives, or to the positive efforts of many people and organisations, who have worked tirelessly to achieve the resulting successes for the region as a whole.

With a similar commitment I am confident that a repeated effort of the current year will ensure that the lives of the people of our land would be improved and the services to the poorest of the poor, within the area of our jurisdiction be maximised.

I also wish to extend my sincere appreciation and gratitude to all, business enterprises for their continued support, Councillors, employees, consultants and contractors, all of whom, within the scope of their responsibilities have contributed to the endeavours and the successes of this Municipality.

I would like to wish Ilembe District Municipality every success and hope for the best in the financial year that has already commenced.

SIMO E. MFAYELA
MAYOR: ILEMBE DISTRICT MUNICIPALITY

**ILEMBE DISTRICT MUNICIPALITY
REPORT OF THE AUDITOR-GENERAL**

ILEMBE DISTRICT MUNICIPALITY REPORT OF THE DIRECTOR OF FINANCE

INTRODUCTION

This is the eighth set of financial statements for the Ilembe District Municipality. The Municipality is committed to the socio economic upliftment and development of communities in the area of its jurisdiction.

1. OPERATING RESULTS

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

INCOME	Actual 2005 R	Actual 2004 R	Variance 2004/2005 %	Budget 2005 R	Variance Actual/Budget %
Opening Surplus	7 025 145	28 651 538	(75.5)	-	-
Operating income for the year	164 932 477	131 973 680	25.0	209 599 669	(21.3)
Sundry Transfers	28 017 749	5 789 662	383.9	-	-
Closing deficit	-	-	-	9 450 474	-
Total	199 975 371	166 414 880	-	219 050 143	-
EXPENDITURE					
Operating expenditure for the year	181 309 471	159 389 735	13.8	219 050 143	(17.2)
Closing Surplus	18 665 900	7 025 145	165.7	-	-
Total	199 975 371	166 414 880	-	219 050 143	-

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R23 736 313 (R4 514 629 in 2004). Of the R23 736 313, R2 127 818 (First Ready Building) and R603 801 (IT Software Purchase) relate to expenditure incurred in previous financial years that was brought to account in the 2004/05 financial year. Details are included in Appendix C and are as follows:-

	ACTUAL 2005 R	BUDGET 2005 R	ACTUAL 2004 R
Furniture and Equipment	976 045	559 500	1 720 439
Computers	459 013	769 500	411 662
Vehicles	1 165 433	-	2 127 260
Buildings	4 446 966	5 000 000	99 279
Infrastructure	16 085 055	39 472 500	-
Assets purchased ex Umgeni Water	-	-	155 989
Water and Sanitation Assets transferred to Ilembe District Municipality	-	-	108 865 880
Computers Expensed Previous Year	603 801	-	-
	23 736 313	45 801 500	113 380 509

Resources used to finance the fixed assets were as follows:

	ACTUAL 2005 R	BUDGET 2005 R	ACTUAL 2004 R
Contribution from Revenue	2 803 696	659 000	4 514 629
External Loans	19 093 336	45 142 500	-
Grants	1 839 281	-	-
Water and Sanitation Assets transferred to Ilembe District Municipality	-	-	108 865 880
	23 736 313	45 801 500	113 380 509

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2005 amounted to R45 119 130 (R9 436 021 in 2004). New loans totalling R36 445 128 were taken up during the current financial year. Included in the loans outstanding is an amount of R5 689 399 which has been utilised, during the year, for the purchase of assets and has been claimed from the Development Bank of SA, but has not been received as at 30 June 2005. This amount of R5 689 399 is part of a loan agreement with the Development Bank of SA in the amount of R77 267 500 for Capital Infrastructure Development and R1 476 000 for Vehicle Fleet signed on 15 June 2005. The balance of the loan

had not been taken up as at 30 June 2005. In addition only R755 729 of the loan agreement with the Development Bank of SA in the amount of R1 120 473 for the upgrading of the IT system had been drawn as at 30 June 2005. More information on external loans is disclosed in Note 3 and Appendix B to the financial statements.

Investments amounted to R27 665 658 (R27 078 335 in 2004) and cash on hand R4 500 (R4 500 in 2004) as at 30 June 2005. More information on investments is disclosed in Note 5 to the financial statements.

4. FUNDS, RESERVES AND PROVISIONS

More information regarding funds, reserves and provisions is disclosed in Notes 1, 2 and 8 and Appendix A to the financial statements.

5. POST BALANCE SHEET EVENTS

There were no post balance sheet events of any significance.

6. EXPRESSION OF APPRECIATION

I wish to thank the Mayor of Ilembe District Municipality, Council Members, the Municipal Manager and Directors for the support they have given me and my staff for their assistance in the preparation of these financial statements. Special appreciation is also given to the Office of the Auditor-General for their support.

M D NEWTON
ACTING MUNICIPAL MANAGER
Date: 31 August 2005

ILEMBE DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

1. Basis of presentation

The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Financial Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (2nd Edition – 1996 as amended).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 2. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

The financial statements are prepared on the accrual basis as stated:

- ❑ Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received.
- ❑ Expenditure is accrued in the year in which it is incurred.

2. Consolidation

The financial statements include General Services, Trading Services, Public Works and the different funds and reserves.

3. Fixed assets

Fixed assets are stated at:

- ❑ historical cost, or
- ❑ valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation.

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 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 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.

Net proceeds from the sale of assets are credited to the revenue account.

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 useful 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 the advance was made.

4. Inventory

Inventory represents consumable stores and is reflected at the lower of average cost and net realisable value.

5. Funds, Reserves and Provisions

Funds, Reserves and Provisions are determined on the following basis:-

Audit Fee Provision:

This provision was established to meet the audit fees for the current financial year. The provision is based on the budget provision from the Auditor-General.

Maintenance Reserve:

This reserve was established to make provision for future maintenance of assets that are purchased or constructed. An annual contribution of 1.5% of the annual levy income is made to this reserve and is charged against operating income.

Leave Pay Provision:

The Leave Pay Provision was established in order to provide for accrued leave payments to all employees who are resigning or retiring from the service as well as commutation of leave accruals during the year. A provision equal to the actual leave credit at 30 June is maintained to provide for leave payments on request. Contributions are charged against the department concerned.

Capital Development Fund:

These funds were taken over from the kwaDukuza and eNdongakusuka Municipalities when the Water and Sanitation Powers and Functions were taken over by the Ilembe District Municipality. Contributions from revenue may be made to this fund from the operating account on an annual basis. Any unutilised funds in the Capital Development Fund can be advanced to a service to finance capital expenditure.

Other Funds, Reserves and Provisions:

All accumulated funds in other funds, reserves and provisions not mentioned above are utilised for the purposes for which they were reserved. For details of funds, reserves and provisions see Appendix A.

6. Retirement Benefits

The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.

Staff members are entitled to a maximum contribution of 18.1% of basic salary towards council contributions to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R1 768.

Staff members are afforded the opportunity to utilise any unused contribution, over and above their contribution to the Natal Joint Municipal Pension/Provident Funds and medical aid contribution, as a contribution to a retirement/pension/provident/ medical fund of their own choice as from 1 January 1997.

The said contribution shall not be paid out to the staff member but must be paid directly by the council to the relevant institution.

Current contributions, past service costs and service adjustments are charged against operating income on the basis of current service costs.

7. Surpluses and Deficits

Any surpluses or deficits arising from the operation of the General Services, Water and Sanitation Services and Public Works are retained in that particular service for its own use.

8. Administrative Expenses

The treatment of administration and other overhead expenses involves the cost of internal support services and are transferred to the different services in accordance with the actual cost if available, otherwise an estimate based on the information available.

9. 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 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 asset concerned.

10. Investments

Investments are shown at the lower of cost or, if a permanent decline in their value occurred, at market value and are invested in terms of Circular 10 of 1992 issued by the Office of the Auditor-General.

11. Income Recognition

Water Billings:

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments being made in the month that they are read.

Business Levies:

A fixed rate as approved by the National Minister of Finance is used to calculate the establishment and services levies. Declaration forms are issued on a monthly basis except where they are issued at other intervals as allowed for in the KwaZulu Natal Joint Services Board Act, 1990 (Act No. 84 of 1990). Levy income is recognised when the cash has been received and/or when the declaration forms have been received to enable the determination of the accrual amount.

Other Income:

All other income is recognised on the accrual basis.

**ILEMBE DISTRICT MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2005**

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		26 923 174	32 559 295
Accumulated Funds	1	11 680 740	11 445 841
Reserves	2	15 242 434	21 113 454
ACCUMULATED SURPLUS/(DEFICIT)	16	18 665 900	7 025 145
LONG TERM LIABILITIES	3	34 321 294	-
CONSUMER DEPOSITS	9	1 382 676	1 201 316
TOTAL CAPITAL EMPLOYED		81 293 044	40 785 756
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	37 110 309	11 629 713
LONG-TERM DEBTORS	6	1 163 199	2 340 027
INVESTMENTS	5	8 491 745	-
		46 765 253	13 969 740
NET CURRENT ASSETS/LIABILITIES		34 527 791	26 816 016
CURRENT ASSETS		78 402 599	64 674 263
Inventory	10	680 294	539 069
Debtors	7	58 543 892	36 820 761
Short Term Investments	5	19 173 913	27 078 335
Bank		-	231 598
Cash		4 500	4 500
CURRENT LIABILITIES		43 874 808	37 858 247
Provisions	8	3 666 600	8 411 301
Creditors	11	29 802 523	29 446 946
Bank Overdraft		8 281 851	-
Short term portion of long term liabilities	3	2 123 834	-
TOTAL EMPLOYMENT OF CAPITAL		81 293 044	40 785 756

**ILEMBE DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2005**

2004 Actual Income	2004 Actual Expen- diture	2004 Surplus/ (Deficit)		2005 Actual Income	2005 Actual Expen- Diture	2005 Surplus/ (Deficit)	2005 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
131 973 680	159 389 735	(27 416 055)		164 932 477	181 309 471	(16 376 994)	(9 450 474)
28 471	51 295 049	(51 266 578)	Administration	-	51 975 474	(51 975 474)	(27 922 048)
1 254 981	60 445 893	(59 190 912)	Regional Functions	-	71 470 112	(71 470 112)	(129 232 090)
38 741 576	47 648 793	(8 907 217)	Trading Services	43 463 552	57 863 885	(14 400 333)	(10 043 931)
91 948 652	-	91 948 652	Income	121 468 925	-	121 468 925	157 747 595
<u>131 973 680</u>	<u>159 389 735</u>	<u>(27 416 055)</u>	TOTAL	<u>164 932 477</u>	<u>181 309 471</u>	<u>(16 376 994)</u>	<u>(9 450 474)</u>
		5 789 662	Appropriations, for the year (Refer to note 16)			28 017 749	
		<u>(21 626 393)</u>	Net surplus/(deficit) for the year			<u>11 640 755</u>	
		28 651 538	Accumulated surplus/(deficit) at beginning of the year			7 025 145	
		<u>7 025 145</u>	ACCUMULATED SURPLUS/(DEFICIT) AT THE END OF THE YEAR			<u>18 665 900</u>	

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

	Note	2005	2004
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	17	3 685 400	4 253 679
Investment income	15	1 086 376	2 331 493
Increase/(Decrease) in working capital	18	(26 906 786)	(3 377 595)
		<u>(22 135 010)</u>	<u>3 207 577</u>
Less: External Interest Paid	15	(1 231 550)	(1 463 205)
Cash available from/(utilised in) operations		<u>(23 366 560)</u>	<u>1 744 372</u>
Cash Contributions from the Public and State		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Net Proceeds on Disposal of Fixed Assets		-	-
Proceeds from land sales		-	-
Capital expenditure		(21 004 694)	(4 514 629)
NET CASH FLOW		<u>(44 371 254)</u>	<u>(2 770 257)</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
(Increase)/Decrease in cash investments	19	(587 323)	(1 119 667)
(Increase)/Decrease in bank and cash on hand	20	8 513 449	3 889 924
Increase/(Decrease) in long term liabilities	21	36 445 128	-
NET CASH (UTILISED)		<u>44 371 254</u>	<u>2 770 257</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005

	2005 R	2004 R
1. ACCUMULATED FUNDS		
Capital Development Fund ex Endondakusuka	1 330 032	1 324 537
Capital Development Fund ex kwaDukuza	10 350 708	10 121 304
(Refer to Appendix A for more detail)	11 680 740	11 445 841
2. RESERVES		
Transport	212 273	212 273
Maintenance	2 067 881	1 658 734
Unspent Water Grants Endondakusuka	891	891
Unspent CMIP Grant	-	10 200 227
Unspent MSIG Grant	1 028 121	124 700
Unspent IDC LED Grant	-	500 000
Unspent Premiers Fund Grant	1 157 023	1 787 474
Unspent Tourism Grant	-	18 741
Unspent Department of Transport Grant	256 730	502 730
Unspent GIS Grant	512 911	187 161
Unspent Drought Relief Grant	4 114 884	2 876 077
Unspent LUMS and IDP Review Grant	-	54 158
Unspent Water Affairs-Service Units Grant	-	93
Unspent Sports and Recreation Grant	1 442 203	1 952 603
Unspent Provincial Government Grant	-	61 312
Unspent Financial Management Grant	844 371	976 280
Unspent Disaster Management Grant	479 146	-
Unspent Sundumbili Refurbishment Grant	3 126 000	-
(Refer to Appendix A for more detail)	15 242 434	21 113 454
3. LONG TERM LIABILITIES		
Registered Stock	-	-
Long Term Loans	36 445 128	-
Annuity Loans	-	-
	36 445 128	-
Less: Current portion transferred to Current Liabilities	2 123 834	-
	34 321 294	-
<p>The loans taken over from kwaDukuza Municipality in respect of the water and sanitation services totaling R8 674 002 as at 30 June 2005 (R9 436 021 in 2004) are reflected under Capital Creditors in Note 11 as the loans are still in the name of kwaDukuza Municipality. The loan of R30 000 000 with the Development Bank of SA is secured by a Zero Rated Coupon Investment of R8 491 745. Refer to Appendix B and Section 3 of the Report of the Acting Director of Finance for more information on long term liabilities.</p>		
4. FIXED ASSETS		
Fixed assets at the beginning of the year	131 829 610	18 740 897
Capital expenditure during the year	23 736 313	113 380 509
Less: Assets written off, transferred or disposed of during the year	-	291 796
Total fixed assets	155 565 923	131 829 610
Less: Loans redeemed and other capital receipts	118 455 614	120 199 897
Net fixed assets	37 110 309	11 629 713

(Refer to Appendix C and Section 2 of the Report of the Acting Director of Finance for more details on fixed assets)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
5. INVESTMENTS		
Listed		
Listed	-	-
Unlisted		
Long-term deposits	-	-
Total Long-term Investments	8 491 745	-
Total Short-term Investments	19 173 913	27 078 335
Total Investments	<u>27 665 658</u>	<u>27 078 335</u>
Market value of listed investments and management's valuation of unlisted investments	27 665 658	27 078 335
Listed Investments		
Unlisted Investments	27 665 658	27 078 335
Average gross rate of return on investment	7.2%	7.6%
Fixed interest investments are reflected at par and are invested in terms Circular 10 of 1992 issued by the Office of the Auditor-General.		
Investment income is brought to account when received or accrued.		
No investments have been written off during the year.		
Included in investments is an amount of R734 875 (R661 467 in 2004) invested with New Republic Bank which is under receivership and therefore it is uncertain if the full amount will be recovered.		
6. LONG TERM DEBTORS		
Staff Loans	1 775 487	3 583 319
	<u>1 775 487</u>	<u>3 583 319</u>
Less: Short-term portion of long-term debtors transferred to current assets	612 288	1 243 292
	<u>1 163 199</u>	<u>2 340 027</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
7. DEBTORS		
Consumer Debtors	36 766 847	20 648 933
Consumer Debtors ex Endondakasuka	14 030 513	14 540 843
Consumer Debtors ex kwaDukuza	10 209 701	10 952 912
Receiver of Revenue (VAT)	10 585 953	2 602 713
Durban Metro	288 466	288 466
DBSA Loan Debtor	5 689 399	-
Sundry Debtors-Public Works	574 529	409 315
Staff Loans (Short term portion)	612 288	1 243 292
Study Loans	305 876	283 502
Cellphone Loans	815	2 448
Ndwedwe Municipality	576 534	572 374
Other Debtors	886 240	503 037
	<u>80 527 161</u>	<u>52 047 835</u>
Less:Provision for bad debts	<u>21 983 269</u>	<u>15 227 074</u>
	<u>58 543 892</u>	<u>36 820 761</u>
No bad debts were written off in 2004/05. Bad debts totalling R379 393 were written off in 2003/04. This is 0.25% of income.		
Consumer Debtors Ageing:		
Current	3 835 368	4 165 207
30 Days	2 927 323	2 635 515
60 Days	2 177 297	2 094 153
90 Days	1 977 929	1 654 936
120 Days	1 748 720	1 316 407
150 Days+	24 100 210	8 782 715
	<u>36 766 847</u>	<u>20 648 933</u>
8. PROVISIONS		
Audit fees	500 000	375 000
Leave Pay	3 166 600	2 781 410
Provision as per Section 12	-	5 254 891
	<u>3 666 600</u>	<u>8 411 301</u>
9. CONSUMER DEPOSITS		
Water Deposits	308 725	127 365
Water Deposits ex Endondakusuka	341 147	341 147
Water Deposits ex kwaDukuza	732 804	732 804
	<u>1 382 676</u>	<u>1 201 316</u>
10. INVENTORY		
Water and Sewerage Stock on Hand	680 294	539 069
	<u>680 294</u>	<u>539 069</u>
11. CREDITORS		
Maphumulo Municipality	1 202 518	115 152
Trade Creditors	10 047 213	9 360 100
Capital Creditors (kwaDukuza Municipality Loans)	8 674 002	9 436 021
Retentions	1 741 752	1 741 097
Payments in Advance	601 758	5 086 134
kwaDukuza Municipality	4 168 494	2 185 882
Enterprise Ilembe	2 047 397	-
Other Creditors	1 319 389	1 522 560
	<u>29 802 523</u>	<u>29 446 946</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005	2004
	R	R
12. LEVY INCOME		
Establishment Levies	18 338 715	14 448 182
Services Levies	8 661 176	7 406 697
Interest on Levies	276 590	42 486
	<u>27 276 481</u>	<u>21 897 365</u>
Establishment Levy	0,12% (excl. VAT) of turnover	
Services Levy	0,30% (excl. VAT) of salaries, wages and drawings	
13. COUNCILLORS' AND SENIOR MANAGEMENT REMUNERATION		
Councillors' Remuneration:		
Mayor's Allowance	325 449	299 054
Speaker's Allowance	305 558	259 121
Executive Members' Allowances	788 668	979 501
Councillors' Allowances	1 359 482	457 214
	<u>2 779 157</u>	<u>1 994 890</u>
Basic Salaries Senior Management:		
Municipal Manager	619 504	574 413
Director Technical Services	473 517	440 845
Director Economic Development and Community Services	553 243	512 870
Director Administration	470 160	129 735
	<u>2 116 424</u>	<u>1 657 863</u>
In addition to the abovementioned basic salaries of the Senior Managers they are also entitled to travel, pension and other allowances.		
14. AUDITORS' REMUNERATION		
Audit fees - Current Year	375 000	262 482
- Underprovision prior years	455 130	613 067
	<u>830 130</u>	<u>875 549</u>
15. FINANCE TRANSACTIONS		
Total external interest earned and paid:		
Interest earned	1 086 376	2 331 493
Interest paid	1 231 550	1 463 205
Capital Charges debited to operating account:		
Interest:		
- External	1 231 550	1 463 205
- Internal	234 899	302 771
Redemption:		
- External	762 019	722 677
- Internal	480 224	585 344
	<u>2 708 692</u>	<u>3 073 997</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005	2004
	R	R
16. APPROPRIATIONS		
Appropriation account:		
Accumulated Surplus at the beginning of the year	7 025 145	28 651 538
Operating surplus/(deficit) for the year	(16 376 994)	(27 416 055)
	<u>(9 351 849)</u>	<u>1 235 483</u>
Unappropriated Surplus ex Endondakusuka	-	3 575 158
Unappropriated Surplus ex kwaDukuza	-	3 120 394
	<u>(9 351 849)</u>	<u>7 931 035</u>
Prior year adjustments:	28 017 749	(905 890)
Audit Fees	(455 130)	(613 067)
CMIP	-	(100)
Debtors Written Off	-	(379 393)
Retention	-	(27 601)
Cheques Written Back	1 769 838	110 271
Cashier Floats	-	4 000
Debtors Paid Endondakusuka	(510 330)	-
Car Loan Taken as Income	(194 462)	-
Interest on Staff Loans	(12 754)	-
Maphuhulo Creditor	(1 090 953)	-
Stores	1 371 345	-
Interest on Investments	63 143	-
Ithala Income	1 443 044	-
Project Expenditure	1 101 336	-
Assets Financed ex Revenue now External Loans	7 629 503	-
Asset Expensed now financed ex External Loans	603 801	-
RD Cheques	28 329	-
Cashier Surpluses	18 216	-
First Ready	(288 537)	-
CMIP/MIG	10 333 449	-
Drought Relief	524 023	-
Section 12 Provisions	5 254 891	-
Enterprise Ilembe	401 529	-
Sundries	27 468	-
	<u>18 665 900</u>	<u>7 025 145</u>
Operating Account:		
Capital Expenditure	<u>2 515 159</u>	<u>4 514 629</u>
Contributions to:		
Maintenance Reserve	409 147	328 306
Audit Fee Provision	500 000	375 000
Leave Pay Provision	2 083 675	3 491 974
Bad Debts Provision	6 756 195	5 877 030
	<u>9 749 017</u>	<u>10 072 310</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

	2005 R	2004 R
17. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	(16 376 994)	(27 416 055)
Adjustments in respect of:		
Previous years' operating transactions	14 529 554	(905 890)
Appropriations charged against income	12 264 176	14 586 939
Capital Expenditure	2 515 159	4 514 629
Provisions and Reserves	9 749 017	10 072 310
Investment Income credited to the operating account	(1 086 376)	(2 331 493)
Capital Charges:		
Interest Paid:		
- External Loans	1 231 550	1 463 205
- Internal Advances	234 899	302 771
Redemption:		
- External Loans	762 019	722 677
- Internal Loans	480 224	585 344
Non-operating Expenditure:		
Expenditure charged against:		
- Provisions and Reserves	(32 654 020)	(2 064 768)
Non-operating Income:		
Income charged against:		
- Provisions and Reserves	24 300 368	19 310 949
	<u>3 685 400</u>	<u>4 253 679</u>
18. INCREASE/(DECREASE) IN WORKING CAPITAL		
(Increase)/Decrease in Debtors	(27 302 498)	(16 528 715)
Increase/(Decrease) in Creditors	355 577	13 562 824
Increase/(Decrease) in Consumer Deposits	181 360	127 365
(Increase)/Decrease in Inventory	(141 225)	(539 069)
	<u>(26 906 786)</u>	<u>(3 377 595)</u>
19. (INCREASE)/DECREASE IN CASH INVESTMENTS		
Investments made	170 897 167	76 722 448
Investments realised	170 309 844	75 602 781
	<u>(587 323)</u>	<u>(1 119 667)</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2005 (continued)

25. RETIREMENT BENEFITS

The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.

Staff members are entitled to a 18.1% maximum of basic salary towards council contribution to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R1 768.

Staff members are afforded the opportunity to utilise any unused contribution, over and above their contribution to the Natal Joint Municipal Pension/Provident Funds and medical aid contribution, as a contribution to a retirement/pension/provident/medical fund of their own choice as from 1 January 1997.

The said contribution shall not be paid out to the staff member but must be paid directly by the council to the relevant institution.

26. MUNICIPAL ENTITIES

Ilembe Development Foundation (Association Incorporated Under Section 21) was the only municipal entity under the control of the Ilembe District Municipality as at 30 June 2005.

**ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
FUNDS, RESERVES AND PROVISIONS**

	Balance at 01/07/04	Contribu- tions during the Year	Interest on investments	Other income	Operating Expenditure during the year	Capital Expenditure during the year	Balance at 30/06/05
FUNDS							
CDF ex Endondakusuka	1 324 537	-	5 495	-	-	-	1 330 032
CDF ex kwaDukuza	10 121 304	-	229 404	-	-	-	10 350 708
	<u>11 445 841</u>	<u>-</u>	<u>234 899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11 680 740</u>
RESERVES							
Maintenance	1 658 734	409 147	-	-	-	-	2 067 881
Transport	212 273	-	-	-	-	-	212 273
Unspent Water Grants Endondakusuka	891	-	-	-	-	-	891
Unspent CMIP Grant	10 200 227	-	-	12 968 044	23 168 271	-	-
Unspent MSIG Grant	124 700	-	-	2 776 077	1 872 656	-	1 028 121
Unspent IDC LED Grant	500 000	-	-	1 080 000	1 580 000	-	-
Unspent Premiers Fund Grant	1 787 474	-	-	-	630 451	-	1 157 023
Unspent Tourism Grant	18 741	-	-	-	18 741	-	-
Unspent Department of Transport Grant	502 730	-	-	-	246 000	-	256 730
Unspent GIS Grant	187 161	-	-	325 750	-	-	512 911
Unspent Drought Relief Grant	2 876 077	-	-	2 774 139	1 535 332	-	4 114 884
Unspent LUMS and IDP Review Grant	54 158	-	-	-	54 158	-	-
Unspent Water Affairs-Service Units Grant	93	-	-	-	93	-	-
Unspent Sports and Recreation Grant	1 952 603	-	-	771 212	1 281 612	-	1 442 203
Unspent Provincial Government Grant	61 312	-	-	-	61 312	-	-
Unspent Financial Management Grant	976 280	-	-	-	131 909	-	844 371
Unspent Disaster Management Grant	-	-	-	479 146	-	-	479 146
Unspent Sundumbili Refurbishment Grant	-	-	-	3 126 000	-	-	3 126 000
(Refer Note 2)	<u>21 113 454</u>	<u>409 147</u>	<u>-</u>	<u>24 300 368</u>	<u>30 580 535</u>	<u>-</u>	<u>15 242 434</u>
PROVISIONS							
Audit Fees	375 000	500 000	-	-	375 000	-	500 000
Leave Pay	2 781 410	2 083 675	-	-	1 698 485	-	3 166 600
Provision as per Section 12	5 254 891	-	-	-	5 254 891	-	-
	<u>8 411 301</u>	<u>2 583 675</u>	<u>-</u>	<u>-</u>	<u>7 328 376</u>	<u>-</u>	<u>3 666 600</u>

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/04	Received during the year	Redeemed or written off during the year	Balance at 30/06/05
				R	R	R	R
Long Term Loans							
Development Bank of SA	-	11.76	20/05/2020	-	755 729	-	755 729
ABSA Bank	-	10.65	2025	-	30 000 000	-	30 000 000
Development Bank of SA	-	11.76	2025	-	5 689 399	-	5 689 399
TOTAL				-	36 445 128	-	36 445 128

ADVANCES TO BORROWING SERVICES	Balance at 01/07/04	Received during the year	Redeemed or written off during the year	Balance at 30/06/05
	R	R	R	R
CCDF Endondakusuka Water	52 718	-	21 248	31 470
CCDF Endondakusuka Water	1 491	-	300	1 191
CCDF kwaDukuza Water	244 218	-	81 390	162 828
CCDF kwaDukuza Water	1 262 814	-	235 729	1 027 085
CCDF kwaDukuza Sewerage	8 173	-	2 725	5 448
CCDF kwaDukuza Sewerage	17 244	-	1 268	15 976
CCDF kwaDukuza Sewerage	640 669	-	137 564	503 105
TOTAL	2 227 327	-	480 224	1 747 103

CAPITAL CREDITORS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/04	Received during the year	Redeemed or written off during the year	Balance at 30/06/05
				R	R	R	R
Registered Stock							
FNB (CMB) Nominees	618	16.90	30/06/2011	1 015 036	-	-	1 015 036
Long Term Loans							
Infrastructure Finance Corporation	00-0001	16.00	30/06/2011	3 999 500	-	-	3 999 500
First Rand Bank	412	Prime	-	709 398	-	411 078	298 320
		-1					
First Rand Bank	447	Prime	11/2007	1 847 558	-	-	1 847 558
		-1					
Standard Bank	-	Prime	-	1 144 310	-	334 920	809 390
		-1					
Annuity Loans							
Development Bank of SA	13527	16.50	-	706 179	-	14 880	691 299
Development Bank of SA	11578	13.45	12/2014	12 230	-	566	11 664
Development Bank of SA	11577	15.19	06/2014	1 810	-	575	1 235
TOTAL				9 436 021	-	762 019	8 674 002

All the above loans were taken over from the kwaDukuza Municipality as part of the transfer of the Water and Sanitation Services assets and liabilities. All these loans are still in the name of the kwaDukuza Municipality. However Ilembe District Municipality is responsible for paying the interest and redemption payable on these loans with effect from 1 July 2003. These loans are disclosed under Note 11 as Capital Creditors.

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
ANALYSIS OF FIXED ASSETS

Expenditure 2004	Service	Budget 2005	Balance at 01/07/04	Expenditure 2005	Redeemed transferred or written off during the year	Balance at 30/06/05
R		R	R	R	R	R
198 796	Administration	19 354 500	475 205	119 265	-	594 470
3 646 422	Council	162 000	7 229 620	1 806 838	-	9 036 458
65 420	Technical	69 000	1 923 112	6 522	-	1 929 634
174 552	Financial	724 500	1 223 022	966 707	-	2 189 729
-	Assets transferred to IRC	-	156 053	-	-	156 053
2 119	Municipal Manager	60 000	104 283	15 199	-	119 482
-	Tourism/Marketing	24 000	131 089	-	-	131 089
-	Buildings	5 000 000	7 565 000	4 446 966	-	12 011 966
-	Assets Contr. From Subsidy	-	2 648 445	-	-	2 648 445
8 541	Public Works	-	26 108	-	-	26 108
-	Assets from KZN	-	1 063 014	-	-	1 063 014
96 889 329	Water	17 459 500	96 889 329	14 659 669	-	111 548 998
12 395 330	Sewerage	2 948 000	12 395 330	1 715 147	-	14 110 477
113 380 509	TOTAL FIXED ASSETS	45 801 500	131 829 610	23 736 313	-	155 565 923
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		120 199 897	5 885 220	7 629 503	118 455 614
	Contributions ex Operating		17 139 833	2 803 696	7 629 503	12 314 026
	Transferred from Province		1 352 064	-	-	1 352 064
	Contributions from Revenue		514 393	-	-	514 393
	Public Works		17 567	-	-	17 567
	Public Works		(17 567)	-	-	(17 567)
	Maintenance		146 615	-	-	146 615
	Insurance		8 400	-	-	8 400
	Grants and Subsidies		3 793 143	1 839 281	-	5 632 424
	Transferred Water and Sewerage		613 729	-	-	613 729
	Endondakusuka:					
	Loans Redeemed Internal		729 279	21 548	-	750 827
	Contrib. T/Ship Developers		4 016 822	-	-	4 016 822
	Insurance		34 169	-	-	34 169
	Public Contrib. And Grants		9 374 910	-	-	9 374 910
	Developers Contrib.		98 432	-	-	98 432
	Contrib. Current Income		378 133	-	-	378 133
	kwaDukuza:					
	Loans Redeemed Internal		6 098 737	458 676	-	6 557 413
	Loans Redeemed External		25 734 502	762 019	-	26 496 521
	Private T/Ship Developers		357 651	-	-	357 651
	Loan Redemption Fund		1 979 791	-	-	1 979 791
	Donations		257 901	-	-	257 901
	Government Grants		32 036 516	-	-	32 036 516
	Contrib. Current Income		15 501 984	-	-	15 501 984
	Endowment		32 893	-	-	32 893
	NET FIXED ASSETS		11 629 713	17 851 093	(7 629 503)	37 110 309

ILEMBE 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			
68 296 096	Central and Provincial Government Grants and Subsidies	92 389 155	126 002 533
28 598 451	Water Income	35 481 589	34 406 173
9 311 295	Sewerage Income	7 981 963	9 880 901
21 898 208	Levy Income	27 276 481	26 831 484
2 331 493	Interest on Investments	1 086 376	1 431 068
1 538 137	Other Income	716 913	11 047 510
<u>131 973 680</u>		<u>164 932 477</u>	<u>209 599 669</u>
EXPENDITURE			
30 638 678	Salaries, wages and allowances	41 439 582	41 369 801
9 431 831	Bulk Purchases	8 468 658	8 742 000
37 026 373	General Expenses	38 992 853	31 151 078
9 275 602	Repairs and Maintenance	11 910 498	7 516 060
3 073 996	Capital Charges	2 708 692	5 537 459
4 514 629	Contributions to Fixed Assets	2 515 159	659 000
10 072 311	Contributions	9 749 017	8 216 855
55 356 315	Projects	68 333 668	115 857 890
<u>159 389 735</u>	Gross Expenditure	<u>184 118 127</u>	<u>219 050 143</u>
-	Less: Amounts Charged Out	(2 808 656)	-
<u>159 389 735</u>		<u>181 309 471</u>	<u>219 050 143</u>

ILEMBE DISTRICT MUNICIPALITY
APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2005

2004 Actual Income	2004 Actual Expenditure	2004 Surplus/ (Deficit)		2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)	2005 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
28 471	51 295 049	(51 266 578)	ADMINISTRATION	-	51 975 474	(51 975 474)	(27 922 048)
-	2 926 257	(2 926 257)	Administration	-	6 566 520	(6 566 520)	(3 842 749)
-	18 576 750	(18 576 750)	Council General Expenses	-	16 457 190	(16 457 190)	(1 177 720)
-	6 537 179	(6 537 179)	Technical Services	-	7 310 635	(7 310 635)	(5 154 402)
23 720	8 288 482	(8 264 762)	Financial Services	-	5 314 356	(5 314 356)	(5 993 393)
-	1 751 649	(1 751 649)	Department of Municipal Manager	-	5 227 293	(5 227 293)	(4 226 691)
4 751	817 484	(812 733)	Public Works	-	367 324	(367 324)	-
-	12 397 248	(12 397 248)	Economic Development	-	10 732 156	(10 732 156)	(7 527 093)
1 254 981	60 445 893	(59 190 912)	REGIONAL FUNCTIONS	-	71 470 112	(71 470 112)	(129 232 090)
-	53 691 486	(53 691 486)	Ilembe Projects	-	60 468 408	(60 468 408)	(115 857 890)
-	2 639 657	(2 639 657)	Tourism/Marketing	-	3 585 676	(3 585 676)	(282 800)
-	277 465	(277 465)	Municipal Functions	-	-	-	(3 484 536)
-	1 118 531	(1 118 531)	Disaster Management	-	496 246	(496 246)	(4 400 000)
-	2 014 711	(2 014 711)	Research and Development	-	3 587 492	(3 587 492)	(2 206 864)
-	506 114	(506 114)	Chairman's Fund	-	-	-	-
1 254 981	197 929	1 057 052	Regional Planning	-	1 143 781	(1 143 781)	-
-	-	-	Maintenance and Operations	-	2 188 509	(2 188 509)	(3 000 000)
38 741 576	47 648 793	(8 907 217)	TRADING SERVICES	43 463 552	57 863 885	(14 400 333)	(10 043 931)
29 430 281	41 344 777	(11 914 496)	Water	35 481 589	50 182 740	(14 701 151)	(8 109 104)
9 311 295	6 304 016	3 007 279	Sewerage	7 981 963	7 681 145	300 818	(1 934 827)
91 948 652	-	91 948 652	INCOME	121 468 925	-	121 468 925	157 747 595
14 448 182	-	14 448 182	Establishment Levies	18 338 715	-	18 338 715	17 980 480
7 406 697	-	7 406 697	Services Levies	8 661 176	-	8 661 176	8 851 004
42 486	-	42 486	Interest on Levies	276 590	-	276 590	-
2 326 742	-	2 326 742	Interest on Investments	1 086 376	-	1 086 376	1 431 068
39 461 735	-	39 461 735	External Grants	62 101 251	-	62 101 251	95 714 533
1 538 980	-	1 538 980	Other Income	716 913	-	716 913	3 482 510
26 723 830	-	26 723 830	Equitable Share	30 287 904	-	30 287 904	30 288 000
131 973 680	159 389 735	(27 416 055)	TOTAL	164 932 477	181 309 471	(16 376 994)	(9 450 474)
		5 789 662	Appropriations for this year (refer to note 16)			28 017 749	
		(21 626 393)	Net surplus/(deficit) for the year			11 640 755	
		28 651 538	Opening Accumulated surplus/(deficit)			7 025 145	
		7 025 145	Accumulated Surplus/(Deficit)			18 665 900	

**ILEMBE DISTRICT MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATON**

	2005	2004	2003
POPULATION (APPROXIMATE)	560 382	576 499	571 075
NUMBER OF LEVYPAYERS	3 131	3 207	3 127
LEVY RATES:-			
Establishment Levy	0.1368% Incl. VAT	0.1368% Incl. VAT	0.1368% Incl. VAT
Services Levy	0.342% Incl. VAT	0.342% Incl. VAT	0.342% Incl. VAT
NUMBER OF PERMANENT EMPLOYEES	236	260	97
WATER SERVICE:			
Water Purchased	15 135 698 kl.	-	-
Water Sold	9 418 765 kl.	-	-
Percentage Loss	37.8%	-	-