

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2006**



UTHUKELA DISTRICT MUNICIPALITY

INDEX

1) GENERAL INFORMATION	1 - 1
2) FOREWORD	2 - 2
3) EXECUTIVE DIRECTOR FINANCE'S REPORT	3 - 5
4) ACCOUNTING POLICIES	6 - 8
5) BALANCE SHEET	9 - 9
6) INCOME STATEMENT	10 - 10
7) CASH FLOW STATEMENT	11 - 11
8) NOTES TO THE FINANCIAL STATEMENTS	12 - 16
9) APPENDICES	
a) <i>Accumulated Funds, Trust Funds, Reserves and Provisions</i>	17 - 17
b) <i>External Loans and Internal Advances</i>	18 - 18
c) <i>Analysis of Fixed Assets</i>	19 - 19
d) <i>Analysis of Operating Income and Expenditure</i>	20 - 20
e) <i>Detailed Income Statement</i>	21 - 21
f) <i>Statistical information</i>	22 - 22



MEMBERS OF THE EXECUTIVE COMMITTEE

MAYOR : S.M. Sithole
Deputy Mayor: S.A. Mvelase
Speaker: N.M. Hadebe
Exco Councillor : M.V. Madlala
M.D. Mazubuko
B.A. Mnculwane
S.A. Mvelase
Councillor : S. Bandu
S.N. Mchunu
B.C. Buthelezi
D.S. Nhangothi
R.M. Mlaba
T.Y. Nqubuka
S.T. Ntshahinshali
F.A. Khan
M.N. Mlotshwa
J.M.H. Wood
G. Singh
Z.J. Dladwa
P.J. Hurter
N.B. Hlongwane
C.B. Mabizela
T.A. Sigubudu
M.V. Madlala
N.N. Mabanga
T.P. Mazibuko
C.J.S. Nunes
T.M. Cele
V.M. Zimba
E.S. Zulu
S.P. Hadebe
B.H. Sithole

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor - General: Pietermaritzburg

BANKERS

ABSA Bank - Ladysmith

REGISTERED OFFICE

76 Murchison Street
Ladysmith
3370

PO Box 116
Ladysmith
3370

Telephone: (036) 6385100
Fax :Number (0360) 6375608
email: midesha@uthukela.co.za

The annual financial statements set out on pages 3 to 21 were approved by the Municipal Manager on 31 August 2006 and will be presented to the Council for approval on the 30th of September 2006.


MUNICIPAL MANAGER

Mr. S S B Nkehli


CHIEF FINANCIAL OFFICER

Mr. J N Madondo

FOREWORD

The 2005/2006 financial year has been dynamic taking into consideration that there were local government elections which took place in March 2006. Having been subsequently elected into office sound finances for this council will be one of my areas of focus. Without sound financial administration a municipality cannot be in a position to meet developmental demands of its residents. The Chief Financial Officer alludes to the financial statements for 2005/2006 which presents the financial position of this Council as at 30 June 2006. What we have experienced so far will assist us in making what is better even much better in as far as the finances are concerned.

Our district has tremendous challenges. We are faced with backlogs in the provision of water and sanitation facilities; whilst we are at the same time faced with the renewal of dilapidated water and sanitation infrastructure which we inherited from some of our local municipalities. All these challenges have huge financial implications for this municipality. Besides all these challenges I pledge our full commitment to the provision of effective, efficient and sustainable service delivery to our communities within the district. We will continue with our programmes which are purported at the alleviation of poverty and fight HIV/AIDS. It is my firm belief that the economy of the district need to be given a special attention. Beyond any doubt we will maximize our utilisation of our natural resources through the proper implementation of our various plans which inter alia include Tourism Plan, Agricultural Plan, Growth and Development strategies and others.

During the short span I have served this Council I have noticed a kind of dedication by our officials in pursuance of their day to day activities. I have also witnessed the same with the conduct and dedication shown by the councilors during the proceedings of my Council. I am also thrilled with undivided support and cooperation rendered to our municipality by the local municipalities as well as our communities. It is therefore my wish that the co-operation that has been received by my predecessor from the officials, councilors and community be sustained. The similar wishes are extended to the local municipalities and urge that the cooperation that existed during the previous years be sustained.

In conclusion I invite all roles players in the spirit of cooperative governance to join hands with our Municipality and grow beyond politics for the betterment of our communities and the country as a whole. I pray that our Almighty God be with us as uThukela community and attain all our developmental aspirations.



CLLR S M SITHOLE
HIS WORSHIP THE MAYOR OF
UTHUKELA DISTRICT MUNICIPALITY

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. This mission has been standing unchanged for a number of years, this is informed by various issues, inter alia the relevance with regard to the issues faced by the communities today, for example socio-economic challenges and changes, the role local government is expected to play as against resources available etc.

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 implemented to face up to challenge e.g. Municipal Assistance Programme (MAP) from Provincial Government etc. These initiatives have helped the municipality in taking its rightful seat in service delivery.

The outstanding achievements with the disengagement with uThukela Water (Pty) Ltd is one of the most positive issues which emphasises the seriousness of the administration in accounting for every cent spent by the Municipality from the claimed R 22 million to R 2 million.

Resource Support Services realised an actual surplus of R 5 376 735 whilst District Water and Sanitation services resulted in a deficit of (R 8 739 446) the contributing factors thereto are explained below.

The operating deficit of (R3 362 711) and appropriations of R 24 476 383 have resulted in a net deficit of (R21 113 672) which decreased the accumulated deficit of (R77 839 961) at 30 June 2005 to (R56 726 289) at 30 June 2006.

Water transferred assets which would resulted in a qualification in 2004/2005 were revaluated by engineers which resulted in the increased value.

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 2006 are as follows :

INCOME	Actual 2004/05 R	Actual 2005/06 R	Variance Actual/ Budget %	Budget 2005/08 R
Opening Surplus	-	-		
Operating Income for the Year	189 043 115	222 844 678	-15.8%	264 601 224
Sundry Transfers	3 239 468	24 476 383		
	192 282 583	247 321 061		264 601 224
EXPENDITURE				
Opening Deficit	37 333 616	77 839 961		
Operating Expenditure	232 788 928	226 207 389	14.5%	264 601 224
Closing Deficit	(77 839 961)	(56 726 289)		
	192 282 583	247 321 061		264 601 224

2.1) RESOURCE SUPPORT SERVICES

	Actual 2004/05 R	Actual 2006/06 R	Variance Actual/ Budget %	Budget 2005/06 R
Income	114 783 369	144 423 994	-5.32%	168 233 428
Expenditure	108 370 754	139 047 259	10.38%	168 233 428
(Deficit)/Surplus	6 412 615	5 376 735		-
Surplus (Deficit) as % of Total Income	5.89%	3.72%		0.00%

2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2004/05 R	Actual 2006/06 R	Variance Actual/ Budget %	Budget 2005/06 R
Income	74 259 746	76 420 684	0.35%	96 367 796
Expenditure	124 418 174	87 160 130	-33.93%	96 367 796
Deficit	(50 158 428)	(8 739 446)		-
Surplus (Deficit) as % of Total Income	-87.64%	11.14%		0.00%

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 2005/06	Budget 2005/06
CAPITAL EXPENDITURE		
Resource Support Services	1 288 939	102 538
Regional Water services	285 448 714	52 991 000
	286 737 653	53 093 538
FINANCING OF THE FIXED ASSETS		
Internal loan Capital Development Fund	1 017 855	-
Contributions from Current Income	790 131	660 000
Grants and Subsidies	275 201 965	150 293 442
External Loans	3 502 683	-
DBSA Creditor	280 612 634	150 953 442

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 2006 amounted to R 30 551 058 as set out in appendix "B"
Loans totalling R 4 064 539 were repaid during the year.

Investments amounted to R14 321 230 on 30 June 2006.
The investments are disclosed at Actual Surrender Value for the Metropolitan investments
and at market value for others.

The Bank Overdraft on 30 June 2006 amounted to R 20 133 044

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

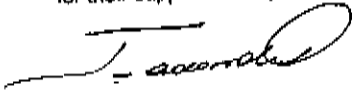
5) FUNDS AND RESERVES

The Consolidated Capital Development Fund has increased by R 11 603 476 to R 15 571 357. Advances
amounting to R 846 948 have been granted to borrowing services while R 455 999 has been repaid and/or
written-off.

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

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors, 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.



EXECUTIVE DIRECTOR FINANCE

DATE : 31/08/2006



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)(i) 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 and are invested in accordance with section 10G (9)(a) of the Local Government Transitional Act, second amendment Act,1996,(Act 97 of 1996), except for Metropolitan Life Investment Policies which are shown at Actual Surrender values.

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 2006

	Notes	2005/2006 R	2004/2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		37 091 600	31 984 095
Statutory Funds	1	15 571 357	11 603 476
Reserves	2	801 971	734 399
Non-distributable Reserve	3	20 718 271	19 646 220
ACCUMULATED DEFICIT	18	(58 726 289) (19 834 688)	(77 839 961) (45 855 866)
TRUST FUNDS	4	980 824	1 003 439
LONG-TERM LIABILITIES	5	27 728 969 <u>9 075 105</u>	30 061 957 <u>(14 790 470)</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	33 106 850	35 956 918
INVESTMENTS	7	14 321 230	10 233 789
LONG-TERM DEBTORS	8	1 888 953 49 317 033	1 132 599 47 323 306
NET CURRENT LIABILITIES		(40 241 928)	(62 113 776)
CURRENT ASSETS			
		58 065 720	29 726 877
Inventory	9	3 437 036	313 454
Debtors	10	54 305 392	29 023 406
Cash and cash equivalents	13	177 191	5 300
Short term portion of long-term debtors	8	146 102	384 717
CURRENT LIABILITIES			
		98 307 648	91 840 653
Provisions	11	5 730 346	4 960 685
Creditors	12	69 622 169	68 269 691
Short-term portion of Long-term Liabilities	5	2 822 089	3 730 117
Bank Overdraft	13	20 133 044	14 880 160
		<u>9 075 105</u>	<u>(14 790 470)</u>



MUNICIPAL MANAGER

CERTIFIED AS CORRECT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
CASH GENERATED IN OPERATING ACTIVITIES	289 502 857	211 486 418
Cash (utilised)/ generated in operations	(3 854 298)	71 064 679
Investment income	1 663 738	1 690 334
(Increase)/ Decrease in working capital	(30 723 090)	30 982 145
	(32 913 650)	103 737 158
<u>Less : External Interest Paid</u>	(3 445 306)	(3 186 857)
Cash (utilised)/ generated in operations	(36 358 958)	100 550 301
Cash contributions from the public and the state	325 861 815	110 917 006
Net proceeds on disposal of fixed assets	-	19 111
	(287 255 392)	(208 778 050)
CASH GENERATED FROM INVESTING ACTIVITIES		
Increase/ Decrease in Long Term Debtors	(517 738)	811 175
Investments in Fixed assets	(288 737 663)	(209 589 225)
	2 247 464	2 708 368
NET CASH INFLOW		
Cash effects of financing activities		
Decrease/ Increase in long-term borrowings	(3 241 016)	6 856 683
(Increase)/Decrease in cash investments	(4 087 441)	(2 850 500)
Decrease/ (Increase) in cash and cash equivalents	5 080 993	(6 714 550)
	(2 247 464)	(2 708 367)
Net Cash (utilised)/ Generated		

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006/2006 R	2004/2005 R
1) Statutory Funds		
Capital Development Fund RSS	15 571 357	11 603 478
Capital Development Fund Emnambithi	15 571 357	11 603 478
<i>(Refer to appendix A for more details)</i>		
2) Reserves		
Maintenance Fund	801 971	734 389
<i>(Refer to appendix A for more details)</i>	801 971	734 389
3) Non-distributable Reserve		
Water and Sanitation take-on balances	(20 718 271)	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	57 768	52 901
Estate Late V.J. Mngomezulu	74 706	71 418
Estate Late J.P. Sokhele	63 943	58 555
Estate Late G. Matatoka	144 767	132 569
Estate Late C. Buthelezi	31 396	28 751
Estate Late S.J.T.Ndlovu	10 573	9 682
Estate Late ZP Mthabela	518 415	474 735
Estate Late NM Khumalo	40 958	136 631
Premier fund	36 298	38 298
<i>(Refer to appendix A for more details)</i>		
5) Long Term Liabilities		
Annuity Loans: DBSA	29 937 162	33 428 432
Lease commitments	613 896	365 642
	30 551 058	33 792 074
Less : Current portion transferred to Current Liabilities		
Annuity Loans: DBSA	2 622 089	3 730 117
Lease commitments	2 487 779	3 464 305
	334 309	265 812
Long term liabilities	27 728 969	30 061 957

(Refer to appendix B for more detail on Long-term Liabilities)

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 980 000 @ 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% R85 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.

6) **Fixed Assets**

Fixed assets at the beginning of the year
 Capital Expenditure during the year
 Less : Assets written off, transferred or disposed of during the year

Total Fixed Assets

Less : Loans Redeemed and Other Capital Receipts
Net Fixed Assets

(Refer to Appendix C and Section 3 of the Executive Director Finance's Report for more details on fixed assets.)

2006/2006	2004/2005
R	R
341 818 482	132 865 214
288 737 653	209 589 225
9 075 088	634 977
619 482 027	341 818 462
586 375 176	305 962 544
33 106 850	35 856 918

7) **Investments**
 Unlisted

Fixed Deposit
 Metropolitan Life Investment policies

Managements Valuations of Unlisted investments

Average Rate of Return on Investments

Funds are invested according to section 10 G (9)(a) of the Local Government Transitional Act, Second Amendment Act, 1996 (Act 97 Of 1996).

The Metropolitan Life Investment Policies amounting to R 7 472 992 are ceded to ABSA Bank as security for Bank Overdraft Facility.

649 259	809 282
13 671 971	9 624 507
14 321 230	10 233 789
14 321 230	10 233 789
12.43%	12.43%

8) **Long Term Debtors**

Deposits
 Vehicle Loans

Less: Short term portion of of long-term debtors

1 076 339	355 205
958 716	1 162 111
146 102	384 717
1 888 853	1 132 599

9) **Inventory**

Inventory represents promotional items and chemicals.

3 437 036	313 454
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10) **Debtors**

South African revenue services
 Sundry debtors
 Advances
 Group life
 Consumers & others
 Levy debtors
 Amounts paid in advance
 Debtors (Projects)

Less :Provision for doubtful debts

11 434 732	4 089 807
9 112 126	11 585 339
263 296	61 839
72 544	82 544
70 020 565	46 146 002
-	-
78 361	65 108
-	-
90 981 623	62 029 639
(36 676 232)	(33 006 233)
54 305 392	29 023 406

11) **Provisions**

Leave Gratuity

5 730 346	4 960 685
------------------	------------------

12) **Creditors**

Imbabazane municipality
 Indaka Municipality
 Development Planning projects
 KZN C.M.I.P.
 DWAF
 Social Pilot project
 Community Based Public Works Programme
 Trade Creditors
 Department of Land Affairs
 KZN Projects (Grant Funding)
 PIMMS
 MIG
 South african Revenue Services
 Uthukela Water (Pty) Ltd
 Sundry
 Other

Consumer deposits

(3 128 776)	(5 127 727)
-	-
(16 122)	(16 122)
-	-
(20 388 514)	(13 612 074)
(856 860)	(856 860)
(182 952)	(343 793)
(8 704 349)	(10 430 658)
(987 486)	(1 050 923)
(7 234 580)	(11 028 414)
(795 720)	(1 663 207)
-	-
(5 739 980)	(5 521 148)
(7 140 679)	(8 265 439)
(8 483 285)	(7 339 757)
(5 055 381)	(2 965 087)
(65 694 684)	(68 221 209)
(927 285)	(48 482)
(69 622 169)	(68 269 691)

- 13) **Cash and Cash Equivalents**
 Bank Overdraft
 Main bank account - overdraft
 Less: Community Based Public Works Program account
 Bank Premier fund a/saun
 Add: UDM Water

Cash and Cash Equivalents
 Cashier float
 Community Based Public Works Program account
 Petty Cash

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

2006/2006 R	2004/2005 R
20 133 044	14 880 180
19 036 239	15 262 251
0	(343 793)
1 097 804	(36 288)
177 191	5 300
2 700	300
169 491	
5 000	5 000

14) **Councillor's Remuneration**

Mayor's Allowance
 Deputy Mayor's Allowance
 Councillors
 Executive Committee
 Standing Committee
 Local municipality Attendance
 Speaker Allowance
 Use of Personal Facilities
 Medical Aid Contributions

377 957	300 548
334 386	258 100
1 050 420	770 900
425 106	268 791
-	-
6 900	4 000
193 183	-
36 101	28 211
17 737	23 154
2 441 790	1 671 704

15) **Remuneration Section 57 Employees**

Annual Package:
 Municipal Manager
 Deputy Municipal Manager
 Executive Director Corporate Services
 Executive Director Technical services
 Chief Financial officer
 Director Social and Economic Services
 Water Services Authority Manager

Performance Bonus:
 Municipal Manager
 Deputy Municipal Manager
 Executive Director Corporate Services
 Executive Director Technical services
 Chief Financial officer
 Director Social and Economic Services
 Water Services Authority Manager

4 395 408	4 099 980
828 278	794 904
766 152	735 288
571 512	548 484
571 512	548 484
604 644	580 284
466 012	446 268
588 300	446 268
646 306	620 199
125 302	120 238
115 911	111 222
86 462	82 969
86 462	82 969
81 467	87 769
70 361	67 516
70 361	67 516
5 041 714	4 720 176

	2005/2006 R	2004/2005 R
16) Auditors Remuneration		
Audit fees		
Current		817324
17) Finance Transactions		
Total external interest earned or paid :		
Interest earned	1 863 738	1 890 334
Interest paid	3 445 308	3 186 857
Capital Charges debited to operating account :		
Interest :		
External	3 662 345	3 424 353
Internal	3 445 308	3 186 857
Redemption :		
External	4 520 638	1 900 982
Internal	4 064 539	1 397 559
	455 999	503 423
	8 182 883	5 325 335
18) Appropriations		
Appropriation account :		
Accumulated deficit at the beginning of the year	(77 839 961)	(37 333 616)
Operating Deficit for the year	(3 362 711)	(43 745 813)
Appropriations for the year	24 478 383	3 239 468
Transferred to deficit	3 804 355	1 000 000
Prior year adjustments	20 672 028	2 239 468
	(86 728 289)	(77 839 961)
Operating account		
Capital Expenditure	790 131	1 640 974
Contributions to :		
Maintenance Reserve	-	-
Capital development Fund	3 325 553	3 504 485
Leave gratuity	768 681	3 368 804
Bad debts	3 670 000	32 649 770
	7 765 214	39 523 059
19) Cash generated/(utilised) by operations		
(Deficit) for the year	(3 362 711)	(43 745 813)
Adjustments in respect of :		
Previous year's operating transactions	24 478 383	3 239 468
Appropriations charged against Income :	8 656 346	41 164 032
- Capital development Fund	3 325 553	3 504 485
- Reserves	-	-
- Provisions	4 439 681	36 018 573
- Capital Outlay	790 131	1 640 974
Capital Charges	8 074 364	5 206 587
* Interest paid	3 563 828	3 305 605
- To internal funds	108 518	118 748
- On external Loans	3 445 308	3 186 857
* Redemption	4 520 638	1 900 982
- Of internal advances	455 999	503 423
- Of external Loans	4 064 539	1 397 559
Loss on disposal of fixed assets	-	284 579
Investment income charged to operating account	(986 118)	(443 882)
Non operating income	(40 812 708)	137 764 931
- Credited to funds provisions and reserves	10 147 142	171 557 925
- From grants	(50 659 850)	(33 792 994)
Non operating expenditure	(98 854)	(72 406 223)
- Expenditure charged against Statutory Funds	-	-
- Expenditure charged against Creditor Reserves	-	(72 392 408)
- Expenditure charged against Trust Funds	(98 854)	(12 815)
Amount To Cashflow Statement	(3 854 298)	71 064 679

	2005/2006 R	2004/2005 R
20) Cash utilised to (increase)/ decrease working capital		
(Increase)/Decrease in Stores	(3 123 582)	(209 552)
(Increase) in Debtors	(28 951 988)	(47 567 923)
Increase in Creditors	1 352 478	78 759 820
Amount To Cashflow Statement	(30 723 090)	30 982 145
21) (Decrease)/ Increase In Long term borrowings		
- Loans raised	823 523	8 342 715
- Loans repaid	(4 064 539)	(1 486 032)
Amount To Cashflow Statement	(3 241 016)	6 856 683
22) (Increase)/Decrease in cash investments		
- Investments realised	17 048 427	15 228 942
- Investments made	(21 135 869)	(18 077 442)
Amount To Cashflow Statement	(4 087 441)	(2 850 500)
23) Decrease/ (Increase) in Cash and Cash Equivalents :		
- Cash Balance at beginning of year	(14 874 860)	(21 589 410)
- Less: Cash Balance at end of year	(19 955 853)	(14 874 860)
	5 080 993	(6 714 550)
24) Contingent Liabilities and Contractual Obligations		
South African Revenue Services pending VAT disallowance	2 990 456	2 990 456
	2 990 456	2 990 456
25) Capital Commitments		
Commitments In respect of capital expenditure:		
Approved but not contracted for	30 442 234	28 571 392
	30 442 234	28 571 392
This expenditure will be financed from:		
-External Sources	30 442 234	22 707 085
MSIG	1 338 789	-
PIMMS	-	2 108 288
Grants - KZN	5 415 999	5 454 035
Comm. Based Public Works programme	182 952	343 793
C.M.I.P.	-	-
Department of Land Affairs	1 123 467	1 188 904
Department of Water Affairs	20 368 514	13 612 074
DPLG - Drought Relief	16 395	4 615 727
Social pilot project	858 860	-
Development planning	16 122	-
Sports and Recreation	1 123 136	1 252 570
26) Capital Development Fund		
Outstanding advances to borrowing services		
Accumulated Funds	16 571 357	11 603 478
Less: Invested	(13 016 666)	(9 436 633)
	2 555 792	2 166 843

(refer to appendix A & B for more detail)

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Balance at 30/06/2005	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 30/06/2006
ACCUMULATED FUNDS						
CAPITAL DEVELOPMENT FUNDS						
Consolidated Capital Development Funds	11 603 476	3 325 553	642 328			15 571 357
<i>Total</i>	11 603 476	3 325 553	642 328	-	-	15 571 357
RESERVES						
Maintenance Fund	734 399		67 572			801 971
<i>Total</i>	734 399	-	67 572	-	-	801 971
TRUST FUNDS						
Estate Late M.N.Sithole	52 901		4 867			57 768
Estate Late V.J. Mngomezulu	71 418		6 571		3 283	74 706
Estate Late J.P. Sokhela	58 555		5 388			63 943
Estate Late G. Matatoka	132 569		12 198			144 767
Estate Late C. Buthelezi	28 751		2 645			31 396
Estate Late S.I.T.Ndlovu	9 682		891			10 573
Estate Late ZP Mthabela	474 735		43 680			518 415
Estate Late NM Khumalo	136 531				95 572	40 959
Premier Fund	38 298					38 298
	1 003 440	-	76 239		98 854	980 824
PROVISIONS						
Leave Gratuity	4 960 685	769 661				5 730 346
<i>Total</i>	4 960 685	769 661	-	-	-	5 730 346
	18 302 000	4 095 214	786 140	-	98 854	23 084 498

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance 30/06/2005	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 30/06/2006
EXTERNAL LOANS					
<i>Is Redeemable</i>					
Finance leases	365 642	810 110		561 856	613 896
Annuity Loans: DBSA	33 426 432	-	13 413	3 502 683	29 937 182
	33 792 074	810 110	13 413	4 064 539	30 551 058

	Balance 30/06/2005	Received during the Year		Redeemed, written off during the Year	Balance 30/06/2006
INTERNAL ADVANCES TO BORROWING SERV.					
Capital Development Fund	2 164 843	846 948		455 999	2 555 792
	2 164 843	846 948		455 999	2 555 792

ANALYSIS OF FIXED ASSETS

Expended 2005	Budget 2006	Balance at 01/07/2005	Expended 2005/2006	Written off, transferred, redeemed or disposed of during the Year	Balance at 30/06/2006
R 16 665 986	R 63 093 538	R 341 819 462	R 286 737 653	R 9 075 088	R 619 482 027
16 665 986	63 093 538	341 819 462	286 737 653	9 075 088	619 482 027
1 644 223	102 538	27 374 611	1 288 939	-	28 663 550
15 021 763	52 991 000	314 444 851	285 448 714	9 075 088	590 818 477
16 665 986	63 093 538	341 819 462	286 737 653	9 075 088	619 482 027
18 410 378		305 862 544	280 512 634	-	586 375 178
1 041 241		3 557 102	1 017 855		4 574 957
64 161		4 384 546	790 131		5 174 677
16 209 661		280 146 559	275 201 965		555 348 524
1 095 815		17 684 398	3 502 683		21 187 081
		79 723	-		79 723
		10 216	-		10 216
(1 744 892)		35 956 918	6 225 019	9 075 088	33 106 850

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2006**

Actual 2005 R	Actual 2006 R	Budget 2006 R
(189 043 115) INCOME	(222 844 678)	(264 601 224)
(18 179 205) - <i>Levy income</i>	(16 979 653)	(16 200 000)
(106 012 968) - <i>Grants and Subsidies</i>	(150 293 442)	(151 428 657)
(64 246 286) - <i>Water and Sanitation Sales</i>	(53 277 349)	(96 367 796)
(604 656) - <i>Other income</i>	(2 294 235)	(604 771)
232 788 928 GROSS EXPENDITURE	226 207 389	264 601 224
43 888 189 - <i>Salaries, Wages and Allowances</i>	55 709 625	56 282 604
59 663 724 - <i>General Expenses</i>	44 408 289	48 519 176
3 994 023 - <i>Repairs and Maintenance</i>	9 717 654	11 298 050
4 954 658 - <i>Capital Charges</i>	8 182 863	9 144 184
1 640 974 - <i>Contribution to Fixed Assets</i>	790 131	660 000
40 523 058 - <i>Contributions</i>	7 765 214	11 299 908
78 124 302 - <i>Capital Projects</i>	99 633 592	127 397 302
232 788 928 NET EXPENDITURE	226 207 389	264 601 224

STATISTICAL INFORMATION

	2006	2005
a) General Statistics		
(i) Levy tariffs		
Regional Services Levy (% of Salaries, wages and drawings)	0.30%	0.30%
Regional Establishment Levy (% of Turnover excluding VAT)	0.12%	0.12%
(ii) Number of Registered Levy Payers	5602	5602
(iii) Number of Employees	569	229
(iv) Water Tariffs		
Description		
1 Tariff for accessibility to water (occupied and unoccupied)	R20.00/month	
2 Sewer Tariff (Fixed Amount occupied and unoccupied)	R40.00/month	
3 Water tariff for restricted water use (un-metred)	R40.00/month	
4 Sewer tariff for restricted usage (un-metred)	R40.00/month	
5 Servicing sewer conservancy tanks/pits	R150.00/month	
Integrated Step Tariff		
6 Water tariff for water usage up to 1 000kl	R4.36/kl	
7 Water tariff for water usage above 1 000kl	R1.80/kl	
8 Bulk Raw water supply	R0.95/kl	
9 Bulk Portable water supply (IFC Estate)	R1.80/kl	
10 Emergency Services Connection (excluding emergency services)	R10.00kl	
11 All connections, repairs and work required from Council Domestic	Average Cost + 10%	
12 All connections, repairs and work required from Council other	Cost+10%	
13 Trade Effluent	$R = E \cdot \text{Flow}(35 + (S \times 0.75) + (A \times 0.08))$	
14 Account Deposits	2.5 Times Avg Monthly Account for new and defaulting consumers	