

**ILEMBE DISTRICT MUNICIPALITY**

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

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# **ILEMBE DISTRICT MUNICIPALITY GENERAL INFORMATION**

## **MEMBERS OF THE EXECUTIVE COMMITTEE**

|                                   |                            |
|-----------------------------------|----------------------------|
| Mayor                             | Councillor S W Mdabe       |
| Speaker                           | Councillor J B Nzuzo       |
| Member of the Executive Committee | Councillor K Anamalay      |
| Member of the Executive Committee | Councillor S E Mfayela     |
| Member of the Executive Committee | Councillor A R Panday      |
| Member of the Executive Committee | Councillor Ms Z F 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 27 were approved by the Acting Municipal Manager on 31 August 2006 and amended on 24 November 2006 and will be presented to and approved by Council.

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**ACTING MUNICIPAL MANAGER  
M D NEWTON**

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**DIRECTOR FINANCE  
MS M MKHIZE**

# **ILEMBE DISTRICT MUNICIPALITY**

## **FOREWORD**

It is with great pleasure that I present the very first set of financial statements during my term of office. I am also pleased that these statements were presented within the deadline set in terms of the Municipal Finance Management Act.

I need not over-emphasise that there are huge challenges lying ahead of us in our endeavour to ensure that there is an acceptable level of service delivery within the Ilembe District.

The Izimbizo's we held during our budget preparation period indicated to us that people have got huge expectations from the Council, ranging from provision of basic services, such as provision of clean water to their households, to economic development in their areas.

The financial statements indicate that there is a huge challenge ahead of us still. We hold a budget of about three hundred million Rand, when our needs are well in excess of a billion Rand. We still need to create a significant asset base to enable us to provide services such as water and sanitation at an acceptable level.

I would like to thank my predecessor, Mr S. Mfayela for his leadership and efforts in delivering services to the people. Although in my short-term of office I have experienced some hiccups, such as the suspension of some senior officials, including the Municipal Manager, I sincerely hope that the municipality will get back on track and take service delivery and the fight against poverty forward.

I further wish to express my gratitude to the Councillors, staff and all the stakeholders who play a significant role in striving to ensure that the municipality meets its social and financial challenges.

I am looking forward to a successful partnership with all the stakeholders of the municipality and I hope, through this partnership, we will be able to take the municipality to greater heights.

**S W MDABE**  
**MAYOR: ILEMBE DISTRICT MUNICIPALITY**

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

## ILEMBE DISTRICT MUNICIPALITY REPORT OF THE DIRECTOR FINANCE

### INTRODUCTION

This is the ninth 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 2006 are as follows:

| <b>INCOME</b>                         | <b>Actual<br/>2006<br/>R</b> | <b>Actual<br/>2005<br/>R</b> | <b>Variance<br/>2005/2006<br/>%</b> | <b>Budget<br/>2006<br/>R</b> | <b>Variance<br/>Actual/Budget<br/>%</b> |
|---------------------------------------|------------------------------|------------------------------|-------------------------------------|------------------------------|---|
| Opening Surplus                       | 18 665 900                   | 7 025 145                    | 165.7                               | -                            | -                                       |
| Operating income for<br>the year      | 144 027 821                  | 164 932 477                  | (12.7)                              | 141 632 507                  | 1.7                                     |
| Sundry Transfers                      | -                            | 28 017 749                   | -                                   | -                            | -                                       |
| Closing deficit                       | -                            | -                            | -                                   | 6 355 307                    | -                                       |
| <b>Total</b>                          | <b>162 693 721</b>           | <b>199 975 371</b>           | <b>-</b>                            | <b>147 987 814</b>           | <b>-</b>                                |
| <b>EXPENDITURE</b>                    |                              |                              |                                     |                              |   |
| Operating expenditure<br>for the year | 146 270 967                  | 181 309 471                  | (19.3)                              | 147 987 814                  | (1.2)                                   |
| Sundry Transfers                      | 5 546 896                    | -                            | -                                   | -                            | -                                       |
| Closing Surplus                       | 10 875 858                   | 18 665 900                   | (41.7)                              | -                            | -                                       |
| <b>Total</b>                          | <b>162 693 721</b>           | <b>199 975 371</b>           | <b>-</b>                            | <b>147 987 814</b>           | <b>-</b>                                |

## 2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R89 590 141 (R23 736 313 in 2005). Details are included in Appendix C and are as follows:-

|                                  | <b>ACTUAL<br/>2006<br/>R</b> | <b>BUDGET<br/>2006<br/>R</b> | <b>ACTUAL<br/>2005<br/>R</b> |
|----------------------------------|------------------------------|------------------------------|------------------------------|
| Furniture and Equipment          | 312 939                      | 521 150                      | 976 045                      |
| Computers                        | 773 095                      | 888 100                      | 459 013                      |
| Vehicles                         | 3 197 703                    | 320 000                      | 1 165 433                    |
| Buildings                        | 3 395 525                    | 5 900 000                    | 4 446 966                    |
| Infrastructure                   | 81 910 879                   | 129 161 299                  | 16 085 055                   |
| Computers Expensed Previous Year | -                            | -                            | 603 801                      |
|                                  | <b>89 590 141</b>            | <b>136 790 549</b>           | <b>23 736 313</b>            |

Resources used to finance the fixed assets were as follows:

|                           | <b>ACTUAL<br/>2006<br/>R</b> | <b>BUDGET<br/>2006<br/>R</b> | <b>ACTUAL<br/>2005<br/>R</b> |
|---------------------------|------------------------------|------------------------------|------------------------------|
| Contribution from Revenue | 977 601                      | 4 998 549                    | 2 803 696                    |
| External Loans            | 36 911 668                   | 63 430 000                   | 19 093 336                   |
| Grants                    | 51 700 872                   | 68 362 000                   | 1 839 281                    |
|                           | <b>89 590 141</b>            | <b>136 790 549</b>           | <b>23 736 313</b>            |

## 3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2006 amounted to R90 374 764 (R45 119 130 in 2005). New loans totalling R46 811 698 (R36 445 128 in 2005) were taken up during the current financial year. The Development Bank of SA loan amount of R50 708 400 (R5 689 399 in 2005) is part of a loan agreement with the Development Bank of SA in the amount of R77 267 500 for Capital Infrastructure Development signed on 15 June 2005. The balance of the loan had not been taken up as at 30 June 2006. More information on external loans is disclosed in Note 3 and Appendix B to the financial statements.

Investments amounted to R25 361 886 (R27 665 658 in 2005) and cash on hand R5 798 R4 500 (R4 500 in 2005) as at 30 June 2006. 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. GENERAL**

The Municipal Manager and Manager IT were suspended from duty on 23 June 2006. The suspension of these employees is the subject of an investigation which is currently ongoing.

#### **7. EXPRESSION OF APPRECIATION**

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

MS M MKHIZE  
DIRECTOR FINANCE

Date: 24 November 2006



# **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. Investments in Municipal Entities**

Investments in municipal entities under the control of the Municipality are carried at cost. Separate financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

## **12. 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 2006**

|   | Note | 2006<br>R   | 2005<br>R  |
|---|------|-------------|------------|
| <b>CAPITAL EMPLOYED</b>                     |      |             |            |
| FUNDS AND RESERVES                          |      | 25 480 343  | 26 923 174 |
| Accumulated Funds                           | 1    | 13 296 922  | 11 680 740 |
| Reserves                                    | 2    | 12 183 421  | 15 242 434 |
| ACCUMULATED SURPLUS/(DEFICIT)               | 16   | 10 875 858  | 18 665 900 |
| LONG TERM LIABILITIES                       | 3    | 79 555 512  | 34 321 294 |
| CONSUMER DEPOSITS                           | 9    | 1 580 813   | 1 382 676  |
| <b>TOTAL CAPITAL EMPLOYED</b>               |      | 117 492 526 | 81 293 044 |
| <b>EMPLOYMENT OF CAPITAL</b>                |      |             |            |
| FIXED ASSETS                                | 4    | 72 035 197  | 37 110 309 |
| LONG-TERM DEBTORS                           | 6    | 194 697     | 1 163 199  |
| INVESTMENTS                                 | 5    | 9 925 104   | 8 491 745  |
|   |      | 82 154 998  | 46 765 253 |
| NET CURRENT ASSETS/LIABILITIES              |      | 35 337 528  | 34 527 791 |
| CURRENT ASSETS                              |      | 80 706 064  | 78 402 599 |
| Inventory                                   | 10   | 770 014     | 680 294    |
| Debtors                                     | 7    | 64 493 470  | 58 543 892 |
| Short Term Investments                      | 5    | 15 436 782  | 19 173 913 |
| Bank  |      | -           | -          |
| Cash  |      | 5 798       | 4 500      |
| CURRENT LIABILITIES                         |      | 45 368 536  | 43 874 808 |
| Provisions                                  | 8    | 4 471 000   | 3 666 600  |
| Creditors                                   | 11   | 31 853 446  | 29 802 523 |
| Bank Overdraft                              |      | 5 670 774   | 8 281 851  |
| Short term portion of long term liabilities | 3    | 3 373 316   | 2 123 834  |
| <b>TOTAL EMPLOYMENT OF CAPITAL</b>          |      | 117 492 526 | 81 293 044 |

**ILEMBE DISTRICT MUNICIPALITY  
INCOME STATEMENT FOR THE YEAR ENDED  
30 JUNE 2006**

| 2005<br>Actual<br>Income | 2005<br>Actual<br>Expen-<br>diture | 2005<br>Surplus/<br>(Deficit) |   | 2006<br>Actual<br>Income | 2006<br>Actual<br>Expen-<br>Diture | 2006<br>Surplus/<br>(Deficit) | 2006<br>Budget<br>Surplus/<br>(Deficit) |
|--------------------------|------------------------------------|-------------------------------|---|--------------------------|------------------------------------|-------------------------------|---|
| R                        | R                                  | R                             |   | R                        | R                                  | R                             | R                                       |
| <b>164 932 477</b>       | <b>181 309 471</b>                 | <b>(16 376 994)</b>           |   | <b>144 027 821</b>       | <b>146 270 967</b>                 | <b>(2 243 146)</b>            | <b>(6 355 307)</b>                      |
| -                        | 51 975 474                         | (51 975 474)                  | Administration  | -                        | 60 907 503                         | (60 907 503)                  | (52 968 667)                            |
| -                        | 71 470 112                         | (71 470 112)                  | Regional Functions  | -                        | 15 008 240                         | (15 008 240)                  | (38 697 200)                            |
| 43 463 552               | 57 863 885                         | (14 400 333)                  | Trading Services  | 56 998 212               | 70 355 224                         | (13 357 012)                  | (6 876 119)                             |
| 121 468 925              | -                                  | 121 468 925                   | Income  | 87 029 609               | -                                  | 87 029 609                    | 92 186 679                              |
| <b>164 932 477</b>       | <b>181 309 471</b>                 | <b>(16 376 994)</b>           | <b>TOTAL</b>  | <b>144 027 821</b>       | <b>146 270 967</b>                 | <b>(2 243 146)</b>            | <b>(6 355 307)</b>                      |
|                          |                                    | 28 017 749                    | Appropriations, for the year<br>(Refer to note 16)          |                          |                                    | (5 546 896)                   |   |
|                          |                                    | 11 640 755                    | Net surplus/(deficit) for the year                          |                          |                                    | (7 790 042)                   |   |
|                          |                                    | 7 025 145                     | Accumulated surplus/(deficit) at beginning of the year      |                          |                                    | 18 665 900                    |   |
|                          |                                    | <b>18 665 900</b>             | <b>ACCUMULATED SURPLUS/(DEFICIT) AT THE END OF THE YEAR</b> |                          |                                    | <b>10 875 858</b>             |   |

**ILEMBE DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR  
ENDED 30 JUNE 2006**

|   | Note | 2006                | 2005                |
|---|------|---------------------|---------------------|
|   |      | R                   | R                   |
| <b>CASH RETAINED FROM OPERATING ACTIVITIES</b>      |      |                     |                     |
| Cash generated by operations                        | 17   | 4 689 077           | 3 685 400           |
| Investment income                                   | 15   | 3 010 150           | 1 086 376           |
| Increase/(Decrease) in working capital              | 18   | (9 728 523)         | (26 906 786)        |
|   |      | <u>(2 029 296)</u>  | <u>(22 135 010)</u> |
| <b>Less:</b> External Interest Paid                 | 15   | (6 256 532)         | (1 231 550)         |
| <b>Cash available from/(utilised in) operations</b> |      | <u>(8 285 828)</u>  | <u>(23 366 560)</u> |
| Cash Contributions from the Public and State        |      | 51 700 872          | -                   |
| <b>CASH UTILISED IN INVESTING ACTIVITIES</b>        |      |                     |                     |
| Net Proceeds on Disposal of Fixed Assets            |      | -                   | -                   |
| Proceeds from land sales                            |      | -                   | -                   |
| Capital expenditure                                 |      | (89 590 141)        | (21 004 694)        |
| <b>NET CASH FLOW</b>                                |      | <u>(46 175 097)</u> | <u>(44 371 254)</u> |
| <b>CASH EFFECTS OF FINANCING ACTIVITIES:</b>        |      |                     |                     |
| (Increase)/Decrease in cash investments             | 19   | 2 303 772           | (587 323)           |
| (Increase)/Decrease in bank and cash on hand        | 20   | (2 612 375)         | 8 513 449           |
| Increase/(Decrease) in long term liabilities        | 21   | 46 483 700          | 36 445 128          |
| <b>NET CASH (UTILISED)</b>                          |      | <u>46 175 097</u>   | <u>44 371 254</u>   |

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006**

|  | 2006<br>R   | 2005<br>R   |
|--|-------------|-------------|
| <b>1. ACCUMULATED FUNDS</b>  |             |             |
| Capital Development Fund ex Endondakusuka  | 1 333 358   | 1 330 032   |
| Capital Development Fund ex kwaDukuza  | 10 530 205  | 10 350 708  |
| Loan Redemption Fund   | 1 433 359   | -           |
| (Refer to Appendix A for more detail)  | 13 296 922  | 11 680 740  |
| <b>2. RESERVES</b>   |             |             |
| Transport  | 212 273     | 212 273     |
| Maintenance  | 2 471 149   | 2 067 881   |
| Unspent Water Grants Endondakusuka   | 891         | 891         |
| Unspent MIG Grant  | 5 519 446   | -           |
| Unspent MSIG Grant   | 478 299     | 1 028 121   |
| Unspent Premiers Fund Grant  | 1 157 023   | 1 157 023   |
| Unspent Department of Transport Grant  | -           | 256 730     |
| Unspent GIS Grant  | 130 889     | 512 911     |
| Unspent Drought Relief Grant   | 1 443 334   | 4 114 884   |
| Unspent Sports and Recreation Grant  | 770 117     | 1 442 203   |
| Unspent Financial Management Grant   | -           | 844 371     |
| Unspent Disaster Management Grant  | -           | 479 146     |
| Unspent Sundumbili Refurbishment Grant   | -           | 3 126 000   |
| (Refer to Appendix A for more detail)  | 12 183 421  | 15 242 434  |
| <b>3. LONG TERM LIABILITIES</b>  |             |             |
| Registered Stock   | -           | -           |
| Long Term Loans  | 82 928 828  | 36 445 128  |
| Annuity Loans  | -           | -           |
|  | 82 928 828  | 36 445 128  |
| Less: Current portion transferred to Current Liabilities   | 3 373 316   | 2 123 834   |
|  | 79 555 512  | 34 321 294  |
| <p>The loans taken over from kwaDukuza Municipality in respect of the water and sanitation services totaling R7 445 936 as at 30 June 2006 (R8 674 002 in 2005) 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 ABSA is secured by a Zero Rated Coupon Investment of R9 925 104 (R8 491 745 in 2005). Refer to Appendix B and Section 3 of the Report of the Director Finance for more information on long term liabilities.</p> |             |             |
| <b>4. FIXED ASSETS</b>   |             |             |
| Fixed assets at the beginning of the year  | 155 565 923 | 131 829 610 |
| Capital expenditure during the year  | 89 590 141  | 23 736 313  |
| Less : Assets written off, transferred or disposed of during the year  | -           | -           |
| <b>Total fixed assets</b>  | 245 156 064 | 155 565 923 |
| Less : Loans redeemed and other capital receipts   | 173 120 867 | 118 455 614 |
| <b>Net fixed assets</b>  | 72 035 197  | 37 110 309  |

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



**ILEMBE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (continued)**

|   | 2006<br>R         | 2005<br>R         |
|---|-------------------|-------------------|
| <b>5. INVESTMENTS</b>   |                   |                   |
| <b>Listed</b>   |                   |                   |
| Listed  | -                 | -                 |
|   | -                 | -                 |
| <b>Unlisted</b>   |                   |                   |
| Long-term deposits  | -                 | -                 |
| Total Long-term Investments   | 9 925 104         | 8 491 745         |
| Total Short-term Investments  | 15 436 782        | 19 173 913        |
| <b>Total Investments</b>  | <u>25 361 886</u> | <u>27 665 658</u> |
| Market value of listed investments and management's valuation of unlisted investments   | 25 361 886        | 27 665 658        |
| Listed Investments  |                   |                   |
| Unlisted Investments  | 25 361 886        | 27 665 658        |
| Average gross rate of return on investment  | 9.1%              | 7.2%              |
| 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 R779 099 (R734 875 in 2005) invested with New Republic Bank which is under receivership and therefore it is uncertain if the full amount will be recovered. |                   |                   |
| Investment details as at 30 June:   |                   |                   |
| ABSA Zero Coupon  | 9 925 104         | 8 491 745         |
| ABSA Short Term Investments   | 7 038 977         | 5 371 336         |
| First National Bank Short Term Investments  | 6 460 241         | 7 697 003         |
| Standard Bank Short Term Investments  | 1 158 465         | 5 211 671         |
| First Rand Bank Short Term Investments  | -                 | 159 028           |
| New Republic Bank Investment Under Curatorship  | 779 099           | 734 875           |
|   | <u>25 361 886</u> | <u>27 665 658</u> |
| <b>6. LONG TERM DEBTORS</b>   |                   |                   |
| Staff Loans   | 669 795           | 1 775 487         |
|   | <u>669 795</u>    | <u>1 775 487</u>  |
| <b>Less:</b> Short-term portion of long-term debtors transferred to current assets  | 475 098           | 612 288           |
|   | <u>194 697</u>    | <u>1 163 199</u>  |

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (continued)**

|  | 2006<br>R         | 2005<br>R         |
|--|-------------------|-------------------|
| <b>7. DEBTORS</b>  |                   |                   |
| Consumer Debtors   | 65 612 709        | 36 766 847        |
| Consumer Debtors ex Endondakasuka                          | 13 258 977        | 14 030 513        |
| Consumer Debtors ex kwaDukuza                              | 10 209 701        | 10 209 701        |
| Endondakuzuka Municipality                                 | 771 536           | -                 |
| Receiver of Revenue (VAT)                                  | -                 | 10 585 953        |
| Durban Metro   | 288 466           | 288 466           |
| DBSA Loan Debtor   | -                 | 5 689 399         |
| Sundry Debtors-Public Works                                | 574 529           | 574 529           |
| Staff Loans (Short term portion)                           | 475 098           | 612 288           |
| Study Loans  | 362 069           | 305 876           |
| Cellphone Loans  | 815               | 815               |
| Ndwedwe Municipality                                       | 276 946           | 576 534           |
| Other Debtors  | 1 552 680         | 886 240           |
|  | <u>93 383 526</u> | <u>80 527 161</u> |
| Less:Provision for bad debts                               | <u>28 890 056</u> | <u>21 983 269</u> |
|  | <u>64 493 470</u> | <u>58 543 892</u> |
| No bad debts were written off in 2005/06 (Nil in 2004/05). |                   |                   |
| Consumer Debtors Ageing:                                   |                   |                   |
| Current  | 5 140 730         | 3 835 368         |
| 30 Days  | 3 533 357         | 2 927 323         |
| 60 Days  | 3 605 245         | 2 177 297         |
| 90 Days  | 3 243 637         | 1 977 929         |
| 120 Days   | 3 374 627         | 1 748 720         |
| 150 Days+  | 46 715 113        | 24 100 210        |
|  | <u>65 612 709</u> | <u>36 766 847</u> |
| <b>8. PROVISIONS</b>                                       |                   |                   |
| Audit fees   | 750 000           | 500 000           |
| Leave Pay  | 3 721 000         | 3 166 600         |
|  | <u>4 471 000</u>  | <u>3 666 600</u>  |
| <b>9. CONSUMER DEPOSITS</b>                                |                   |                   |
| Water Deposits   | 1 216 757         | 308 725           |
| Water Deposits ex Endondakusuka                            | 341 147           | 341 147           |
| Water Deposits ex kwaDukuza                                | 22 909            | 732 804           |
|  | <u>1 580 813</u>  | <u>1 382 676</u>  |
| <b>10. INVENTORY</b>                                       |                   |                   |
| Water and Sewerage Stock on Hand                           | 770 014           | 680 294           |
|  | <u>770 014</u>    | <u>680 294</u>    |
| <b>11. CREDITORS</b>                                       |                   |                   |
| Maphumulo Municipality                                     | -                 | 1 202 518         |
| Trade Creditors  | 7 730 382         | 10 047 213        |
| Capital Creditors (kwaDukuza Municipality Loans)           | 7 445 935         | 8 674 002         |
| Retentions   | 1 741 752         | 1 741 752         |
| Payments in Advance  | 2 840 249         | 601 758           |
| kwaDukuza Municipality                                     | 6 403 485         | 4 168 494         |
| Enterprise Ilembe  | 135 197           | 2 047 397         |
| Receiver of Revenue (VAT)                                  | 3 358 381         | -                 |
| Other Creditors  | 2 198 065         | 1 319 389         |
|  | <u>31 853 446</u> | <u>29 802 523</u> |

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006(continued)**

|   | 2006   | 2005              |
|---|--|-------------------|
|   | R  | R                 |
| <b>12. LEVY INCOME</b>  |  |                   |
| Establishment Levies  | 18 088 706   | 18 338 715        |
| Services Levies   | 8 631 835  | 8 661 176         |
| Interest on Levies  | 164 003  | 276 590           |
|   | <u>26 884 544</u>                                    | <u>27 276 481</u> |
| Establishment Levy  | 0,12% (excl. VAT) of turnover                        |                   |
| Services Levy   | 0,30% (excl. VAT) of salaries, wages<br>and drawings |                   |
| <b>13. COUNCILLORS' AND SENIOR MANAGEMENT<br/>REMUNERATION</b>  |  |                   |
| <b>Councillors' Remuneration:</b>   |  |                   |
| Mayor's Allowance   | 358 245  | 325 449           |
| Speaker's Allowance   | 295 159  | 305 558           |
| Executive Members' Allowances   | 1 112 003  | 788 668           |
| Councillors' Allowances   | 1 113 236  | 1 359 482         |
|   | <u>2 878 643</u>                                     | <u>2 779 157</u>  |
| <b>Basic Salaries Senior Management:</b>  |  |                   |
| Municipal Manager   | 652 028  | 619 504           |
| Director Technical Services   | 498 376  | 473 517           |
| Director Economic Development and Community Services  | 582 288  | 553 243           |
| Director Administration   | 513 087  | 470 160           |
|   | <u>2 245 779</u>                                     | <u>2 116 424</u>  |
| In addition to the abovementioned basic salaries of the Senior Managers they are also entitled to travel, pension and other allowances. |  |                   |
| <b>14. AUDITORS' REMUNERATION</b>   |  |                   |
| Audit fees - Current Year   | 500 000  | 375 000           |
| - Underprovision prior years  | 629 042  | 455 130           |
|   | <u>1 129 042</u>                                     | <u>830 130</u>    |
| <b>15. FINANCE TRANSACTIONS</b>   |  |                   |
| Total external interest earned and paid:  |  |                   |
| Interest earned   | 3 010 150  | 1 086 376         |
| Interest paid   | 6 256 532  | 1 231 550         |
| Capital Charges debited to operating account:   |  |                   |
| Interest:   |  |                   |
| - External  | 6 256 532  | 1 231 550         |
| - Internal  | 182 823  | 234 899           |
| Redemption:   |  |                   |
| - External  | 1 556 064  | 762 019           |
| - Internal  | 430 716  | 480 224           |
|   | <u>8 426 135</u>                                     | <u>2 708 692</u>  |

**ILEMBE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006(continued)**

|  | 2006              | 2005               |
|--|-------------------|--------------------|
|  | R                 | R                  |
| <b>16. APPROPRIATIONS</b>                            |                   |                    |
| Appropriation account:                               |                   |                    |
| Accumulated Surplus at the beginning of the year     | 18 665 900        | 7 025 145          |
| Operating surplus/(deficit) for the year             | (2 243 146)       | (16 376 994)       |
|  | <u>16 422 754</u> | <u>(9 351 849)</u> |
| Prior year adjustments:                              | (5 546 896)       | 28 017 749         |
| Audit Fees   | (629 042)         | (455 130)          |
| Cheques Written Back                                 | 2 324 885         | 1 769 838          |
| Cashier Floats                                       | -                 | -                  |
| 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                                  | 289 188           | 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            |
| Endondakusuka Creditor Takeover                      | (2 023 000)       | -                  |
| Health Salaries Endondakusuka                        | (101 601)         | -                  |
| Business Levies                                      | 347 814           | -                  |
| VAT Adjustments Nett                                 | (5 755 938)       | -                  |
| Water Billing  | (2 134)           | -                  |
| Creditors  | 2 932             | -                  |
| Sundries   | -                 | 27 468             |
| Accumulated surplus/(deficit) at the end of the year | <u>10 875 858</u> | <u>18 665 900</u>  |
| Operating Account:                                   |                   |                    |
| Capital Expenditure                                  | <u>977 601</u>    | <u>2 515 159</u>   |
| Contributions to:                                    |                   |                    |
| Maintenance Reserve                                  | 403 268           | 409 147            |
| Audit Fee Provision                                  | 750 000           | 500 000            |
| Leave Pay Provision                                  | 2 825 797         | 2 083 675          |
| Bad Debts Provision                                  | 6 906 787         | 6 756 195          |
|  | <u>10 885 852</u> | <u>9 749 017</u>   |

**ILEMBE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006 (continued)**

|   | 2006         | 2005         |
|---|--------------|--------------|
|   | R            | R            |
| <b>17. CASH GENERATED BY OPERATIONS</b>             |              |              |
| Surplus/(Deficit) for the year                      | (2 243 146)  | (16 376 994) |
| Adjustments in respect of:                          |              |              |
| Previous years' operating transactions              | (5 546 896)  | 14 529 554   |
| Appropriations charged against income               | 11 863 453   | 12 264 176   |
| Capital Expenditure                                 | 977 601      | 2 515 159    |
| Provisions and Reserves                             | 10 885 852   | 9 749 017    |
| Investment Income credited to the operating account | (1 576 791)  | (1 086 376)  |
| Capital Charges:                                    |              |              |
| Interest Paid:                                      |              |              |
| - External Loans                                    | 6 256 532    | 1 231 550    |
| - Internal Advances                                 | 182 823      | 234 899      |
| Redemption:   |              |              |
| - External Loans                                    | 1 556 064    | 762 019      |
| - Internal Loans                                    | 430 716      | 480 224      |
| Non-operating Expenditure:                          |              |              |
| Expenditure charged against:                        |              |              |
| - Provisions and Reserves                           | (11 753 124) | (32 654 020) |
| Non-operating Income:                               |              |              |
| Income charged against:                             |              |              |
| - Provisions and Reserves                           | 5 519 446    | 24 300 368   |
|   | 4 689 077    | 3 685 400    |
| <b>18. INCREASE/(DECREASE) IN WORKING CAPITAL</b>   |              |              |
| (Increase)/Decrease in Debtors                      | (11 887 863) | (27 302 498) |
| Increase/(Decrease) in Creditors                    | 2 050 923    | 355 577      |
| Increase/(Decrease) in Consumer Deposits            | 198 137      | 181 360      |
| (Increase)/Decrease in Inventory                    | (89 720)     | (141 225)    |
|   | (9 728 523)  | (26 906 786) |
| <b>19. (INCREASE)/DECREASE IN CASH INVESTMENTS</b>  |              |              |
| Investments made                                    | 455 590 663  | 170 897 167  |
| Investments realised                                | 457 894 435  | 170 309 844  |
|   | 2 303 772    | (587 323)    |



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

|   | 2006       | 2005       |
|---|------------|------------|
|   | R          | R          |
| <b>25. CAPITAL DEVELOPMENT FUND</b>   |            |            |
| Accumulated Funds   | 11 863 563 | 11 680 740 |
| Less: External Investments  | 10 547 176 | 9 933 637  |
| Outstanding Advances to Borrowing Services (Refer to Appendix B for more detail)  | 1 316 387  | 1 747 103  |
| <b>26. LOAN REDEMPTION FUND</b>   |            |            |
| Accumulated Funds   | 1 433 359  | -          |
| Less: External Investments  | 1 433 359  | -          |
| Outstanding Advances to Borrowing Services (Refer to Appendix B for more detail)  | -          | -          |
| <b>27. RETIREMENT/MEDICAL AID BENEFITS</b>  |            |            |
| <p>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.</p> <p>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.</p> <p>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.</p> <p>The said contribution shall not be paid out to the staff member but must be paid directly by the council to the relevant institution.</p> |            |            |
| Pension – Council Contributions   | 4 450 668  | 3 507 442  |
| Medical Aid – Council Contributions   | 1 304 735  | 838 336    |

**28. MUNICIPAL ENTITIES**

Ilembe Development Foundation (Association Incorporated Under Section 21) and First Ready Development 207 (Association Incorporated Under Section 21) which is dormant were the only municipal entities under the control of the Ilembe District Municipality as at 30 June 2006.

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

|   | Balance at<br>01/07/05 | Contribu-<br>tions<br>during the<br>Year | Interest on<br>investments | Other<br>income  | Operating<br>Expenditure<br>during the<br>year | Capital<br>Expenditure<br>during the<br>year | Balance at<br>30/06/06 |
|---|------------------------|--|----------------------------|------------------|--|--|------------------------|
| <b>FUNDS</b>                              |                        |  |                            |                  |  |  |                        |
| CDF ex Endondakusuka                      | 1 330 032              | -  | 3 326                      | -                | -  | -  | 1 333 358              |
| CDF ex kwaDukuza                          | 10 350 708             | -  | 179 497                    | -                | -  | -  | 10 530 205             |
| Loan Redemption Fund                      | -                      | -  | 1 433 359                  | -                | -  | -  | 1 433 359              |
|   | <u>11 680 740</u>      | <u>-</u>                                 | <u>1 616 182</u>           | <u>-</u>         | <u>-</u>                                       | <u>-</u>                                     | <u>13 296 922</u>      |
| <b>RESERVES</b>                           |                        |  |                            |                  |  |  |                        |
| Maintenance                               | 2 067 881              | 403 268                                  | -                          | -                | -  | -  | 2 471 149              |
| Transport                                 | 212 273                | -  | -                          | -                | -  | -  | 212 273                |
| Unspent Water Grants<br>Endondakusuka     | 891                    | -  | -                          | -                | -  | -  | 891                    |
| Unspent CMIP Grant                        | -                      | -  | -                          | 5 519 446        | -  | -  | 5 519 446              |
| Unspent MSIG Grant                        | 1 028 121              | -  | -                          | -                | 549 822  | -  | 478 299                |
| Unspent Premiers Fund Grant               | 1 157 023              | -  | -                          | -                | -  | -  | 1 157 023              |
| Unspent Department of<br>Transport Grant  | 256 730                | -  | -                          | -                | 256 730  | -  | -                      |
| Unspent GIS Grant                         | 512 911                | -  | -                          | -                | 382 022  | -  | 130 889                |
| Unspent Drought Relief Grant              | 4 114 884              | -  | -                          | -                | 2 671 550                                      | -  | 1 443 334              |
| Unspent Sports and Recreation<br>Grant    | 1 442 203              | -  | -                          | -                | 672 086  | -  | 770 117                |
| Unspent Financial Management<br>Grant     | 844 371                | -  | -                          | -                | 844 371  | -  | -                      |
| Unspent Disaster Management<br>Grant      | 479 146                | -  | -                          | -                | 479 146  | -  | -                      |
| Unspent Sundumbili<br>Refurbishment Grant | 3 126 000              | -  | -                          | -                | 3 126 000                                      | -  | -                      |
| (Refer Note 2)                            | <u>15 242 434</u>      | <u>403 268</u>                           | <u>-</u>                   | <u>5 519 446</u> | <u>8 981 727</u>                               | <u>-</u>                                     | <u>12 183 421</u>      |
| <b>PROVISIONS</b>                         |                        |  |                            |                  |  |  |                        |
| Audit Fees                                | 500 000                | 750 000                                  | -                          | -                | 500 000  | -  | 750 000                |
| Leave Pay                                 | 3 166 600              | 2 825 797                                | -                          | -                | 2 271 397                                      | -  | 3 721 000              |
|   | <u>3 666 600</u>       | <u>3 575 797</u>                         | <u>-</u>                   | <u>-</u>         | <u>2 771 397</u>                               | <u>-</u>                                     | <u>4 471 000</u>       |



**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**EXTERNAL LOANS AND INTERNAL ADVANCES**

| <b>EXTERNAL LOANS</b>  | <b>Loan No.</b> | <b>Int. Rate</b> | <b>Redeemable</b> | <b>Balance at 01/07/05</b> | <b>Received during the year</b> | <b>Redeemed or written off during the year</b> | <b>Balance at 30/06/06</b> |
|------------------------|-----------------|------------------|-------------------|----------------------------|---------------------------------|--|----------------------------|
|                        |                 |                  |                   | <b>R</b>                   | <b>R</b>                        | <b>R</b>                                       | <b>R</b>                   |
| <b>Long Term Loans</b> |                 |                  |                   |                            |                                 |  |                            |
| Development Bank of SA | -               | 11.76            | 2020              | 755 729                    | 316 697                         | 327 998  | 744 428                    |
| ABSA Bank              | -               | 10.65            | 2025              | 30 000 000                 | -                               | -  | 30 000 000                 |
| Development Bank of SA | -               | 11.76            | 2025              | 5 689 399                  | 45 019 001                      | -  | 50 708 400                 |
| Development Bank of SA | -               | 11.02            | 2010              | -                          | 1 476 000                       | -  | 1 476 000                  |
| <b>TOTAL</b>           |                 |                  |                   | <b>36 445 128</b>          | <b>46 811 698</b>               | <b>327 998</b>                                 | <b>82 928 828</b>          |

| <b>ADVANCES TO BORROWING SERVICES</b> | <b>Balance at 01/07/05</b> | <b>Received during the year</b> | <b>Redeemed or written off during the year</b> | <b>Balance at 30/06/06</b> |
|---------------------------------------|----------------------------|---------------------------------|--|----------------------------|
|                                       | <b>R</b>                   | <b>R</b>                        | <b>R</b>                                       | <b>R</b>                   |
| CCDF Endondakusuka Water              | 31 470                     | -                               | 20 652   | 10 818                     |
| CCDF Endondakusuka Water              | 1 191                      | -                               | 300  | 891                        |
| CCDF kwaDukuza Water                  | 162 828                    | -                               | 47 436   | 115 392                    |
| CCDF kwaDukuza Water                  | 1 027 085                  | -                               | 232 168  | 794 917                    |
| CCDF kwaDukuza Sewerage               | 5 448                      | -                               | 2 724  | 2 724                      |
| CCDF kwaDukuza Sewerage               | 15 976                     | -                               | 1 269  | 14 707                     |
| CCDF kwaDukuza Sewerage               | 503 105                    | -                               | 126 167  | 376 938                    |
| <b>TOTAL</b>                          | <b>1 747 103</b>           | <b>-</b>                        | <b>430 716</b>                                 | <b>1 316 387</b>           |

| <b>CAPITAL CREDITORS</b>           | <b>Loan No.</b> | <b>Int. Rate</b> | <b>Redeemable</b> | <b>Balance at 01/07/05</b> | <b>Received during the year</b> | <b>Redeemed or written off during the year</b> | <b>Balance at 30/06/06</b> |
|------------------------------------|-----------------|------------------|-------------------|----------------------------|---------------------------------|--|----------------------------|
|                                    |                 |                  |                   | <b>R</b>                   | <b>R</b>                        | <b>R</b>                                       | <b>R</b>                   |
| <b>Registered Stock</b>            |                 |                  |                   |                            |                                 |  |                            |
| FNB (CMB) Nominees                 | 618             | 16.90            | 30/06/2011        | 1 015 036                  | -                               | 583 557  | 431 479                    |
| <b>Long Term Loans</b>             |                 |                  |                   |                            |                                 |  |                            |
| Infrastructure Finance Corporation | 00-0001         | 16.00            | 30/06/2011        | 3 999 500                  | -                               | -  | 3 999 500                  |
| First Rand Bank                    | 412             | Prime            | -                 | 298 320                    | -                               | 42 945   | 255 375                    |
| First Rand Bank                    | 447             | Prime            | 11/2007           | 1 847 558                  | -                               | 265 965  | 1 581 593                  |
| Standard Bank                      | -               | Prime            | -                 | 809 390                    | -                               | 334 920  | 474 470                    |
| <b>Annuity Loans</b>               |                 |                  |                   |                            |                                 |  |                            |
| Development Bank of SA             | 13527           | 16.50            | -                 | 691 299                    | -                               | 667  | 690 632                    |
| Development Bank of SA             | 11578           | 13.45            | 12/2014           | 11 664                     | -                               | 11   | 11 653                     |
| Development Bank of SA             | 11577           | 15.19            | 06/2014           | 1 235                      | -                               | 1  | 1 234                      |
| <b>TOTAL</b>                       |                 |                  |                   | <b>8 674 002</b>           | <b>-</b>                        | <b>1 228 066</b>                               | <b>7 445 936</b>           |

All the above loans shown as Capital Creditors 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<br>2005 | Service  | Budget<br>2006     | Balance at<br>01/07/05 | Expenditure<br>2006 | Redeemed<br>transferred or<br>written off<br>during the year | Balance at<br>30/06/06 |
|---------------------|--|--------------------|------------------------|---------------------|--|------------------------|
| R                   |  | R                  | R                      | R                   | R  | R                      |
| 119 265             | Administration   | 2 152 000          | 594 470                | 846 757             | -  | 1 441 227              |
| 1 806 838           | Council  | 84 500             | 9 036 458              | 32 286              | -  | 9 068 744              |
| 6 522               | Technical  | 42 000             | 1 929 634              | 4 448               | -  | 1 934 082              |
| 966 707             | Financial  | 1 000 700          | 2 189 729              | 764 941             | -  | 2 954 670              |
| -                   | Assets transferred to IRC                                      | -                  | 156 053                | -                   | -  | 156 053                |
| 15 199              | Municipal Manager  | 100 000            | 119 482                | 24 283              | -  | 143 765                |
| -                   | Tourism/Marketing  | 20 000             | 131 089                | -                   | -  | 131 089                |
| 4 446 966           | Buildings  | 4 000 000          | 12 011 966             | 3 395 524           | -  | 15 407 490             |
| -                   | Assets Contr. From Subsidy                                     | -                  | 2 648 445              | -                   | -  | 2 648 445              |
| -                   | Public Works   | 15 330 000         | 26 108                 | -                   | -  | 26 108                 |
| -                   | Assets from KZN  | -                  | 1 063 014              | -                   | -  | 1 063 014              |
| 14 659 669          | Water  | 83 261 939         | 111 548 998            | 75 633 498          | -  | 187 182 496            |
| 1 715 147           | Sewerage   | 30 799 410         | 14 110 477             | 8 888 404           | -  | 22 998 881             |
| <b>23 736 313</b>   | <b>TOTAL FIXED ASSETS</b>                                      | <b>136 790 549</b> | <b>155 565 923</b>     | <b>89 590 141</b>   | <b>-</b>   | <b>245 156 064</b>     |
|                     | <b>LESS: LOANS REDEEMED<br/>AND OTHER CAPITAL<br/>RECEIPTS</b> |                    | <b>118 455 614</b>     | <b>54 665 253</b>   | <b>-</b>   | <b>173 120 867</b>     |
|                     | Contributions ex Operating                                     |                    | 12 314 026             | 977 601             | -  | 13 291 627             |
|                     | Transferred from Province                                      |                    | 1 352 064              | -                   | -  | 1 352 064              |
|                     | Contributions from Revenue                                     |                    | 514 393                | -                   | -  | 514 393                |
|                     | Loans Redeemed   |                    | -                      | 327 998             | -  | 327 998                |
|                     | 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   |                    | 5 632 424              | 51 700 872          | -  | 57 333 296             |
|                     | Transferred Water and Sewerage                                 |                    | 613 729                | -                   | -  | 613 729                |
|                     | <b>Endondakusuka:</b>  |                    |                        |                     |  |                        |
|                     | Loans Redeemed Internal  |                    | 750 827                | 20 952              | -  | 771 779                |
|                     | 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                |
|                     | <b>kwaDukuza:</b>  |                    |                        |                     |  |                        |
|                     | Loans Redeemed Internal  |                    | 6 557 413              | 409 764             | -  | 6 967 177              |
|                     | Loans Redeemed External  |                    | 26 496 521             | 1 228 066           | -  | 27 724 587             |
|                     | 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                 |
|                     | <b>NET FIXED ASSETS</b>  |                    | <b>37 110 309</b>      | <b>34 924 888</b>   | <b>-</b>   | <b>72 035 197</b>      |

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX D**  
**ANALYSIS OF OPERATING INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30 JUNE 2006**

| Actual<br>2005<br>R |  | Actual<br>2006<br>R | Budget<br>2006<br>R |
|---------------------|--|---------------------|---------------------|
| <b>INCOME</b>       |  |                     |                     |
| 92 389 155          | Central and Provincial Government Grants and Subsidies | 58 053 294          | 59 537 000          |
| 35 481 589          | Water Income   | 49 816 507          | 38 735 778          |
| 7 981 963           | Sewerage Income  | 7 181 705           | 10 710 050          |
| 27 276 481          | Levy Income  | 26 884 544          | 28 021 859          |
| 1 086 376           | Interest on Investments                                | 1 576 791           | 1 167 250           |
| 716 913             | Other Income   | 514 980             | 3 460 570           |
| <u>164 932 477</u>  |  | <u>144 027 821</u>  | <u>141 632 507</u>  |
| <b>EXPENDITURE</b>  |  |                     |                     |
| 41 439 582          | Salaries, wages and allowances                         | 53 202 840          | 44 430 353          |
| 8 468 658           | Bulk Purchases   | 15 261 340          | 7 280 000           |
| 38 992 853          | General Expenses                                       | 33 732 666          | 35 228 266          |
| 11 910 498          | Repairs and Maintenance                                | 12 646 963          | 8 713 807           |
| 2 708 692           | Capital Charges  | 8 426 135           | 9 081 445           |
| 2 515 159           | Contributions to Fixed Assets                          | 977 601             | 1 729 250           |
| 9 749 017           | Contributions  | 10 885 852          | 8 707 287           |
| 68 333 668          | Projects/Functions                                     | 20 304 892          | 37 323 440          |
| <u>184 118 127</u>  | <b>Gross Expenditure</b>                               | <u>155 438 289</u>  | <u>152 493 848</u>  |
| (2 808 656)         | Less: Amounts Charged Out                              | (9 167 322)         | (4 506 034)         |
| <u>181 309 471</u>  |  | <u>146 270 967</u>  | <u>147 987 814</u>  |

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX E**  
**DETAILED INCOME STATEMENT FOR THE YEAR ENDED**  
**30 JUNE 2006**

| 2005<br>Actual<br>Income | 2005<br>Actual<br>Expenditure | 2005<br>Surplus/<br>(Deficit) |   | 2006<br>Actual<br>Income | 2006<br>Actual<br>Expenditure | 2006<br>Surplus/<br>(Deficit) | 2006<br>Budget<br>Surplus/<br>(Deficit) |
|--------------------------|-------------------------------|-------------------------------|---|--------------------------|-------------------------------|-------------------------------|---|
| R                        | R                             | R                             |   | R                        | R                             | R                             | R                                       |
| -                        | 51 975 474                    | (51 975 474)                  | ADMINISTRATION                                  | -                        | 60 907 503                    | (60 907 503)                  | (52 968 667)                            |
| -                        | 6 566 520                     | (6 566 520)                   | Administration                                  | -                        | 21 355 801                    | (21 355 801)                  | (14 811 513)                            |
| -                        | 16 457 190                    | (16 457 190)                  | Council General Expenses                        | -                        | 10 350 369                    | (10 350 369)                  | (9 109 750)                             |
| -                        | 7 310 635                     | (7 310 635)                   | Technical Services                              | -                        | 6 611 953                     | (6 611 953)                   | (5 944 129)                             |
| -                        | 5 314 356                     | (5 314 356)                   | Financial Services                              | -                        | 4 946 450                     | (4 946 450)                   | (8 526 190)                             |
| -                        | 5 227 293                     | (5 227 293)                   | Department of Municipal Manager                 | -                        | 1 947 453                     | (1 947 453)                   | (4 263 948)                             |
| -                        | 367 324                       | (367 324)                     | Public Works                                    | -                        | 85 483                        | (85 483)                      | (944 733)                               |
| -                        | 10 732 156                    | (10 732 156)                  | Economic Development                            | -                        | 15 609 994                    | (15 609 994)                  | (9 368 404)                             |
| -                        | 71 470 112                    | (71 470 112)                  | REGIONAL FUNCTIONS                              | -                        | 15 008 240                    | (15 008 240)                  | (38 697 200)                            |
| -                        | 60 468 408                    | (60 468 408)                  | Projects/Functions                              | -                        | 9 077 423                     | (9 077 423)                   | (26 027 200)                            |
| -                        | 3 585 676                     | (3 585 676)                   | Tourism/Marketing                               | -                        | 4 127 995                     | (4 127 995)                   | (4 700 000)                             |
| -                        | 496 246                       | (496 246)                     | Disaster Management                             | -                        | 1 181 727                     | (1 181 727)                   | (2 500 000)                             |
| -                        | 3 587 492                     | (3 587 492)                   | Research and Development                        | -                        | -                             | -                             | -                                       |
| -                        | 1 143 781                     | (1 143 781)                   | Regional Planning                               | -                        | 621 095                       | (621 095)                     | (2 470 000)                             |
| -                        | 2 188 509                     | (2 188 509)                   | Maintenance and Operations                      | -                        | -                             | -                             | (3 000 000)                             |
| 43 463 552               | 57 863 885                    | (14 400 333)                  | TRADING SERVICES                                | 56 998 212               | 70 355 224                    | (13 357 012)                  | (6 876 119)                             |
| 35 481 589               | 50 182 740                    | (14 701 151)                  | Water   | 49 816 507               | 59 336 080                    | (9 519 573)                   | (5 270 488)                             |
| 7 981 963                | 7 681 145                     | 300 818                       | Sewerage  | 7 181 705                | 11 019 144                    | (3 837 439)                   | (1 605 631)                             |
| 121 468 925              | -                             | 121 468 925                   | INCOME  | 87 029 609               | -                             | 87 029 609                    | 92 186 679                              |
| 18 338 715               | -                             | 18 338 715                    | Establishment Levies                            | 18 088 706               | -                             | 18 088 706                    | 18 830 689                              |
| 8 661 176                | -                             | 8 661 176                     | Services Levies                                 | 8 631 835                | -                             | 8 631 835                     | 8 910 951                               |
| 276 590                  | -                             | 276 590                       | Interest on Levies                              | 164 003                  | -                             | 164 003                       | 280 219                                 |
| 1 086 376                | -                             | 1 086 376                     | Interest on Investments                         | 1 576 791                | -                             | 1 576 791                     | 1 167 250                               |
| 62 101 251               | -                             | 62 101 251                    | External Grants                                 | 13 503 960               | -                             | 13 503 960                    | 14 988 000                              |
| 716 913                  | -                             | 716 913                       | Other Income                                    | 514 980                  | -                             | 514 980                       | 3 460 570                               |
| 30 287 904               | -                             | 30 287 904                    | Equitable Share                                 | 44 549 334               | -                             | 44 549 334                    | 44 549 000                              |
| 164 932 477              | 181 309 471                   | (16 376 994)                  | TOTAL   | 144 027 821              | 146 270 967                   | (2 243 146)                   | (6 355 307)                             |
|                          |                               | 28 017 749                    | Appropriations for this year (refer to note 16) |                          |                               | (5 546 896)                   |   |
|                          |                               | 11 640 755                    | Net surplus/(deficit) for the year              |                          |                               | (7 790 042)                   |   |
|                          |                               | 7 025 145                     | Opening Accumulated surplus/(deficit)           |                          |                               | 18 665 900                    |   |
|                          |                               | 18 665 900                    | Accumulated Surplus/(Deficit)                   |                          |                               | 10 875 858                    |   |

**ILEMBE DISTRICT MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATON**

|                               | <b>2006</b>          | <b>2005</b>          | <b>2004</b>          |
|-------------------------------|----------------------|----------------------|----------------------|
| POPULATION (APPROXIMATE)      | 560 388              | 560 382              | 576 499              |
| NUMBER OF LEVYPAYERS          | 2 819                | 3 131                | 3 207                |
| LEVY RATES:-                  |                      |                      |                      |
| Establishment Levy            | 0.1368%<br>Incl. VAT | 0.1368%<br>Incl. VAT | 0.1368%<br>Incl. VAT |
| Services Levy                 | 0.342%<br>Incl. VAT  | 0.342%<br>Incl. VAT  | 0.342%<br>Incl. VAT  |
| NUMBER OF PERMANENT EMPLOYEES | 235                  | 236                  | 260                  |
| WATER SERVICE:                |                      |                      |                      |
| Water Purchased               | 15 732 848 kl.       | 15 135 698 kl.       | -                    |
| Water Sold                    | 10 180 172 kl.       | 9 418 765 kl.        | -                    |
| Percentage Loss               | 35.3%                | 37.8%                | -                    |
| Number of Water Connections   | 21 248               | -                    | -                    |
| SANITATION SERVICE            |                      |                      |                      |
| Number of Sewer Connections   | 9 689                | -                    | -                    |