



UTHUKELA DISTRICT MUNICIPALITY

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MEMBERS OF THE EXECUTIVE COMMITTEE

MAYOR : S.M. Sithole
Deputy Mayor: S.A. Mvelase
Speaker: N.M. Hadebe
Exco Councillor : C.J.S. Nunse
M.D. Mazubuko
B.A. Mnculwane
Councillor : S. Bandu
S.N. Mchunu
B.C. Buthelezi
D.S. Nhlangothi
R.M. Mlaba
T.Y. Nqubuka
S.T. Ntshalinshali
F.A. Khan
M.N. Mlotshwa
J.M.H. Wood
M.G. Hlubi
Z.J. Dladwa
P.J. Hurter
N.B. Hlongwane
C.B. Mabizela
T.A. Sigubudu
M.C. Mchunu
T.P. Mazibuko
E.N. Lushaba
T.M. Cele
V.M. Zimba
S.P. Hadebe
B.H. Sithole

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor - General: Pietermaritzburg

BANKERS

ABSA Bank - Newcastle

REGISTERED OFFICE

76 Murchison Street
Ladysmith
3370

PO Box 116
Ladysmith
3370

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The annual financial statements set out on pages 9 to 27 were approved by the Municipal Manager on 31 August 2007 and will be presented to the Council for approval on the 18th of September 2007.

MUNICIPAL MANAGER

Mr. S S B Nkehli

CHIEF FINANCIAL OFFICER

Mr. J N Madondo

FOREWORD

The financial year end 2007 has been depicted by various challenges which this Municipality had to overcome. For instance the allocation of powers and functions led to the transfer of water function to the District. This posed a challenge of issues like ageing infrastructure (which was coupled with the pipe burst with no or very meagre resources to cope with), staff morale, loans inherited from locals, high levels of indigents due to high levels of unemployment etc, The manner in which these challenges have been tackled has proven that the leadership and management can face up to the challenge under difficult conditions and emerge as victors. This gives a clear message to the world that Uthukela District Municipality can and will be able achieve what it has set itself to achieve.

Our council is very determined to meet its priority objectives which are set in the I.D.P; however issues which are beyond the control of the Municipality are now starting to surface. These issues will potentially hinder our efforts to achieve our goals. For instance, due to the impact of the global warming, our dams, underground water and rivers are drying up. This is evident with the drying up of the Olifantskop Dam which supplies the greater communities in iNdaka Local Municipality,

I wish that the presented financial statement can not only be viewed in terms of rands and cents but also in terms of the value add, which this council has done in order to better the lives of our people which is the reason for our existence.

Lastly, I would like to thank the kind of dedication, courage and commitment espoused by our officials and councilors in pursuance of the council's day to day activities. It is evident that it has been a winning combination which I will like to encourage even beyond this financial year. This is also the outcome of the manner our councilors conduct themselves in decision making and during the proceedings of my Council which is beyond differing political party beliefs. I would also like to express our gratitude to our local councils for the kind of support and cooperation they have shown to us as the

It is our plea that this cooperation between the officials and councilors and between the district and the local municipalities be sustained not for its own sake but for the betterment of our communities as a whole.

**HIS WORSHIP THE MAYOR COUNCILOR S M SITHOLE
UTHUKELA DISTRICT MUNICIPALITY**



1) INTRODUCTION

The vision of Uthukela District Municipality is the improved quality of life for all in a globally interconnected, stable and developed region, to pursue this end, all stakeholders in the region should understand that the broader perspective has been adopted, this requires a greater participation and involvement of stakeholders via, the Municipality, civil society and business community. It therefore calls for all of us to come with new ways of doing business e.g. the recognition and the strengthening of the Private Public Partnerships etc.

The current year's financials are the indication of the dedication and commitment by the Municipality to address its financial position in order to be better positioned for the delivery of services, which will facilitate opportunities for economic growth consequently the stable and a developed region.

The Municipality has undergone various adaptation challenges which were posed by a number of changes in the environment within which it operated, and it has risen above difficult times. I believe it is stable, this renders an opportunity for improvements, exploration of new opportunities and progress even further, this will take dedication and resources, the execution of these developments are envisaged to take place in 2007/8 financial year.

The global warming is threatening the financial position further of the Municipality, as noted in the report, underground water is getting depleted and the Oliphantskop dam drying out, new innovative strategies need to be developed.

Lastly the Municipality hopes to finalise the GRAP/GAMAP conversion in 2007/8 and to implement the property rates act in the beginning of 2008/9 financial year.

1.1) GOING CONCERN

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.

Resource Support Services realised an actual surplus of R 10 831 525 whilst District Water and Sanitation services resulted in a deficit of (R 6 218 120) the contributing factors thereto are explained below.

The operating surplus of R 4 613 405 and appropriations of R 33 824 337 have resulted in a net surplus of R 38 437 742 which decreased the accumulated deficit of (R 56 855 128) at 30 June 2006 to (R 18 417 386) at 30 June 2007.

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 2005/06 R	Actual 2006/2007 R	Variance Actual/ Budget %	Budget 2006/2007 R
Opening Surplus	0	0		
Operating Income for the Year	221 403 856	244 632 294	-6.8%	262 534 947
Sundry Transfers	24 347 544	33 824 337		
	245 751 400	278 456 631		262 534 947
EXPENDITURE				
Opening Deficit	77 839 961	56 855 128		
Operating Expenditure	224 766 566	240 018 889	8.6%	262 534 947
Closing Deficit	(56 855 128)	(18 417 386)		
	245 751 399	278 456 631		262 534 947

2.1) RESOURCE SUPPORT SERVICES

	Actual 2005/2006 R	Actual 2006/2007 R	Variance Actual/ Budget %	Budget ,2006/2007 R
Income	142 983 172	149 615 865	7.2%	161 235 137
Expenditure	137 606 436	138 784 340	13.4%	160 239 640
(Deficit)/Surplus	5 376 736	10 831 525		995 497
Surplus (Deficit) as % of Total Income	3.76%	7.24%		0.62%

2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2005/2006 R	Actual ,2006/2007 R	Variance Actual/ Budget %	Budget 2006/2007 R
Income	78 420 684	95 016 429	6.2%	101 299 810
Expenditure	87 160 130	101 234 549	1.0%	102 295 307
Deficit	(8 739 446)	(6 218 120)		(995 497)
Surplus (Deficit) as % of Total Income	-11.14%	6.54%		-0.98%

3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2006/2007	Budget 2006/2007
CAPITAL EXPENDITURE		
Resource Support Services	322 041	294 400
Regional Water services	74 087 240	10 000
	74 409 281	304 400
FINANCING OF THE FIXED ASSETS		
Internal loan Capital Development Fund	1 325 588	-
Contributions from Current Income	340 052	304 400
Grants and Subsidies	72 571 916	-
Current income (Okhahlamba KZNPA)	-	-
DBSA Creditor	2 427 662	-
	76 665 218	304 400

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.

4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2007 amounted to R 28 662 660 as set out in appendix "B" Loans totalling R 3 174 407 were repaid during the year.

Investments amounted to R 9 810 035 on 30 June 2007.
The investments are disclosed at Actual Surrender Value for the Metropolitan investments and at market value for others.

The Bank Overdraft on 30 June 2007 amounted to R 2 854 423

More information regarding loans and investments is disclosed in notes 5 and 8 and appendix B to the financial statements.

5) FUNDS AND RESERVES

The Consolidated Capital Development Fund has increased by R 544 412 to R 16 115 769. Advances amounting to R 227 497 have been granted to borrowing services while R 578 743 has been repaid and/or written-off.

More information regarding funds and reserves is disclosed in notes 1, 2, 3 and appendix A to the financial statements.

EXPRESSION OF APPRECIATION

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

CHIEF FINANCIAL OFFICER

DATE :.....



ACCOUNTING POLICIES

1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (5th Edition, as amended).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure as more fully detailed in note 5.
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :
Income is accrued when collectable and measurable.
Expenditure is accrued in the year it is incurred.

2) CONSOLIDATION

The Balance Sheet includes the Resource Support Services, District Water and Sanitation Services and the different Funds, Reserves and Provisions.

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 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 fair market value.

5) FUNDS AND RESERVES

5.1 Capital Development Fund

No contributions have been made to the fund.
This was done in anticipation of conversion to Grap / Gamap compliance.

5.6 PROVISIONS

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

6) TRUST FUNDS

Trust funds represents the balance of amounts received less expended for deceased employees and councillors.

7) SURPLUSES AND DEFICITS

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

8) 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.

9) 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. Investments are done in accordance with the Financial Regulations as approved.

10) INCOME RECOGNITION

10.1 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.

Although levy assessments has been abolished as from 1 July 2006 Council is still in the process of collecting outstanding assessment prior to the above mentioned date.

Collectability of this income is not reasonably assured, due to the abolishment of this tax form.

11) 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.

12) RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recorded through lump sum payments or increased future contributions on a proportional basis to all participating municipalites.

The following contributions are made by the municipality:

- The Natal Joint Municipal Pension Fund (Super Fund) 18% plus 6% surcharge = 24%
- The Natal Joint Municipal Pension Fund (Retirement Fund) 13.65% plus 12.35% surcharge = 26%
- Councillors and section 57 employees make the full contribution to the pension fund.

13) TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).



BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2006/2007 R	2005/2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		16 960 653	37 091 600
Statutory Funds	1	16 115 769	15 571 357
Reserves	2	844 884	801 971
Non-distributable Reserve	3	-	20 718 271
ACCUMULATED DEFICIT	4	<u>(18 417 386)</u> (1 456 733)	<u>(56 855 128)</u> (19 763 528)
LONG-TERM LIABILITIES	5	<u>25 349 302</u> 23 892 569	<u>27 517 765</u> 7 754 237
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	7	29 792 762	32 048 700
INVESTMENTS	8	9 810 035	14 321 230
LONG-TERM DEBTORS	9	<u>1 619 911</u> 41 222 708	<u>1 888 953</u> 48 258 883
NET CURRENT LIABILITIES		<u>(17 330 139)</u>	<u>(40 504 646)</u>
CURRENT ASSETS			
		73 797 856	47 992 390
Inventory	10	6 249 301	3 437 036
Debtors	11	66 165 403	42 870 660
Vat	14	-	1 361 403
Cash and cash equivalents	15	1 253 459	177 191
Short term portion of long-term debtors	9	129 693	146 101
CURRENT LIABILITIES			
		91 127 995	88 497 036
Vat	14	1 108 400	
Creditors	12	53 786 941	34 355 336
Deposits	6	1 465 962	927 285
Unspent Grant Creditor	13	28 598 911	30 259 282
Short-term portion of Long-term Liabilities	5	3 313 358	2 822 089
Bank Overdraft	15	2 854 423	20 133 044
		<u>23 892 569</u>	<u>7 754 237</u>

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MUNICIPAL MANAGER

.....
CERTIFIED AS CORRECT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2005/2006	2005/2006	2005/2006		2006/2007	2006/2007	2006/2007	2006/2007
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
<i>R</i>	<i>R</i>	<i>R</i>		<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
221 403 856	224 766 566	(3 362 711)	<i>District Service</i>	244 632 294	240 018 889	4 613 405	-
142 983 172	137 606 436	5 376 736	<i>Resources Support Services</i>	149 615 865	138 784 340	10 831 525	995 497
78 420 684	87 160 130	(8 739 446)	<i>District Water and Sanitation</i>	95 016 429	101 234 549	(6 218 120)	(995 497)
221 403 856	224 766 566	(3 362 711)	TOTAL	244 632 294	240 018 889	4 613 405	-
		24 347 544	Appropriation for this Year (Refer working papers)			33 824 337	
		20 984 833	Net surplus/ (deficit) for the Year			38 437 742	
		(77 839 961)	Accumulated (Deficit)/Surplus beginning of the year			(56 855 128)	
		(56 855 128)	ACCUMULATED DEFICIT AT END OF THE YEAR			(18 417 386)	

**CASH FLOW STATEMENT FOR THE YEAR ENDED
30 JUNE 2007**

	Note	2007 R	2006 R
CASH GENERATED IN OPERATING ACTIVITIES		89 644 720	288 655 911
Cash (utilised)/ generated in operations	23	26 288 116	(4 085 826)
Investment income	22	1 097 627	1 766 427
(Increase)/ Decrease in working capital	24	(6 677 293)	(31 441 197)
		20 708 450	(33 760 596)
<u>Less</u> : External Interest Paid	22	(3 635 646)	(3 445 308)
Cash (utilised)/ generated in operations		17 072 804	(37 205 904)
Cash contributions from the public and the state		72 571 916	325 861 815
Net proceeds on disposal of fixed assets		-	-
CASH GENERATED FROM INVESTING ACTIVITIES		(74 123 831)	(286 408 447)
Increase/ Decrease in Long Term Debtors		285 450	(517 740)
Investments in Fixed assets	7	(74 409 281)	(285 890 707)
NET CASH INFLOW		15 520 889	2 247 464
Cash effects of financing activities			
Decrease/ Increase in long-term borrowings	25	(1 677 194)	(3 241 016)
(Increase)/Decrease in cash investments	26	4 511 195	(4 087 441)
Decrease/ (Increase) in cash and cash equivalents	15	(18 354 890)	5 080 993
Net Cash (utilised)/ Generated		(15 520 889)	(2 247 464)

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
1 STATUTORY FUNDS		
Capital Development Fund RSS	16 115 769	15 571 357
<i>(Refer to Appendix A for more details)</i>	<u>16 115 769</u>	<u>15 571 357</u>
2 RESERVES		
Maintenance Fund	844 884	801 971
<i>(Refer to Appendix A for more details)</i>	<u>844 884</u>	<u>801 971</u>
3 NON-DISTRIBUTABLE RESERVE		
Water and Sanitation take-on balances	<u>0</u>	<u>20 718 271</u>
<p>This represents the net-effect of the entire Water and Sanitation take-on balances from the local Municipalities. The take-on balances had being written back to accumulated surplus.</p>		
4 ACCUMULATED SURPLUS		
Appropriation account:		
Accumulated Surplus/(deficit) at the beginning of the year	(56 855 128)	(77 839 961)
Operating Surplus/(Deficit) for the year	4 613 405	(3 362 711)
Appropriations for the year	33 824 337	24 347 544
Transferred to deficit	800 000	3 804 355
Transferred Non-Distribution Reserve	20 718 271	-
Prior year adjustment	12 306 066	20 543 189
	<u>(18 417 386)</u>	<u>(56 855 128)</u>
Operating account		
Capital Expenditure	<u>322 853</u>	<u>790 131</u>
Contributions to:		
Maintenance Reserve	-	-
Capital Development Fund	-	3 325 553
Leave Gratuity	332 579	769 661
Bad Debts	1 350 000	3 670 000
	<u>1 682 579</u>	<u>7 765 214</u>
5 LONG-TERM LIABILITIES		
Annuity Loans: DBSA	27 314 576	29 725 958
Lease commitments	<u>1 348 084</u>	<u>613 896</u>

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Sub-total	28 662 660	30 339 854
Less : Current portion transferred to current liabilities	3 313 357	2 822 088
Annuity Loans: DBSA	2 718 818	2 487 779
Lease commitments	594 540	334 309
Total External Loans	25 349 302	27 517 766

Refer to Appendix B for more detail on long-term liabilities.

Annuity Loans: DBSA

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.

Lease commitments

Leases consist of 19 various vehicle leases. Interest is coupled to the prime lending rate. One lease is for a vehicle transferred to Indaka local municipality.

6 CONSUMER DEPOSITS

Water and sanitation	1 465 962	927 285
Total Consumer Deposits	1 465 962	927 285

7 FIXED ASSETS

Fixed assets at the beginning of the year	618 635 081	341 819 462
Capital Expenditure during the year	74 409 281	285 890 707
Less : Assets written off, transferred or disposed of during the year	-	(9 075 088)
Total Fixed Assets	693 044 362	618 635 081
Less : Loans Redeemed and Other Capital Receipts	663 251 600	586 586 382
Net Fixed Assets	29 792 762	32 048 700

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

8 INVESTMENTS

Financial Instruments

Fixed Deposits	698 218	649 259
Metropolitan life investment policies	9 111 817	13 671 971
	9 810 035	14 321 230
Managements Valuations of investments	9 810 035	14 321 230

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Average Rate of Return on Investments	9.66%	12.43%

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 R9 791 150 are ceded to ABSA Bank as security for Bank Overdraft Facility

9 LONG-TERM RECEIVABLES

Deposits	1 164 519	1 076 339
Car loans	585 085	958 716
	<u>1 749 604</u>	<u>2 035 055</u>
Less : Current portion transferred to current receivables	129 693	146 102
Deposits	0	0
Car loans	129 693	146 102
Total	<u>1 619 911</u>	<u>1 888 953</u>

DEPOSITS

Deposit held with Eskom and Emnambithi/Ladysmith Municipality for electricity. Fuel deposit held at various petrol stations.

CAR LOANS

Senior staff were entitled to car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010. These loans are no longer available to municipal officials.

10 INVENTORY

Consumable stores – at cost	10 134	13 836
Maintenance materials – at cost	5 923 391	3 147 366
Chemicals at Purification Plants-at cost	315 776	275 834
Total Inventory	<u>6 249 301</u>	<u>3 437 036</u>

11 Debtors

Sundry Debtors	14 005 810	9 112 126
Advances	533 100	263 296
Group life	38 319	72 544
Consumers & Others	89 561 880	70 020 565
Amount paid in advance	52 526	78 361
	<u>104 191 635</u>	<u>79 546 892</u>
Less: Provision for doubtful debts	<u>(38 026 232)</u>	<u>(36 676 232)</u>
	<u>66 165 403</u>	<u>42 870 660</u>

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R

Including in sundry debtors is an amount of R5 258 718 being investment that have matured. These investments was paid into a Trust bank account unknown to the municipality. The municipality have engaged the SCORPIONS to investigate the matter.

12 CREDITORS

Trade creditors	12 119 107	10 786 608
Trust Funds	1 572 815	980 824
Retentions	5 765 761	3 318 892
Staff leave	6 693 064	5 730 346
Sundry creditors	25 658 342	8 483 285
Other creditors	1 977 851	5 055 381
	53 786 941	34 355 336

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

6.1 Conditional Grants from other spheres of Government

MIG Grants	858 314	(671 908)
DWAF	14 552 232	20 368 514
KZN Projects	11 168 718	8 854 168
Sport and Recreation	719 647	1 123 136
Disaster Management	1 300 000	-
	28 598 911	29 673 910

Total Conditional Grants and Receipts

See Note 18 for reconciliation of grants from other spheres of government.

14 VAT

VAT (payable)/refundable	(1 108 400)	1 361 403
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

15 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank - Ladysmith: Account Number 4048800058

Cash book balance at beginning of year – overdrawn	(19 035 239)	(15 262 251)
Cash book balance at end of year - overdrawn	(2 854 422)	(19 035 239)
Bank statement balance at beginning of year - (overdrawn)	(6 744 156)	(2 803 812)
Bank statement balance at end of year - (overdrawn)	(1 902 046)	(6 744 156)

Current Account (Water Account)

ABSA Bank - Ladysmith: Account Number 4062520058

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Cash book balance at beginning of year – overdrawn	(1 097 804)	(1 064)
Cash book balance at end of year - (overdrawn)	<u><u>1 245 759</u></u>	<u><u>(1 097 804)</u></u>
Bank statement balance at beginning of year - (overdrawn)	1 016 301	(1 064)
Bank statement balance at end of year	<u><u>933 822</u></u>	<u><u>1 016 301</u></u>
<u>Current Account (Premier Fund)</u>		
ABSA Bank - Ladysmith: Account Number 4058509070		
Cash book balance at beginning of year	<u>0</u>	<u>38 298</u>
Cash book balance at end of year	<u><u>0</u></u>	<u><u>0</u></u>
Bank statement balance at beginning of year	<u>0</u>	<u>38 298</u>
Bank statement balance at end of year	<u><u>0</u></u>	<u><u>0</u></u>
<u>Current Account (CBPWP Account)</u>		
ABSA Bank - Ladysmith: Account Number 4052682612		
Cash book balance at beginning of year	<u>169 491</u>	<u>343 793</u>
Cash book balance at end of year	<u><u>0</u></u>	<u><u>169 491</u></u>
Bank statement balance at beginning of year	<u>188 018</u>	<u>390 181</u>
Bank statement balance at end of year	<u><u>0</u></u>	<u><u>188 018</u></u>
Cash Floats	<u>7 700</u>	<u>7 700</u>
TOTAL OVERDRAFT BALANCE	<u><u>(1 600 963)</u></u>	<u><u>(19 955 853)</u></u>
16 SERVICE CHARGES		
Sale of water	40 493 532	38 770 248
Sewerage and sanitation charges	<u>11 834 468</u>	<u>11 819 275</u>
Total Service Charges	<u><u>52 328 000</u></u>	<u><u>50 589 523</u></u>
17 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	87 241 793	55 973 208
MIG Grant	76 845 618	65 397 035
Dwarf	6 129 900	5 073 000
KZN Projects	6 703 557	17 648 241
Sport and Recreation	600 000	1 300 000
Disaster Management	1 300 000	-
Free basic services grant	<u>800 000</u>	<u>3 461 035</u>
Total Government Grant and Subsidies	<u><u>179 620 868</u></u>	<u><u>148 852 519</u></u>
18 OTHER INCOME		

UTHUKELA DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Other income	7 297 310	2 294 235
Total Other Income	7 297 310	2 294 235

19 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	38 621 832	34 584 440
Employee related costs - Contributions for UIF, pensions and medical aids	6 833 799	5 905 660
Travel, motor car, accommodation, subsistence and other allowances	4 158 501	2 930 646
Housing benefits and allowances	413 475	352 253
Overtime payments	4 529 525	4 704 657
Performance bonus	379 829	524 666
Long-service awards	91 474	21 806
Total Employee Related Costs	55 028 435	49 024 128

Remuneration of the Municipal Manager

Annual Remuneration	642 328	613 256
Performance Bonuses	131 192	125 302
Car Allowance	188 097	181 468
Contributions to UIF, Medical and Pension Funds	36 779	33 552
Total	998 396	953 578

Remuneration of the Chief Finance Officer

Annual Remuneration	545 128	488 326
Performance Bonuses	95 768	91 467
Car Allowance	87 932	116 318
Total	728 828	696 111

19 EMPLOYEE RELATED COSTS (continued)

Remuneration of Individual Executive Directors

	<u>Technical</u>	<u>Corporate</u>	<u>Community</u>	<u>Health</u>	<u>Water</u>
	<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>
	R	R	R	R	R
30 June 2007					
Annual Remuneration	415 036	143 913	498 650	436 219	446 897
Performance Bonuses	90 519	30 713	75 433	90 519	93 185
Car Allowance	183 344	40 000		162 161	150 538
Medical and pension funds		14 031			18 513
Total	688 899	228 657	574 083	688 899	709 133
30 June 2006					
Annual Remuneration	396 458	708 031	368 713	320 268	424 875
Performance Bonuses	86 462		52 763	70 351	89 000
Car Allowance	175 054	102 482		126 000	143 769
Medical and pension funds					19 655
Total	657 974	810 513	421 476	516 619	677 299

20 REMUNERATION OF COUNCILLORS

Mayor	348 531	377 957
Deputy Mayor	368 117	334 386

UTHUKELA DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Speaker	374 448	247 021
Executive Committee Members	481 049	425 106
Councillors	1 412 059	1 057 320
Total Councillors' Remuneration	<u>2 984 204</u>	<u>2 441 790</u>
 <i>In-kind Benefits</i>		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>The Mayor has use of a Council owned vehicle for official duties. The Mayor has 13 full-time bodyguards.</p>		
 21 BULK PURCHASES		
Water	961 867	1 614 209
Total Bulk Purchases	<u>961 867</u>	<u>1 614 209</u>
 22 FINANCE TRANSACTION		
Total external interest earned or paid :		
Interest earned	<u>1 097 627</u>	<u>1 766 427</u>
Interest paid	<u>3 635 646</u>	<u>3 445 308</u>
 23 CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus/(Deficit) for the year	4 613 405	(3 362 711)
Adjustments in respect of :		
Previous year's operating transactions	13 106 066	24 347 544
Appropriations charged against income :	1 690 052	8 555 345
- Capital development Fund	-	3 325 553
- Reserves	-	-
- Provisions	1 350 000	4 439 661
- Capital Outlay	340 052	790 131
Capital Charges	<u>7 744 475</u>	<u>8 074 364</u>
* Interest paid	<u>3 991 225</u>	<u>3 553 826</u>
- To internal funds	355 579	108 518
- On external Loans	3 635 646	3 445 308
* Redemption	<u>3 753 250</u>	<u>4 520 538</u>
- Of internal advances	578 743	455 999
- Of external Loans	3 174 507	4 064 539
Loss on disposal of fixed assets	-	-
Investment income charged to operating account	(865 882)	(1 088 807)
Non operating income	-	(40 512 708)
- Credited to funds provisions and reserves	-	10 147 142
- From grants	-	(50 659 850)
Non operating expenditure	-	(98 854)
- Expenditure charged against Statutory Funds	-	-
- Expenditure charged against Creditor Reserves	-	-
- Expenditure charged against Trust Funds	-	(98 854)

UTHUKELA DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Amount To Cashflow Statement	<u>26 288 116</u>	<u>(4 085 827)</u>
24 CASH UTILISED TO (INCREASE)/ DECREASE WORKING CAPITAL		
(Increase)/Decrease in Stores	(2 812 265)	(3 123 582)
(Increase) in Debtors	(23 283 339)	(18 878 657)
Increase/(Decrease) in creditors	19 418 311	(9 438 958)
Amount To Cashflow Statement	<u>(6 677 293)</u>	<u>(31 441 197)</u>
25 (DECREASE)/ INCREASE IN LONG TERM BORROWINGS		
- Loans raised	1 497 313	823 523
- Loans repaid	(3 174 507)	(4 064 539)
Amount To Cashflow Statement	<u>(1 677 194)</u>	<u>(3 241 016)</u>
26 (INCREASE)/DECREASE IN CASH INVESTMENTS		
- Investments realised	5 347 077	17 048 427
- Investments made	(835 882)	(21 135 868)
Amount To Cashflow Statement	<u>4 511 195</u>	<u>(4 087 441)</u>
27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		

27.1 AUDIT FEES

Opening balance	795 962	610 099
Current year audit fee	850 000	795 962
Amount paid - current year	-	-
Amount paid - previous years	(795 962)	(610 099)
Balance unpaid (included in creditors)	<u>850 000</u>	<u>795 962</u>

The balance unpaid represents the audit fee for the 2006/2007 annual audit

27.2 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 14. All VAT returns have been submitted by the due date throughout the year.

27.3 PAYE and UIF

Opening balance	413 900	491 195
Current year payroll deductions	7 645 839	7 374 944
Amount paid - current year	(7 140 355)	(6 961 044)
Amount paid - previous years	(413 900)	(491 195)
Balance unpaid (included in creditors)	<u>505 484</u>	<u>413 900</u>

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

27.4 Pension and Medical Aid Deductions

Opening balance	703 926	610 713
Current year payroll deductions and Council Contributions	8 453 379	7 729 326

UTHUKELA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Amount paid - current year	(7 627 238)	(7 025 400)
Amount paid - previous years	<u>(703 926)</u>	<u>(610 713)</u>
Balance unpaid (included in creditors)	<u><u>826 141</u></u>	<u><u>703 926</u></u>

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

28 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved but not contracted for	<u>28 598 911</u>	<u>30 442 234</u>
	<u><u>28 598 911</u></u>	<u><u>30 442 234</u></u>

This expenditure will be financed from:

	28 598 911	30 442 234
-External Sources		
MSIG	1 299 753	1 338 789
Grants - KZN	9 892 426	5 415 999
Comm. Based Public Works programme	72 754	182 952
Department of Land Affairs	1 176 308	1 123 467
Department of Water Affairs	14 552 232	20 368 514
DPLG - Drought Relief	12 809	16 395
Social pilot project	856 860	856 860
Development planning	16 122	16 122
Sports and Recreation	719 647	1 123 136

29 RETIREMENT BENEFIT INFORMATION

Personnel and Councillors are members of the Natal Joint Municipal Pension Fund and the Municipal Councillors Pension fund. The last actuarial valuation was done on 31 March 2006. A surcharge to fund the shortfall is lived every month

30 CONTINGENT LIABILITY

30.1 M. Molakwane	<u><u>600 000</u></u>	<u><u>600 000</u></u>
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The official resigned and did not serve his notice period. When the municipality made its final payment to the official, a deduction was made from his salary for the days not worked. The official is claiming payment for these days.

30.2 D. Kistadu	<u><u>20 000</u></u>	<u><u>20 000</u></u>
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A fire hydrant manhole cover was removed from the road. The claimant damaged his motor cycle when he drove over the exposed fire hydrant. Both the Emnambithi/Ladysmith Local municipality and uThukela District Municipality have being summoned to identify which is municipality is liable.

30.3 Umtshezi	<u><u>500 000</u></u>	<u><u>500 000</u></u>
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UTHUKELA DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Umtshezi crisis committee has taken the municipality to the high court disputing the water tariffs.		
30.4 L. Rugnath	<u>91 158</u>	<u>91 158</u>
The municipality had disconnected the water supply to a school for non-payment however the claimant maintained the account was paid in full. The claimant is suing the council for illegal disconnection.		

30 CONTINGENT LIABILITY (continued)

30.6 M.E Ndlovu	<u>1 000 000</u>	<u>-</u>
A child had been injured whilst playing on a windmill in the Thawa Area. The claimant is suing the council for injuries sustained.		

31 EVENTS AFTER THE REPORTING DATE

The Oliphantskop dam that supplies the Ekuvukeni area has run dry. Lufitania farmer irrigation board has agreed to assist by realising water from the private dam as a temporally measure. The municipality has considered imposing water restrictions should the condition worsen. This will result in loss of revenue in the sale of water for the 2007/2008 year. There is a silk build up in the dam and is currently estimated to cost the municipality R8 000 000 to clear.

31 COMPARISON WITH THE BUDGET

The comparison with the Municipality's actual financial performance with that budgeted is set out in Annexure D and E.

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Balance at 2006/06/30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2007/06/30
ACCUMULATED FUNDS						
CAPITAL DEVELOPMENT FUNDS						
Consolidated Capital Development Funds	15 571 357	-	544 412			16 115 769
Total	15 571 357	-	544 412	-	-	16 115 769
RESERVES						
Maintenance Fund	801 971		42 913			-
Total	801 971	-	42 913	-	-	844 884
	16 373 328	-	587 325	-	-	16 960 653

EXTERNAL LOANS AND INTERNAL ADVANCES

	Balance 2006/06/30	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 2007/06/30
EXTERNAL LOANS					
<i>Is Redeemable</i>					
Finance leases	613 896	1 481 033		746 845	1 348 084
Annuity Loans: DBSA	29 725 958	-	16 280	2 427 662	27 314 576
	30 339 854	1 481 033	16 280	3 174 507	28 662 660

	Balance 2006/06/30	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 2007/06/30
INTERNAL ADVANCES TO BORROWING SERV.					
Capital Development Fund	2 555 792	227 497	-	578 743	2 204 546
	2 555 792	227 497	-	578 743	2 204 546

ANALYSIS OF FIXED ASSETS

Expended 2005/2006	SERVICE	Budget 2007	Balance at 2006/07/01	Expended 2006/2007	Written off, transferred, redeemed or disposed of during the Year	Balance at 2007/06/30
<i>R</i>		<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
285 890 707	GENERAL SERVICES	304 400	618 635 081	74 409 281	-	693 044 362
285 890 707		304 400	618 635 081	74 409 281	-	693 044 362
1 288 939	Resources Support Services	294 400	28 663 550	322 041	-	28 985 591
284 601 768	District Water and Sanitation Services	10 000	589 971 531	74 087 240	-	664 058 771
285 890 707	TOTAL FIXED ASSETS	304 400	618 635 081	74 409 281	-	693 044 362
280 723 838	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		586 586 382	76 665 218	-	663 251 600
1 017 855	Loans Redeemed		4 574 957	1 325 588	-	5 900 545
790 131	Contributions from Current Income		5 174 677	340 052	-	5 514 729
275 201 965	Grants and Subsidies		555 348 524	72 571 916	-	627 920 440
211 204	Okhahlamba KZNPA (Current Income)		211 204	-	-	211 204
3 502 683	DBSA Loan redeemed		21 187 081	2 427 662	-	23 614 743
0	Proceeds Insurance Claims		79 723	-	-	79 723
0	Bank Overdraft		10 216	-	-	10 216
5 166 869	NET FIXED ASSETS		32 048 700	(2 255 937)	-	29 792 762

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007**

<i>Actual 2006</i> R		<i>Actual 2007</i> R	<i>Budget 2007</i> R
(221 393 856)	INCOME	(244 632 294)	(262 534 947)
(16 969 653)	- <i>Levy income</i>	-	-
(148 852 619)	- <i>Grants and Subsidies</i>	(185 006 984)	(160 755 137)
(53 277 349)	- <i>Water and Sanitation Sales</i>	(52 328 000)	(101 299 810)
(2 294 235)	- <i>Other income</i>	(7 297 310)	(480 000)
224 766 565	GROSS EXPENDITURE	240 018 889	262 534 947
55 709 625	- <i>Salaries, Wages and Allowances</i>	61 608 719	62 986 566
44 408 289	- <i>General Expenses</i>	55 392 407	57 287 159
9 717 654	- <i>Repairs and Maintenance</i>	8 694 761	9 113 325
8 182 883	- <i>Capital Charges</i>	7 234 119	7 630 589
790 131	- <i>Contribution to Fixed Assets</i>	322 853	304 400
7 765 214	- <i>Contributions</i>	2 482 579	5 416 431
98 192 769	- <i>Capital Projects</i>	104 283 451	119 796 477
224 766 565	NET EXPENDITURE	240 018 889	262 534 947

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

2005/2006	2005/2006	2005/2006		2006/2007	2006/2007	2006/2007	2006/2007
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
142 983 172	137 606 436	5 376 735	Resources Support Services	149 615 865	138 784 340	10 831 525	995 497
51 892 857	9 429 236	42 463 621	Council	56 489 127	5 114 487	51 374 640	45 903 062
-	3 014 511	(3 014 511)	Municipal Manager's Office	-	3 375 692	(3 375 692)	(3 566 587)
-	6 633 551	(6 633 551)	Corporate Services	-	7 525 657	(7 525 657)	(7 973 412)
-	4 323 698	(4 323 698)	Finance	-	6 692 122	(6 692 122)	(7 056 738)
-	2 344 654	(2 344 654)	Levy Collection	-	-	-	-
-	918 017	(918 017)	Technical Regional, GIS, project	-	838 317	(838 317)	(971 043)
-	23 941	(23 941)	Finance stores	-	276 166	(276 166)	0.00
-	2 103 157	(2 103 157)	Social Economic Services	-	2 576 022	(2 576 022)	(2 689 327)
-	-	-	Laboratry	-	215 470	(215 470)	(1 044 287)
-	-	-	Doornkraal Roads depot	-	-	-	-
-	744 306	(744 306)	Satellite offices	-	726 805	(726 805)	(820 766)
-	1 130 074	(1 130 074)	Corporate Social Services	-	1 163 879	(1 163 879)	(1 184 653)
-	-	-	Tourism	-	352 471	(352 471)	(414 996)
-	804 188	(804 188)	Tech: Planning & I.T	-	860 690	(860 690)	(870 396)
-	1 682 795	(1 682 795)	Tech: Project management	-	1 648 975	(1 648 975)	-
-	-	-	Technical Local Government Support	-	-	-	-
-	196 207	(196 207)	Water Services Authority	-	-	-	-
-	-	-	Multi Purpose Community centres.	-	-	-	-
-	1 741 111	(1 741 111)	Municipal health services	-	3 134 135	(3 134 135)	(3 384 336)
91 090 314	102 516 990	(11 426 675)	Special Projects	93 126 738	104 283 452	(11 156 714)	(14 931 024)
78 420 684	87 160 130	(8 739 446)	TRADING SERVICES:	-	-	-	(995 497)
78 420 684	87 160 130	(8 739 446)	District Water and Sanitation	95 016 429	101 234 549	(6 218 120)	(995 497)
78 420 684	87 160 130	(8 739 446)	Water & Sanitation Services	95 016 429	101 234 549	(6 218 120)	(995 497)
-	-	-	Loskop	-	-	-	-
-	-	-	Emnambithi Bulk Supply	-	-	-	-
-	-	-	Langkloof Bulk	-	-	-	-
-	-	-	Tugela estate	-	-	-	-
-	-	-	Umtshezi	-	-	-	-
-	-	-	Okhahlamba	-	-	-	-
-	-	-	Ekuvukeni	-	-	-	-
-	-	-	Sewerage	-	-	-	-
-	-	-	Ekuvukeni Sewerage	-	-	-	-
-	-	-	Uthukela Sewerage	-	-	-	-
221 403 856	224 766 566	(3 362 711)	TOTAL	244 632 294	240 018 889	4 613 405	-
		24 347 544	Appropriation for this Year (Refer Note 18)			33 824 337	
		20 984 834	Net Surplus (Deficit) for the Year			38 437 742	
		(77 839 961)	Accumulated Surplus (Deficit) beginning of the year			(56 855 128)	
		(56 855 128)	ACCUMULATED SURPLUS (DEFICIT) END OF YEAR			(18 417 386)	

STATISTICAL INFORMATION

	2007	2006
a) General Statistics		
(i) <i>Levy tariffs</i>		
Regional Services Levy (% of Salaries, wages and drawings)	0.30%	0.30%
Regional Establishment Levy (% of Turnover excluding VAT)	0.12%	0.12%
(ii) <i>Number of Registered Levy Payers</i>	6290	5602
(iii) <i>Number of Employees</i>	585	569
(iv) <i>Water Tariffs</i>		
Description		
1 <i>Tariff for accessibility to water (occupied and unoccupied)</i>	R20.00/month	
2 <i>Sewer Tariff (Fixed Amount occupied and unoccupied)</i>	R40.00/month	
3 <i>Water tariff for restricted water use (un-metred)</i>	R40.00/month	
4 <i>Sewer tariff for restricted usage (un-metred)</i>	R40.00/month	
5 <i>Servicing sewer conservancy tanks/pits</i>	R150.00/month	
Intergrated Step Tariff		
6 <i>Water tariff for water usage up to 1 000kl</i>	R4.38/kl	
7 <i>Water tariff for water usage above 1 000kl</i> <i>(Water loss could not be determined as accurate bulk readings could not be obtained)</i>	R1.80/kl	
8 <i>Bulk Raw water supply</i>	R0.95/kl	
9 <i>Bulk Portable water supply (IFC Estate)</i>	R1.80/kl	
10 <i>Emergency Services Connection (excluding emergency services)</i>	R10.00kl	
11 <i>All connections, repairs and work required from Council Domestic</i>	Average Cost + 10%	
12 <i>All connections, repairs and work required from Council other</i>	Cost+10%	
13 <i>Trade Effluent</i>	$R = E \cdot \text{Flow}(35 + (S \times 0.76) + (A \times 0.08))$	
14 <i>Account Deposits</i>	2.5 Times Avg Monthly Account for new and defaulting consumers	