

ZULULAND DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2007

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ZULULAND DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 24, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 12 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act.

J H DE KLERK
Municipal Manager

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 Finance Officers (IMFO) in its code of accounting practice(1997) and report on published annual financial statements (second edition – 1996), except for the statement of financial performance which has been prepared in accordance to GRAP 1 and in the new budget format.
- 1.2 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 of the prior years except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- * Expenditure is accrued in the year it is incurred.
 - * Income is accrued when measurable and available to finance operations. Levy income is accrued when received and/or when the amount can be measured with certainty such as when declarations have been received from the levy payers

2. FIXED ASSETS

Fixed assets are resources owned by Council from which future economic benefits are expected to flow. All assets are capitalised.

2.1 Fixed assets are stated

- * At historical cost
- * At valuation (based on market price or insured value at date of acquisition) where assets have been acquired by grant or donation, whilst they are in existence and fit for use.

2.2 Depreciation

The balance shown against the heading "loans redeemed and other capital receipts" in the notes is tantamount to a provision for depreciation, however, structural differences do exist. By way of this "Provision" assets are written down over their useful life.

Apart from advances from the various Council funds, assets may also be acquired through:

- * Appropriations from income where 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.
 - * Grant or donation, where the amount representing the value of such grant or donation is immediately credited to "loans redeemed and other capital receipts" account.
- 2.3 All net proceeds from the sale of fixed assets are credited to the Project Development Fund.
- 2.4 Fixed Assets are financed from operating income, grants and donations and external loans.

3. INVENTORY

Inventory is valued at lower of cost or net realisable value. Stationery is expensed in the year in which it is acquired.

4. **FUNDS, RESERVES AND PROVISIONS**

4.1 **Project Development Fund**

The annual budget allocation to projects is a contribution to the Project Development Fund with the objective of providing funds for project development. Project expenditure is financed from this fund. Funds received as equitable share are not contributed to Project Development Fund.

4.2 **Accrued Leave Fund**

This provision was established to provide for accrued leave payments to employees who could be resigning or retiring from service as well as accumulation 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.

4.3 **Bursary Fund**

The bursary provision is established to assist employees for studies at a tertiary educational institution. The contribution based on anticipated commitments is charged against income.

5. **TRUST FUNDS**

2007: No Trust Funds as defined were accounted for.

6. **RESERVES**

All funds in reserves are utilised for the purposes for which funds were reserved. For details of reserves see Appendix A.

7. **RETIREMENT BENEFITS**

Zululand District Municipality and its employees contribute to the Natal Joint Municipal Pension Fund, which provides retirement benefits to the employees. Current pension contributions are charged against operating income on the basis of current service costs. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance (no. 24 of 1973) and in accordance with the Pension Funds Act, 1956. Full actuarial valuations are performed at least every three years. Some Councillors belong to the Councillors' Pension Fund.

8. **SURPLUS AND DEFICITS**

Any surpluses / deficits are retained within the Council for its use.

9. **ADMINISTRATIVE EXPENSES RECHARGED**

9.1 **PIMMS, INDONSA, FMG, LGSETA, AIRPORT AND PLANNING**

100% of PIMMS operating expenditure is recharged to the MSIG fund.

100% of INDONSA operating expenditure is recharged to the INDONSA fund.

100% of Finance Management Grant operating expenditure is recharged to the Finance Management grant fund.

100% of LGSETA operating expenditure is recharged to the LGSETA fund.

100% of Planning operating expenditure is recharged to the Development Planning fund.

100% of Airport operating expenditure is recharged to the Ulundi Airport fund.

10. LEASED ASSETS

Leases are operating leases and relevant rentals are charged to the operating account in a systematic manner related to the period of use of the asset concerned.

11. INVESTMENTS

Investments are valued at lower of cost or market value if a permanent decline in value occurred. No investments were written off in the current year. The Council only invests in call and fixed deposits at registered commercial banks.

12. INCOME RECOGNITION

12.1 Levy Income

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 it is issued in intervals as allowed for in KwaZulu-Natal Joint Services Board Act, 1990 (Act No. 84 of 1990). Levy income is recognised to the extent that cash has been received and / or when the tax returns (RC4 forms) have been received to enable the determination of accrual amount. The levying of levies has been discontinued by the Minister of Finance with effect from 01 July 2006. The loss income has been replaced by the Levies Replacement Grant that has been included in the Equitable Share however, the District continues to collect prior years' levies.

12.2 Investment interest

The interest on investment has been allocated to Operating Account. This represents a change in a policy where a portion of interest income was allocated to funds.

12.3 Grants and Subsidies

Equitable share is contributed to the operating income.

12.4 Other income

All other income is recognised on the accrual basis.

ZULULAND DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		57 664 134	55 260 800
Reserves	1	57 664 134	55 260 800
ACCUMULATED SURPLUS	21	59 878 553	31 181 395
		<u>117 542 687</u>	<u>86 442 195</u>
LONG-TERM LIABILITIES	2	6 278 328	7 185 951
CONSUMER DEPOSITS	3	1 548 090	706 872
		<u>125 369 105</u>	<u>93 628 145</u>
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	4	7 185 951	7 988 957
INVESTMENTS	5	-	-
LONG-TERM DEBTORS	6	853 535	201 381
		<u>8 039 486</u>	<u>8 190 338</u>
NET CURRENT ASSETS		117 329 618	85 437 807
CURRENT ASSETS		143 512 452	114 693 790
Inventory	7	1 175 245	-
Water debtors	9	9 255 639	5 298 982
Sundry debtors	10	12 443 714	4 223 988
Short Term Investments	5	120 426 057	94 887 523
Short-term portion of long-term debtors	6	206 797	438 960
Cash resources	25	5 000	9 844 337
CURRENT LIABILITIES		26 182 833	29 255 983
Provisions	11	2 157 798	2 043 943
Creditors	12	21 878 075	26 409 034
Bank overdraft	26	1 239 337	-
Short-term portion of long-term liabilities	3	907 623	803 007
		<u>125 369 105</u>	<u>93 628 145</u>

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th June 2007

Budget			Actual	
2006	2007		2007	2006
R	R		R	R
REVENUE				
19 933 004	14 363 226	Service charges	13 829 238	13 796 353
7 000 000	-	Regional Services Levies - turnover	599 678	9 916 594
6 300 000	-	Regional Services Levies - remuneration	1 182 631	9 240 211
73 500	77 910	Rental of facilities and equipment	-	104 604
3 550 000	3 900 000	Interest earned - external investments	10 448 116	2 056 486
509 339	85 000	Interest earned - outstanding debtors	47 455	367 126
225 017 712	209 526 001	Government grants and subsidies	227 039 756	228 827 536
448 434	13 694 568	Other income	3 599 085	2 020 260
		Gains on disposal of property, plant and equipment	-	-
<u>262 831 989</u>	<u>241 646 705</u>	Total Revenue	<u>256 745 959</u>	<u>266 329 169</u>
EXPENDITURE				
32 685 168	40 337 672	Employee related costs	40 114 590	33 280 305
3 142 655	6 040 951	Remuneration of Councillors	5 101 555	3 432 423
5 110 258	-	Bad debts	-	2 972 163
214 340	86 452	Collection costs	543 751	456 319
95 024	95 024	Depreciation	-	-
5 946 848	12 096 369	Repairs and maintenance	8 627 610	4 197 882
1 091 753	911 974	Interest on external borrowings	959 871	1 054 300
733 738	766 587	Redemption	803 007	708 577
22 484 000	21 714 042	Bulk purchases	19 635 396	20 037 686
8 312 369	5 056 530	Grants and subsidies paid	5 026 530	7 296 674
22 180 686	46 729 359	General expenses - other (including abnormal expenses)	40 018 879	18 612 571
	4 934 380	Contribution from operating income to capital outlay	-	822 562
160 835 150	102 877 365	Contributions to/(transfers from) provisions and reserves	107 105 381	167 245 268
<u>262 831 989</u>	<u>241 646 705</u>	Total Expenditure	<u>227 936 569</u>	<u>260 116 732</u>
		Less: Amounts charged out	-	-
<u>0</u>	<u>-</u>	NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>28 809 390</u>	<u>6 212 438</u>

(Note : The income statement has been prepared in accordance with GRAP 1 and the budget formats)

**ZULULAND DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30th JUNE 2007**

2006	2006	2006		2007	2 007	2007	2007
Actual income	Actual Expenditure	Surplus/ deficit		Actual income	Actual Expenditure	Surplus/ deficit	Budget Surplus (deficit)
R	R	R		R	R	R	R
127 421 820	84 202 175	43 219 644	RATES AND GENERAL SERVICES	136 005 339	79 634 347	56 370 992	-621 778
<u>127 421 820</u>	<u>84 202 175</u>	<u>43 219 644</u>	Community services	<u>136 005 339</u>	<u>79 634 347</u>	<u>56 370 992</u>	<u>(621 778)</u>
138 907 350	175 914 556	(37 007 206)	TRADING SERVICES	120 740 620	148 302 222	(27 561 602)	621 778
<u>138 907 350</u>	<u>175 914 556</u>	<u>(37 007 206)</u>		<u>120 740 620</u>	<u>148 302 222</u>	<u>(27 561 602)</u>	<u>621 778</u>
<u>266 329 169</u>	<u>260 116 732</u>	<u>6 212 438</u>	TOTAL	<u>256 745 959 #</u>	<u>227 936 569</u>	<u>28 809 390</u>	<u>0</u>
		(420 096)	Appropriations for the year (refer to note 21)			(112 231)	
		<u>5 792 341</u>	Net surplus / (deficit) for the year			<u>28 697 158</u>	
		25 389 053	Accumulated surplus / (deficit): Beginning of the year			31 181 395	
		<u><u>31 181 395</u></u>	ACCUMULATED SURPLUS / (DEFICIT) : END OF THE YEAR			<u><u>59 878 553</u></u>	

(Refer to appendices D and E for more details)

ZULULAND DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	20	20 011 920	5 498 733
Investment income		10 448 116	2 056 486
(Increase) / decrease in working capital	23	<u>(17 431 952)</u>	<u>11 175 524</u>
		13 028 084	18 730 743
Less: external interest and redemption paid	15	(1 762 878)	(1 762 878)
NET CASH FROM OPERATING ACTIVITIES		<u>11 265 207</u>	<u>16 967 865</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase/(Decrease) in Property Plant and Equipment		803 006	708 577
(Increase) Decrease in long-term debtors	6	(652 154)	380 020
NET CASH FLOW		<u>11 416 058</u>	<u>18 056 462</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in Reserves	1	2 403 334	8 982 077
Increase / (Decrease) in Consumer Deposits		1 548 090	0
(Increase) in cash investments	24	(25 538 534)	(2 388 756)
(Increase) in cash resources	25	9 839 337	(9 839 337)
Increase (Decrease) in Bank overdraft	26	1 239 337	(14 007 437)
Decrease in Long-term liabilities	30	(907 622)	(803 008)
NET CASH (GENERATED) /UTILISED		<u>(11 416 058)</u>	<u>(18 056 461)</u>

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007	2 006
	R	R
1 RESERVES		
Project Development Fund	0	(251 467)
Finance Management Grant	-	1 793 995
Municipal Infrastructural Grant	38 385 524	45 832 612
Transitional Fund	-	21 459
Flemish Government Grant	-	86 603
KIDEKO Grant	336 460	13 969
Grant:Transformation Management	-	6 638
Grant:Municipal Monitoring System	-	104 337
DBSA GIS	-	494 227
Building for sport & recreation	2 520 041	750 149
Municipal Systems Improvement Grant	503 629	1 816 765
LGSETA	245 821	-
Grant: Infrastructural Backlog studies	1 837 364	696 532
Grant: Transport Plan	427 418	427 418
Grant: IDP	80 000	80 000
Grant: Serv. in Traditional Authority Areas	-	29 459
MAP	-	(9 546)
GIS Capacity	-	(14 084)
Grant: Management Audit	-	15 328
Drought Relief	-	2 078 626
KZN Infrastructure grant	450 000	450 000
Gijima KZN	849 185	-
ISRDS (PIMMS)	-	287 529
Indonsa	837 021	550 252
Ulundi Airport Grant	5 708 452	-
Nongoma Project consolidate grant	3 000 000	-
Ulundi Project consolidate grant	1 000 000	-
Shared service grant	1 483 219	-

Total Reserves - Restated 30 .06.2007

57 664 134

55 260 800

Add: interest allocated to funds

4 024 237

Total Reserves - restated 30.06.2006

59 285 037

59 285 037

Reserves has been restated as a result of a change in accounting policy for comparative reasons

(Refer to Appendix "A" for more details)

All funds in reserves are utilised for the purposes for which they were reserved and represent government grants, subsidies and other contributions. These amounts are invested until utilised for the purpose intended (See note 5)

2 LONG-TERM LIABILITIES

External Loan from INCA	7 185 951	7 988 958
Total External Loans	<u><u>7 185 951</u></u>	<u><u>7 988 958</u></u>
Less : Short term portion of long term loans	<u><u>907 623</u></u>	<u><u>803 007</u></u>
	<u><u>6 278 328</u></u>	<u><u>7 185 951</u></u>

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

The loan is granted by Infrastructure Finance Corporation Limited (INCA) bare a fixed interest at a rate of 12.91% (Nominal Annual Compounded Monthly) and will be fully redeemed in 31 March 2013.

The loan is not secured by any asset of the Municipality.

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
3 TOTAL CONSUMER DEPOSITS - (Reclassified amount 30 June 2006)		
Reclassified Water and sewer deposit	-	-
TOTAL CONSUMER DEPOSITS - (Reclassified amount 30 June 2007)		
Water and sewerage	<u>1 548 090</u>	<u>706 872</u>
Guarantees in lieu of water and sewer deposits	<u>-</u>	<u>-</u>

4 PROPERTY, PLANT AND EQUIPMENT

Fixed assets at the beginning of the year	612 069 274	378 404 009
Capital expenditure during the year	<u>136 675 232</u>	<u>233 665 266</u>
	748 744 506	612 069 274
Less: Assets adjusted during the year	<u>-</u>	<u>-</u>
Fixed assets at the end of the year	748 744 506	612 069 274
Less : Loans Redeemed and other Capital Receipts	<u>741 558 556</u>	<u>604 080 317</u>
Net Fixed Assets	<u><u>7 185 951</u></u>	<u><u>7 988 957</u></u>

(Refer to appendix "C" for more details)

5 INVESTMENTS

Unlisted		
Call Deposits	8 075 281	7 536 747
Short Term Deposits	<u>112 350 775</u>	<u>87 350 775</u>
	120 426 057	94 887 523
Less : Short Term Portion transferred to Current Assets	<u>(120 426 057)</u>	<u>(94 887 523)</u>
Total Long Term Investments	<u><u>-</u></u>	<u><u>-</u></u>

Council's valuation of unlisted investments

Call Deposits	8 075 281	7 536 747
Short Term Deposits	112 350 775	87 350 775
	<u>120 426 057</u>	<u>94 887 523</u>

Allocation of external investments

In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Reserves	57 664 134	59 285 037
Accumulated Surplus	46 787 136	27 157 158
Sundry creditors	7 240 746	456 370
Water deposits	1 270 476	-
External Loans	<u>7 185 951</u>	<u>7 988 958</u>
Total	<u><u>120 148 443</u></u>	<u><u>94 887 523</u></u>

No investments have been written off during the year.

Average rate of return on investments	9%	8%
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ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
6 LONG-TERM DEBTORS		
Vehicle loan	189 557	552 566
Bursary Debtors	43 377	34 708
Fuel Deposit	14 980	14 980
Property Rental Deposit 165 President St VHD	6 044	6 044
Ondini motors	18 111	18 794
	<u>272 068</u>	<u>627 092</u>
Less : Short-term portion transferred to current assets	206 797	438 960
Vehicle loan	138 329	400 114
Bursary Debtors	59 690	34 708
Ondini motors	8 778	4 138
	<u>188 132</u>	<u>188 132</u>
TOTAL LONG-TERM DEBTORS- (Reclassified amount 30 June 2006)		188 132
Reclassified ESKOM Deposit	788 264	13 249
	<u>853 535</u>	<u>201 381</u>
TOTAL LONG-TERM DEBTORS - (Reclassified amount 30 June 2007)		201 381

CAR LOANS

2007: Senior staff were entitled to car loans which attract interest at 8% per annum and which were repayable over a maximum period of 6 years. However, senior staff appointed in terms of s57 of the Municipal Systems Act 2000 are excluded from the scheme but existing loans at date of appointment attract interest at the official rate of interest. **2006:** With effect from 1 July 2004 the Municipal Finance Management act prohibited the granting of loans to staff members. Existing loans at the time of discontinuance are payable over the remaining contract periods.

7 INVENTORY

Inventory represents water meters. Where necessary specific provision is made for obsolete stock.

<u>1 175 245</u>	<u>-</u>
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8 LEVY DEBTORS

Levy Debtors	267 128	274 734
Less : Provision for doubtful debts	(267 128)	(274 734)
Total	<u>-</u>	<u>-</u>

The ageing of debtors is as follows:-

Levies

Current	-	-
30 - 60 Days	17 487	17 985
60 - 90 Days	20 739	21 329
90 - 120 Days	12 261	12 610
+ 120 Days	216 641	222 810
Total	<u>267 128</u>	<u>274 734</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
9 WATER DEBTORS		
Water Debtors	13 091 417	11 812 212
Less : Provision for doubtful debts	<u>(3 835 778)</u>	<u>(6 513 230)</u>
Total	<u>9 255 639</u>	<u>5 298 982</u>

The ageing of debtors is as follows:-

Water

Current	1 633 075	1 494 697
30 Days	1 509 558	1 709 289
60 Days	1 043 006	871 489
+ 90 Days	8 905 778	7 736 737
Total	<u>13 091 417</u>	<u>11 812 212</u>

Bad Debt Provision

The estimate for the provision of doubtful debts is calculated by reviewing each debtor on the outstanding amount at year- end

Bad debts as a percentage of operating income	1%	2%
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10 OTHER DEBTORS

Accrued Interest (Investment)	611 417	353 294
Nkonjeni hospital	82 924	-
Independent Electoral Commission	15 492	14 990
Alliance Water Engineering	2 934	9 679
Sundry Salary Debtors	3 081	3 081
Sundry Salary Debtors	13 342	-
Environmental Health	35 200	-
Nongoma Municipality;project consolidate	1 500 000	-
Ulundi Municipality Project consolidate	1 000 000	-
Debtor-SABC	964	964
SARS-VAT	7 524 891	688 397
Year- end VAT Claim	1 178 483	1 805 032
Debtors: Advance salaries	-	6 300
Land Affairs	141 557	51 674
Land Use Management System	-	175 439
DPLG: GIS capacity	-	155 819
Medical Aid	852	-
Pension	6 001	-
Water Account recoveries-Staff	400	-
Under/over	1 425	-
ESKOM Deposit	-	13 249
Ceza Hospital	13 712	-
National Lottery	311 040	959 320

TOTAL DEBTORS- (Reclassified amount 30 June 2006)

4 237 237

Reclassified ESKOM Deposit

(13 249)

TOTAL DEBTORS - (Reclassified amount 30 June 2007)

12 443 714

4 223 988

11 PROVISIONS

Audit Fees	-	-
Accrued leave Fund	1 992 721	1 862 552
Bursary Fund	165 077	181 391
Working Capital Reserves	-	-
	<u>2 157 798</u>	<u>2 043 943</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
12 CREDITORS		
Sundry Creditors	59 580	63 494
Sundry Creditor-Estate Late: M S Buthelezi	-	6 120
Sundry Creditors	85 214	-
Creditor-Medical Aid	-	15 931
Creditor-Pension	-	290 830
Sundry Creditors-Bonds	-	64 799
Sundry Creditors-Company 04 Salaries	4 148	47 110
Sundry Creditors-Staff Refunds	3 171	18 002
Credit Card	9 485	2 169
Retention	5 232 452	6 067 440
Guarantees	120 200	100 000
Year-end Sundry Creditors	16 360 513	18 878 460
Consumer deposits	-	706 872
Water Account recoveries-Staff	-	900
Sundry creditor - INCA	-	146 906
Legal Suspense	3 313	-
Total Creditors (Reclassified amount 30 June 2006)		<u>26 409 034</u>
Less: Consumer Deposits		(706 872)
Total Creditors (Reclassified amount 30 June 2007)	<u>21 878 075</u>	<u>25 702 162</u>

13 COUNCILLORS' REMUNERATION

Mayor's allowance	538 760	425 648
Deputy Mayor's allowance	455 119	329 418
Speaker's allowance	418 450	249 403
Executive Committee members	1 157 344	1 124 965
Councillor's allowances	2 789 343	1 358 286
Pension Fund contribution for Councillors	227 250	144 040
Total Councillors' Remuneration	<u>5 586 267</u>	<u>3 631 760</u>

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicles for official duties.

The Executive Mayor has six full-time bodyguards.

14 AUDITORS' REMUNERATION

Audit fees		
-Paid during the year	907 970	875 388
	<u>907 970</u>	<u>875 388</u>

15 FINANCE TRANSACTIONS

Total external interest earned or paid		
- Interest earned	10 448 116	2 056 486
-Interest paid	<u>959 871</u>	<u>1 137 625</u>
Capital Charges debited to operating account:		
Interest external	959 871	1 054 300
Redemption (external)	803 007	708 577
	<u>1 762 878</u>	<u>1 762 878</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
16 INVESTMENT INCOME		
Total Investment Interest received	10 448 116	6 378 848
Less: Interest recharged to Funds	-	
Restated total 30.6.2006	<u>10 448 116</u>	<u>6 378 848</u>
Less: Interest allocated funds and reserves		(4 024 237)
Restated total 30.6.2006		<u>2 354 611</u>
17 CONTRIBUTION TO PROVISIONS		
Audit Fee Fund	-	-
Accrued leave Fund	896 660	1 601 005
Bursary Fund	-	-
	<u>896 660</u>	<u>1 601 005</u>
18 PROVINCIAL AND NATIONAL GOVERNMENT GRANT		
Inter-governmental Grants	227 039 756	228 827 536
Total	<u>227 039 756</u>	<u>228 827 536</u>
19 REVENUE		
Levies	1 782 309	19 156 805
Government Grants and Subsidies	227 039 756	228 827 536
Interest	10 448 116	2 056 486
Water sales	13 829 238	13 796 353
Other Income	3 646 539	2 491 989
Total	<u>256 745 959</u>	<u>266 329 169</u>
20 LEVIES		
<i>Actual</i>		
Regional Services Levy	599 678	9 916 594
Regional Establishment Levy	1 182 631	9 240 211
Total	<u>1 782 309</u>	<u>19 156 805</u>
21 APPROPRIATIONS		
Net Appropriations:		
Accumulated surplus (deficit) at the beginning of the year	31 181 395	21 364 816
Operating surplus (deficit) for the year	28 809 390	6 212 438
Appropriations for the year:	(112 231)	(420 096)
- Contribution from Leave Accumulated Provision	896 660	1 601 005
- Contribution to bad debt provision	-	2 972 163
- Prior years' and other adjustments	(1 008 891)	(4 993 265)
Accumulated Surplus/ (Deficit) at the end of the year	<u>59 878 553</u>	<u>27 157 158</u>
Operating account:		
Capital expenditure	1 923 088	822 562
Contributions to :		
-Projects and Funds	2 174 555.43	16 222 256
-Leave Stabilisation Fund	896 660	1 601 005
	<u>4 994 303</u>	<u>18 645 823</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
22 CASH GENERATED BY OPERATIONS		
Net surplus/(Deficit) for the year	28 809 390	6 212 438
Adjustment for:-		
Appropriations for the year	(112 231)	(420 096)
Capital Charges:Interest paid on external funds	959 871	1 054 300
Redemption of external funds	803 007	708 577
Investment income	(10 448 116)	(2 056 486)
Provision for Doubtful debts		
Operating surplus before working capital changes:	<u>20 011 920</u>	<u>5 498 733</u>
23 (INCREASE)/ DECREASE IN WORKING CAPITAL		
Increase in short-term portion of long-term liabilities.	104 616	94 430
Increase in inventory	(1 175 245)	-
Increase in levy debtors	-	169 856
(Increase) in water debtors	(3 956 657)	(4 794 517)
Decrease in Sundry debtors	(8 219 726)	7 132 417
Increase in short-term portion of long-term debtors	232 163	214 285
Increase in provisions	113 856	177 580
Increase in creditors	(4 530 959)	8 181 470
	<u>(17 431 952)</u>	<u>11 175 522</u>
24 INCREASE IN EXTERNAL CASH INVESTMENTS		
Balance at the end of the year	120 426 057	94 887 523
Balance at the beginning of the year	94 887 523	92 498 767
	<u>25 538 534</u>	<u>2 388 756</u>
25 DECREASE IN CASH ON HAND		
Balance at the end of the year	5 000	9 844 337
Balance at the beginning of the year	9 844 337	5 000
	<u>(9 839 337)</u>	<u>9 839 337</u>
26 INCREASE IN BANK OVERDRAFT		
Balance at the end of the year	1 239 337	-
Balance at the beginning of the year	-	14 007 437
	<u>1 239 337</u>	<u>(14 007 437)</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
27 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for	57 664 134	61 348 058
	<u>57 664 134</u>	<u>61 348 058</u>
 This expenditure will be financed from:		
Project Development Fund	0	2 669 394
Municipal Infrastructural Grant	38 385 524	48 213 356
Transitional Fund	-	23 176
Building for sport & recreation	2 520 041	816 354
Transformation Management Grant	-	11 971
Municipal Monitoring System Grant	-	112 684
ISRDS (PIMS)	-	367 492
Indonsa Grant	837 021	625 991
Grant: Serv. in Traditional Authority Areas	-	31 816
Grant: Management Audit	-	16 554
DBSA GIS Capacity	-	500 361
Grant: Municipal Systems Improvement	503 629	2 040 988
LGSETA	245 821	-
Grant: Infrastructural Backlog studies	1 837 364	823 835
Grant: Transport Plan	427 418	427 418
Grant: IDP	80 000	80 000
Drought Relief	-	2 078 626
Finance Management Grant	-	1 924 085
Kideko Grant	336 460	22 290
Flemish Government	-	111 667
KZN Infrastructure Grant	450 000	450 000
Gijima KZN	849 185	-
Ulundi Airport Grant	5 708 452	-
Nongoma Project consolidate grant	3 000 000	-
Ulundi Project consolidate grant	1 000 000	-
Shared service grant	1 483 219	-
	<u>57 664 134</u>	<u>61 348 057</u>
 28 BANK,CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank account:-		
<u>Current Account (Primary Bank Account)</u>		
ABSA- Newcastle Branch Account Number 4047162045		
Cash book balance at the beginning of the year	<u>9 839 337</u>	<u>(14 007 437)</u>
Cash book balance at the end of the year -(overdrawn)	<u>(1 239 337)</u>	<u>9 839 337</u>
 Bank statement balance at the beginning of the year	<u>21 017 714</u>	<u>9 675 213</u>
Bank statement balance at the end of the year	<u>16 308 671</u>	<u>21 017 714</u>
 29 EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	28 600 801	23 514 392
Employee related costs –Contributions for UIF, pensions and medical aids	5 885 103	4 800 536
Travel, motor car, accommodation, subsistence and other allowances	3 913 002	3 429 134
Housing benefits and allowances	281 352	276 018
Overtime payments	1 349 333	1 161 892
Performance bonus	85 000	98 333
Total Employee Related Costs	<u>40 114 590</u>	<u>33 280 305</u>

There were no advances to employees.

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007 R	2 006 R
Remuneration of the Municipal Manager		
Annual Remuneration	376 200	376 200
Performance Bonuses	25 000	25 000
Car Allowance	180 576	180 576
Non-pensionable allowance	128 220	86 526
Phone allowance	11 400	11 400
Contributions to UIF, Medical and Pension Funds	124 150	116 387
Total	<u>845 546</u>	<u>796 089</u>

Remuneration of the Chief Finance Officer		
Annual Remuneration	250 800	255 372
Performance Bonuses	20 000	20 000
Car Allowance	183 369	180 737
Non-pensionable allowance	152 177	117 980
Phone allowance	6 600	6 600
Housing allowance	3 000	3 000
Contributions to UIF, Medical and Pension Funds	92 205	84 959
Total	<u>708 151</u>	<u>668 648</u>

Remuneration of Executive Directors

	<u>Technical services</u>	<u>Corporate Services</u>	<u>Planning & Community Development Services</u>
	R	R	R
2007			
Annual Remuneration	250 800	212 077	250 800
Performance Bonuses		20 000	20 000
Car Allowance	133 566	164 216	167 657
Non-pensionable allowance	224 571	216 881	165 677
Phone allowance	11 400	7 154	11 400
Housing allowance	3 000	5 546	3 000
Contributions to UIF, Medical and Pension Funds	66 442	80 800	86 037
Total	<u>689 779</u>	<u>706 675</u>	<u>704 571</u>

	<u>Technical services</u>	<u>Corporate Services</u>	<u>Planning & Community Development Services</u>
	R	R	R
2006			
Annual Remuneration	247 200	209 033	247 200
Performance Bonuses	13 333	20 000	20 000
Car Allowance	131 649	161 778	165 250
Non-pensionable allowance	186 939	179 429	129 198
Phone allowance	11 400	6 600	11 400
Housing allowance	3 000	5 142	3 000
Contributions to UIF, Medical and Pension Funds	60 414	73 875	82 302
Total	<u>653 935</u>	<u>655 857</u>	<u>658 350</u>

30 (DECREASE) IN LONG TERM LOANS (EXTERNAL)

Balance at the end of the year	7 185 951	7 988 958
Balance at the beginning of the year	7 988 958	8 697 535
	<u>(803 007)</u>	<u>(708 577)</u>

ZULULAND DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	2 007	2 006
	R	R
31 FRUITLESS AND WASTEFUL EXPEDNITURE		
Reconciliation of fruitless and wasteful expenditure		
Opening balance		-
Fruitless and wasteful expenditure current year		41 346.92
Condoned or written off by Council		-
To be recovered-contingent asset		-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps
Late payment of revised vat assessment by SARS	Warning will be issued as the staff member concerned was still new in the position when the incident occurred.

**APPENDIX A
FUNDS,PROVISIONS,RESERVES AND TRUST FUNDS**

	Balance At 30/06/2006	Contributions During The Year	Interest On Investments	Other Income	Expenditure During The Year	Balance At 30/06/2007
RESERVES						
PROJECT DEVELOPMENT FUNDS	(251 467)	2 174 555			1 923 088	0
FINANCE MANAGEMENT GRANT	1 793 995	530 287			2 324 283	-
MUNICIPAL INFRASTRUCTURE GRANT	45 832 612	94 710 966			102 158 053	38 385 524
TRANSITIONAL FUND	21 459	1 717			23 176	-
FLEMISH GOVERNMENT	86 603	25 064			111 667	-
KIDEKO GRANT	13 969	500 000			177 509	336 460
TRANSFORMATION MNGNT GRANT	6 638	5 333			11 971	-
MUNICIPAL MONITORING SYS.GRANT	104 337	8 347			112 684	-
DBSA GIS GRANT	494 227	6 134			500 361	-
BUILDINGS FOR SPORT & RECREATION	750 149	2 270 000			500 108	2 520 041
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	1 816 765	0			1 313 135	503 629
LGSETA		346 000			100 179	245 821
GRANT: INFRASTRUCTURE BACKLOG STUDIES	696 532	2 658 578			1 517 746	1 837 364
GRANT :TRANSPORT PLAN	427 418					427 418
GRANT: IDP	80 000				-	80 000
GRANT: SERV. IN TRAD. AUTH. AREAS	29 459	2 357			31 816	-
MAP	(9 546)	9 546				-
GRANT: MNGNT AUDIT	15 328	1 226			16 554	-
GIS CAPACITY	(14 084)	14 084				-
DROUGHT RELIEF	2 078 626				2 078 626	-
KZN INFRASTRUCTURE GRANT	450 000				-	450 000
GIJIMA KZN		1 228 294			379 109	849 185
ISRDS (PIMMS)	287 529	79 963			367 492	-
INDONSA	550 252	454 471			167 702	837 021
ULUNDI AIRPORT		6 185 350			476 898	5 708 452
NONGOMA PFOJECT CONCOLIDATE		3 000 000				3 000 000
ULUNDI PROJECT CONCOLIDATE		1 000 000				1 000 000
SHARED SERVICES		1 483 219				1 483 219
	55 260 800	116 695 492	-	-	114 292 157	57 664 134

**APPENDIX B
SCHEDULE OF EXTERNAL LOANS**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2006/07/01	Received during the period	Redeemed written off during the period	Balance at 2007/06/30
LONG-TERM LOANS			R	R	R	R
INCA @12.58% Fixed	1	yr 2013	7 988 958		803 007	7 185 951
Total long-term loans			7 988 958	-	803 007	7 185 951
TOTAL EXTERNAL LOANS			7 988 958	-	803 007	7 185 951

**APPENDIX C
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2007**

2006 Expenditure	Service	2007 BUDGET	2006 Balance at 30/6/2005	2007 Expenditure	2007 Written off Transferred or Disposed	2007 Balance at 30/6/2006
R		R	R			R
948 750	RATE AND GENERAL SERVICES	-	37 955 318	2 481 208	-	40 436 526
			209 526 001			
948 750	Community Services	-	37 955 318	2 481 208	-	40 436 526
182 192	Executive & Council		2 317 108	1 891 405		4 208 513
245 059	Financial Services		2 986 641	129 079		3 115 720
-	Human Resources		-	-		-
-	Planning		743 549	6 055		749 604
49 256	Environmental		49 255.52	-		49 255.52
368 642	Community and Social Service		819 056	-		819 056
-	Roads		1 713 408	-		1 713 408
-	Project Management Unit		26 060	-		26 060
103 601	Disaster Management		103 600.69	454 669		558 269.69
-	LED & Tourism		4 155	-		4 155
-	Technical services		207 427	-		207 427
-	PIMS		68 624 877	483 362		483 362
-	Public Works		97 942 985	44 441		44 441
-	ISRDS		604 166	-		604 166
-	ISWIP Programme		236 712 325	145 422		145 422
-	Municipal offices		27 707 666	-		27 707 666
232 716 516	TRADING SERVICES	-	574 113 956	134 194 024	-	708 307 980
	Water					
151 000	WSA	-	216 610 205	64 519	-	216 674 724
126 511 146	WSP :Reticulation	-	126 995 594	66 255	-	127 061 849
106 054 370	WSP :Bulk	-	230 508 158	134 063 250	-	364 571 408
233 665 266	TOTAL FIXED ASSETS	-	612 069 274	136 675 232	-	748 744 506

LOANS REDEEMED AND OTHER CAPITAL RECEIPTS

2006 Expenditure	Service	2007 BUDGET	2006 Balance at 30/6/2005	2007 Expenditure	2007 Written off Transferred or Disposed	2007 Balance at 30/6/2006
R		R	R			R
234 373 843	RATE AND GENERAL SERVICES	-	604 080 317	137 478 239	-	741 558 556
234 373 843	Community Services	-	604 080 317	137 478 239	-	741 558 556
822 562	Contributions from operating Income		11 206 208	1 923 088		13 129 296
23 2 842 703	Contributions from Donations & Funds		590 863 066	134 752 144		725 615 210
708 577	External Loan redeemed		2 011 042	803 007		2 814 049
234 373 843	TOTAL	-	604 080 317	137 478 239	-	741 558 556
708 577	NET FIXED ASSETS	-	7 988 957	803 007	-	7 185 951

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

2006 Actual R		2007 Actual R	2007 Budget R
INCOME			
228 827 536	National and Provincial Grants and Subsidies	227 039 756	209 526 001
19 156 805	Levy Income	1 782 309	0
16 288 342	Other Income	17 475 778	28 220 704
2 056 486	Interest	10 448 116	3 900 000
<u>266 329 169</u>		<u>256 745 959</u>	<u>241 646 705</u>
EXPENSES			
36 712 728	Salaries, wages and allowances	45 216 145	46 378 623
2 972 163	Bad Debts	0	
39 106 577	General expenses	60 198 026	68 624 877
4 197 882	Repairs and maintenance	8 627 610	12 096 369
822 562	Contribution to fixed assets	1 923 088	4 934 380
7 296 674	Grants and Subsidies Paid	5 026 530	5 056 530
1 762 878	Capital Charges	1 762 878	1 678 561
<u>167 245 268</u>	Contributions to Funds	<u>105 182 293</u>	<u>102 877 365</u>
260 116 732	Gross Expenditure	227 936 569	241 646 705
-	Less: Amounts charged out	-	-
<u>260 116 732</u>	Net expenditure	<u>227 936 569</u>	<u>241 646 705</u>
<u>6 212 438</u>	Operating Surplus(Deficit)	<u>28 809 390</u>	<u>-</u>

APPENDIX E
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2007

2006 Actual	2006 Actual	2006 Surplus/ (Deficit)		2007 Actual	2007 Actual	2007 Surplus/ (Deficit)	2007 Budget Surplus (deficit)
Income R	Expenditure R	R		Income R	Expenditure R	R	R
127 421 820	84 202 175	43 219 644	RATE AND GENERAL	136 005 339	79 634 347	56 370 992	(621 778)
127 421 820	84 202 175	43 219 644	SERVICES	136 005 339	79 634 347	56 370 992	(621 778)
			Community Services				
1 006 700	29 303 734	(28 297 034)	Executive and Council	0	27 400 769	(27 400 769)	(29 517 241)
114 942 650	40 888 934	74 053 716	Finance	112 462 347	9 802 883	102 659 464	60 275 182
-	764 264	(764 264)	Human Resource	-	1 100 643	(1 100 643)	(1 412 509)
1 812 416	3 944 854	(2 132 439)	Planning	12 731 236	13 342 999	(611 763)	(3 648 586)
-	1 102 312	-1 102 312.08	Environmental Health	-	1 232 991	(1 232 991)	(2 208 603)
4 010 869	4 262 229	(251 360)	Community and Social	4 623 760	21 321 701	(16 697 941)	(14 240 716)
-	-	-	Project Management Unit	-	-	-	-
-	645 206	(645 206)	Disaster Management	1 100 000.00	840 312	259 688	(1 307 646)
500 000	1 419 611	(919 611)	LED and Tourism	-	1 628 359	(1 628 359)	(1 895 372)
5 149 185	1 871 031	3 278 153	Technical services	5 087 996	2 963 690	2 124 306	(6 666 287)
-	-	0	PIMMS	-	-	-	-
			TRADING SERVICES				
138 907 350	175 914 556	(37 007 206)	WATER	120 740 620	148 302 222	(27 561 602)	621 778
115 247 851	140 042 333	(24 794 481)	WSA	94 710 966	105 611 673	(10 900 707)	130 118
7 123 022	12 981 008	(5 857 986)	WSP	10 036 657	17 866 920	(7 830 262)	14 345 944
16 536 476	22 891 216	(6 354 740)	WSP: Bulk	15 992 997	24 823 629	(8 830 632)	(13 854 284)
266 329 169	260 116 732	6 212 438	TOTAL	256 745 959	227 936 569	28 809 390	-
		(420 096)	Appropriations for the year (refer to note 21)			(112 231)	
		5 792 341	Net surplus / (deficit) for the year			28 697 158	
		25 389 053	Accumulated surplus / (deficit): Beginning of the year			31 181 395	
		31 181 395	ACCUMULATED SURPLUS / (DEFICIT): END OF THE YEAR			59 878 553	

**APPENDIX F
STATISTICAL INFORMATION
30 JUNE 2007**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
A. GENERAL STATISTICS			
1. Population (approximate)	957 700	957 700	956 200
2. District Area Per Km	15 307	15 307	15 307
3. Local Municipalities forming the District			
(i) Ulundi Municipality			
(ii) Nongoma Municipality			
(iii) uPhongolo Municipality			
(iv) AbaQulusi Municipality			
(v) eDumbe Municipality			
4. Levy Statistics			
Tarrifs			
Establishment services levy (% of Turnover excluding VAT)	0.012	0.012	0.012
Regional service levy (% of Salaries, Wages and Drawing)	0.030	0.030	0.030
Registered Levy payers	6 100	6 100	6 100
Levy income	1 782 309	19 156 805	16 915 699
5. Number of employees	569	378	285