



# 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. Nunes  
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. Ntshalintshali  
F.A. Khan  
M.N. Mlotshwa  
J.M.H. Wood  
M.G. Hlubi  
Z.J. Dladwa  
P.J. Hurter  
S.G. Mabaso  
D.S. Ndaba  
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

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

The annual financial statements set out on pages 8 to 34 were approved by the Municipal Manager on 28 August 2008 and will be presented to the Council for approval on the 3 rd of September 2008.

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### MUNICIPAL MANAGER

Mr. S S B Nkehli

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### CHIEF FINANCIAL OFFICER

Mr. J N Madondo

## FOREWORD

It is again that time of year where, our municipality needs to stop and reflect back on the financial year gone by.

It is my pleasure to notice some improvement in our financials, the credit does not only go to our officials, but also to the consumers of our services who have been loyal and dedicated to seeing the Uthukela District Municipality grow.

Our priority objective is to provide quality and sustainable services to the communities we serve. In pursuit of this, various challenges including dilapidated infrastructure, limited financial resources, economics prevailing in the country, etc makes achievement of these onerous tasks very difficult.

The developmental nature of this local government has required this municipality to position itself in such a way that it does not only concentrate on basic services but to also embark on various activities which are aimed at developing what I call "full citizenship" which requires the Uthukela District Municipality to address various aspects of life.

I wish that these financials are not only viewed in terms of rands and cents, but as the results of the contribution in building the nation. The Uthukela District Municipality stays committed to employing its resources in ensuring the betterment of people in our District.

Lastly, I would like to express my sincere gratitude to the Council, administration and local municipalities for their continued support.

**His Worship, The Mayor**  
**SM SITHOLE**



**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 call 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 years financial 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.

Lastly the Municipality is striving to finalise the GRAP/GAMAP conversion in 2008/9 and to implement the property rates act for the DMA with effect from 1 July 2009.

**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 2 585 000 whilst District Water and Sanitation services resulted in a surplus of R 3 783 427 the contributing factors thereto are explained below.

The operating surplus of R 6 368 427 and appropriations of (R 12 891 544) have resulted in a net deficit of (R 6 523 116) which increased the accumulated deficit of (R 24 416 284) at 30 June 2007 to (R 30 939 400) at 30 June 2008.

**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 2008 are as follows :

<b>INCOME</b>	<b>Actual 2006/07 R</b>	<b>Actual 2007/2008 R</b>	<b>Variance Actual/ Budget %</b>	<b>Budget 2007/2008 R</b>
Opening Surplus	0	0		
Operating Income for the Year	244 632 294	268 376 041	-10.8%	301 021 790
Sundry Transfers	12 585 670	(12 891 544)		
	<b>257 217 964</b>	<b>255 484 497</b>		<b>301 021 790</b>
<b>EXPENDITURE</b>				
Opening Deficit	36 136 857	24 416 284		
Operating Expenditure	245 497 391	262 007 613	13.0%	301 021 790
Closing Deficit	(24 416 284)	(30 939 400)		
	<b>257 217 964</b>	<b>255 484 497</b>		<b>301 021 790</b>

A) The increase in income is mainly due to the Equity share allocation which increased from R 87 242 000 in the 2006/2007 financial year to R 104 886 000 in the 2007/2008 financial year as well as income generated from penalty interest raised on arrear debtors accounts which amounted to R 9 895 625 in the 2007/2008 financial year.

B) The increase in expenditure is as a result of Salaries and Allowances which increased from R 61 409 895 in the 2006/2007 financial year to R 72 807 785 in the 2007/2008 financial year and general expenses which increased from R 55 392 407 in the 2006/2007 financial year to R 64 766 782 in the 2007/2008 financial year.

## 2.1) RESOURCE SUPPORT SERVICES

	Actual 2006/2007 R	Actual 2007/2008 R	Variance Actual/ Budget %	Budget 2007/2008 R
Income	149 615 865	148 603 250	20.7%	187 278 256
Expenditure	144 255 795	146 018 250	20.5%	183 776 172
(Deficit)/Surplus	5 360 070	2 585 000		3 502 084
Surplus (Deficit) as % of Total Income	<b>3.58%</b>	<b>1.74%</b>		<b>1.87%</b>

## 2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2006/2007 R	Actual 2007/2008 R	Variance Actual/ Budget %	Budget 2007/2008 R
Income	95 016 429	119 772 791	-5.3%	113 743 534
Expenditure	101 241 596	115 989 364	1.1%	117 245 618
Deficit	(6 225 167)	3 783 427		(3 502 084)
Surplus (Deficit) as % of Total Income	<b>-6.55%</b>	<b>-3.16%</b>		<b>-3.08%</b>

## 3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2007/2008	Budget 2007/2008
<b>CAPITAL EXPENDITURE</b>		
Resource Support Services	969 195	190 000
Regional Water services	73 525 827	10 600
	<b>74 495 022</b>	<b>200 600</b>
<b>FINANCING OF THE FIXED ASSETS</b>		
Internal loan Capital Development Fund	569 341	-
Contributions from Current Income	852 908	200 600
Grants and Subsidies	72 908 963	-
Current income ( Okhahlamba KZNPA)	-	-
External Loans (Leases)	3 937 341	-
	<b>78 268 553</b>	<b>200 600</b>

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 2008 amounted to R 25 846 842 as set out in appendix "B" Loans totalling R 3 937 341 were repaid during the year.

Investments amounted to R 9 165 726 on 30 June 2008.  
The investments are disclosed at Actual Surrender Value for the Metropolitan investments and at market value for others.

The Bank balance as at 30 June 2008 amounted to R 2 085 542

More information regarding loans and investments is disclosed in notes 4, 7 and appendix B to the financial statements.

## 5) FUNDS AND RESERVES

The Consolidated Capital Development Fund has increased by R 526 530 to R 16 642 299. Advances amounting to R 293 220 have been granted to borrowing services while R 569 341 has been repaid and/or written-off.

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

**6) OTHER MATTERS**

The major contribution for the decrease in investments is as a result of an amount of R5 258 717 being investments that matured in March 2007 which was paid into a Trust bank account unknown to the Municipality.

The Municipality has engaged the National Prosecuting Authority to investigate the matter. More information regarding investments are disclosed in note 7 of 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 Finance Officers in its Code of Practice for Local Government Accounting (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 Fixed Assets as more fully detailed in note 3 below. 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 :
  - 1.3.1 Income is accrued when collectable and measurable.
  - 1.3.2 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. Water and sanitation are treated as income and expenditure in the respective departments.

### 3) FIXED ASSETS

- 3.1 *Fixed assets are stated :*
  - at historical cost, or
  - at valuation (based on market price at date of acquisition).Where assets have been acquired by Grant or Donation these assets were capitalised at the 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 Fixed 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 are measured at the lower of cost or net realisable 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.  
Application has been made to the MEC for exemption.

### **5.2 RESERVES**

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

Maintenance provision: Contributions are based on current year budgets as deemed necessary unless specifically deemed otherwise.

Bad debt provision: a provision for bad debt has been made to provide for envisaged irrecoverable consumers debtors and sundry debtors.

## **6) CREDITORS**

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

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.

## **7) SURPLUSES AND DEFICITS**

Any surpluses or deficits arising from the operation of each service 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 chapter 3, Municipal Revenue, part 2 section 13 of the Municipal Finance Management Act 56 of 2003, 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.

### **10.2 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.



## **11) 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 municipalities.

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%
- The Natal Joint Municipal Pension Fund (Provident Fund) 9.75%
- The Natal Joint Municipal Pension Fund (Provident Fund) 13.65%
- The Natal Joint Municipal Pension Fund (Provident Fund) 18.00%
- Councillors and section 57 employees make the full contribution to the pension fund.

## **12) 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 2008

	<i>Notes</i>	<b>2007/2008 R</b>	<b>2006/2007 R</b>
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		<b>17 530 832</b>	16 960 653
Statutory Funds	1	16 642 299	16 115 769
Reserves	2	888 533	844 884
ACCUMULATED DEFICIT	3	<b>(30 939 399)</b>	(24 416 284)
		<b>(13 408 567)</b>	(7 455 631)
LONG-TERM LIABILITIES	4	<b>22 353 262</b>	25 349 302
		<b>8 944 694</b>	<b>17 893 671</b>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	6	<b>25 277 750</b>	29 051 281
INVESTMENTS	7	<b>9 165 726</b>	9 810 035
LONG-TERM DEBTORS	8	<b>1 680 198</b>	1 619 911
		<b>36 123 675</b>	40 481 227
NET CURRENT LIABILITIES		<b>(27 178 981)</b>	(22 587 556)
<b>CURRENT ASSETS</b>			
		<b>95 967 868</b>	70 540 037
Inventory	9	4 725 520	5 409 999
Debtors	10	87 253 660	63 746 886
Vat	13	830 372	-
Cash and cash equivalents	14	3 081 611	1 253 459
Short term portion of long-term debtors	8	76 706	129 693
<b>CURRENT LIABILITIES</b>			
		<b>123 146 849</b>	93 127 594
Vat	13	-	1 108 400
Creditors	11	71 481 754	56 140 306
Deposits	5	3 934 183	1 112 196
Unspent Grant Creditor	12	44 237 331	28 598 911
Short-term portion of Long-term Liabilities	4	3 493 580	3 313 358
Bank Overdraft	14	-	2 854 423
		<b>8 944 694</b>	<b>17 893 671</b>

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MUNICIPAL MANAGER

.....  
CHIEF FINANCIAL OFFICER

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2006/2007 Actual Income <i>R</i>	2006/2007 Actual Expenditure <i>R</i>	2006/2007 Actual Surplus/ (Deficit) <i>R</i>		2007/2008 Actual Income <i>R</i>	2007/2008 Actual Expenditure <i>R</i>	2007/2008 Actual Surplus/ (Deficit) <i>R</i>	2007/2008 Budgeted Surplus/ (Deficit) <i>R</i>
244 632 294	245 497 391	(865 097)	<i>District Service</i>	268 376 041	262 007 613	6 368 428	-
149 615 865	144 255 795	5 360 070	<i>Resources Support Services</i>	148 603 250	146 018 250	2 585 000	3 502 084
95 016 429	101 241 596	(6 225 167)	<i>District Water and Sanitation</i>	119 772 791	115 989 364	3 783 427	(3 502 084)
<b>244 632 294</b>	<b>245 497 391</b>	<b>(865 097)</b>	<b>TOTAL</b>	<b>268 376 041</b>	<b>262 007 613</b>	<b>6 368 428</b>	<b>-</b>
		12 585 670	Appropriation for this Year (Refer working papers)			(12 891 544)	
		11 720 573	Net surplus/ (deficit) for the Year			(6 523 116)	
		(36 136 857)	Accumulated (Deficit)/Surplus beginning of the year			(24 416 284)	
		<b>(24 416 284)</b>	<b>ACCUMULATED DEFICIT AT END OF THE YEAR</b>			<b>(30 939 400)</b>	

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
<b>CASH GENERATED IN OPERATING ACTIVITIES</b>		<b>81 356 405</b>	<b>76 787 111</b>
Cash (utilised)/ generated in operations	22	(186 380 566)	(164 108 966)
Investment income	21	941 244	1 097 627
(Increase)/ Decrease in working capital	23	7 440 789	(14 277 486)
		<b>(177 998 533)</b>	<b>(177 288 825)</b>
<u>Less</u> : External Interest Paid	21	(3 377 313)	(3 502 965)
<b>Cash (utilised)/ generated in operations</b>		<b>(181 375 846)</b>	<b>(180 791 789)</b>
Operating grants received		189 823 288	185 006 984
Cash contributions from the public and the state		72 908 963	72 571 916
Net proceeds on disposal of fixed assets		-	-
<b>CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>(74 502 322)</b>	<b>(74 123 831)</b>
Increase/ Decrease in Long Term Debtors		(7 300)	285 450
Investments in Fixed assets	6	(74 495 022)	(74 409 281)
<b>NET CASH INFLOW</b>		<b>6 854 083</b>	<b>2 663 279</b>
<b>Cash effects of financing activities</b>			
Decrease/ Increase in long-term borrowings	24	(2 815 818)	(1 677 194)
(Increase)/Decrease in cash investments	25	644 309	4 511 195
Decrease/ (Increase) in cash and cash equivalents	14	(4 682 574)	(5 497 280)
Net Cash (utilised)/ Generated		<b>(6 854 083)</b>	<b>(2 663 279)</b>

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>1 STATUTORY FUNDS</b>		
Capital Development Fund	16 642 299	16 115 769
<i>(Refer to Appendix A for more details)</i>	<u>16 642 299</u>	<u>16 115 769</u>
<b>2 RESERVES</b>		
Maintenance Fund	888 533	844 884
<i>(Refer to Appendix A for more details)</i>	<u>888 533</u>	<u>844 884</u>
<b>3 ACCUMULATED SURPLUS</b>		
Appropriation account:		
Accumulated Surplus/(deficit) at the beginning of the year	(24 416 284)	(36 136 857)
Operating Surplus/(Deficit) for the year	6 368 428	(865 097)
Appropriations for the year	(12 891 544)	12 585 670
Transferred to deficit	2 000 000	800 000
Provision for bad debt	(10 841 488)	-
Prior year adjustment	(4 050 056)	11 785 670
	<u>(30 939 400)</u>	<u>(24 416 284)</u>
Operating account		
Capital Expenditure	<u>852 908</u>	<u>322 853</u>
Contributions to:		
Leave Gratuity	400 000	332 579
Bad Debts	1 600 000	1 350 000
	<u>2 000 000</u>	<u>1 682 579</u>
<b>4 LONG-TERM LIABILITIES</b>		
Annuity Loans: DBSA	24 656 438	27 314 576
Lease commitments	1 190 404	1 348 084
Sub-total	<u>25 846 842</u>	<u>28 662 660</u>
Less : Current portion transferred to current liabilities	3 493 580	3 313 358
Annuity Loans: DBSA	3 054 544	2 718 819
Lease commitments	439 036	594 540
<b>Total External Loans</b>	<u>22 353 262</u>	<u>25 349 302</u>
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 9 loans approved by the Development Bank of South Africa amounting to R 36 511 976. Two of these loans amounting to R 82 720 were taken up by Okhahlamba Local Municipality in respect of water infrastructure and were transferred to the District when the District took over the water function. The balance on the loans as at 30 June 2008 amounts to R 24 656 438.		
Lease commitments		
Leases consist of 20 vehicle which was financed externally through Absa Vehicle and Asset Finance and comprises of 7 Tata Idv's purchased in 2005, 12 Isuzu Idv's purchases in 2006 and a Mercedes C280 (Mayoral Vehicle) purchased in 2008. Interest is coupled to the prime lending rate. Outstanding leases amounts to R1 190 404 as at 30 June 2008.		
<b>5 CONSUMER DEPOSITS</b>		
Water and sanitation	3 934 183	1 112 196
<b>Total Consumer Deposits</b>	<u>3 934 183</u>	<u>1 112 196</u>

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>6 FIXED ASSETS</b>		
Fixed assets at the beginning of the year	691 119 039	618 635 081
Capital Expenditure during the year	74 495 022	74 409 281
Less : Assets written off, transferred or disposed of during the year	-	(1 925 323)
<b>Total Fixed Assets</b>	<b>765 614 061</b>	<b>691 119 039</b>
Less : Loans Redeemed and Other Capital Receipts	740 336 311	662 067 758
<b>Net Fixed Assets</b>	<b>25 277 750</b>	<b>29 051 281</b>

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

**7 INVESTMENTS**

Financial Instruments

Fixed Deposits	765 726	698 218
Metropolitan life investment policies	8 400 000	9 111 817
	<b>9 165 726</b>	<b>9 810 035</b>
Managements Valuations of investments	<b>9 165 726</b>	<b>9 810 035</b>
Average Rate of Return on Investments	7.69%	9.66%

Funds are invested according to section 13 of the Municipal Finance Management Act 56 of 2003

The Metropolitan Life Investment Policies amounting to R9 092 931 are ceded to ABSA Bank as security for Bank Overdraft Facility

**8 LONG-TERM RECEIVABLES**

Deposits	1 171 819	1 164 519
Car loans	585 085	585 085
	1 756 904	1 749 604
Less : Current portion transferred to current receivables	76 706	129 693
Deposits	0	0
Car loans	76 706	129 693
<b>Total</b>	<b>1 680 198</b>	<b>1 619 911</b>

**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.

**9 INVENTORY**

Consumable (Promotional Items) – at cost	8 973	10 134
Maintenance materials – Stock taken over from Local Municipalities at market value as at 30 June 2006 and stock purchased thereafter at cost.	3 853 224	5 084 089
Water stock – at cost	246 652	0
Chemicals at Purification Plants-at cost	616 671	315 776
<b>Total Inventory</b>	<b>4 725 520</b>	<b>5 409 999</b>

**10 DEBTORS**

Unreconciled Stock At Year end	90 418	288 011
Metropolitan Life Investments	5 258 717	5 258 717
Sundry Debtors	9 444 847	9 109 416
Advances	0	533 100
Metropolitan Life - interest	0	38 319
Consumers & Others	127 588 833	91 751 746
Amount paid in advance	197 281	52 526
	142 580 096	107 031 835
Less: Provision for doubtful debts	(55 326 436)	(43 284 949)
	<b>87 253 660</b>	<b>63 746 886</b>

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>11 CREDITORS</b>		
Trade creditors	13 529 318	14 308 973
Trust Funds	2 144 257	1 572 815
Retentions	5 784 748	5 765 761
Staff leave	8 168 093	6 494 241
Sundry Creditors - DWAF provision for water purchases	5 291 437	1 081 217
- Endumeni Loan EX Umtshezi	8 000	7 240
- Unidentified receipts at Year End	2 075 705	360 046
- Payments transfer from levies to water	81 445	104 577
- Unclaimed Salaries / Wages	128 713	141 324
- Outstanding cheques at Year End	31 762 624	24 326 261
Other creditors	2 507 416	1 977 851
	<u><u>71 481 754</u></u>	<u><u>56 140 306</u></u>
<b>12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
MIG Grants	4 819 897	858 314
DWAF	26 454 169	14 552 232
KZN Projects	11 692 821	11 168 718
Sport and Recreation	621 169	719 647
Disaster Management	649 275	1 300 000
	<u><u>44 237 331</u></u>	<u><u>28 598 911</u></u>
See Note 33 for reconciliation of grants from other spheres of government.		
<b>13 VAT</b>		
VAT (payable)/refundable	<u><u>830 372</u></u>	<u><u>(1 108 400)</u></u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
<b>14 BANK, CASH AND OVERDRAFT BALANCES</b>		
The Municipality has the following bank accounts: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
ABSA Bank - Ladysmith: Account Number 4048800058		
Cash book balance at beginning of year – overdrawn	(2 854 422)	(6 177 629)
Cash book balance at end of year - overdrawn	<u><u>1 169 710</u></u>	<u><u>(2 854 422)</u></u>
Bank statement balance at beginning of year - (overdrawn)	(1 902 046)	(6 744 156)
Bank statement balance at end of year - (overdrawn)	<u><u>1 056 865</u></u>	<u><u>(1 902 046)</u></u>
<b><u>Current Account (Water Account)</u></b>		
ABSA Bank - Ladysmith: Account Number 4062520058		
Cash book balance at beginning of year – overdrawn	1 245 759	(1 097 804)
Cash book balance at end of year - (overdrawn)	<u><u>1 904 201</u></u>	<u><u>1 245 759</u></u>
Bank statement balance at beginning of year - (overdrawn)	933 822	1 016 301
Bank statement balance at end of year	<u><u>1 028 677</u></u>	<u><u>933 822</u></u>
<b><u>Current Account (CBPWP Account)</u></b>		
ABSA Bank - Ladysmith: Account Number 4052682612		
Cash book balance at beginning of year	-	169 491
Cash book balance at end of year	<u><u>-</u></u>	<u><u>-</u></u>
Bank statement balance at beginning of year	-	188 018
Bank statement balance at end of year	<u><u>-</u></u>	<u><u>-</u></u>
Cash Floats	7 700	7 700
<b>TOTAL (OVERDRAFT) BALANCE</b>	<u><u>3 081 611</u></u>	<u><u>(1 600 963)</u></u>

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R			
<b>15 SERVICE CHARGES</b>					
Sale of water	53 865 071	40 493 532			
Sewerage and sanitation charges	12 062 921	11 834 468			
<b>Total Service Charges</b>	<b><u>65 927 992</u></b>	<b><u>52 328 000</u></b>			
<b>16 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED</b>					
Equitable share	104 885 781	87 241 793			
MIG Grant	74 815 610	76 845 618			
Dwarf	5 172 474	6 129 900			
KZN Projects	2 300 465	6 703 557			
Sport and Recreation	998 479	600 000			
Disaster Management	1 650 479	1 300 000			
Free basic services grant	-	800 000			
<b>Total Government Grant and Subsidies received</b>	<b><u>189 823 288</u></b>	<b><u>179 620 868</u></b>			
<b>17 OTHER INCOME</b>					
Other income	12 624 761	7 297 310			
<b>Total Other Income</b>	<b><u>12 624 761</u></b>	<b><u>7 297 310</u></b>			
<b>18 EMPLOYEE RELATED COSTS</b>					
Employee related costs - Salaries and Wages	39 594 770	36 336 848			
Employee related costs - Contributions for UIF, pensions and medical aids	7 686 124	6 098 384			
Travel, motor car, accommodation, subsistence and other allowances	4 369 868	3 925 217			
Housing benefits and allowances	600 714	413 475			
Overtime payments	5 690 430	4 484 040			
Bonuses	3 033 734	2 570 272			
Long-service awards	194 613	91 473			
<b>Total Employee Related Costs</b>	<b><u>61 170 253</u></b>	<b><u>53 919 709</u></b>			
<b>Remuneration of the Municipal Manager</b>					
Annual Remuneration	685 476	642 328			
Performance Bonuses	131 192	125 302			
Car Allowance	200 156	188 097			
Contributions to UIF, Medical and Pension Funds	37 072	36 779			
<b>Total</b>	<b><u>1 053 896</u></b>	<b><u>992 506</u></b>			
<b>Remuneration of the Chief Finance Officer</b>					
Annual Remuneration	580 013	545 128			
Performance Bonuses	95 768	91 467			
Car Allowance	93 559	87 932			
<b>Total</b>	<b><u>769 340</u></b>	<b><u>724 527</u></b>			
<b>Remuneration of Individual Executive Directors</b>					
	<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
<b>30 June 2008</b>					
Annual Remuneration	441 596	464 906	-	464 134	476 781
Performance Bonuses	90 519	30 173	-	90 519	93 185
Car Allowance	195 076	127 652	-	172 538	160 184
Medical and pension funds	3 968	44 114	-	-	18 403
<b>Total</b>	<b><u>731 159</u></b>	<b><u>666 845</u></b>	<b><u>-</u></b>	<b><u>727 191</u></b>	<b><u>748 553</u></b>
<b>30 June 2007</b>					
Annual Remuneration	415 036	143 913	486 730	436 219	446 897
Performance Bonuses	86 462	-	52 763	70 351	89 000
Car Allowance	183 344	40 000	-	162 161	143 769
Medical and pension funds	-	14 031	-	-	19 655
<b>Total</b>	<b><u>684 842</u></b>	<b><u>197 944</u></b>	<b><u>539 493</u></b>	<b><u>668 731</u></b>	<b><u>699 321</u></b>



UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>19 REMUNERATION OF COUNCILLORS</b>		
Mayor	386 919	348 531
Deputy Mayor	403 805	368 117
Speaker	402 562	374 448
Executive Committee Members	530 219	481 049
TLC Attendance fees	0	900
Councillors	1 467 533	1 409 777
<b>Total Councillors' Remuneration</b>	<b><u>3 191 038</u></b>	<b><u>2 982 822</u></b>
<b><i>In-kind Benefits</i></b>		
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.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has 2 full-time bodyguards.		
<b>20 BULK PURCHASES</b>		
Water	2 369 385	961 867
<b>Total Bulk Purchases</b>	<b><u>2 369 385</u></b>	<b><u>961 867</u></b>
<b>21 FINANCE TRANSACTION</b>		
Total external interest earned or paid :		
Interest earned	941 244	1 097 627
Interest paid	3 377 313	3 502 965
<b>22 CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	6 368 428	(865 097)
Adjustments in respect of :		
Previous year's operating transactions	(12 891 544)	12 585 670
Appropriations charged against income :	2 452 908	1 690 052
- Capital development Fund	-	-
- Reserves	-	-
- Provisions	1 600 000	1 350 000
- Capital Outlay	852 908	340 052
Capital Charges	8 104 469	8 353 275
* Interest paid	3 597 787	3 858 544
- To internal funds	220 474	355 579
- On external Loans	3 377 313	3 502 965
* Redemption	4 506 682	4 494 731
- Of internal advances	569 341	578 743
- Of external Loans	3 937 341	3 915 988
Loss on disposal of fixed assets	-	-
Investment income charged to operating account	(591 539)	(865 882)
Non operating income	(189 823 288)	(185 006 984)
- Credited to funds provisions and reserves	-	-
- From grants	(189 823 288)	(185 006 984)
Non operating expenditure	-	-
- Expenditure charged against Statutory Funds	-	-
- Expenditure charged against Creditor Reserves	-	-
- Expenditure charged against Trust Funds	-	-
<b>Amount To Cashflow Statement</b>	<b><u>(186 380 566)</u></b>	<b><u>(164 108 966)</u></b>

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>23 CASH UTILISED TO (INCREASE)/ DECREASE WORKING CAPITAL</b>		
(Increase)/Decrease in Stores	684 479	(1 972 963)
(Increase) in Debtors	(25 937 146)	(20 864 823)
Increase/(Decrease) in creditors	32 693 456	8 560 300
<b>Amount To Cashflow Statement</b>	<b>7 440 789</b>	<b>(14 277 486)</b>
<b>24 (DECREASE)/ INCREASE IN LONG TERM BORROWINGS</b>		
- Loans raised	1 121 523	2 238 794
- Loans repaid	(3 937 341)	(3 915 988)
<b>Amount To Cashflow Statement</b>	<b>(2 815 818)</b>	<b>(1 677 194)</b>
<b>25 (INCREASE)/DECREASE IN CASH INVESTMENTS</b>		
- Investments realised	1 200 935	5 347 077
- Investments made	(556 626)	(835 882)
<b>Amount To Cashflow Statement</b>	<b>644 309</b>	<b>4 511 195</b>
<b>26 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>26.1 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	20 546	-
Fruitless and wasteful expenditure current year	356 180	20 546
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>376 726</b>	<b>20 546</b>

Eskom accounts are paid in bulk on a monthly basis via EFT. The invoices have different due dates therefore penalty interest is raised on some for late payment (R 20 546). Management is currently negotiating with Eskom to have the same due date for all invoices.

The Department Of Water Affairs And Forestry has raised interest on the DM's accounts for non payment of raw water purchases (R 352 548). Management is in the process of reconciling the account and negotiate with DWAF regarding the write off of the interest raised. Compu Supplies instituted legal action against the Council for the late payment of outstanding invoices. Legal costs amounted to R 752 and interest to R 2 880).

**27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**27.1 AUDIT FEES**

Opening balance	850 000	795 962
Current year audit fee	500 000	850 000
Amount paid - current year	-	-
Amount paid - previous years	(784 879)	(795 962)
<b>Balance unpaid (included in creditors)</b>	<b>565 121</b>	<b>850 000</b>

The balance unpaid represents the audit fee for the 2007/2008 annual audit

**27.2 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

**27.3 PAYE and UIF**

Opening balance	505 484	413 900
Current year payroll deductions	9 047 258	7 645 839
Amount paid - current year	(8 326 583)	(7 140 355)
Amount paid - previous years	(505 484)	(413 900)
<b>Balance unpaid (included in creditors)</b>	<b>720 675</b>	<b>505 484</b>

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

UTHUKELA DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<b>27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
<b><u>27.4 Pension and Medical Aid Deductions</u></b>		
Opening balance	826 141	703 926
Current year payroll deductions and Council Contributions	10 174 109	8 453 379
Amount paid - current year	(10 174 109)	(7 627 238)
Amount paid - previous years	(826 141)	(703 926)
<b>Balance unpaid (included in creditors)</b>	<b><u>0</u></b>	<b><u>826 141</u></b>
<b>28 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved but not contracted for	<u>44 237 331</u>	<u>28 598 911</u>
	<b><u>44 237 331</u></b>	<b><u>28 598 911</u></b>
This expenditure will be financed from:		
-External Sources	<b>44 237 331</b>	<b>28 598 911</b>
MSIG	649 275	1 299 753
Grants - KZN	15 173 953	9 892 426
Comm. Based Public Works programme	72 754	72 754
Department of Land Affairs	1 237 080	1 176 308
Department of Water Affairs	26 454 169	14 552 232
DPLG - Drought Relief	12 809	12 809
Social pilot project	-	856 860
Development planning	16 122	16 122
Sports and Recreation	621 169	719 647
<b>29 RETIREMENT BENEFIT INFORMATION</b>		
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		
<b>30 CONTINGENT LIABILITY</b>		
30.1 M. Molakwane	<u>600 000</u>	<u>600 000</u>
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>20 000</u>	<u>20 000</u>
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>500 000</u>	<u>500 000</u>
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.		
30.5 Aon South Africa (Pty) Ltd	<u>90 000</u>	<u>0</u>
Aon lodged an appeal against the tender process and procurement of the appointment of Indwe Risk Services as the brokers for Council's insurance portfolio.		
30.6 Telkom	<u>15 000</u>	<u>0</u>
Telkom lodged a claim against Council for damages caused to telkom cables in Main Road C Section Ezakheni during repairs done to burst water pipes.		
30.7 Telkom	<u>15 000</u>	<u>0</u>
Telkom lodged a claim against Council for damages caused to telkom cables in Pandy Street Ladysmith during repairs done to burst water pipes.		

UTHUKELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R			
<b>30 CONTINGENT LIABILITY (continued)</b>					
30.8 M.E Ndlovu	<u>150 000</u>	<u>150 000</u>			
A child had been injured whilst playing on a windmill in the Thawa Area. The claimant is suing the council for injuries sustained. A settlement of R 150 000, agreed between the Insurance company and the municipal lawyers, has been offered as settlement.					
<b>31 CONSOLIDATED LOANS FUND</b>					
External Loans (See Appendix B)	25 846 842	28 662 660			
Internal Investments	0	0			
Creditors	<u>0</u>	<u>0</u>			
	25 846 842	28 662 660			
Less;	25 846 842	28 662 660			
Deferred Charges	<u>0</u>	<u>0</u>			
External Investments	25 846 842	28 662 660			
Debtors	<u>0</u>	<u>0</u>			
Temporary Advances	<u>0</u>	<u>0</u>			
(Refer to Appendix B for more details)	<u>0</u>	<u>0</u>			
<b>Net expenditure charges to borrowing services at an average rate of 0.00%</b>					
Interest paid on external loans	3 377 313	3 502 965			
Interest paid on internal investments	0	0			
Deferred charges written off	0	0			
Administration charges	<u>0</u>	<u>0</u>			
	3 377 313	3 502 965			
Less: Interest Earned on external investments	<u>(941 244)</u>	<u>(862 478)</u>			
	<u>2 436 069</u>	<u>2 640 487</u>			
<b>32 CAPITAL DEVELOPMENT FUND</b>					
<b>Outstanding advances to borrowing services</b>					
Accumulated Fund	16 642 299	16 115 769			
Less: Internal investments in Consolidated loans Funds	<u>(14 713 874)</u>	<u>(13 911 223)</u>			
	<u>1 928 425</u>	<u>2 204 546</u>			
(See Appendices A and B for more details)					
<b>33 GOVERNMENT GRANTS</b>					
Disclosure on expenditure of allocations received from organs of state					
DESCRIPTION	BALANCE 30/06/07	RE ALLOCATED 2007/2008	GRANTS 2007/2008	EXPENDITURE 2007/2008	BALANCE 30/06/2008
MSIG - PMS	8 595	0	0	0	8 595
MSIG - PIMMS	856 139	0	1 000 000	1 284 291	571 847
DEVELOPMENT PLANNING	16 122	0	0	0	16 122
DWAF WATER CONSERVATION	1 794 742	0	0	1 444 282	350 460
DWAF GRANT	420 000	0	0	0	420 000
DWAF - IEC	367 457	0	0	0	367 457
DWAF - DROUGHT RELIEF	(15 141)	15 141	0	0	0
DWAF - WATER SERVICES DEV. PLAN	12 733	0	0	0	12 733
DWAF - EX 03/04	2 063 845	(15 141)	0	0	2 048 704
DWAF - WORKS REFURBISH GRANT	7 605 162	0	8 511 000	1 825 638	14 290 524
DWAF - MAVULA SANITATION	337 729	0	0	0	337 729
DWAF - ST CHADS	25 436	(25 436)	0	0	0
DWAF - BLUE BANK	2 387	0	0	0	2 387
DWAF - BAKLDASKRAAL	2 349	0	0	0	2 349
DWAF - TATANE / MQEDANDA	10 991	(10 991)	0	0	0
DWAF - LANGKLOOF PROJECT	6 108	(6 108)	0	0	0
DWAF - BETANY	9 229	(9 229)	0	0	0
DWAF - GREENPOINT	11 206	0	0	0	11 206
DWAF - ROOKDALE	440 512	(440 512)	0	0	0
DWAF - ZWELISHA / CRAIG	9 457	(9 457)	0	0	0
DWAF - NYEZANE	31 585	0	0	0	31 585
DWAF - DSAHLUMBE / ENKASENI	203 519	(203 519)	0	0	0
DWAF - STANFORD / VAALKOP	10 827	(10 827)	0	0	0
DWAF - HWEBEDE	37 611	(37 611)	0	0	0
DWAF - DROUGHT RELIEF	0	0	3 256 800	256 254	3 000 546

UTHUKELA DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008  
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2007  
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33 GOVERNMENT GRANTS (continue)

Disclosure on expenditure of allocations received from organs of state

DESCRIPTION	BALANCE 30/06/07	RE ALLOCATED 2007/2008	GRANTS 2007/2008	EXPENDITURE 2007/2008	BALANCE 30/06/2008
DWAF - ROOSBOOM	1 164 489	0	0	0	1 164 489
DWAF - RAIN WATER HARVESTING	0	0	3 000 000	0	3 000 000
DWAF - FEASIBILITY STUDY	0	0	600 000	0	600 000
DWAF - ASSET MANAGEMENT	0	0	814 000	0	814 000
KZN - TRANSFORMATION	377 921	0	0	0	377 921
KZN - MULTIPURPOSE VEHICLE	13 512	0	0	0	13 512
UITVAL SPORTS FIELDS	4 584	0	0	0	4 584
GIS CAPACITY BUILDING	8 740	0	0	0	8 740
KZN - CURRENT PUBLIC TRANSPORT	53 255	0	0	0	53 255
MSIG - DISASTER MANG. FRAMEWORK	390 288	0	0	356 187	34 101
MSIG - TOURISM PROJECTS	14 731	0	0	10 000	4 731
MSIG - DMA IDP 2002/2003	30 000	0	0	0	30 000
SPACIAL DEVELOPMENT FRAMEWORK	40 000	0	0	0	40 000
DISASTER MANAGEMENT AREA	50 000	0	0	0	50 000
KWADUKUZA RURAL SERVICES	18 000	0	0	0	18 000
CEMETERY STUDY	1 796	0	0	0	1 796
INCORP. LAND REFORM PLAN	2 600	0	0	0	2 600
KZN - ST CHADS EMERGENCY	5 891	0	0	0	5 891
KZN - GIS GRANT	2 104	0	0	0	2 104
KZN - CHANGE MANAGEMENT	82 955	0	0	0	82 955
KZN - SECRETERIAL MFC	50 000	0	0	0	50 000
KXN - IMMEDIATE SUPPORT	15 208	0	0	0	15 208
KZN - DUKUZA UPGRADE	16 729	0	0	0	16 729
KZN - TOURISM	22 421	0	0	3 000	19 421
KZN - DEVELOP GIS	76 449	0	0	7 005	69 444
KZN - SPORTS & REC NEWSTAND	0	0	900 000	730 805	169 195
KZN - INTERGRATED TRANSPORT PLAN	0	0	200 000	0	200 000
DOT PUBLIC TRANSPORT PLAN	90 603	0	0	0	90 603
KZN - CAPACITY BUILDING	0	120 000	0	0	120 000
SPORTS & REC DRIEFONTEIN	158 963	0	0	189 803	(30 840)
KZN - DIMMS 2005/2006	350 000	0	0	0	350 000
KZN - PERFORMANCE MANAGEMENT	8 601	0	0	0	8 601
KZN - IDP SUPPORT 2005/2006	38 674	0	0	24 623	14 051
KZN - GRANT GIJIMA	0	0	0	0	0
WATER SERVICES DEV. PLAN	0	0	0	0	0
TUGELA ESTATE FISH PROJECT	0	0	1 000 000	0	1 000 000
REGIONAL ECONOMIC DEVELOPMENT	0	0	220 550	197 550	23 000
PROMOTION OF SPORT	0	0	300 000	5 511	294 489
S 78 ASSESSMENT	0	700 000	0	0	700 000
BACKLOG STUDY	0	250 000	0	0	250 000
W S D P	0	50 000	0	0	50 000
CURRENT PUBLIC TRANSPORT	37 898	0	0	0	37 898
KZN - M.A.P. FUNDING	37 303	0	0	7 170	30 133
SPORTS & REC KANDAHAR FIELDS	47 183	0	0	0	47 183
SPORTS & REC KANDAHAR FIELDS	9 318	0	0	0	9 318
SPORTS & REC KANDAHAR FIELDS	143 755	0	0	72 360	71 395
FINANCIAL MANAGEMENT GRANT	595 406	0	500 000	214 558	880 848
DPLG DROUGHT GRANT	12 809	0	0	0	12 809
SPORTS & REC UMHUMAYO	26 880	0	0	0	26 880
SPORTS & REC NTABAMHLOPE	33 550	0	0	0	33 550
DIMS GRANT FUNDING	(163 173)	0	0	0	(163 173)
KZN - ASSESSMENT WATER	231 000	0	0	202 510	28 490
KZN - DISTRICT MANAGEMENT	250 000	0	0	0	250 000
KZN - ASSESSMENT OF WATER	142 299	0	0	83 533	58 766
KZN - IMP TECH & SCIEN	500 000	0	0	0	500 000
ENVIROMENTAL YOUTH	(95 160)	0	0	0	(95 160)
KZN DEVELOP INFORMATION SYSTEM	190 000	0	0	0	190 000
KZN - TECHNICAL SUPPORT & INFRASTR	0	740 000	0	30 000	710 000
KZN SHARED SERVICES SENTRES	1 000 000	0	0	0	1 000 000
KZN DISASTER MANAGEMENT	600 000	0	0	600 000	0
KZN - ENERGY SECTOR PLAN	0	200 000	0	0	200 000
KZN CIVIL PROTECTION	25 679	0	0	40 225	(14 546)
INSTITUTIONAL SUPPORT & CAPACITY BUI	289 391	0	0	0	289 391
KZN GRANT DEPARTMENT OF SPORT	300 000	(300 000)	0	0	0
KZN - WATER SERVICE DELIVERY 04/05	35 359	0	0	0	35 359
LAND REFORM GIJIMA	14 454	0	0	0	14 454

UTHUKELA DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008  
R

2007  
R

33 GOVERNMENT GRANTS (continue)

Disclosure on expenditure of allocations received from organs of state

DESCRIPTION	BALANCE 30/06/07	RE ALLOCATED 2007/2008	GRANTS 2007/2008	EXPENDITURE 2007/2008	BALANCE 30/06/2008
LED PROJECTS GIJIMA	85 235	0	0	81 472	3 763
ARTS & CRAFT GIJIMA	107 458	0	218 932	327 182	(792)
KZN INFRASTRUCTUE GRANT	2 060 000	(2 060 000)	0	0	0
KZN DEVELOP INFORMATION SYSTEM	80 000	0	0	0	80 000
KZN MUNICIPAL PERFORMANCE MANAGE	50 000	0	0	0	50 000
KZN IDP SUPPORT	50 000	0	0	0	50 000
KZN CAPACITY BUILDING WAER STAFF	600 000	0	0	118 000	482 000
KZN WSA INSTITUTIONAL SUPPORT	12 281	0	0	0	12 281
KZN DISASTER MANAGEMENT	700 000	0	0	165 731	534 269
SOCIAL PILOT PROJECTS	856 860	0	0	0	856 860
KZN SOCIAL EMABHEKAZI	69 535	0	0	0	69 535
LOCAL GOVERNMENT SETA GRANT	199 103	0	0	0	199 103
LGSETA GRANT - TRAINING	0	0	624 069	197 906	426 164
DWAF EX 03/04	0	0	0	0	0
MIG	858 314	0	77 738 123	73 776 540	4 819 897
DLA	1 176 308	60 771	0	0	1 237 080
CBPWP	72 754	0	0	0	72 754
	<b>28 598 911</b>	<b>(992 918)</b>	<b>98 883 474</b>	<b>82 252 137</b>	<b>44 237 331</b>

\*NB Refer note 12 Unspent Conditional Grants Totalling R 44 237 331.

34 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 2007/06/30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2008/06/30
<b>ACCUMULATED FUNDS</b>						
<b>CAPITAL DEVELOPMENT FUNDS</b>						
Consolidated Capital Development Funds	16 115 769	-	526 530			16 642 299
<b>Total</b>	<b>16 115 769</b>	<b>-</b>	<b>526 530</b>	<b>-</b>	<b>-</b>	<b>16 642 299</b>
<b>RESERVES</b>						
Maintenance Fund	844 884		43 649			-
<b>Total</b>	<b>844 884</b>	<b>-</b>	<b>43 649</b>	<b>-</b>	<b>-</b>	<b>888 533</b>
	<b>16 960 653</b>	<b>-</b>	<b>570 179</b>	<b>-</b>	<b>-</b>	<b>17 530 832</b>

**EXTERNAL LOANS AND INTERNAL ADVANCES**

	Balance 2007/06/30	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 2008/06/30
<b>EXTERNAL LOANS</b>					
<i>Is Redeemable</i>					
Finance leases	1 348 084	420 050		577 730	1 190 404
Annuity Loans: DBSA	27 314 576	-	701 473	3 359 611	24 656 438
	<b>28 662 660</b>	<b>420 050</b>	<b>701 473</b>	<b>3 937 341</b>	<b>25 846 842</b>

	Balance 2007/06/30	Received during the Year	Interest Accrued	Redeemed, written off during the Year	Balance 2008/06/30
<b>INTERNAL ADVANCES TO BORROWING SERV.</b>					
Capital Development Fund	2 204 546	293 220	-	569 341	1 928 425
	<b>2 204 546</b>	<b>293 220</b>	<b>-</b>	<b>569 341</b>	<b>1 928 425</b>



## ANALYSIS OF FIXED ASSETS

Expended 2006/2007	SERVICE	Budget 2008	Balance at 2007/07/01	Expended 2007/2008	Written off, transferred, redeemed or disposed of during the Year	Balance at 2008/06/30
R		R	R	R	R	R
74 409 281	<b>GENERAL SERVICES</b>	200 600	691 119 039	74 495 022	-	765 614 061
<b>74 409 281</b>		<b>200 600</b>	<b>691 119 039</b>	<b>74 495 022</b>	-	<b>765 614 061</b>
322 041	Resources Support Services	190 000	27 084 029	969 195	-	28 053 224
211 694	Office furniture & Equipment	-	-	-	-	
110 347	Plant and Equipment	-	-	-	-	
	Vehicle	-	-	-	-	
74 087 240	District Water and Sanitation Services	10 600	664 035 010	73 525 827	-	737 560 837
-	Office furniture & Equipment	-	-	-	-	
72 565 041	MIG and DWAF	-	-	-	-	
1 481 033	Motor Vehicles	-	-	-	-	
41 166	Plant and Equipment	-	-	-	-	
<b>74 409 281</b>	<b>TOTAL FIXED ASSETS</b>	<b>200 600</b>	<b>691 119 039</b>	<b>74 495 022</b>	<b>-</b>	<b>765 614 061</b>
<b>77 406 699</b>	<b>LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		<b>662 067 758</b>	<b>78 268 553</b>	<b>-</b>	<b>740 336 311</b>
1 325 588	Loans Redeemed		4 963 108	1 147 071	-	6 110 179
340 052	Contributions from Current Income		4 982 234	852 908	-	5 835 142
72 571 916	Grants and Subsidies		627 468 710	72 908 963	-	700 377 673
-	Okhahlamba KZNPA (Current Income)		211 204	-	-	211 204
3 169 143	DBSA Loan redeemed		24 356 224	3 359 610	-	27 715 834
0	Proceeds Insurance Claims		76 062	-	-	76 062
0	Bank Overdraft		10 216	-	-	10 216
<b>(2 997 418)</b>	<b>NET FIXED ASSETS</b>		<b>29 051 281</b>	<b>(3 773 531)</b>	<b>-</b>	<b>25 277 750</b>

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

<i>Actual 2007</i> R		<i>Actual 2008</i> R	<i>Budget 2008</i> R
<b>(244 632 294)</b>	<b>INCOME</b>	<b>(268 376 041)</b>	<b>(301 021 790)</b>
-	- <i>Levy income</i>	-	-
(185 006 984)	- <i>Grants and Subsidies</i>	(189 823 288)	(184 579 686)
(52 328 000)	- <i>Water and Sanitation Sales</i>	(65 927 992)	(1 13 743 534)
(7 297 310)	- <i>Other income</i>	(12 624 761)	(2 698 570)
<b>245 497 391</b>	<b>GROSS EXPENDITURE</b>	<b>262 007 614</b>	<b>301 021 790</b>
61 409 895	- <i>Salaries, Wages and Allowances</i>	68 648 537	72 807 785
55 392 407	- <i>General Expenses</i>	63 327 771	64 766 782
9 246 051	- <i>Repairs and Maintenance</i>	14 820 052	13 308 920
7 101 438	- <i>Capital Charges</i>	6 977 130	8 404 146
322 853	- <i>Contribution to Fixed Assets</i>	852 908	200 600
7 741 296	- <i>Contributions</i>	1 600 000	5 600 000
104 283 451	- <i>Capital Projects</i>	105 781 216	135 933 557
<b>245 497 391</b>	<b>NET EXPENDITURE</b>	<b>262 007 614</b>	<b>301 021 790</b>

**DETAILED INCOME STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2007

2006/2007	2006/2007	2006/2007		2007/2008	2007/2008	2007/2008	2007/2008
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
149 615 865	144 255 795	5 360 070	<b>Resources Support Services</b>	148 603 250	146 018 250	2 585 000	3 502 084
56 489 127	5 114 487	51 374 640	Council	66 351 114	7 471 799	58 879 314	53 887 082
-	3 588 431	(3 588 431)	Municipal Manager's Office	-	3 303 902	(3 303 902)	(3 221 738)
-	7 525 657	(7 525 657)	Corporate Services	-	9 113 189	(9 113 189)	(9 996 358)
-	11 950 839	(11 950 839)	Finance	-	6 600 564	(6 600 564)	(7 370 411)
-	-	-	Levy Collection	-	-	-	-
-	838 317	(838 317)	Technical Regional, GIS, project	-	1 046 142	(1 046 142)	(1 156 227)
-	276 166	(276 166)	Finance stores	-	319 255	(319 255)	-
-	2 576 022	(2 576 022)	Social Economic Services	-	2 387 725	(2 387 725)	(3 212 428)
-	215 470	(215 470)	Laboratory	-	526 618	(526 618)	(1 189 341)
-	-	-	Doornkraal Roads depot	-	-	-	-
-	726 804	(726 804)	Satellite offices	-	710 080	(710 080)	(763 066)
-	1 163 879	(1 163 879)	Corporate Social Services	-	1 212 196	(1 212 196)	(1 320 000)
-	352 471	(352 471)	Tourism	-	460 915	(460 915)	(490 000)
-	860 690	(860 690)	Tech: Planning & I.T	-	895 893	(895 893)	(1 120 827)
-	1 648 975	(1 648 975)	Tech:Project management	-	2 373 865	(2 373 865)	-
-	-	-	Technical Local Government Support	-	-	-	-
-	-	-	Water Services Authority	-	-	-	-
-	-	-	Multi Purpose Community centres.	-	-	-	-
-	3 134 135	(3 134 135)	Municipal health services	-	3 814 887	(3 814 887)	(4 399 000)
93 126 738	104 283 452	(11 156 714)	Special Projects	82 252 137	105 781 216	(23 529 080)	(16 145 602)
95 016 429	101 241 596	(6 225 167)	<b>TRADING SERVICES:</b>	-	-	-	(3 502 084)
95 016 429	101 241 596	(6 225 167)	<i>District Water and Sanitation</i>	119 772 791	115 989 364	3 783 427	(3 502 084)
58 934 057	101 241 596	(42 307 539)	Water & Sanitation Services	65 699 626	115 989 364	(50 289 738)	(3 502 084)
35 990 562	-	35 990 562	Grants	41 880 350	-	41 880 350	-
91 810	-	91 810	Sundry Income	12 192 815	-	12 192 815	-
-	-	-	Langkloof Bulk	-	-	-	-
-	-	-	Tugela estate	-	-	-	-
-	-	-	Umtshezi	-	-	-	-
-	-	-	Okhahlamba	-	-	-	-
-	-	-	Ekuvukeni	-	-	-	-
-	-	-	<b>Sewerage</b>	-	-	-	-
-	-	-	Ekuvukeni Sewerage	-	-	-	-
-	-	-	Uthukela Sewerage	-	-	-	-
244 632 294	245 497 391	(865 097)	<b>TOTAL</b>	268 376 041	262 007 613	6 368 428	-
		12 585 670	Appropriation for this Year (Refer Note 3)			(12 891 544)	
		11 720 573	Net Surplus (Deficit) for the Year			(6 523 116)	
		(36 136 857)	Accumulated Surplus (Deficit) beginning of the year			(24 416 284)	
		(24 416 284)	<b>ACCUMULATED SURPLUS (DEFICIT) END OF YEAR</b>			(30 939 400)	

\* The amount of R 66 351 149 reflected under Council income is made up of R 65 690 802 from Grants received and R 660 347 from sundry income.

## STATISTICAL INFORMATION

	2008	2007
<b>a) General Statistics</b>		
(i) <i>Levy tariffs</i>		
<i>Regional Services Levy</i> <i>(% of Salaries, wages and drawings)</i>	<b>0.30%</b>	<b>0.30%</b>
<i>Regional Establishment Levy</i> <i>(% of Turnover excluding VAT)</i>	<b>0.12%</b>	<b>0.12%</b>
(ii) <i>Number of Registered Levy Payers</i>	<b>6290</b>	<b>6290</b>
(iii) <i>Number of Employees</i>	<b>628</b>	<b>585</b>
(iv) <i>Water Tariffs</i>		
<b>Description</b>		
1 <i>Tariff for accessibility to water (occupied and unoccupied)</i>	R30.00/month	
2 <i>Sewer Tariff (Fixed Amount occupied and unoccupied)</i>	R40.00/month	
3 <i>Water tariff for restricted water use (un-metered)</i>	R50.00/month	
4 <i>Sewer tariff for restricted usage (un-metered)</i>	R50.00/month	
5 <i>Servicing sewer conservancy tanks/pits (small)</i>	R75.00/service	
<i>Servicing sewer conservancy tanks/pits (large)</i>	R150.00/service	
<b>Integrated Step Tariff (Domestic Use)</b>		
6 <i>Water tariff for water usage up to 6kl</i>	Free/ Indigent	
<i>Water tariff for water usage 1 to 30kl</i>	R4.75/kl	
<i>Water tariff for water usage 31kl to 1000kl</i>	R5.50kl	
<b>Integrated Step Tariff (Industrial Use)</b>		
7 <i>Water tariff for water usage up to 1 000kl</i>	R4.75/kl	
<i>Water tariff for water usage above 1 000kl</i>	R2.50/kl	
<i>(Water loss could not be determined as accurate bulk readings could not be obtained)</i>		
8 <i>Bulk Raw water supply</i>	R1.50/kl	
9 <i>Bulk Portable water supply (IDC Estate)</i>	R2.50/kl	
10 <i>Emergency Services Connection (excluding emergency services)</i>	R10.00kl	
11 <i>All connections, repairs and work required from Council Domestic</i>	Cost + 10%	
12 <i>All connections, repairs and work required from Council other</i>	Cost + 10%	
13 <i>Trade Effluent</i>	Charge(c/kl)=35c+([COD/1000] x 76c) (COD-Chemical Oxygen Demand)	
14 <i>Account Deposits</i>	2.5 x Avg Monthly Account for defaulting consumers <b>New consumers:-</b> Residential = R 600.00 Business = R1 500.00	
14 <i>Scrutiny of building plans</i>	R30.00/ plan	
15 <i>Clearing of grass overgrowth</i>	Actual cost + 10 %	
16 <i>Requested Water Tankering (funerals)</i>	5000l = R250.00/ load	
17 <i>Requested Water Tankering (other events)</i>	5000l = R350.00/ load	