

ILEMBE DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2009**

ILEMBE DISTRICT MUNICIPALITY GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor	Councillor S W Mdabe
Member of the Executive Committee	Councillor K Anamalay
Member of the Executive Committee	Councillor E M L Maphumulo
Member of the Executive Committee	Councillor A R Panday
Member of the Executive Committee	Councillor Ms A Badul

SPEAKER

Councillor J B Nzuzo

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General
Kwa-Zulu Natal

BANKERS

First National Bank
Durban Main Branch

REGISTERED OFFICE

59/61 Mahatma Gandhi Street
KwaDukuza
4450

P O Box 1788
KwaDukuza
4450

Telephone: 032-4379335

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APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements as set out on pages 4 to 28 were approved by the Municipal Manager on 31 August 2009 and will be presented to and approved by Council.

**MUNICIPAL MANAGER
M D NEWTON**

**DIRECTOR FINANCE
MS M MKHIZE**

**ILEMBE DISTRICT MUNICIPALITY
FOREWORD BY HIS WORSHIP MAYOR CLLR S W MDABE**

It is a great privilege and opportunity for me to present this Financial Report for the year ending 30 June 2009.

This Council is half-way through its mandate since it was inaugurated on the 24th March 2006. In this report we reflect on the progress that we have made and challenges we have faced.

As we address these matters, we cannot ignore the current global economic situation because everything that we do at local level is to a large degree influenced by the balance of forces prevailing at global, continental and national levels.

We are living through the most serious financial crisis in decades. The crisis has given rise to a synchronized recession which threatens livelihood, decent jobs and social cohesion across the globe. Countries worldwide are affected by the most serious economic crisis in at least 80 years.

This current economic conjuncture requires decisive leadership and partnership to create decent work, poverty eradication and improved service delivery through infrastructural investment projects.

Let me turn to some of the matters we raised in our first budget speech in 2006 and the progress that we have made in relation to the key IDP priorities that were identified.

Our first budget speech was a continuation of the commitments we made at the inaugural address, informed by five local government strategic priorities.

These were:

- Infrastructure and service delivery;
- Financial viability and management
- Local economic development;
- Institutional transformation;
- Good governance;

When we took over the administration of Ilembe District Municipality in 2006, we were confronted by the huge challenge of reducing the unacceptable levels of water and sanitation backlogs.

Accordingly, we took a decision that the provision of water and sanitation and the eradication of backlogs will be given top priority and that all MIG funding would be used to achieve this objective.

Furthermore, the Ilembe District Municipality through extensive strategic planning sessions have formulated and prepared a “Turn Around” Strategy that relates to an Institutional Arrangement/Restructuring Strategy, overall Service Delivery (Basic Services) linked to detailed Action Plans, setting out short, medium and long term strategies. These strategies will ensure speedy service delivery and ensure that we meet the Millennium Development Goal targets of eradicating the backlogs by 2014.

In this report, we are pleased to announce the progress that has been made thus far in relation to service delivery.

With regards to matters of financial management and sustainability, we are quite content with the progress that has been made in terms of putting systems in place and the personnel that has been hired to manage our finances.

Strategies are being implemented to ensure that Council is in a healthy financial state, which enable it to discharge its constitutional obligations and delivery services to the populace without hindrances.

S W Mdabe

Mayor: iLembe District Municipality

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

ILEMBE DISTRICT MUNICIPALITY REPORT OF THE DIRECTOR FINANCE

INTRODUCTION

This is the twelfth set of financial statements for the Ilembe District Municipality. The Municipality is committed to the socio economic upliftment and development of communities in the area of its jurisdiction.

1. OPERATING RESULTS

Details of the operating results per classification, department and object of expenditure are included in Appendices D and E. The overall operating results for the year ended 30 June 2009 are as follows:

INCOME	Actual 2009 R	Actual 2008 R	Variance 2007/2008 %	Budget 2009 R	Variance Actual/Budget %
Opening Surplus	19 722 356	8 246 198	139.2	-	-
Operating income for the year	244 502 688	193 710 816	26.2	227 421 063	7.5
Sundry Transfers	-	-	-	-	-
Closing deficit	-	-	-	-	-
Total	264 225 044	201 957 014	-	227 421 063	-
EXPENDITURE					
Operating expenditure for the year	229 982 404	180 964 725	27.1	227 421 063	1.1
Sundry Transfers	7 997 294	1 269 933	529.7	-	-
Closing Surplus	26 245 346	19 722 356	33.1	-	-
Total	264 225 044	201 957 014	-	227 421 063	-

Budget figures disclosed are the 2008/09 Adjusted Budget figures.

Operating income is 7.5% above budget due mainly to interest on investments being R5 123 338 above budget and interest on debtors being R5 988 366 above budget.

Operating expenditure is above budget by 1.1%. Some variances in the different categories of expenditure are as follows. Salaries are R9 385 534 below budget due to budgeted posts not being filled as soon as was anticipated and project expenditure of R3 324 054 was expensed against unspent grants brought forward from the 2007/08 financial year. Contributions to provisions is higher than budget due to an additional R8 918 770 being contributed to bad debts provision to ensure that the provision is in line with the Municipality's accounting policy.

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R114 436 894 (R80 257 299 in 2008). Details are included in Appendix C and are as follows:-

	ACTUAL 2009 R	BUDGET 2009 R	ACTUAL 2008 R
Furniture and Equipment	1 560 219	1 520 000	730 278
Computers	514 139	500 000	233 822
Vehicles	-	-	-
Buildings	-	750 000	85 900
Infrastructure	112 362 536	208 933 200	79 207 299
	114 436 894	211 703 200	80 257 299

Resources used to finance the fixed assets were as follows:

	ACTUAL 2009 R	BUDGET 2009 R	ACTUAL 2008 R
Contribution from Revenue	3 522 149	2 020 000	986 249
External Loans	12 003 689	24 050 000	7 766 438
Grants	98 911 056	185 633 200	71 504 612
	114 436 894	211 703 200	80 257 299

Budget figures disclosed are the 2008/09 Adjusted Budget figures.

Capital expenditure is below budget due to delays being experienced with the implementation and completion of certain water and sanitation projects. In addition projects identified as part of the Turnaround Strategy could not be implemented due to funds not being forthcoming to undertake these projects.

Two premises belonging to the Municipality in Haysom Road, KwaDukuza were extensively flooded on 28 February 2009 and the damages are subject to an insurance claim which had not been finalised as at 30 June 2009. This flooding resulted in unexpected capital and operating expenditure.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2009 amounted to R107 741 630 (R97 911 503 in 2008). New loans totalling R12 003 689 (R7 766 368 in 2008) were taken up during the current financial year. The Development Bank of SA loan amount of R71 597 735 (R61 345 980 in 2008) is part of a loan agreement with the Development Bank of SA in the amount of R77 267 500 for Capital Infrastructure Development signed on 15 June 2005. The balance of the loan had not been taken up as at 30 June 2009. More information on external loans is disclosed in Note 3 and Appendix B to the financial statements.

Investments amounted to R76 995 574 (R93 261 793 in 2008) and cash on hand R9 000 (R9 000 in 2008) as at 30 June 2009. More information on investments is disclosed in Note 5 to the financial statements.

4. FUNDS, RESERVES AND PROVISIONS

More information regarding funds, reserves and provisions is disclosed in Notes 1, 2 and 8 and Appendix A to the financial statements.

5. POST BALANCE SHEET EVENTS

There were no post balance sheet events of any significance.

6. EXPRESSION OF APPRECIATION

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

MS M MKHIZE
DIRECTOR FINANCE

Date: 31 August 2009

ILEMBE DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

1. Basis of presentation

The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Financial Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (2nd Edition – 1996 as amended).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in accounting policy note 2. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

The financial statements are prepared on the accrual basis as stated:

- ❑ Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received.
- ❑ Expenditure is accrued in the year in which it is incurred.

2. Consolidation

The financial statements include General Services, Trading Services, Public Works and the different funds and reserves.

3. Fixed assets

Fixed assets are stated at:

- ❑ historical cost, or
- ❑ valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation.

Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. However, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various Council funds, assets may also be acquired through:

- ❑ Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and therefore it is unnecessary to make any further provision for depreciation.
- ❑ Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

Net proceeds from the sale of assets are credited to the revenue account.

Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated useful lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time the advance was made.

4. Inventory

Inventory represents consumable stores and is reflected at the lower of average cost and net realisable value.

5. Funds, Reserves and Provisions

Funds, Reserves and Provisions are determined on the following basis:-

Provision for Bad Debts:

This provision should be sufficient to cover 75% of Consumer Debtors in excess of 90 days.

Audit Fee Provision:

This provision was established to meet the audit fees for the current financial year. The provision is based on the budget provision from the Auditor-General.

Maintenance Reserve:

This reserve was established to make provision for future maintenance of assets that are purchased or constructed. An annual contribution of 1.5% of the annual levy income is made to this reserve and is charged against operating income.

Leave Pay Provision:

The Leave Pay Provision was established in order to provide for accrued leave payments to all employees who are resigning or retiring from the service as well as commutation of leave accruals during the year. A provision equal to the actual leave credit at 30 June is maintained to provide for leave payments on request. Contributions are charged against the department concerned.

Capital Development Fund:

These funds were taken over from the KwaDukuza and Mandeni Municipalities when the Water and Sanitation Powers and Functions were taken over by the Ilembe District Municipality. Contributions from revenue may be made to this fund from the operating account on an annual basis. Any unutilised funds in the Capital Development Fund can be advanced to a service to finance capital expenditure.

Other Funds, Reserves and Provisions:

All accumulated funds in other funds, reserves and provisions not mentioned above are utilised for the purposes for which they were reserved. For details of funds, reserves and provisions see Appendix A.

6. Retirement Benefits

The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.

Staff members are entitled to a maximum contribution of 18% of basic salary towards council contributions to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R2 850.

Current contributions, past service costs and service adjustments are charged against operating income on the basis of current service costs.

7. Surpluses and Deficits

Any surpluses or deficits arising from the operation of the General Services, Water and Sanitation Services and Public Works are retained in that particular service for its own use.

8. Administrative Expenses

The treatment of administration and other overhead expenses involves the cost of internal support services and are transferred to the different services in accordance with the actual cost if available, otherwise an estimate based on the information available.

9. Leased Assets

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

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

10. Investments

Investments are shown at the lower of cost or, if a permanent decline in their value occurred, at market value and are invested in terms of Circular 10 of 1992 issued by the Office of the Auditor-General.

11. Investments in Municipal Entities

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

12. Income Recognition

Water Billings:

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments being made in the month that they are read.

Sewer Billings:

Sewer charges are levied based on a randage that is applied to the valuation in the local municipalities' valuation rolls. The valuation rolls are only reviewed annually on 1 July each year when changes in the values as at that date are used to reassess the sewer billings for the ensuing year commencing on 1 July.

Business Levies:

A fixed rate as approved by the National Minister of Finance is used to calculate the establishment and services levies. Declaration forms are issued on a monthly basis except where they are issued at other intervals as allowed for in the KwaZulu Natal Joint Services Board Act, 1990 (Act No. 84 of 1990). Levy income is recognised when the cash has been received and/or when the declaration forms have been received to enable the determination of the accrual amount. The charging of business levies was discontinued on 30 June 2006.

Interest on Investments:

Interest accruing to an investment as at 30 June will be brought to account as accrued interest.

Conditional Grant Income:

Conditional grant income is accounted for as income in the year that it is received. Any unspent conditional grant income as at 30 June each year is transferred to reserves. Expenditure in subsequent years against unspent conditional grants is disclosed as expenditure against reserves.

Other Income:

All other income is accounted for on receipt.

**ILEMBE DISTRICT MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2009**

	Note	2009 R	2008 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		78 055 697	106 227 896
Accumulated Funds	1	18 897 005	16 405 546
Reserves	2	59 158 692	89 822 350
ACCUMULATED SURPLUS	16	26 245 346	19 722 356
LONG TERM LIABILITIES	3	99 638 056	90 407 475
CONSUMER DEPOSITS	9	2 146 136	1 927 799
TOTAL CAPITAL EMPLOYED		206 085 235	218 285 526
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	93 819 252	84 174 817
LONG-TERM DEBTORS	6	-	-
INVESTMENTS	5	14 225 184	12 791 824
		108 044 436	96 966 641
NET CURRENT ASSETS/LIABILITIES		98 040 799	121 318 885
CURRENT ASSETS		146 449 633	153 786 307
Inventory	10	4 334 766	1 607 545
Debtors	7	79 130 020	64 498 641
Short Term Investments	5	62 770 390	80 469 969
Bank		205 457	7 201 152
Cash		9 000	9 000
CURRENT LIABILITIES		48 408 834	32 467 422
Provisions	8	5 677 700	5 936 900
Creditors	11	40 156 074	24 609 361
Short term portion of long term liabilities	3	2 575 060	1 921 161
TOTAL EMPLOYMENT OF CAPITAL		206 085 235	218 285 526

**ILEMBE DISTRICT MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2009**

2008 Actual Income	2008 Actual Expen- diture	2008 Surplus/ (Deficit)		2009 Actual Income	2009 Actual Expen- Diture	2009 Surplus/ (Deficit)	2009 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
193 710 816	180 964 725	12 746 091		244 502 688	229 982 404	1 4520 284	6)
3 000	59 085 357	(59 082 357)	Administration	-	74 791 310	(74 791 310)	9)
-	4 773 051	(4 773 051)	Regional Functions	-	14 494 219	(14 494 219)	5)
69 129 214	117 106 317	(47 977 103)	Trading Services	87 193 648	140 696 875	(53 503 227)	0)
124 578 602	-	124 578 602	Income	157 309 040	-	157 309 040	8
193 710 816	180 964 725	12 746 091	TOTAL	244 502 688	229 982 404	14 520 284	6)
		(1 269 933)	Appropriations, for the year (Refer to note 16)			(7 997 294)	
		11 476 158	Net surplus for the year			6 522 990	
		8 246 198	Accumulated surplus at beginning of the year			19 722 356	
		19 722 356	ACCUMULATED SURPLUS AT THE END OF THE YEAR			26 245 346	

**ILEMBE DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR
ENDED 30 JUNE 2009**

	Note	2009	2008
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	17	24 292 810	115 439 914
Investment income	15	10 123 338	5 546 454
(Decrease) in working capital	18	(42 432 321)	(55 704 858)
		(8 016 173)	65 281 510
Less: External Interest Paid	15	(9 604 363)	(9 239 511)
Cash available from operations		(17 620 536)	56 041 999
Cash Contributions from the Public and State		98 911 056	71 504 611
CASH UTILISED IN INVESTING ACTIVITIES			
Net Proceeds on Disposal of Fixed Assets		-	-
Proceeds from land sales		-	-
Capital expenditure		(114 436 894)	(80 257 299)
NET CASH FLOW		<u>(33 146 374)</u>	<u>47 289 311</u>
CASH EFFECTS OF FINANCING ACTIVITIES:			
(Increase)/Decrease in cash investments	19	16 266 199	(45 980 693)
(Increase)/Decrease in bank and cash on hand	20	6 995 695	(7 019 918)
Increase in long term liabilities	21	9 884 480	5 711 300
NET CASH (UTILISED)		<u>33 146 374</u>	<u>(47 289 311)</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009	2008
	R	R
1. ACCUMULATED FUNDS		
Capital Development Fund ex Mandeni	1 334 705	1 334 662
Capital Development Fund ex KwaDukuza	10 851 163	10 770 805
Loan Redemption Fund	5 733 439	4 300 079
Developers Contributions	977 698	-
(Refer to Appendix A for more detail)	<u>18 897 005</u>	<u>16 405 546</u>
2. RESERVES		
Transport	-	212 273
Maintenance	2 527 543	2 527 543
Unspent Water Grants Mandeni	891	891
Unspent MIG Grant	3 891 347	25 724 533
Unspent MSIG Grant	-	204 501
Unspent Premiers Fund Grant	582 696	582 696
Unspent Drought Relief Grant	58 161	1 719 884
Unspent Sports and Recreation Grant	167 207	549 015
Unspent Financial Management Grant	-	5 188
Unspent Sundumbili Refurbishment Grant	-	157 762
Unspent EU LED Projects	2 808 025	1 104 463
Unspent Shared Services Grant	971 395	1 380 897
Unspent Section 78 Grant	200 000	200 000
Unspent Provincial Management Assistance Grant	1 376 774	1 376 774
Unspent IDP Grant	-	25 459
Unspent Data Cleansing Grant	-	247 646
Unspent Customer satisfaction Survey Grant	-	400 000
Unspent Beach Restoration Grant	16 632 633	31 179 820
Unspent Ngcebo DWAF Grant	6 399 900	1 539 805
Unspent Refurbishment Grant	8 861 842	10 669 000
Unspent Ndwedwe Waterworks Grant	994 400	994 400
Unspent Maphumulo Waterworks Grant	1 156 800	1 156 800
Unspent Operations Refurbishment Grant	6 957 703	7 863 000
Unspent DIMS Grant	56 240	-
Unspent Spatial Plan Grant	365 135	-
Unspent Strategic Support Grant	850 000	-
Unspent Corridor Grant	4 300 000	-
(Refer to Appendix A for more detail)	<u>59 158 692</u>	<u>89 822 350</u>
3. LONG TERM LIABILITIES		
Registered Stock	-	-
Long Term Loans	102 213 116	92 328 636
Annuity Loans	-	-
	<u>102 213 116</u>	<u>92 328 636</u>
Less: Current portion transferred to Current Liabilities	<u>2 575 060</u>	<u>1 921 161</u>
	<u>99 638 056</u>	<u>90 407 475</u>

The loans taken over from KwaDukuza Municipality in respect of the water and sanitation services totaling R5 528 514 as at 30 June 2009 (R5 582 867 in 2008) are reflected under Capital Creditors in Note 11 as the loans are still in the name of KwaDukuza Municipality. The loan of R30 000 000 with ABSA is secured by a Zero Rated Coupon Investment of R14 225 184 (R12 791 824 in 2008). Refer to Appendix B and Section 3 of the Report of the Director Finance for more information on long term liabilities.

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	2009 R	2008 R
4. FIXED ASSETS		
Fixed assets at the beginning of the year	395 446 703	321 865 197
Capital expenditure during the year	114 436 894	80 257 299
<i>Less</i> : Assets written off, transferred or disposed of during the year	8 404 709	6 675 793
Total fixed assets	<u>501 478 888</u>	<u>395 446 703</u>
<i>Less</i> : Loans redeemed and other capital receipts	<u>407 659 636</u>	<u>311 271 886</u>
Net fixed assets	<u>93 819 252</u>	<u>84 174 817</u>

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

5. INVESTMENTS

Listed

Listed	<u>-</u>	<u>-</u>
	-	-

Unlisted

Long-term Investments	14 225 184	12 791 824
Short-term Investments	<u>62 770 390</u>	<u>80 469 969</u>
Total Investments	<u>76 995 574</u>	<u>93 261 793</u>

Market value of listed investments and management's valuation of unlisted investments	76 995 574	93 261 793
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Listed Investments	-	-
Unlisted Investments	76 995 574	93 261 793

Average gross rate of return on investment	14.1%	9.5%
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Fixed interest investments are reflected at par and are invested in terms Circular 10 of 1992 issued by the Office of the Auditor-General.

Investment income is brought to account when received or accrued.

No investments have been written off during the year.

Included in investments is an amount of R679 482 (R860 399 in 2008) invested with New Republic Bank which is under receivership and therefore it is uncertain if the full amount will be recovered.

Investment details as at 30 June:

ABSA Zero Coupon	14 225 184	12 791 824
ABSA Short Term Investments	22 524 236	18 859 714
First National Bank Short Term Investments	5 060 684	9 324 139
Standard Bank Short Term Investments	9 756 794	17 270 230
New Republic Bank Investment Under Curatorship	679 482	860 399
Rand Merchant Bank	23 241 898	34 155 487
Investec	<u>1 507 296</u>	<u>-</u>
	<u>76 995 574</u>	<u>93 261 793</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	2009 R	2008 R
6. LONG TERM DEBTORS		
Staff Loans	-	58 484
	<u>-</u>	<u>58 484</u>
<u>Less:</u> Short-term portion of long-term debtors transferred to current assets	<u>-</u>	<u>58 484</u>
	<u>-</u>	<u>-</u>
7. DEBTORS		
Consumer Debtors	168 439 617	117 822 274
Enterprise Ilembe	400 879	122 397
DBSA Loan Debtor	9 031 080	5 970 387
Staff Loans (Short term portion)	-	58 484
Study Loans	309 858	239 696
Cellphone Loans	-	815
Umgeni Water	2 351 932	2 190 080
Other Debtors	<u>2 373 329</u>	<u>2 227 618</u>
	182 906 695	128 631 751
Less:Provision for bad debts	<u>103 776 675</u>	<u>64 133 110</u>
	<u>79 130 020</u>	<u>64 498 641</u>
Consumer debtors totaling R1 195 206 were written off in 2008/09 (R48 620 047 in 2007/08). No other debts were written off (R771 536 in 2007/08).		
Consumer Debtors Ageing:		
Current	9 474 909	9 548 631
30 Days	8 265 899	7 970 396
60 Days	6 810 836	6 440 044
90 Days	5 519 075	5 951 980
120 Days	7 070 566	6 805 561
150 Days+	<u>131 298 332</u>	<u>81 105 662</u>
	<u>168 439 617</u>	<u>117 822 274</u>
8. PROVISIONS		
Audit fees	1 200 000	1 080 000
Leave Pay	<u>4 477 700</u>	<u>4 856 900</u>
	<u>5 677 700</u>	<u>5 936 900</u>
9. CONSUMER DEPOSITS		
Water Deposits	2 022 147	1 803 810
Water Deposits ex Mandeni	102 617	102 617
Water Deposits ex KwaDukuza	<u>21 372</u>	<u>21 372</u>
	<u>2 146 136</u>	<u>1 927 799</u>
10. INVENTORY		
Consumable Water and Sewerage Service Stock on Hand	<u>4 334 766</u>	<u>1 607 545</u>
	<u>4 334 766</u>	<u>1 607 545</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009(continued)

	2009	2008
	R	R
11. CREDITORS		
Trade Creditors	24 167 839	8 321 625
Capital Creditors (KwaDukuza Municipality Loans)	5 528 514	5 582 867
Payments in Advance	2 029 187	4 829 717
KwaDukuza Municipality	-	479 319
South African Revenue Service (VAT)	7 257 419	4 014 839
Other Creditors	1 173 115	1 380 994
	<u>40 156 074</u>	<u>24 609 361</u>
12. LEVY INCOME		
Business Levies	-	54 961
	<u>-</u>	<u>54 961</u>
Establishment Levy	0,12% (excl. VAT) of turnover	
Services Levy	0,30% (excl. VAT) of salaries, wages and drawings	
Business levies were done away with from 1 July 2006. The above income reflects arrears paid after this date.		
13. COUNCILLORS' AND SENIOR MANAGEMENT REMUNERATION		
Councillors' Remuneration:		
Mayor's Allowance	563 666	522 305
Speaker's Allowance	583 014	454 345
Executive Members' Allowances	1 963 853	1 561 178
Councillors' Allowances	1 913 840	1 904 352
	<u>5 024 373</u>	<u>4 442 180</u>
Remuneration Senior Management:		
Municipal Manager	1 038 498	817 494
Director Finance	790 776	708 390
Director Technical Services (2009 Part Year)	705 930	927 406
Director Economic Development and Community Services	747 630	692 250
Director Corporate Services (2009 Part Year)	797 079	916 076
Director Corporate Governance	750 836	663 805
	<u>4 830 749</u>	<u>4 725 421</u>
The above figures include the basic salaries and all the other benefits payable.		
14. AUDITORS' REMUNERATION		
Audit fees - Current Year	1 080 000	1 000 000
- (Over)/Underprovision prior years	261 802	(65 365)
	<u>1 341 802</u>	<u>934 635</u>
15. FINANCE TRANSACTIONS		
Total external interest earned and paid:		
Interest earned	10 123 338	5 546 454
Interest paid	9 604 363	9 239 511
	<u>9 604 363</u>	<u>9 239 511</u>
Capital Charges debited to operating account:		
Interest:		
- External	9 604 363	9 239 511
- Internal	80 401	104 336
Redemption:		
- External	2 173 562	2 240 650
- Internal	185 692	227 123
	<u>12 044 018</u>	<u>11 811 620</u>

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009(continued)

	2009	2008
	R	R
16. APPROPRIATIONS		
Appropriation account:		
Accumulated Surplus at the beginning of the year	19 722 356	8 246 198
Operating surplus for the year	14 520 284	12 746 091
	<u>34 242 640</u>	<u>20 992 289</u>
Prior year adjustments:	(7 997 294)	(1 269 933)
Audit Fees	(261 802)	65 365
Cheques Written Back	601 467	369 933
Conservancy Charges	-	(395 283)
Stores	(546 860)	-
Prior Year Expenditure	(259 696)	(3 701 215)
KwaDukuza Creditor	-	60 195
Study Loans	1 789	(28 231)
Prior Year Income	(7 467 850)	2 214 566
Group Life Claim	-	(576 207)
Bulk Water Purchases	-	(277 730)
Business Levy Refund	-	(11 699)
Siza Water Free Basic Water	-	(769 955)
Pension Refund	-	34 693
VAT Adjustments	(11 131)	2 026 782
Interest Staff Loans	-	(11 157)
Siza Water Concession Fee	-	453 865
Write Off Mandeni Debt	-	(771 536)
Sundries	(53 211)	47 681
	<u>26 245 346</u>	<u>19 722 356</u>
Operating Account:		
Capital Expenditure	<u>3 522 149</u>	<u>986 249</u>
Contributions to:		
Audit Fee Provision	1 200 000	1 080 000
Leave Pay Provision	942 329	1 805 388
Bad Debts Provision	40 838 770	32 251 549
	<u>42 981 099</u>	<u>35 136 937</u>

ILEMBE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	2009	2008
	R	R
17. CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	14 520 284	12 746 091
Adjustments in respect of:		
Previous years' operating transactions	(7 997 274)	(1 269 933)
Appropriations charged against income	46 503 248	36 123 186
Capital Expenditure	3 522 149	986 249
Provisions and Reserves	42 981 099	35 136 937
Investment Income credited to the operating account	(8 689 978)	(4 113 094)
Capital Charges:		
Interest Paid:		
- External Loans	9 604 363	9 239 511
- Internal Advances	80 401	104 336
Redemption:		
- External Loans	2 173 562	2 240 650
- Internal Loans	185 692	227 123
Non-operating Expenditure:		
Expenditure charged against:		
- Provisions and Reserves	(46 025 023)	(8 036 381)
Non-operating Income:		
Income charged against:		
- Provisions and Reserves	13 937 535	68 178 425
	24 292 810	115 439 914
18. INCREASE/(DECREASE) IN WORKING CAPITAL		
(Increase) in Debtors	(55 470 150)	(50 059 839)
Increase/(Decrease) in Creditors	15 546 713	(5 075 744)
Increase in Consumer Deposits	218 337	154 045
(Increase) in Inventory	(2 727 221)	(723 320)
	(42 432 321)	(55 704 858)
19. (INCREASE)/DECREASE IN CASH INVESTMENTS		
Investments made	243 020 070	182 062 566
Investments realized	259 286 269	136 081 873
	16 266 199	(45 980 693)

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

	2009	2008
	R	R
24. ARREARS OWED BY COUNCILLORS		
The following Councillors owed for services in excess of 90 days as at 30 June:		
K Anamalay	6 707	-
J L T Sibiya	1 040	-
J B Nzuzza	699	
25. LOSSES, UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
Armed robbery 28 May 2007 subject to insurance claim	69 941	69 941
Fraudulent refund of levies to be reclaimed from responsible employees	17 307	17 307
Unauthorised expenditure was incurred on nine infrastructure projects due to overexpenditure	-	15 428 920
Unauthorised expenditure on one infrastructure project which was not budgeted for	-	2 815 866
26. CAPITAL DEVELOPMENT FUND		
Accumulated Funds	12 185 868	12 105 467
Less: External Investments and Bank	11 331 202	6 340 516
Less: Temporary Borrowing to Operating Account	271 191	4 995 784
Outstanding Advances to Borrowing Services (Refer to Appendix B for more detail)	583 475	769 167
27. LOAN REDEMPTION FUND		
Accumulated Funds	5 733 439	4 300 079
Less: External Investments and Bank	5 733 439	4 300 079
Outstanding Advances to Borrowing Services (Refer to Appendix B for more detail)	-	-
28. RETIREMENT/MEDICAL AID BENEFITS		
The employees are members of the Natal Joint Municipal Pension/Provident Funds. The funds have a full valuation on a triennial basis, and an interim valuation on an annual basis. It should be noted that association with the Natal Joint Municipal Pension/Provident Funds is compulsory.		
Staff members are entitled to 18% maximum of basic salary towards council contribution to a retirement/pension/provident fund and 60% of the total monthly contributions towards a medical aid scheme, up to a maximum of R2 580.		
Pension – Council Contributions	5 418 071	5 390 546
Medical Aid – Council Contributions	2 350 814	2 065 543

ILEMBE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009 (continued)

2009	2008
R	R

29. RELATED PARTIES

Ilembe Management Development Enterprise (Pty) Ltd:
The Ilembe Development Foundation (Association
Incorporated Under Section 21) which was re-registered as
Ilembe Management Development Enterprise (Pty) Ltd on 27
October 2008 was an entity under the control of the Ilembe
District Municipality as at 30 June 2009. The entity was a
debtor of the Ilembe District Municipality as at 30 June 2009
in the amount of R400 879 (R122 397 for 2008).

First Ready Development 207:
A process is in place to disestablish this entity. No transactions
took place in respect of this entity during the 2008/09 financial
year (2007/08 – Nil).

ILEMBE DISTRICT MUNICIPALITY
APPENDIX A
FUNDS, RESERVES AND PROVISIONS

	Balance at 01/07/08	Contribu- tions during the Year	Interest on investments	Other income	Operating Expenditure during the year	Capital Expenditure during the year	Balance at 30/06/09
FUNDS							
CDF ex Mandeni	1 334 662	-	43	-	-	-	1 334 705
CDF ex KwaDukuza	10 770 805	-	80 358	-	-	-	10 851 163
Loan Redemption Fund	4 300 079	-	1 433 360	-	-	-	5 733 439
Developers Contribution	-	-	-	977 698	-	-	977 698
	<u>16 405 546</u>	<u>-</u>	<u>1 513 761</u>	<u>977 698</u>	<u>-</u>	<u>-</u>	<u>18 897 005</u>
RESERVES							
Maintenance	2 527 543	-	-	-	-	-	2 527 543
Transport	212 273	-	-	-	212 273	-	-
Unspent Water Grants Mandeni	891	-	-	-	-	-	891
Unspent MIG Grant	25 724 533	-	-	73 354 000	-	95 187 186	3 891 347
Unspent MSIG Grant	204 501	-	-	-	204 501	-	-
Unspent Premiers Fund Grant	582 696	-	-	-	-	-	582 696
Unspent Drought Relief Grant	1 719 884	-	-	-	1 661 723	-	58 161
Unspent Sports and Recreation Grant	549 015	-	-	250 000	-	631 808	167 207
Unspent Financial Management Grant	5 188	-	-	-	5 188	-	-
Unspent Township Development Grant	157 762	-	-	-	157 762	-	-
Unspent EU LED Projects Grant	1 104 463	-	-	1 703 562	-	-	2 808 025
Unspent Shared Services Grant	1 380 897	-	-	-	409 502	-	971 395
Unspent Section 78 Grant	200 000	-	-	-	-	-	200 000
Unspent Provincial Management Assistance Grant	1 376 774	-	-	-	-	-	1 376 774
Unspent IDP Grant	25 459	-	-	-	25 459	-	-
Unspent Data Cleansing Grant	247 646	-	-	-	247 646	-	-
Unspent Customer Satisfaction Survey Grant	400 000	-	-	-	400 000	-	-
Unspent Beach Restoration Grant	31 179 820	-	-	-	14 547 187	-	16 632 633
Unspent Ngcebo DWAF Grant	1 539 805	-	-	5 434 900	-	574 805	6 399 900
Unspent Water Refurbishment Grant	10 669 000	-	-	-	195 198	1 611 960	8 861 842
Unspent Ndwedwe Waterworks Grant	994 400	-	-	-	-	-	994 400
Unspent Maphumulo Waterworks Grant	1 156 800	-	-	-	-	-	1 156 800
Unspent Operations Refurbishment Grant	7 863 000	-	-	-	-	905 297	6 957 703
Unspent DIMS Grant	-	-	-	56 240	-	-	56 240
Unspent Spatial Plan Grant	-	-	-	365 135	-	-	365 135
Unspent Strategic Support Grant	-	-	-	850 000	-	-	850 000
Unspent Corridor Grant (Refer Note 2)	-	-	-	4 300 000	-	-	4 300 000
	<u>89 822 350</u>	<u>-</u>	<u>-</u>	<u>86 313 837</u>	<u>18 066 439</u>	<u>98 911 056</u>	<u>59 158 692</u>
PROVISIONS							
Audit Fees	1 080 000	1 200 000	-	-	1 080 000	-	1 200 000
Leave Pay	4 856 900	942 329	-	-	1 321 529	-	4 477 700
	<u>5 936 900</u>	<u>2 142 329</u>	<u>-</u>	<u>-</u>	<u>2 401 529</u>	<u>-</u>	<u>5 677 700</u>

ILEMBE DISTRICT MUNICIPALITY
APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/08	Received during the year	Redeemed or written off during the year	Balance at 30/06/09
				R	R	R	R
Long Term Loans							
ABSA Bank	-	10.65	2025	30 000 000	-	-	30 000 000
Development Bank of SA	-	10.80	2025	61 345 980	12 003 689	1 751 934	71 597 735
Development Bank of SA	-	9.02	2010	982 656	-	367 275	615 381
TOTAL				92 328 636	12 003 689	2 119 209	102 213 116

ADVANCES TO BORROWING SERVICES	Balance at 01/07/08	Received during the year	Redeemed or written off during the year	Balance at 30/06/09
	R	R	R	R
CCDF Mandeni Water	291	-	291	-
CCDF KwaDukuza Water	52 775	-	31 308	21 467
CCDF KwaDukuza Water	486 997	-	110 229	376 768
CCDF KwaDukuza Sewerage	12 170	-	1 268	10 902
CCDF KwaDukuza Sewerage	216 934	-	42 596	174 338
TOTAL	769 167	-	185 692	583 475

CAPITAL CREDITORS	Loan No.	Int. Rate	Redeemable	Balance at 01/07/08	Received during the year	Redeemed or written off during the year	Balance at 30/06/09
				R	R	R	R
Registered Stock							
FNB (CMB) Nominees	618	16.90	30/06/2011	1 015 036	-	-	1 015 036
Long Term Loans							
Infrastructure Finance Corporation	00-0001	16.00	30/06/2011	3 999 500	-	-	3 999 500
Annuity Loans							
Development Bank of SA	13527	16.50	-	559 301	-	53 349	505 952
Development Bank of SA	11578	13.45	12/2014	9 030	-	1 004	8 026
TOTAL				5 582 867	-	54 353	5 528 514

The loans shown above as Capital Creditors were taken over from the KwaDukuza Municipality as part of the transfer of the Water and Sanitation Services assets and liabilities. All these loans are still in the name of the KwaDukuza Municipality. However Ilembe District Municipality is responsible for paying the interest and redemption payable on these loans with effect from 1 July 2003. These loans are disclosed under Note 11 as Capital Creditors.

ILEMBE DISTRICT MUNICIPALITY
APPENDIX C
ANALYSIS OF FIXED ASSETS

Expenditure 2008	Service	Budget 2009	Balance at 01/07/08	Expenditure 2009	Redeemed transferred or written off during the year	Balance at 30/06/09
R		R	R	R	R	R
235 764	Administration	265 000	1 449 913	2 327 740	540 521	3 237 132
37 424	Council	-	7 142 343	17 311	-	7 159 654
35 908	Technical	145 000	2 191 582	138 161	-	2 329 743
323 468	Financial	1 015 000	2 751 905	803 221	-	3 555 126
-	Assets transferred to IRC	-	156 053	-	-	156 053
30 800	Municipal Manager	70 000	165 549	64 124	-	229 673
-	Tourism/Marketing	-	131 089	-	-	131 089
85 900	Buildings	750 000	15 885 830	-	4 682 800	11 203 030
-	Assets Contr. From Subsidy	500 000	2 648 445	631 808	-	3 280 253
-	Public Works	-	26 108	-	-	26 108
-	Assets from KZN	-	1 063 014	-	-	1 063 014
41 644 208	Water	159 361 800	280 577 170	77 739 997	3 181 388	355 135 779
37 863 827	Sewerage	49 596 400	81 257 702	32 714 532	-	113 972 234
80 257 299	TOTAL FIXED ASSETS	211 703 200	395 446 703	114 436 894	8 404 709	501 478 888
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		311 271 886	104 792 459	8 404 709	407 659 636
	Contributions ex Operating		9 185 334	3 522 149	3 705 416	9 002 067
	Transferred from Province		1 034 732	-	-	1 034 732
	Contributions from Revenue		514 393	-	-	514 393
	Loans Redeemed		2 938 111	2 119 209	3 035 671	2 021 649
	Maintenance		146 615	-	-	146 615
	Insurance		8 400	-	-	8 400
	Grants and Subsidies		195 212 413	98 911 056	-	294 123 469
	Transferred Water and Sewerage		416 255	-	9 152	407 103
	Mandeni:					
	Loans Redeemed Internal		783 197	291	-	783 488
	Contrib. T/Ship Developers		4 016 822	-	-	4 016 822
	Insurance		34 169	-	-	34 169
	Public Contrib. And Grants		9 344 286	-	-	9 344 286
	Developers Contrib.		98 432	-	-	98 432
	Contrib. Current Income		378 133	-	19 372	358 761
	KwaDukuza:					
	Loans Redeemed Internal		7 502 979	185 401	-	7 688 380
	Loans Redeemed External		29 587 657	54 353	-	29 642 010
	Private T/Ship Developers		357 651	-	-	357 651
	Loan Redemption Fund		1 979 791	-	-	1 979 791
	Donations		257 901	-	-	257 901
	Government Grants		32 036 516	-	-	32 036 516
	Contrib. Current Income		15 405 206	-	1 635 098	13 770 108
	Endowment		32 893	-	-	32 893
	NET FIXED ASSETS		84 174 817	9 644 435	-	93 819 252

ILEMBE DISTRICT MUNICIPALITY
APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2009

Actual 2008 R		Actual 2009 R	Budget 2009 R
INCOME			
102 330 335	Central and Provincial Government Grants and Subsidies	127 740 186	127 364 000
56 740 197	Water Service Charges	74 066 045	70 379 100
11 432 300	Sewerage Service Charges	13 127 603	13 087 963
54 961	Business Levy Income	-	-
5 546 454	Interest on Investments	10 123 338	5 000 000
17 606 569	Other Income	19 445 516	11 590 000
<u>193 710 816</u>		<u>244 502 688</u>	<u>227 421 063</u>
EXPENDITURE			
56 633 916	Salaries, wages and allowances	60 507 780	69 893 314
27 924 676	Bulk Purchases	30 098 182	33 242 563
38 834 693	General Expenses	56 117 513	51 551 942
12 320 569	Repairs and Maintenance	17 831 706	15 490 669
9 983 069	Capital Charges	10 377 499	12 459 078
986 250	Contributions to Fixed Assets	3 522 149	2 020 000
35 136 937	Contributions	42 981 099	27 795 422
4 773 051	Projects/Functions	14 494 220	20 915 820
<u>186 593 161</u>	Gross Expenditure	<u>235 930 148</u>	<u>233 368 808</u>
(5 628 436)	Less: Amounts Charged Out	(5 947 744)	(5 947 745)
<u>180 964 725</u>		<u>229 982 404</u>	<u>227 421 063</u>

ILEMBE DISTRICT MUNICIPALITY
APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	2009 Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
3 000	59 085 357	(59 082 357)	ADMINISTRATION	-	74 791 310	(74 791 310)	(79 640 891)
-	22 627 426	(22 627 426)	Corporate Services	-	30 080 360	(30 080 360)	(27 058 354)
-	5 587 326	(5 587 326)	Council General Expenses	-	7 730 452	(7 730 452)	(7 318 549)
-	7 219 335	(7 219 335)	Technical Services	-	6 844 840	(6 844 840)	(7 343 500)
-	8 818 301	(8 818 301)	Financial Services	-	15 798 575	(15 798 575)	(19 930 814)
-	3 585 870	(3 585 870)	Department of Municipal Manager	-	3 681 116	(3 681 116)	(5 902 174)
-	7 150 135	(7 150 135)	Economic Development	-	6 596 332	(6 596 332)	(7 417 000)
3 000	4 096 964	(4 093 964)	Corporate Governance	-	4 059 635	(4 059 635)	(4 670 500)
-	4 773 051	(4 773 051)	REGIONAL FUNCTIONS	-	14 494 219	(14 494 219)	(20 915 820)
-	4 064 274	(4 064 274)	Projects/Functions	-	14 184 367	(14 184 367)	(18 675 820)
-	58 571	(58 571)	Tourism/Marketing	-	5 000	(5 000)	(2 040 000)
-	-	-	Disaster Management	-	304 852	(304 852)	(200 000)
-	650 206	(650 206)	Regional Planning	-	-	-	-
69 129 214	117 106 317	(47 977 103)	TRADING SERVICES	87 193 648	140 696 875	(53 503 227)	(43 397 289)
57 696 914	93 842 894	(36 145 980)	Water	74 066 045	117 589 420	(43 523 375)	(34 477 257)
11 432 300	23 263 423	(11 831 123)	Sewerage	13 127 603	23 107 455	(9 979 852)	(8 920 032)
124 578 602	-	124 578 602	INCOME	157 309 040	-	157 309 040	143 954 000
54 961	-	54 961	Business Levies	-	-	-	-
5 546 454	-	5 546 454	Interest on Investments	10 123 338	-	10 123 338	5 000 000
3 371 368	-	3 371 368	External Grants	7 314 534	-	7 314 534	6 938 000
16 646 852	-	16 646 852	Other Income	19 445 516	-	19 445 516	11 590 000
98 958 967	-	98 958 967	Equitable Share	120 425 652	-	120 425 652	120 426 000
193 710 816	180 964 725	12 746 091	TOTAL	244 502 688	229 982 404	14 520 284	-
		(1 269 933)	Appropriations for this year (refer to note 16)			(7 997 294)	
		11 476 158	Net surplus for the year			6 522 990	
		8 246 198	Opening Accumulated surplus			19 722 356	
		19 722 356	Accumulated Surplus			26 245 346	

**ILEMBE DISTRICT MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATON**

	2009	2008	2007
POPULATION (APPROXIMATE)	805 239	568 498	564 532
NUMBER OF PERMANENT EMPLOYEES	382	367	315
WATER SERVICE:			
Water Purchased	18 959 962 kl.	18 266 322 kl.	14 765 521 kl.
Water Sold	10 261 903 kl.	10 479 600 kl.	8 909 040 kl.
Percentage Loss	45.9%	42.6%	39.7%
Number of Water Connections	25 436	24 244	23 374
SANITATION SERVICE			
Number of Sewer Connections	9 999	10 557	9 733