

FINANCIAL MANAGER'S REPORT

I have pleasure in presenting my annual report, together with the financial statements for the year ended 30 June 2008.

The primary objective of the Finance Department is to assist the Head of Departments to control their budgets and to ensure effective application of financial resources.

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2008, are as follows:

	Actual 2008 R	Actual 2007 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Income					
Opening (deficit)/surplus	(2,232,593)	208,367			
Operating income	13,862,960	12,519,476	10.73%	14,402,800	3.75%
Closing Deficit	2,753,633	2,232,593			
	<u>14,384,000</u>	<u>14,960,436</u>			
Expenditure					
Operating Exp.	13,165,190	11,311,425	16.39%	14,343,640	8.22%
Appropriations	1,218,810	3,649,011			
Closing deficit					
	<u>14,384,000</u>	<u>14,960,436</u>			

The consolidated accumulated deficit has increased from R 2,232,593 to a deficit of R 2,753,633 during the year. The reason for this is mainly because of a liability raised by SARS on outstanding PAYE and UIF returns for the years from 2000 to 2004. Penalties and interest were added in the total outstanding amount of R1, 013,482. The operating account realised a surplus of R697, 770 as a result of savings on Indigent support and a increase in interest on investments.

1.1 RATES AND GENERAL SERVICES

	Actual 2008 R	Actual 2007 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Income	10,856,005	9,812,104	10.64%	11,501,300	5.61%
Expenditure	9,961,717	8,710,796	14.36%	11,107,590	10.32%
Surplus/(deficit)	<u>894,288</u>	<u>1,101,308</u>		<u>393,710</u>	

1.2 TRADING SERVICES

	Actual 2008 R	Actual 2007 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Electricity service					
Income	2,192,976	1,996,645	9.83%	2,130,500	2.93%
Expenditure	1,989,594	1,937,454	2.69%	2,119,420	6.13%
Surplus/(deficit)	<u>203,382</u>	<u>59,191</u>		<u>11,080</u>	

The increase in the surplus of electricity, is the result of ongoing checking and testing of pre-paid meters, that were "by-passing" in the past which resulted in losses in electricity sales.

	Actual 2008 R	Actual 2007 R	Variance 2007/08 %	Budget 2008 R	Variance Actual/ Budget %
Water service					
Income	813,979	710,727	14.53%	771,000	5.57%
Expenditure	1,213,879	663,175	83.04%	1,116,630	8.71%
Surplus/(Deficit)	<u>(399,900)</u>	<u>47,552</u>		<u>(345,630)</u>	

a Provision of R572,631 for bad debts, led to this deficit in water services. Debtors 90 days and older were fully provided as bad debts.

2. CAPITAL EXPENDITURE AND FINANCING

	Actual 2008	Budget 2008	Actual 2007
	R	R	R
Land & buildings			30,995
Infrastructure:			
Roads	79,362		1,649,056
Town Planning			74,788
Sewerage and sanitation	14,557,935	6,428,000	6,298,315
Water	2,059,224		1,277,127
Electricity			79,885
Housing services	2,248,026		1,945,420
Other fixed assets:			
Vehicles			
Software	415,695		
Furniture and equipment	341,383		325,723
	<u>19,701,625</u>	<u>6,428,000</u>	<u>11,681,309</u>

Resources used to finance the fixed assets were as follows:

	Actual 2008	Budget 2008	Actual 2007
	R	R	R
Grants and subsidies	19,545,518	6,428,000	11,613,995
Provision and reserves	127,123		
Contributions from income	28,984		67,314
	<u>19,701,625</u>	<u>6,428,000</u>	<u>11,681,309</u>

A complete analysis of capital expenditure (budget and actual) per department and a classification of service are included in appendix "C".

3. EXTERNAL LOANS, INVESTMENTS AND CASH

No external loans were outstanding at 30 June 2008 as also in 2007.

Investments and cash amounts to R 3,783,308 (2007: R 2,496,598).

4. POST BALANCE SHEET EVENTS

No material transactions or events can be reported since 30 June 2008.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, members of the Council, the Municipal Manager and Heads of Departments for the support they have given to my staff and me during the year under review.

I would also like to express my appreciation to the staff of the Auditor-General for their co-operation and assistance during the audit of the Council's financial statements.

ML Meyer (A.I.M.F.O)
Acting Financial Manager
Ikwezi Municipality
08 August 2008