

## **THE MSUNDUZI MUNICIPALITY**

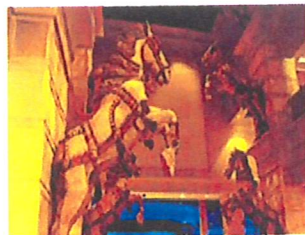
### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

*I am responsible for the preparation of these annual financial statements, which are set out on pages 1 of 51, in terms of Section 126(1) of the Municipal Finance Act and which I have signed on behalf of the Municipality.*

*I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Officer Bearer s Act and the Minister of Provincial and Local Government's determination in accordance with this Act.*

R.F Haswell JP (Municipal Manager)

Date



# **THE MSUNDUZI MUNICIPALITY**

## **CONTENTS**

	<b>PAGE</b>
<b>1. STATEMENT OF FINANCIAL POSITION</b>	<b>1</b>
<b>2. STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>2</b>
<b>3. STATEMENT OF CHANGES IN NET ASSETS</b>	<b>3</b>
<b>4. CASH FLOW STATEMENT</b>	<b>4</b>
<b>5. ACCOUNTING POLICIES</b>	<b>5-15</b>
<b>6. NOTES TO THE ANNUAL FINANCIAL STATEMENTS</b>	<b>16-37</b>
<b>7. APPENDICES :</b>	
<b>A. SCHEDULE OF EXTERNAL LOANS</b>	<b>38-40</b>
<b>B. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>41-43</b>
<b>C. SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>44</b>
<b>D. SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>45</b>
<b>E1. ACTUAL VERSUS BUDGET (REVENUE &amp; EXPENDITURE)</b>	<b>46</b>
<b>E2. ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)</b>	<b>47</b>
<b>G. SUMMARY CONDITIONAL GRANTS AND RECEIPTS</b>	<b>48</b>
<b>G1. DETAILS OF CONDITIONAL GRANTS AND RECEIPTS</b>	<b>49-51</b>
<b>H. FINANCIAL STATEMENTS - SAFE CITY</b>	

# THE MSUNDUZI MUNICIPALITY



## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	2007 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>945,073,055</b>	<b>906,402,801</b>
Housing Development Fund	1	54,756,079	54,020,358
Capital Replacement Reserve	2	41,035,599	31,749,397
Government Grant Reserve	2	-	-
Self-Insurance Reserve	2	24,618,229	22,503,153
Revaluation Reserve	2	-	-
Accumulated Surplus		824,663,148	798,129,893
<b>Non-Current Liabilities</b>		<b>422,347,673</b>	<b>373,718,313</b>
Long-Term Liabilities	3	344,437,394	303,308,034
Non-Current Provisions	4	77,910,279	70,410,279
Deferred Income: Government Grant Reserve	2	-	-
<b>Current Liabilities</b>		<b>503,037,321</b>	<b>414,335,371</b>
Consumer Deposits	5	36,171,502	28,587,059
Current Provisions	6	861,265	1,430,837
Creditors	7	295,422,470	264,295,183
Unspent Conditional Grants and Receipts	8	124,585,407	73,606,196
VAT	9	5,452,189	14,329,568
Current Portion of Long-Term Liabilities	3	40,544,487	32,086,527
<b>Total Net Assets and Liabilities</b>		<b>1,870,458,051</b>	<b>1,694,456,486</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>1,250,075,189</b>	<b>1,156,750,665</b>
Property, Plant and Equipment	10	1,241,284,635	1,140,643,675
Intangible Assets	10	903,696	1,457,711
Agricultural Assets	10	602,670	520,943
Investments	11	1,934,689	2,097,750
Long-Term Receivables	12	5,349,498	12,030,587
<b>Current Assets</b>		<b>620,382,861</b>	<b>537,705,820</b>
Inventory	13	53,832,192	50,001,367
Consumer Debtors	14	256,839,289	223,117,739
Other Debtors	15	44,299,357	42,010,361
Current Portion of Long-Term Receivables	12	1,566,596	1,625,396
Call Investment Deposits	11	260,420,761	207,602,643
Cash	16	40,680	40,731
Bank	16	3,383,985	13,307,584
<b>Total Assets</b>		<b>1,870,458,051</b>	<b>1,694,456,486</b>

**THE MSUNDUZI MUNICIPALITY**



**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

		2008	2007
Description	Note	R	R
<b>Revenue</b>			
Property Rates	17	345,067,836	414,466,865
Property Rates - Penalties and Collection Charges		23,565,464	17,001,280
Service Charges	18	673,878,919	694,577,361
Rentals Received		15,717,272	13,989,454
Interest earned - External Investments		29,320,951	22,721,389
Interest Received - Sundry Debtors		664,168	239,929
Interest Received - Service Debtors		22,308,938	18,303,833
Fines		14,774,353	13,814,255
Licences & Permits		43,655	71,139
Income for Agency Services		751,904	46,752
Governments Grants & Subsidies	19	266,381,115	192,586,285
Public Contributions & Donations		-	-
Other Income	20	231,005,433	59,260,622
<b>Total Revenue</b>		<b>1,623,480,009</b>	<b>1,447,079,164</b>
<b>Expenditure</b>			
Employee related Costs	22	500,859,238	434,383,262
Remuneration of Councillors	23	15,467,145	15,503,082
Bad Debts		-	-
Collection Costs		1,092,870	8,861,071
Depreciation		96,408,758	94,719,589
Repairs & Maintenance		60,481,535	55,401,841
Interest Paid	24	55,028,233	50,194,080
Bulk Purchases	25	515,449,656	495,005,176
Grants & Subsidies Paid	26	4,392,550	3,699,167
Contributions to Provisions		10,000,000	20,000,000
General Expenses Other	21	247,473,257	202,970,230
Inventory Write Off	13	143,365	23,602
<b>Total Expenditure</b>		<b>1,506,796,606</b>	<b>1,380,761,100</b>
<b>Operating Surplus/(Deficit)</b>		<b>116,683,403</b>	<b>66,318,065</b>



# THE MSUNDUZI MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contributions Reserve	Capital Replacement Reserve	Self-Insurance Reserve	Housing Development fund	Unappropriated Surplus	Total
	R	R	R		R	R	R	R
<b>2007</b>								
Balance at 01 July 2006	207,119,966	436,303,062	56,737,759		15,651,259	50,214,760	885,867	766,912,673
Correction of Error (Note 36)	(207,119,966)	(436,303,062)	(56,737,759)				29,474,346	29,474,346
Changes in accounting policy							264,338,825	(435,821,962)
<b>Restated Balance</b>	-	-	-	-	15,651,259	50,214,760	294,699,038	360,565,057
Accumulated Surplus/(Deficit) for the year							73,101,072	73,101,072
Transfer to HDF						3,805,598	(3,805,598)	-
Transfer to Capital Replacement Reserve				33,500,000			(33,500,000)	-
Property, Plant and Equipment Purchased/CRR				(1,750,603)			1,750,603	-
Capital Grants used to Purchase PPE							(46,216,427)	(46,216,427)
Donated/Contributed PPE							39,843	39,843
Transfer to Provision							(22,000,000)	(22,000,000)
Transfer to Creditors (Leave Pay)							24,793,464	24,793,464
Contribution to Insurance Reserve					32,249,321			32,249,321
Insurance Claims Processed					(25,397,428)			(25,397,428)
Offsetting of Depreciation							30,668,518	30,668,518
<b>Balance at 30 June 2007</b>	-	-	-	31,749,397	22,503,153	54,020,358	319,530,513	427,803,421
<b>2008</b>								
Balance at 01 July 2007					22,503,153	54,020,358	319,530,513	427,803,421
Correction of Error (Note 36)				31,749,397			26,748,410	26,748,410
Changes in accounting policy							451,850,971	451,850,971
<b>Restated Balance</b>	-	-	-	31,749,397	22,503,153	54,020,358	798,129,894	906,402,802
Accumulated Surplus/(Deficit) for the year							106,714,886	106,714,886
Transfer to HDF						735,720	(735,720)	-
Transfer to Capital Replacement Reserve							(31,148,781)	-
Property, Plant and Equipment Purchased/CRR							21,828,855	-
Capital Grants used to Purchase PPE							-	-
Donated/Contributed PPE - Biological Assets							81,727	81,727
Transfer to/from Provisions							(67,500,000)	(67,500,000)
Transfer to/from Creditors (Leave Pay)							(2,707,713)	(2,707,713)
Contribution to Insurance Reserve					31,740,578			31,740,578
Insurance Claims Processed					(29,625,502)			(29,625,502)
Offsetting of Depreciation				(33,724)				(33,724)
<b>Balance at 30 June 2008</b>	-	-	-	41,035,599	24,618,229	54,756,078	824,663,148	945,073,054

Surplus /(Deficit) for the year includes the Housing Development Fund which gets transferred out.

Surplus /(Deficit) for the year includes a transfer to the operating account in respect of the forestry service amounting to R (10 704 235).

**THE MSUNDUZI MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**



	<b>Note</b>	<b>2008</b> R	<b>2007</b> R
<b>CASH GENERATED BY OPERATING ACTIVITIES</b>			
Cash Receipts from Ratepayers, Government and Other		1,586,919,830	1,447,079,163
Cash Paid to Suppliers and Employees		(1,384,547,155)	(1,291,568,498)
Cash Generated from Operations	28	202,372,675	155,510,665
Forestry written back		(10,704,235)	-
Interest Received		29,320,951	22,721,389
Interest Paid		(55,028,233)	(50,194,080)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>165,961,158</b>	<b>128,037,974</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(196,495,704)	(145,841,581)
Disposal of assets		7,239,228	10,667,345
(Increase)/Decrease in Non-Current Receivables		6,739,888	(89,757)
Increase in Investments		163,061	(189,732)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(182,353,528)</b>	<b>(135,453,725)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net New Loans Raised		49,587,320	(22,226,332)
Increase/(Decrease) in Consumer Deposits		7,584,443	1,916,960
Non-operating Income Receipted in Provisions/Reserves		(29,625,503)	(30,109,400)
Non-operating Expenditure Charged against Provisions/Reserves		31,740,578	40,651,052
Changes in Accounting Policy			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>59,286,838</b>	<b>(9,767,720)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>42,894,468</b>	<b>(17,183,471)</b>
Cash and cash equivalents at the beginning of the year	29	220,950,958	238,134,429
Cash and cash equivalents at the end of the year	29	263,845,426	220,950,958
		<b>42,894,468</b>	<b>(17,183,471)</b>

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

GAMAP 6, 7, and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**5. RESERVES AND DEFERRED INCOME ACCOUNTS**

*5.1 Capital Replacement Reserve (CRR)*

In order to finance the purchase of items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus to the Capital Replacement Reserve (CRR) in terms of a Council resolution. A corresponding amount is transferred to a designated CRR investment account. The following conditions are set for the creation and utilisation of the CRR:

- The cash which backs the CRR is invested until utilised. The cash may only be invested in accordance with the investment policy of The Msunduzi Municipality.
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be transferred to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for The Msunduzi Municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

### *5.2 Self-Insurance Reserve*

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally in respect of buildings, vehicles and property. The fund is liable for all claims in excess of R500 per dwelling for house owners and

R500 000 aggregate excess on the combined policy (buildings). Departments are charged premiums in accordance with the values of assets insured relevant to each type of risk bearing in mind claims experienced.

### *5.3 COID Reserve*

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the Compensation Commissioner, the Municipality has established a COID reserve to offset claims from employees. This reserve is disclosed within the Internal Insurance Fund.

Amounts are transferred to the COID Reserve based on the assessment by the Compensation Commissioner for Occupational Injuries and Diseases (COID) on an annual basis.

### *5.4 Deferred Income Account - Government Grants*

#### **Policy 2006/07**

#### Deferred Income - Government Grants

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Deferred Income - Government Grants account, in terms of the exemptions published in Gazette 30013 dated 29 June 2007, equal to the value of the government grant recorded as revenue in the Statement of Financial Performance.

When such items of property, plant and equipment are depreciated, a transfer is made from the deferred income - government grants to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the deferred income - government grants relating to such item is transferred to the accumulated surplus.

#### **Policy 2007/08**

GAMAP 9 requires all Government Grant funding utilised for capital expenditure to be released to a revenue account which is the accounting procedure followed by The Msunduzi Municipality. As the requirements of GAMAP 9 overrides IAS 20:(Government Grants) the balance on the Deferred Income account is adjusted to the Accumulated Surplus account and no further transfers to the Deferred Income account will be effected as the transfer to revenue already constitutes the Offset Depreciation contribution.



---



---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---



---

## 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are re-valued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Impairment of property, plant and equipment has been accounted for in terms of the exemption granted in Gazette 30013 of 29 June 2007. Accordingly no impairment testing or recognition was accounted for.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up. Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. In terms of the exemption granted in Gazette 30013 of 29 June 2007 no reviewing of the depreciation method and the useful lives of assets were performed.

The annual depreciation rates are based on the following estimated useful lives:-

<u>Infrastructure</u>		<u>Other</u>	
	<u>Years</u>		<u>Years</u>
Roads & Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture & Fittings	7-10
Housing	30	Watercraft	15
		Bins & Containers	5
		Specialised Plant & Equipment	10-15
		Other Items of Plant and	
		Equipment	2-5
		Landfill Sites	15
<u>Community</u>			
	<u>Years</u>		
Buildings	30		
Recreational facilities	20-30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions - see Accounting Policy 13 on Provisions.

The Msunduzi Municipality accounted for investment properties in terms of the exemptions published in Gazette 30013 dated 29 June 2007. Accordingly no investment properties were identified and disclosed separately from property, plant and equipment on the financial statements.

In terms of the exemptions published in Gazette 30013 dated 29 June 2007 no impairment testing, reviewing of useful lives, reviewing of depreciation methodology and residual value were done for the 2007/08 financial year.

## **7. INVESTMENTS**

### **7.1 Financial Instruments**

Financial instruments, which include, call deposits and short-term deposits invested in registered commercial banks, are stated at cost.

### **7.2 Investment in Municipal Entities**

Investments in municipal entities under the ownership and control of the Municipality are carried at cost in The Msunduzi Municipality's annual financial statements.

The Msunduzi Municipality made use of the exemption granted as per Gazette 30013 dated 29 June 2007 and will accordingly not present consolidated financial statements for 2007/08.

## **8. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties for the purpose of resale are accounted for in terms of the exemptions published in Gazette 30013 dated 29 June 2007 and is accordingly disclosed as property, plant and equipment. Direct costs are accumulated for each separately identifiable property. Costs also include a proportion of overhead costs. The cost of water on hand at year end is calculated and accounted for as water stock on hand.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Inventories are disclosed in terms with the exemptions in Gazette 30013 of 29 June 2007.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

**9. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at nominal value and no classification and discounting was done in terms of the exemptions approved in Gazette 30013 dated 29 June 2007. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

**10. ACCOUNTS PAYABLE**

Trade and other creditors

Policy 2007/08

Trade and other creditors excluding Leave pay has been accounted for in terms of the exemptions published in Gazette 30013 dated 29 June 2007. Accordingly the creditors were stated at nominal value and no discounting was accounted for.

Leave Pay

Leave pay is stated as a current liability and at a nominal value. In terms of the exemptions published in Gazette 30013 dated 29 June 2007 no discounting was accounted for.

**11. REVENUE RECOGNITION**

*11.1 Revenue from Exchange Transactions*

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. To include all revenue in the financial period estimates are made between the last meter reading and the financial year end to account for consumption that took place during the financial period. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis and rentals were not "straight lined" making use of the exemption granted in Gazette 30013 dated 29 June 2007.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

#### *11.2 Revenue from non-exchange transactions*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

In terms of the exemptions published in Gazette 30013 dated 29 June 2007 the fair value of cash considerations were not discounted and were stated at nominal amount.

## **12. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

### **13. PROVISIONS**

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

The Municipality makes provision for the rehabilitation of landfill sites and post retirement benefits medical aid contributions

Provision for the rehabilitation of the Quarry site was created from contributions received from the rental agreement for this site.

### **14. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### **15. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **16. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

**17. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**19. COMPARATIVE INFORMATION**

*19.1 Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

*19.2 Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**20. LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to The Msunduzi Municipality.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. In terms of the exemptions published in Gazette 30013 dated 29 June 2007 operating leases are not "straight lined" and are expensed as they become due.

**21. VALUE ADDED TAX**

The Msunduzi Municipality accounts for Value Added Tax on the payment basis.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

**22. GRANTS-IN-AID**

The Msunduzi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Msunduzi Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred. If these contracts are onerous and extend over

more than one financial year they are then treated in accordance with the accounting policy on provisions outlined in paragraph 13 above.

**23. UNUTILISED CONDITIONAL GRANTS**

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor - Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The cash which backs the creditor is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is The Msunduzi Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.
- Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Deferred Income - Government Grants or the Accumulated Surplus account in the case of non government grants. The deferred income account is used to offset depreciation charged on the property, plant and equipment financed from unutilised government grant capital receipts and equals the remaining depreciable value (carrying value) of property, plant and equipment financed from unutilised government grant capital receipts.

---

---

**THE MSUNDUZI MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30 JUNE 2008**

---

---

- Whenever a non-asset is purchased from a Creditor - Unutilised Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

**26. INTANGIBLE ASSETS**

Intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non - monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of The Msunduzi Municipality are amortised according to the straight line method as follows. By making use of the exemptions published in Gazette 30013 dated 29 June 2007 The Msunduzi Municipality only included software prospectively as intangible assets.

**27. IMPAIRMENT OF CASH GENERATING ASSETS**

In terms of the exemptions published in Gazette 30013 dated 29 June 2007 no impairment of cash generating assets were accounted for.

**28. FINANCIAL INSTRUMENTS**

In terms of the exemptions published in Gazette 30013 dated 29 June 2007 no financial instruments were allocated and valued to its designated classification.

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**1 HOUSING DEVELOPMENT FUND**

Housing Development Fund  
Unappropriated Surplus  
Loans extinguished by Government on 1 April 1998

**2008**  
R

**2007**  
R

54,756,079	54,020,358
20,499,187	19,763,466
34,256,892	34,256,892

The Housing Development Fund is represented by the following assets and liabilities:

Property, plant and equipment  
Housing selling scheme loans  
Housing Rental Debtors  
Loans extinguished by Government on 1 April 1998  
Bank and cash  
Sub-total  
Internal Advances  
Less :Creditors

194,830	194,830
5,490,733	5,860,450
6,690,731	4,776,025
34,256,892	34,256,892
8,131,597	8,940,640
54,764,782	54,028,836
-	-
8,703	8,478
54,756,079	54,020,358

**2 RESERVES**

Capital Replacement Reserve  
Government Grant Reserve  
Self-Insurance Reserve  
Total Reserves

41,035,599	31,749,397
-	-
24,618,229	22,503,153
65,653,828	54,252,549

The Capital Replacement Reserve and Self-Insurance Reserves are fully invested in financial investment instruments.

**DEFERRED INCOME - GOVERNMENT GRANTS**

Transferred from previous Government Grant Reserve net of capital acquisitions from grants and off-set depreciation transferred.

**3 LONG-TERM LIABILITIES**

Annuity Loans  
Capitalised Lease Liability  
SUB-TOTAL  
Less: Current Portion Transferred To Current Liabilities  
Local Registered Stock Loans  
Annuity Loans  
Capitalised Lease Liability  
TOTAL EXTERNAL LOANS

371,134,239	315,471,612
13,847,642	19,922,949
384,981,881	335,394,561
40,544,487	32,086,527
-	-
34,365,986	25,938,565
6,178,501	6,147,962
344,437,394	303,308,034

Refer Appendix A For More Detail On Long-Term Liabilities.

The Capitalised Lease Liability Is Secured Over The Item Of Plant Leased.  
Note: Annuity Loans balance as at 1 July 2007 was restated by R 44 988 (See note 36)

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**4 NON-CURRENT PROVISIONS**

	2008 R	2007 R
Quarry Rehabilitation Fund	410,279	410,279
Landfill Rehab Provision	27,500,000	25,000,000
Stated Benefits Provision	50,000,000	45,000,000
<b>Total Non-Current Provisions</b>	<b>77,910,279</b>	<b>70,410,279</b>

STATED BENEFITS PROVISION	LANDFILL REHAB PROVISION	QUARRY REHABILITATION FUND
------------------------------	-----------------------------	----------------------------------

THE MOVEMENT IN THE PROVISIONS IS RECONCILED AS FOLLOWS:-

Balance At Beginning Of Year			
Contributions - Surplus	45,000,000	25,000,000	410,279
Other Income	5,000,000	2,500,000	-
Expenditure Incurred	-	-	-
Increase Due To Discounting	-	-	-
Transfer To Current Provisions	-	-	-
<b>BALANCE AT END OF YEAR</b>	<b>50,000,000</b>	<b>27,500,000</b>	<b>410,279</b>

By making use of the exemption on employee benefits in terms of Gazette 30013 of 29 June 2007 no provision for Post Employee Benefit - Medical aid Contributions are made.

**5 CONSUMER DEPOSITS**

Refuse		
Electricity	917,788	989,604
Water	28,556,429	20,513,073
Sewer	4,964,399	5,193,577
<b>Total Consumer Deposits</b>	<b>1,732,886</b>	<b>1,890,806</b>
	<b>36,171,502</b>	<b>28,587,059</b>

Interest Is Accrued On Consumer Deposits For Service Charges at 4% p.a.  
Balance on the interest reserves amounts to R 6 833 615 and  
R 5 907 906 as at 30 June 2008 and 30 June 2007 respectively.

Guarantees in lieu of electricity and water deposits

**6 CURRENT PROVISIONS**

Performance bonus	5,018,391	5,130,347
<b>TOTAL CURRENT PROVISIONS</b>	<b>861,265</b>	<b>1,430,837</b>
	<b>861,265</b>	<b>1,430,837</b>

Performance bonuses are paid to the Executive and Process Managers.  
The provision is an estimation of the payment at the reporting date.

Performance bonuses are paid in arrear as per Council policy, in October each year.

THE MOVEMENT IN THE CURRENT PROVISION IS RECONCILED AS FOLLOWS:-

Balance At Beginning Of Year		
Transfer From Non-Current Provisions	1,430,837	1,546,678
Contributions	-	-
Expenditure Incurred	861,765	1,430,837
<b>BALANCE AT END OF YEAR 30 JUNE 2008</b>	<b>(1,431,337)</b>	<b>(1,546,678)</b>
	<b>861,265</b>	<b>1,430,837</b>



**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>7 CREDITORS</b>		
Trade Creditors		
Retention		
Other Deposits	14,985,564	43,196,205
Other Creditors	9,312,268	6,742,079
Leave pay	1,799,234	2,016,966
	231,953,772	185,760,614
<b>TOTAL CREDITORS</b>	<b>37,371,633</b>	<b>26,579,319</b>
	<b>295,422,470</b>	<b>264,295,183</b>

Note: Other Creditors balance as at 1 July 2007 was restated by R 19 765 814. (See note 36)

In terms of the exemptions granted in Gazette 30013 dated 29 June 2007 creditors were accounted for at nominal value and no discounting was performed.

**8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**CONDITIONAL GRANTS FROM GOVERNMENT**

National Grants  
Provincial Grants And Subsidies  
Other Conditional Receipts

**TOTAL CONDITIONAL GRANTS AND SUBSIDIES**

119,138,107	68,161,660
102,476,181	62,750,823
16,661,927	5,410,837
5,447,300	5,444,536
<b>124,585,407</b>	<b>73,606,196</b>

Unspent Conditional Grants and Subsidies are fully invested in financial instruments

**9 VALUE ADDED TAX (VAT)**

VAT Payable

<b>5,452,189</b>	<b>14,329,568</b>
------------------	-------------------

VAT is payable to SARS on the payment basis, the above amount represents the VAT raised on service charges that is outstanding.

Note: All VAT returns have been submitted timeously throughout the financial year.  
The balance as at 1 July 2007 was restated by an amount of R 4 845 765. (See note 36)

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**10 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2008**

Reconciliation of Carrying Value					
	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying Values at 1 July 2007					
Cost	108,390,363	566,705,510	129,280,345	336,267,457	1,140,643,674
Revaluation	130,553,639	1,169,475,930	171,194,489	561,875,705	2,033,099,763
Accumulated Depreciation	-	-	-	-	-
- Cost	(22,163,276)	(602,770,420)	(41,914,144)	(225,608,248)	(892,456,089)
- Revaluation	(22,163,276)	(602,770,420)	(41,914,144)	(225,608,248)	(892,456,089)
Acquisitions	-	-	-	-	-
Capital Under Construction	835,281	38,329,746	8,731,365	16,845,477	64,741,869
Depreciation	2,436,766	114,431,418	5,172,866	9,952,792	131,993,842
- Based on Cost	(3,070,324)	(59,418,650)	(6,512,912)	(26,627,756)	(95,629,642)
- Based on Revaluation	(3,070,324)	(59,418,650)	(6,512,912)	(26,627,756)	(95,629,642)
Carrying Value of Disposals	-	-	-	-	-
Cost	(278,423)	(32,222)	-	-	-
Accumulated Depreciation	(278,423)	(31,600)	-	(229,621)	(540,266)
Impairment Losses	-	(622)	-	(186,598)	(496,621)
Other Movements	-	-	-	(43,023)	(43,645)
Carrying Values at 30 June 2008					
Cost	108,313,664	660,017,047	136,671,664	336,294,394	1,241,284,635
Revaluation	133,547,264	1,322,205,495	185,098,721	588,487,375	2,229,338,854
Accumulated Depreciation	-	-	-	-	-
- Cost	(25,233,600)	(662,188,447)	(48,427,056)	(252,192,981)	(988,054,218)
- Revaluation	(25,233,600)	(662,188,447)	(48,427,056)	(252,192,981)	(988,042,085)

**30 June 2007**

Reconciliation of Carrying Value					
	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying Values at 1 July 2006					
Cost	105,087,349	542,277,324	118,937,249	321,574,991	1,087,876,913
Revaluation	124,353,774	1,087,872,548	154,890,218	520,729,351	1,887,845,891
Accumulated Depreciation	-	-	-	-	-
- Cost	(19,266,425)	(545,595,224)	(35,952,969)	(199,154,360)	(799,968,978)
- Revaluation	(19,266,425)	(545,595,224)	(35,952,969)	(199,154,360)	(799,968,978)
Acquisitions	-	-	-	-	-
Capital Under Construction	5,914,216	79,849,107	16,179,126	25,627,380	127,569,829
Depreciation	493,704	1,754,274	125,145	15,772,291	18,145,414
- Based on Cost	(2,896,851)	(57,175,195)	(5,961,175)	(26,584,977)	(92,618,198)
- Based on Revaluation	(2,896,851)	(57,175,195)	(5,961,175)	(26,584,977)	(92,618,198)
Carrying Value of Disposals	-	-	-	-	-
Cost	(208,054)	-	-	-	-
Accumulated Depreciation	(208,054)	-	-	(384,406)	(592,460)
Impairment Losses	-	-	-	(253,317)	(461,371)
Other Movements	-	-	-	(131,089)	(131,089)
Carrying Values at 30 June 2007					
Cost	108,390,364	566,705,511	129,280,345	336,267,453	1,140,643,675
Revaluation	130,553,640	1,169,475,930	171,194,489	561,875,702	2,033,099,761
Accumulated Depreciation	-	-	-	-	-
- Cost	(22,163,276)	(602,770,419)	(41,914,144)	(225,608,249)	(892,456,088)
- Revaluation	(22,163,276)	(602,770,419)	(41,914,144)	(225,608,249)	(892,456,088)

# **THE MSUNDUZI MUNICIPALITY**

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

### **10 PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

The Msunduzi Municipality is adhering to National Treasury's Guidelines as per MFMA Circular No. 18 dated 23 June 2005, which states that it is paramount to prepare a process map to obtain Infrastructure Assets information over a number of years. The Msunduzi Municipality has appointed a service provider to develop a detailed roadmap to enable the successful implementation of processes to identify, record, value and manage Infrastructure Assets over the next 3 years.

At present, depreciation on these assets is calculated on the straight line method although an average useful life has been estimated for each category of Infrastructure and Community Assets, using global historical costs recorded in the accounting records. In terms of the exemptions granted in Gazette 30013 dated 29 June 2007 The Msunduzi Municipality has not yet assessed whether items of Property, Plant and Equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2007/08 financial year due to the exemption granted in Gazette 30013.

Included in land and buildings above are items that may meet the definition of investment property but has been included as PPE because the municipality has not yet realised the process of identifying investment property for reporting purposes. These items will be transferred to an investment property register once they have been identified.

### **INTANGIBLE ASSETS**

**30 June 2008**

Reconciliation of Carrying Value					
	Computer software R	R	R	R	Total R
Carrying Values at 01 July 2007	1,457,712	-	-	-	1,457,712
Cost	10,828,569				10,828,569
Accumulated Depreciation	(9,370,857)				(9,370,857)
Acquisitions	256,614				256,614
Depreciation	(810,630)				(810,630)
Carrying Value of Disposals					
- Cost	-	-	-	-	-
Accumulated Depreciation					
Impairment Losses	-	-	-	-	-
Other Movements	-	-	-	-	-
Carrying Values at 30 June 2008	903,696	-	-	-	903,696
Cost	11,085,183	-	-	-	11,085,183
Accumulated Depreciation	(10,181,487)	-	-	-	(10,181,487)

Intangible assets consists of software and web costs for 2007/2008.

### **AGRICULTURAL ASSETS**

**30 June 2008**

Reconciliation of Carrying Value					
	Biological assets R	R	R	R	Total R
Values at 01 July 2006	520,943	-	-	-	520,943
Valuation	520,943				520,943
Valuation increase / decrease	81,727				81,727
Values at 30 June 2007	602,670	-	-	-	602,670
Valuation	602,670				602,670

Valuations are done at each financial year end and differences are adjusted to accumulated surplus.

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**11 INVESTMENTS**

**FINANCIAL INSTRUMENTS**

Fixed Deposits - Long to Medium Term Investments  
 Total - Long to Medium Term Financial Instruments

**2008**  
R

**2007**  
R

1,934,689	2,097,750
<u>1,934,689</u>	<u>2,097,750</u>

**CALL/SHORT TERM INVESTMENT DEPOSITS**

Other Deposits - Short-Term  
 Call Account Deposits  
 Total Call/Short Term Investment Deposits

260,420,761	207,602,643
-	-
<u>260,420,761</u>	<u>207,602,643</u>

**TOTAL INVESTMENTS**

<u>262,355,451</u>	<u>209,700,394</u>
--------------------	--------------------

Average Rate Of Return On Investments

11.72%                      9.02%

**12 LONG-TERM RECEIVABLES**

Housing  
 Loans To Education Facilities And Sporting Bodies.  
 Staff Loans

6,468,228	12,947,551
440,012	510,846
7,854	197,586

Less: Current Portion Transferred To Current Assets  
 Total Long-Term Receivables

<u>6,916,094</u>	<u>13,655,983</u>
<u>1,566,596</u>	<u>1,625,396</u>
<u>5,349,498</u>	<u>12,030,587</u>

The outstanding amounts relate to loans granted for housing, council's motor scheme to employees and loans to education and sporting bodies prior to the implementation of the MFMA section 164. Since the 1st July 2004 no new loans have been issued.

**13 INVENTORY**

Consumable store  
 Workshop store  
 Diesel & petrol  
 Unused water  
 Forestry

23,529,230	21,195,071
674,456	674,401
712,807	195,277
1,201,016	466,976
30,827,856	30,439,448

Less: Inventory Write Off

**Total Inventory**

-	-
<u>56,945,364</u>	<u>52,971,174</u>
<u>(3,113,172)</u>	<u>(2,969,807)</u>
<u>53,832,192</u>	<u>50,001,367</u>

Stock to the value of R 143 365 was deemed to be redundant or obsolete and was written off during 2007/08.

**Valuation Adjustment Reconciliation**

Balance 1 July 2007

Write on

Inventory Write Off

Balance 30 June 2008

2,969,808	2,946,206
143,365	23,602
<u>3,113,172</u>	<u>2,969,808</u>

# THE MSUNDUZI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 14 CONSUMER DEBTORS

#### AS AT 30 JUNE 2008

##### Service debtors

##### Rates

##### Cleansing

##### Electricity

##### Sewerage

##### Water

##### Housing rentals

##### TOTAL

#### AS AT 30 JUNE 2007

##### Service debtors

##### Rates

##### Cleansing

##### Electricity

##### Sewerage

##### Water

##### Housing rentals

##### TOTAL

#### RATES: AGEING

##### Current (0 - 30 Days)

##### 31 - 60 Days

##### 61 - 90 Days

##### 91 - 120 Days

##### 121 - 365 Days

##### + 365 Days

##### Adjustment for corrections

##### TOTAL

#### ELECTRICITY, REFUSE, SEWERAGE & WATER & HOUSING RENTALS: AGEING

##### Current (0 - 30 Days)

##### 31 - 60 Days

##### 61 - 90 Days

##### 91 - 120 Days

##### 121 - 365 Days

##### + 365 Days

##### Adjustment for corrections

##### TOTAL

#### SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION

##### 30 JUNE 2008

##### Current (0 - 30 Days)

##### 31 - 60 Days

##### 61 - 90 Days

##### 91 - 120 Days

##### 121 - 365 Days

##### + 365 Days

##### SUB-TOTAL

##### Less: Provision For Bad Debts

##### TOTAL DEBTORS BY CUSTOMER CLASSIFICATION

#### 30 JUNE 2007

##### Current (0 - 30 Days)

##### 31 - 60 Days

##### 61 - 90 Days

##### 91 - 120 Days

##### 121 - 365 Days

##### + 365 Days

##### SUB-TOTAL

##### Less: Provision For Bad Debts

##### TOTAL DEBTORS BY CUSTOMER CLASSIFICATION

	2008 R	2007 R
<b>GROSS BALANCE</b>		
426,823,179		
<b>PROVISION FOR BAD DEBTS</b>		
(175,061,628)		
<b>NET BALANCE</b>		
251,761,552		
163,896,355	(67,222,129)	96,674,227
29,412,206	(12,063,423)	17,348,783
133,565,857	(54,782,068)	78,783,789
15,606,946	(6,401,192)	9,205,753
84,341,816	(34,592,816)	49,749,000
8,608,527	(3,530,789)	5,077,738
<b>435,431,707</b>	<b>(178,592,417)</b>	<b>256,839,289</b>

430,135,683	(207,017,944)	223,117,739
143,172,709	(68,906,908)	74,265,801
22,879,816	(11,011,717)	11,868,099
187,232,895	(90,112,424)	97,120,471
11,438,326	(5,505,097)	5,933,229
65,411,937	(31,481,798)	33,930,139
-	-	-
<b>430,135,683</b>	<b>(207,017,944)</b>	<b>223,117,739</b>

31,442,759	35,732,481
6,834,830	6,805,687
6,516,710	5,361,521
4,388,852	4,716,471
4,963,377	5,378,036
109,749,826	85,178,512
-	-
<b>163,896,355</b>	<b>143,172,708</b>

271,535,352	286,962,974
-------------	-------------

CONSUMERS	INDUSTRIAL/ COMMERCIAL	NATIONAL AND PROVINCIAL GOV.	TOTAL
66,633,154	69,573,946	6,323,565	142,530,665
13,461,596	4,445,679	5,917,036	23,824,310
10,537,887	4,040,032	4,986,558	19,564,476
10,546,236	2,445,386	3,849,032	16,840,654
10,720,769	2,338,562	2,961,524	16,020,855
124,227,523	19,724,970	72,698,253	216,650,746
236,127,164	102,568,575	96,735,968	435,431,707
(154,083,500)	(24,508,918)	-	(178,592,418)
<b>82,043,664</b>	<b>78,059,657</b>	<b>96,735,968</b>	<b>256,839,289</b>

55,375,225	51,142,038	12,400,107	118,917,369
10,648,874	3,562,417	6,410,455	20,621,747
10,189,751	2,902,902	4,858,059	17,950,712
8,992,785	2,237,208	4,074,318	15,304,312
9,629,863	2,922,222	4,016,469	16,568,555
150,610,635	37,459,430	52,702,924	240,772,989
245,447,133	100,226,217	84,462,333	430,135,683
(175,008,616)	(32,009,328)	-	(207,017,944)
<b>70,438,517</b>	<b>68,216,889</b>	<b>84,462,333</b>	<b>223,117,739</b>



**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>BAD DEBT PROVISION</b>		
Balance at beginning of year		
Contributions	207,017,944	184,257,830
Transfers	70,000,000	20,000,000
Bad debts written off	-	2,760,114
Balance at the end of the year	(98,425,527)	-
	<u>178,592,417</u>	<u>207,017,944</u>

Debtors were disclosed at nominal value net of provision for bad debts and no discounting was performed in terms of the exemption granted in Gazette 30013.

**15 OTHER DEBTORS**

Sundry debtors	44,299,357	42,010,361
Less: Provision for bad debts - Sundry debtors	44,299,357	42,010,361
Total other debtors	<u>44,299,357</u>	<u>42,010,361</u>

Other Debtors were disclosed at nominal value net of provision for bad debts and no discounting was performed in terms of the exemption granted in Gazette 30013.

Note: Other debtors balance as at 1 July 2007 was restated by an amount of R 2 091 184. (See note 36)

**16 BANK, CASH AND OVERDRAFT BALANCES**

The municipality has the following bank accounts with - First National Bank Ltd.:

**CURRENT ACCOUNT (PRIMARY BANK ACCOUNT)**

Account number: 5094187782

Cashbook balance at the beginning of the year	(16,650,128)	(15,133,522)
Cashbook balance at the end of the year	<u>1,280,210</u>	<u>(16,650,128)</u>
Bank statement balance at the beginning of the year	11,871,254	14,708,526
Bank statement balance at the end of the year	<u>8,816,824</u>	<u>11,871,254</u>

**CURRENT ACCOUNT - POST OFFICE**

Account number: 62006041157

Cashbook balance at the beginning of the year	1,618,218	1,289,470
Cashbook balance at the end of the year	<u>(700)</u>	<u>1,618,218</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>

**CURRENT ACCOUNT - ELECTRONIC TRANSFERS**

Account number: 5090058750

Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	<u>-</u>	<u>-</u>
Bank statement balance at the beginning of the year	4,426	5,127
Bank statement balance at the end of the year	<u>69,867</u>	<u>4,426</u>

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b><u>CURRENT ACCOUNT - UNPAID CHEQUE ACCOUNT</u></b>		
Account number: 5094187774		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	(39,321)	-
Bank statement balance at the beginning of the year	(60,196)	(166,291)
Bank statement balance at the end of the year	(39,321)	(60,196)
<b>Balance as per ledger</b>	<b>7,963,528</b>	<b>16,429,200</b>

Note: The ledger balance includes amounts of (R 6 723 339) and (R 39 321) that relates to creditors and un-paid cheques respectively.

<b><u>CURRENT ACCOUNT - SLUM CLEARANCE</u></b>		
Account number: 62058007264		
Cashbook balance at the beginning of the year	6,882,062	8,537,378
Cashbook balance at the end of the year	12,966,982	6,882,062
Bank statement balance at the beginning of the year	6,839,061	8,537,378
Bank statement balance at the end of the year	12,882,783	6,839,061
<b>Balance as per ledger</b>	<b>12,966,982</b>	<b>6,882,062</b>

Note: The Cash Book balance includes interest of R 84 199.

<b><u>CURRENT ACCOUNT - LIBRARY EXTENSION</u></b>		
ACCOUNT NUMBER: 62065528930		
Cashbook balance at the beginning of the year	85,935	6,191,981
Cashbook balance at the end of the year	6,282,327	85,935
Bank statement balance at the beginning of the year	85,101	6,191,981
Bank statement balance at the end of the year	6,241,291	85,101
<b>Balance as per ledger</b>	<b>6,282,327</b>	<b>85 935</b>

Note: The Cash Book balance includes interest of R 41 036.

<b><u>CURRENT ACCOUNT - RESTRUCTURING GRANT</u></b>		
ACCOUNT NUMBER: 62052319756		
Cashbook balance at the beginning of the year	7,162,613	6,968,479
Cashbook balance at the end of the year	4,642,437	7,162,613
Bank statement balance at the beginning of the year	7,162,613	6,968,478
Bank statement balance at the end of the year	4,642,437	7,162,613
<b>Balance as per ledger</b>	<b>4,642,437</b>	<b>7,162,613</b>

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**CURRENT ACCOUNT - TRAFFIC FINES**

Account number: 62045272143

	2008 R	2007 R
Cashbook balance at the beginning of the year	-	838,503
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	29,250	838,503
Bank statement balance at the end of the year	29,250	29,250
<b>Balance as per ledger</b>	<b>29,650</b>	<b>29 250</b>

**CURRENT ACCOUNT - MARKET ACCOUNT**

Account number: 50941840627

Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	1,866,045	993,933
Bank statement balance at the end of the year	1,387,910	1,866,045
<b>Balance as per ledger</b>	<b>1,387,910</b>	<b>1,248,563</b>

**CURRENT ACCOUNT - ORIBI AIRPORT**

Account number: 62069378539

Cashbook balance at the beginning of the year	(266,959)	(193,911)
Cashbook balance at the end of the year	(548,330)	(266,959)
Bank statement balance at the beginning of the year	43,489	220,670
Bank statement balance at the end of the year	(325,444)	43,489
<b>Balance as per ledger</b>	<b>(562,033)</b>	<b>(223,374)</b>

**CURRENT ACCOUNT - FORESTRY ACCOUNT**

First National Bank Limited

Account number: 50930082248

Cashbook balance at the beginning of the year	439,105	439,105
Cashbook balance at the end of the year	314,972	439,105
Bank statement balance at the beginning of the year	186,113	206,060
Bank statement balance at the end of the year	314,972	186,113

**CALL ACCOUNT - FORESTRY ACCOUNT**

Absa Bank Limited

Account number: 9076022706

Cashbook balance at the beginning of the year	1,018,285	880,103
Cashbook balance at the end of the year	1,221,371	1,018,285
Bank statement balance at the beginning of the year	1,018,285	880,103
Bank statement balance at the end of the year	1,221,371	1,018,285
<b>Balance as per ledger</b>	<b>321,478</b>	<b>638,624</b>

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**CURRENT ACCOUNT**

**Forestry service operations**

	2008 R	2007 R
Cashbook balance at the beginning of the year	18,945,289	(14,755,405)
Cashbook balance at the end of the year	(18,945,289)	18,945,289
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<b>Balance as per ledger</b>	-	-
<b>Total ledger balances for bank accounts</b>	(29,648,294)	(18,945,289)
<b>Petty Cash at hand</b>	3,383,985	13,307,584
	40,680	40,731

**MEMORANDUM ACCOUNTS**

**CURRENT ACCOUNT - METRO TRANSPORT FUND**  
Account number: 50941849512

Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	9,645,563	-
Bank statement balance at the beginning of the year	765,771	13,813
Bank statement balance at the end of the year	964,563	765,771

**CURRENT ACCOUNT - SALARIES ACCOUNT**  
Account number: 50941847029

Cashbook balance at the beginning of the year	(265,022)	331,343
Cashbook balance at the end of the year	98,671	(265,022)
Bank statement balance at the beginning of the year	(26,611)	446,675
Bank statement balance at the end of the year	307,040	(26,611)

**CURRENT ACCOUNT - SALARIES PACS ACCOUNT No: 1**  
Account number: 62003432846

Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	4,333

**CURRENT ACCOUNT - SALARIES PACS ACCOUNT No: 2**  
Account number: 62003433414

Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	-	-
Bank statement balance at the beginning of the year	161,519	121,426
Bank statement balance at the end of the year	388,588	161,519

**THE MSUNDUZI MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

17 PROPERTY RATES	2008 R	2007 R
<u>Actual</u>		
Residential		
Commercial		
State	139,887,176	205,240,559
Vacant Land	148,583,820	143,921,190
Municipal	40,806,449	48,289,793
Total Assessment Rates	16,755,893	19,896,322
Less : Adjustments processed	-	-
	346,033,339	417,347,864
	(965,503)	(2,880,999)
	<u>345,067,836</u>	<u>414,466,865</u>
<u>Valuations</u>		
Residential		
Commercial		
State	8,631,921,600	7,928,152,800
Vacant Land	5,248,625,200	5,116,191,500
Municipal	2,096,870,000	2,111,566,300
Total Property Valuations	283,068,400	269,575,318
	-	-
	<u>16,260,485,200</u>	<u>15,425,485,918</u>
 18 SERVICE CHARGES		
Sale of Electricity		
Sale of Water		
Sewerage	588,763,396	622,515,295
Refuse	192,860,811	187,488,118
Other	68,376,520	68,718,633
Total Service Charges	46,703,450	44,633,940
Less: Forgone Income	-	-
	896,704,176	923,355,986
	(222,825,257)	(228,778,626)
	<u>673,878,919</u>	<u>694,577,361</u>
 19 GOVERNMENT GRANTS AND SUBSIDIES		
<u>GOVERNMENT GRANTS</u>		
Conditional Grants - Income		
Grants - Other		
Grants & Subsidies / Capital	17,455,164	10,125,299
RSG - Income	-	4,258,640
National Electricity Programme	97,770,614	47,844,353
Equitable Share	-	-
Total Government Grants	142,974,380	119,512,385
	<u>258,200,159</u>	<u>181,740,677</u>
<u>PROVINCIAL SUBSIDIES</u>		
Natal Provincial Administration		
Natal Provincial Administration - Subsidy		
Provincial Subsidy - Environmental Health	8,180,956	10,820,543
	-	25,065
	-	-
	-	-
Total Provincial Subsidies	8,180,956	10,845,608
Total Government Grants & Subsidies Received	<u>266,381,115</u>	<u>192,586,285</u>

**THE MSUNDUZI MUNICIPALITY**

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

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>

**Equitable Share**

In terms of the constitution, this grant is used to subsidise the provision of basic and administrative services to the indigent community members and to subsidise income.

**Other Grants And Subsidies**

All other grants received were reimbursements for expenditure incurred.

**National/Provincial Government Grant & Other Funding (expenditure reimbursement)**

Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all non-capital expenditure is expensed through the Statement of Financial Performance. Reimbursements for conditions satisfied, including capital expenditure, are journalised against the Conditional Grant Creditor accounts.

Refer to Note 8, appendix G and for more detail on the conditional grant and subsidy balances and transaction movements for 2007/08.

Conditions on the funding were complied with and no funds were withheld.

<b>20 OTHER- INCOME</b>		
Airport	1,851,896	1,947,200
Forestry	10,278,274	11,241,898
Market	14,220,662	12,422,705
Burials & Cremations	1,561,538	1,393,866
Buildings	2,407,621	2,361,780
Re-connections	7,053,174	7,114,320
Training Levy Recoveries	1,577,104	1,307,014
Discount Received	618,884	738,148
Sundry Income	16,090,634	10,215,584
Other Income	168,106,420	181,045
Other Income - Gains - Sale Of Assets	-	2,772
Other Income - Gains - Land Sales	7,239,228	10,334,290
Total Other Income	<u>231,005,434</u>	<u>59,260,622</u>

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>21 GENERAL EXPENSES - OTHER</b>		
Distribution - Wages	36,895,898	36,436,385
Leave/sick Pay - Downtime	13,313,416	12,036,950
Extraordinary	10,084,367	4,838,244
Discounts To Bulk Consumers	* 102,814,767	113,827,191
Other Rebates	* 107,395,092	21,543,315
Poor Relief/Indigents	* 12,615,398	93,408,120
Pensions Payable	9,368,754	8,358,758
Insurance	16,127,377	15,231,606
Mayoral Projects	6,031,042	5,053,520
Telephones	8,618,517	8,118,252
Government Grant Expenditure	15,673,485	8,707,309
External Services	28,469,603	11,039,057
Contracted Services	11,049,414	9,295,572
Airport	4,092,215	6,929,617
Forestry	8,496,447	8,760,293
Market	4,715,263	12,964,775
Other	74,537,459	55,199,893
	<u>470,298,514</u>	<u>431,748,856</u>
Less: Forgone Expenses	(222,825,257)	(228,778,626)
<b>Total General Expenses - Other</b>	<u><b>247,473,257</b></u>	<u><b>202,970,230</b></u>
<b>Reconciliation : Total General Expenses - Other</b>		
Total General Expenses	470,298,514	431,748,856
Less: Income Foregone	222,825,257	228,778,626
Discounts	* 102,814,767	113,827,191
Poor Relief	* 12,615,398	93,408,120
Other Rebates	* 107,395,092	21,543,315
<b>General Expenses - Other</b>	<u><b>247,473,257</b></u>	<u><b>202,970,230</b></u>
Inventory Write Off - refer to note 13	<u><b>143,365</b></u>	<u><b>23,602</b></u>
<b>22 EMPLOYEE RELATED COSTS</b>		
Salaries & Wages	336,213,000	297,326,862
Contributions for UIF, Pensions & medical Aid	82,149,647	72,603,361
Travel, Motor car, accommodation, subsistence & other allowances	16,125,590	18,485,808
Housing benefits & allowances	5,306,271	4,178,283
Overtime payments	49,964,735	32,307,079
Long service awards	11,099,994	9,481,869
Less: Employee costs capitalised to Property, Plant & Equipment	-	-
Less: Employee costs included in other expenses	-	-
	<u><b>500,859,238</b></u>	<u><b>434,383,262</b></u>



**THE MSUNDUZI MUNICIPALITY**

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

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>Remuneration of the City Manager</b>		
Annual Remuneration	506,555	276,397
Performance Bonuses	-	101,162
Car Allowance	40,408	47,314
Contributions for UIF, Medical & Pension Funds	143,527	583
<b>Total</b>	<b>690,490</b>	<b>425,456</b>

The above remuneration for 2007/2008 only represents 8 months remuneration due to the appointment of the City Manager on 1 November 2007.  
No Performance bonus was paid in 2007/2008

<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	536,820	89,597
Performance Bonuses	-	91,403
Car Allowance	96,000	12,560
Contributions for UIF, Medical & Pension Funds	106,448	4,745
<b>Total</b>	<b>739,269</b>	<b>198,305</b>

The above remuneration for 2007/2008 only represents only 11 months remuneration due to the appointment of the Chief Financial on 1 August 2007. No Performance bonus was paid in 2007/2008

<b>Remuneration of the Executive Manager of Internal Audit</b>		
Annual Remuneration	-	275,984
Acting Allowance - Acting Allowance July 2007 to April 2008	215,766	-
Performance Bonuses	-	61,627
Car Allowance	-	27,857
Contributions for UIF, Medical & Pension Funds	-	13,004
<b>Total</b>	<b>215,766</b>	<b>378,473</b>

<b>Remuneration of the Executive Manager of Community Services &amp; Social Equity</b>		
Annual Remuneration	539,862	507,386
Performance Bonuses	52,538	75,242
Car Allowance	158,894	149,340
Contributions for UIF, Medical & Pension Funds	1,473	1,435
<b>Total</b>	<b>752,767</b>	<b>733,403</b>

<b>Remuneration of the Executive Manager of Sound Governance &amp; Human Resources</b>		
Annual Remuneration	638,756	589,657
Acting Allowance	-	86,677
Performance Bonuses	52,538	-
Car Allowance	60,000	60,000
Contributions for UIF, Medical & Pension Funds	1,473	1,435
<b>Total</b>	<b>752,767</b>	<b>737,770</b>

<b>Remuneration of the Executive Manager of Corporate Strategic Planning</b>		
Annual Remuneration	585,203	534,059
Performance Bonuses	52,538	88,211
Car Allowance	113,553	113,553
Contributions for UIF, Medical & Pension Funds	1,473	1,435
<b>Total</b>	<b>752,767</b>	<b>737,259</b>

<b>Remuneration of the Executive Manager of Infrastructure, Services &amp; Facilities</b>		
Annual Remuneration	650,756	605,120
Acting Allowance	-	90,896
Performance Bonuses	52,538	60,000
Car Allowance	48,000	52,914
Contributions for UIF, Medical & Pension Funds	1,473	1,435
<b>Total</b>	<b>752,767</b>	<b>810,365</b>

<b>Remuneration of the Executive Manager of Economic Development &amp; Growth</b>		
Annual Remuneration	-	492,502
Acting Allowance	173,345	61,073
Performance Bonuses	52,538	85,785
Car Allowance	18,927	61,512
Contributions for UIF, Medical & Pension Funds	49,611	139,231
<b>Total</b>	<b>294,421</b>	<b>840,104</b>

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>23 REMUNERATION OF COUNCILLORS</b>		
Mayor	569,426	545,771
Deputy Mayor	454,667	444,921
Speaker	454,667	449,362
Executive Committee Members	3,410,000	3,704,392
Councillors	9,109,913	9,002,469
Councillors' Pension and Medical Contribution	1,392,760	1,293,408
Other	75,712	62,760
<b>Total Councillors' Remuneration</b>	<b>15,467,145</b>	<b>15,503,082</b>
<b>In-Kind Benefits</b>		
<p>The Mayor, Deputy Mayor, Speaker and Executive Committee Members (Exco) are employed full-time.  All are provided with a separate office and secretarial support at a cost to Council.  The Mayor and Deputy Mayor use a Council owned vehicle for official duties.  The Mayor and Deputy Mayor have security and an official driver at a cost to Council.</p>		
<b>24 INTEREST PAID</b>		
Annuity & Finance Loans	45,957,235	44,319,973
Other	9,070,998	5,874,107
<b>Total Interest on External Borrowings</b>	<b>55,028,233</b>	<b>50,194,080</b>
<b>25 BULK PURCHASES</b>		
Electricity	321,275,361	307,241,378
Water	194,174,295	187,763,798
<b>Total Bulk Purchases</b>	<b>515,449,656</b>	<b>495,005,176</b>
<b>26 GRANTS AND SUBSIDIES PAID</b>		
Community Bodies	780,323	920,124
Arts and culture	602,527	308,695
Safe City Project	3,000,000	2,462,148
Mayors grants	9,700	8,200
<b>Total Grants and Subsidies Paid</b>	<b>4,392,550</b>	<b>3,699,167</b>
<b>27 CONTRIBUTIONS TO/(FROM) PROVISIONS</b>		
Surplus Contribution - Bad Debt Provision	60,000,000	20,000,000
Surplus Contribution - Stated Benefits Provision	5,000,000	-
Surplus Contribution - Landfill Rehabilitation Provision	2,500,000	22,000,000
	-	-
<b>Total Contributions To/(From) Provisions</b>	<b>67,500,000</b>	<b>42,000,000</b>

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>28 CASH GENERATED BY OPERATIONS</b>		
Net Surplus for the year	106,681,163	66,318,062
Adjustment for:		
Previous years	-	-
Transfer to Housing Dev Fund	-	-
Contribution to Provision	10,861,265	-
Depreciation	96,408,759	94,635,729
Forestry write back	10,704,235	2,977,411
Gain on sale of assets	(7,239,228)	(10,337,062)
Investment Income	(29,320,951)	(22,721,389)
Interest Paid	55,028,233	50,194,080
<b>Operating Surplus Before Working Capital Changes:</b>	<b>243,123,476</b>	<b>181,066,831</b>
(Increase)/Decrease in Inventories	(3,974,190)	(16,808,456)
(Increase)/Decrease in Provision for obsolete inventory	143,365	23,602
(Increase)/Decrease in Service Debtors	(4,387,332)	(74,036,557)
(Increase)/Decrease in Provision for Bad Debts	(98,425,527)	22,760,114
(Increase)/Decrease in Current Provisions	(1,430,837)	-
(Increase)/Decrease in Other Debtors	(3,197,689)	(10,468,688)
(Increase)/Decrease in Conditional Grants & Receipts	50,979,212	(27,339,274)
Increase/(Decrease) in Creditors	28,419,575	72,331,059
Increase/(Decrease) in VAT	(8,877,378)	7,982,034
<b>Working Capital Changes</b>	<b>(40,750,801)</b>	<b>(25,556,166)</b>
<b>Cash Generated from Operations</b>	<b>202,372,675</b>	<b>155,510,665</b>
<b>29 CASH AND CASH EQUIVALENTS</b>		
Cash	40,680	40,731
Bank Balances	3,383,985	13,307,584
Call & Short Term Deposits	260,420,761	207,602,643
<b>Net Increase in Cash and Cash Equivalents</b>	<b>263,845,426</b>	<b>220,950,958</b>
<b>30 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-Term Liabilities (Refer Appendix A)	90,000,000	5,995,417
Used to Finance Property, Plant and Equipment	(90,000,000)	(5,995,417)
Used to Finance Property, Plant and Equipment previous years	-	-
Reinstatement of Loans Erroneously Written Off	-	-
Balance of long-term liabilities unspent	-	-
Cash Invested for Repayment of External Loans	-	-
A loan of R 90m was negotiated with DBSA to fund 2006/2007 capital expenditure. The loan was received in 2007/08 financial year.		
All long term loans are raised to finance capital expenditure only. No operating expenditure is financed from long term loan. All purchases against the capital expenditure are analysed and reconciled to individual asset values. This eliminates any contravention of the MFMA, which stipulates that loan funding cannot finance operating activities.		
<b>31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>Contributions to SALGA</u></b>		
Opening Balance	-	-
Council Subscriptions	1,394,494	216,065
Amount Paid - Current Year	(1,394,494)	(216,065)
Amount Paid - Previous Years	-	-
<b>Balance Unpaid</b>	<b>-</b>	<b>-</b>

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b><u>Audit Fees</u></b>		
Opening Balance	18,342	4,877
Over Provision Written Back	43,608	13,465
Audit Fee invoiced	(1,432,227)	(1,375,048)
Amount Paid - Current Year	-	-
Amount Paid - Previous Years	1,432,227	1,375,048
<b>Balance Unpaid</b>	<b>61,950</b>	<b>18,342</b>

**PAYE and UIF**

Opening Balance	(32,915)	(32,915)
Current Year Payroll Deductions	61,810,390	64,195,400
Amount Paid - Current Year	(61,810,390)	(64,195,400)
Amount Paid - Previous Years	-	-
<b>Balance</b>	<b>(32,915)</b>	<b>(32,915)</b>

Note: The difference represents PAYE & UIF deducted from the employees salaries, however payroll will have to be adjusted

**Pension and Medical Aid Deductions**

Opening Balance	-	-
Current Year Payroll Deductions and Council Contributions	133,286,007	119,908,164
Amount Paid - Current Year	(133,286,007)	(119,908,164)
Amount Paid - Previous Years	-	-
<b>Balance Unpaid</b>	<b>-</b>	<b>-</b>

**Councillor's Arrear Consumer Accounts**

Note: There are no reportable items

**32 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and Contracted for		
Infrastructure	43,693,410	10,615,987
Community	-	-
Heritage	-	-
Other	-	-
<b>Total Commitments</b>	<b>43,693,410</b>	<b>10,615,987</b>

This expenditure will be financed from :

- External Loans	5,600,000	10,615,987
- Government Grants	-	-
- Other	38,093,410	-
	<b>43,693,410</b>	<b>10,615,987</b>

**33 CONTINGENT LIABILITIES/ASSETS**

The Scorpions special investigating unit is currently investigating procurement procedures and practices of the past. This investigation is on going and might result in the recovery of losses due to Council.

P J Terwolbeek v The Msunduzi Municipality: For water damage in Waverlydale Road (Boughton) :  
R 1 121 620 Solicitors: Messers Stowell & Co.

I Ogilvie v The Msunduzi Municipality: Accidentally fell into an open trench on Murray Road:  
R 166 161

D V Ngcobo v The Msunduzi Municipality: Pedestrian accident involving council vehicle :  
R 1.8 million

F Osman v The Msunduzi Municipality:Fell on uneven pavement on Bombay Road: R 198 840  
Solicitors:Cajee Setsubi Chetty Inc

Zeedin Investments v The Msunduzi Municipality:For overpayment of municipal services: R 450 184

Jewitt v Msunduzi Municipality: Damage claim: Devaluation of property: Alleged failure to remove informal settlers: R 10 million: pending before court. Solicitors: Messers Hawthorn Cameron.

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>34 RETIREMENT BENEFIT INFORMATION</b>		
The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:		
- Natal Joint Pension Fund		
- Natal Joint Provident Fund		
- Government Employees Pension Fund		
- AIPF		
- SALA Pension Fund		
- Councillors Pension Fund		
- PMB Providend Fund		
<b>35 IN-KIND DONATIONS AND ASSISTANCE</b>		
National Treasury has appointed a financial advisor during the financial year for a period of two years.		
<b>36 CORRECTION OF ERROR</b>		
Transactions for the year ended 30 June 2008 in respect of the year ended 30 June 2007 have been restated as follows:		
Transactions affecting Creditors	-	(19,765,814)
Transactions affecting Inventory	-	-
Transactions affecting Consumer Debtors	-	-
Transactions affecting Other Debtors	-	(2,091,842)
Transactions affecting Provisions	-	-
Transactions affecting Bank	-	-
Transaction affecting VAT	-	(4,845,765)
Transaction affecting Long Term Liabilities	-	(44,988)
Net Effect on Accumulated Surplus	-	(26,748,410)
<b>37 MUNICIPAL ENTITIES</b>		
<u>Note:</u> The Safe City Project PMB was declared a Municipal Entity in terms of the MFMA and was incorporated as a Section 21 Company and was initiated in partnership with the business sector to create a safer CBD.		
The Msunduzi Municipality is taking full advantage of the exemption in Gazette 30013 dated 29 June 2007 and thereby not producing consolidated statements for 2007/08		
Refer to Annexure H for the annual financial statements of Safe City.		
<b>38 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
None to report on		

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**2008**  
**R**

**2007**  
**R**

**39 CHANGE IN ACCOUNTING POLICY**

The exemptions granted in Gazette 30013 of 29 June 2007 had the following effect on the accounting policies as expressed in the 2007/08 financial year:

Policy no 6. Property, Plant and Equipment

Reviewing of estimated lifecycles and depreciation methods were not applied.

No testing for impairment was performed.

Investment properties were not separately identified.

Comparative information has not been reclassified and may therefore, not be consistent with the current year information and amounts.

Leases - no accounting policy were presented in the 2007/08 financial year.

Leases and rentals are recognised on the basis of the cash flows in the lease or rental

The exemption does not effect the recognition in the 2007/08 financial year.

Policy 5.3. Government Grant Reserve.

In the 2005/06 financial year this Reserve was disclosed as part of the net assets and was transferred to the accumulated surplus in 2007/08 as there are no standard that regulates the transactions that were applied to this reserve.

The change was done prospectively.

Impairment of assets. - the only specific reference to impairment in the 2005/06 financial year accounting policies were in the policy describing Property, Plant and Equipment. No Policy for cash generating assets existed.

No impairment testing was done for the 2006/07 and 2007/08 financial years.

Policy 8. Inventories

Disclosure of assets for sale is not affected as inventory but as property, plant and IFRS 5 were not applied during the 2007/08 financial year.

**40 EXEMPTIONS GRANTED IN GAZETTE 30013 DATED 29 JUNE 2007**

The Msunduzi Municipality is making full use of the exemptions.

Due to taking advantage of the exemptions granted the 2006/07 comparatives may not be consistent with the accounting policies applied and information presented and disclosed in the 2007/08 year

The Msunduzi Municipality has drawn up an implementation plan to facilitate full compliance to the accounting in standards 2009.

To achieve full compliance the information in the annual financial statements will have to be adjusted to make provision for:

- Presenting assets and liabilities at fair value.
- Providing for all obligations.
- Recapitalise the value of all infrastructure and property assets.
- Straight lining leases and rental income and payments.
- Identify and account for Investment assets.
- Identify and account for Intangible assets.
- Determination of risk (credit and interest).
- Impairment.

**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>41 PRE-PAID ELECTRICITY</b>		
<b>41.1 <u>1. Commissions</u></b>		
Commissions are calculated on sales from prepaid electricity sales made by vendors on behalf of the Municipality.		
During the 2007/08 financial year, the commissions have been correctly calculated and are included in general expenses of the Municipality. During the 2006/07 financial year, two vendors had defaulted in depositing amounts received from prepaid sales. As a result, no commission was paid to them. This matter is being dealt with the legal division.		
They defaulting vendors are Sweetwaters and Phayipini who had ceased trading in January 2007 and October 2006 respectively.		
Effect on Statement of Performance		
Sweetwaters	-	8,160
Phayipini	-	5,645
	-	13,805
<b>41.2 <u>Outstanding liability of vendors</u></b>		
The outstanding liability owed to the Municipality by the prepaid vendors is included in the debtors figures. During the 2007/08 financial year, irregularities were identified regarding the deposits made by the vendors. This matter is currently being investigated and has caused financial loss to the Municipality.		
Estimated financial loss	802,150	-
During the previous financial years Sweetwaters and Phayipini Office had defaulted in depositing money received from prepaid sales. The amounts of R 55,723 and R 75,896 respectively, were deemed irrecoverable during the 2005/06 financial year. The amounts of R 13,980 and R 15,671, being the movements for the 2006/07 year, are also deemed irrecoverable. It is proposed that they be written off. The matter is being handled by the legal division.		
<b>42 EVENTS ARISING AFTER REPORTING DATE</b>		
None		
<b>43 RELATED PARTIES DISCLOSURE</b>		
<u>NCT Forestry</u>		
The Natal Co-operative Timber (NCT) Company manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to 5% management fee based on net profit for the year - R 93 780 based on nett profit : R 1 875 608.		
<u>Safe City</u>		
This entity has been formed as a partnership with the business community to combat crime in the City. Council allocated a grant in aid to the entity for R 3 000 000 (2007/08) year and R 2 462 148 (2006/07) year.		



**THE MSUNDUZI MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>44 OPERATING LEASES</b>		
<u><b>BUILDINGS</b></u>		
Compen - leased for 3 years from 10.06.2007 to 31.05.2010		
Rental for leased period - 01.06.2007 to 30.11.2007	689,130	6 months
Rental for leased period - 01.12.2007 to 31.05.2008	754,247	6 months
Rental for leased period - 01.06.2008 to 31.05.2009	1,629,173	12 months
Rental for leased period - 01.06.2009 to 31.05.2010	1,759,507	12 months
	<u>4,832,057</u>	
<u><b>COPIERS AND FAX MACHINES</b></u>		
Leased for 3 years from 27.05.2005 to 28.05.2008		
Rental for leased period - 27.05.2005 to 26.05.2006	1,356,616	12 months
Rental for leased period - 27.05.2006 to 26.05.2007	1,412,282	12 months
Rental for leased period - 27.05.2007 to 26.05.2008	1,412,282	12 months
	<u>4,181,180</u>	
<b>45 TRAFFIC FINES OUTSTANDING AS AT 30 JUNE 2008</b>		
As per the NATIS (National Traffic Information System)		
THE MSUNDUZI MUNICIPALITY - TRAFFIC DEPARTMENT		
Notice Of Intention To Prosecute - 341's	311,640	
Notice Before Summons	3,300	
Section 54 Notices - Summons	504,100	
Unfinalized Fines	426,200	
Warrants Of Arrests	5,826,270	
	<u>7,071,510</u>	
<b>46 FRAUDULENT ACTIVITIES</b>		
During this financial year non transferable cheques to the value of R 1 063 675 was intercepted in the post and then fraudulently cashed at various First National Bank branches in Pinetown, Durban and Pietermaritzburg. First National Bank has made good on these cheques which resulted in no loss to council. Internal investigations revealed that four Council employees were involved in this fraudulent activity. Disciplinary hearings were held which then resulted in the suspension of the four employees, to date one employee has been dismissed and the remaining three are still on suspension.		
<b>47 WATER LOSSES</b>		
The water loss for the financial year of 20 361 202kl amounted to R 60 961 438.79 which equates to 36.5% of the total water purchased. It must be noted that the nationally accepted norm for water losses by municipalities is 30%.		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

EXTERNAL LOANS	ACCOUNT NO	Loan Number	Redeemable	Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08
<b>LONG-TERM LOANS</b>				R	R	R	R
DBSA - 15.5%	PMB8108710930	11158	30/09/2018	11,825,821	-	412,371	11,413,450
DBSA - 15.5%	PMB8108710930	11159	31/03/2019	14,539,603	-	462,767	14,076,835
DBSA - 15.5%	PMB8108710930	11160	31/03/2019	12,391,455	-	394,396	11,997,059
DBSA - 16.5%	PMB8108710930	13446	31/03/2020	22,689,919	-	559,384	22,130,535
DBSA - 16.5%	PMB8108710930	13447	31/03/2020	9,671,824	-	238,444	9,433,380
DBSA - 16.5%	PMB8108710930	13448	31/03/2020	14,320,426	-	353,048	13,967,379
DBSA - 14.27%	PMB8108710930	14039/101	31/12/2014	48,331,198	-	4,035,874	44,295,325
DBSA - 14.27%	PMB8108710930	14039/102	31/12/2015	1,318,760	-	89,919	1,228,840
DBSA - 14.27%	PMB8108710930	102091	2/11/2020	5,265,000	-	194,387	5,070,613
DBSA - 14.27%	PMB8108710930	102416	28/06/2021	49,099,998	-	1,886,030	47,213,968
DBSA - 10.75%	PMB7878719598	11649	30/6/2013	32,452	-	4,089	28,363
DBSA - 9.31%	PMB8108710930	101922	30/09/2020	24,276,822	-	967,283	23,309,539
DBSA - 8.7%	PMB8108710930	102797	30/09/2022	-	90,000,000	1,717,831	88,282,169
<b>DBSA Total</b>				<b>213,763,279</b>	<b>90,000,000</b>	<b>11,315,823</b>	<b>292,447,456</b>
RMB/INCA - 16.35%	PMB8108710929	Piet-00-0001	31/12/2010	42,727,456	-	10,561,375	32,166,081
RMB/INCA - 13.39%	PMB8108710929	Msun-00-0001	31/12/2010	23,181,139	-	3,836,803	19,344,336
INCA - 11.65%	PMB8108710929	Msun-00-0001	31/12/2013	23,137,441	-	2,545,468	20,591,973
<b>RMB/INCA Total</b>				<b>89,046,036</b>	-	<b>16,943,646</b>	<b>72,102,390</b>
INCA - 11.75%	PMB8108710997	PMB107XA-S	01/11/2007	1,400,000	-	1,400,000	-
INCA - 14.50%	PMB81087 0996	PMB107XB-S	01/11/2007	4,000,000	-	4,000,000	-
RMB/HULETTS - 8.71%	PMB8108710931	Sub-station	30/06/2013	7,301,279	-	716,886	6,584,393
<b>RMB/HULETTS Total</b>				<b>12,701,279</b>	-	<b>6,116,886</b>	<b>6,584,393</b>
Metro Transport Fund - 5.5%	PMB8108710906			-	-	-	-
Eastwood Library				-	-	-	-
DSB	PMB7878719599	Plessislaer 2008		5,326	-	5,326	-
DSB	PMB7878719598	Plessislaer 2008		680	-	680	-
DSB		Ashburton 2008		0	-	-	-
<b>Other loans total</b>				<b>6,006</b>	-	<b>6,006</b>	-
<b>Total Long-term Loans</b>				<b>315,516,600</b>	<b>90,000,000</b>	<b>34,382,361</b>	<b>371,134,239</b>

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

<u>EXTERNAL LOANS</u>	<u>ACCOUNT NO</u>	<u>Loan Number</u>	<u>Redeemable</u>	<u>Balance at 30/06/07</u>	<u>Received during the period</u>	<u>Redeemed written off during the period</u>	<u>Balance at 30/06/08</u>
<b>LEASE LIABILITY</b>							
Standard Bank - 12.909%	PMB 810 871 0947	Stannic 6	31/03/2009	1,514,670	-	745,189	769,481
Standard Bank - 13.409%	PMB 810 8710949	Stannic 7	10/07/2005	802,002	-	343,400	458,602
Standard Bank - 13.419%	PMB 810 8710950	Stannic 8	31/05/2009	693,197	-	233,155	460,042
Standard Bank - 13.527%	PMB 810 871 0951	Stannic 9	31/08/2009	248,307	-	80,693	167,614
Standard Bank - 13.327%	PMB 810 871 0952	Stannic 10	28/02/2010	66,917	-	21,702	45,215
Standard Bank - 13.537%	PMB 810 871 0953	Stannic 11	31/03/2010	66,919	-	21,701	45,219
Standard Bank - 13.537%	PMB 810 871 0954	Stannic 12	31/03/2010	733,293	-	229,560	503,733
Standard Bank - 13.378%	PMB 810 871 0955	Stannic 13	23/03/2010	356,049	-	111,715	244,334
Standard Bank - 13.378%	PMB 810 871 0956	Stannic 14	30/04/2010	155,218	-	48,660	106,558
Standard Bank - 13.337%	PMB 810 871 0957	Stannic 15	30/04/2010	226,408	-	71,015	155,393
Standard Bank - 13.294%	PMB 810 871 0958	Stannic 16	21/04/2010	463,177	-	140,420	322,757
Standard Bank - 13.268%	PMB 810 871 0959	Stannic 17	30/04/2010	1,140,032	-	334,280	805,751
Standard Bank - 13.357%	PMB 810 871 0960	Stannic 18	31/05/2010	203,403	-	55,829	147,574
Standard Bank - 13.382%	PMB 810 871 0961	Stannic 19	30/06/2010	164,383	-	45,105	119,277
Standard Bank - 13.273%	PMB 810 871 0962	Stannic 20	31/08/2010	954,134	-	262,153	691,981
Standard Bank - 13.263%	PMB 810 871 0963	Stannic 21	31/08/2010	1,799,155	-	479,043	1,320,112
Standard Bank - 13.294%	PMB 810 871 0964	Stannic 22	31/08/2010	751,445	-	213,834	537,611
<b>Standard Bank Total</b>				<b>10,338,709</b>	<b>-</b>	<b>3,437,455</b>	<b>6,901,254</b>

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

<u>EXTERNAL LOANS</u>	<u>ACCOUNT NO</u>	<u>Loan Number</u>	<u>Redeemable</u>	<u>Balance at 30/06/07</u>	<u>Received during the period</u>	<u>Redeemed written off during the period</u>	<u>Balance at 30/06/08</u>
Nedbank -13.00%	PMB 810 871 0965	Nedbank 1	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0966	Nedbank 2	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0967	Nedbank 3	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0968	Nedbank 4	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0969	Nedbank 5	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0970	Nedbank 6	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0971	Nedbank 7	24/12/2011	144,812	-	25,093	119,719
Nedbank -13.00%	PMB 810 871 0972	Nedbank 8	24/12/2011	150,009	-	25,093	124,016
Nedbank -13.00%	PMB 810 871 0973	Nedbank 9	24/12/2011	150,173	-	26,022	124,151
Nedbank -13.00%	PMB 810 871 0974	Nedbank 10	24/12/2014	477,492	-	39,095	438,397
Nedbank -13.00%	PMB 810 871 0975	Nedbank 11	24/12/2014	477,492	-	39,059	438,433
Nedbank -13.00%	PMB 810 871 0976	Nedbank 12	24/12/2017	1,977,253	-	96,913	1,880,340
Nedbank -13.00%	PMB 810 871 0977	Nedbank 13	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0978	Nedbank 14	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0979	Nedbank 15	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0980	Nedbank 16	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0981	Nedbank 17	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0982	Nedbank 18	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0983	Nedbank 19	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0984	Nedbank 20	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0985	Nedbank 21	12/06/2012	162,483	-	24,378	138,105
Nedbank -13.00%	PMB 810 871 0986	Nedbank 22	12/06/2012	162,483	-	24,378	138,105
<b>Nedbank Total</b>				<b>5,870,931</b>	-	<b>646,509</b>	<b>5,224,421</b>
Absa - 10.65%	PMB8108710939	Absa 1	31/08/2007	346,789	-	346,789	-
Absa -13.31%	PMB8108710942	Absa 2	31/05/2009	3,283,132	-	1,601,550	1,681,582
Absa -14.22%	PMB8108710948	Absa 3	01/04/2009	83,387	-	43,003	40,384
<b>ABSA Total</b>				<b>3,713,309</b>	-	<b>1,991,342</b>	<b>1,721,966</b>
Total lease liability				<b>19,922,949</b>	-	<b>6,075,306</b>	<b>13,847,642</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>335,439,549</b>	<b>90,000,000</b>	<b>40,457,667</b>	<b>384,981,881</b>

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX B**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008**

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		
LAND AND BUILDINGS											
Land	35,944,950	-	49,729	-	(278,423)	35,715,856	-	-	-	-	35,715,856
Buildings	94,609,090	-	785,552	2,436,766	-	97,831,408	22,163,276	3,070,324	-	25,233,600	72,597,808
Total Land and Buildings	130,553,639	-	835,281	2,436,766	(278,423)	133,547,264	22,163,276	3,070,324	-	25,233,600	108,313,664
Electricity											
Power Stations	48,242,331	-	1,215,230	11,830,387	-	61,287,947	16,811,209	1,615,812	-	18,427,022	42,860,925
Electrical Mains	63,173,240	-	3,682,187	-	-	66,855,427	22,608,334	3,182,448	-	25,790,782	41,064,645
Electrical Meters	43,354,070	-	944,344	-	-	44,298,414	14,343,669	1,981,979	-	16,325,648	28,172,766
Electrical Supply & Reticulation	144,456,412	(784,406)	1,215,506	6,985,517	-	151,873,029	67,337,627	4,960,098	-	72,297,725	79,575,304
Lead control equipment	59,590	-	-	-	-	59,590	2,997	3,006	-	6,003	53,947
Switchgear Equipment	21,979,990	-	2,332,009	1,546,924	(31,500)	25,827,423	6,044,164	1,022,491	(522)	7,066,133	18,761,290
Transformer Kiosks	25,262,407	-	5,136,896	1,266,688	-	31,665,991	10,486,512	858,461	-	11,344,973	20,321,019
Total Roads	346,728,399	(784,406)	14,556,171	21,629,516	(31,500)	382,068,181	137,634,512	13,624,295	(522)	151,258,286	230,809,895
Roads											
Motorways	155,732	-	-	-	-	155,732	18,902	15,616	-	34,518	121,214
Bridges, Subways and Culverts	7,361,835	-	-	3,943	-	7,365,778	2,537,118	246,067	-	2,783,185	4,582,594
Over head bridges	187,472	-	-	-	-	187,472	6,770	6,266	-	13,036	174,435
Bus Terminals	5,251,041	-	-	-	-	5,251,041	2,776,107	182,069	-	2,958,175	2,292,866
Car Parks	124,286	-	-	-	-	124,286	37,102	4,389	-	41,491	82,795
Other Roads	351,460,883	-	7,232,882	45,732,156	-	404,415,920	242,386,943	21,379,938	-	263,760,880	140,695,040
Stormwater Drains	46,662,421	-	-	13,565,979	-	60,228,400	23,934,739	2,036,623	-	25,971,362	34,257,038
Street Lighting	25,984,714	-	2,621,332	-	-	28,606,046	10,330,818	850,473	-	11,181,291	17,424,795
Traffic Islands	26,192	-	-	-	-	26,192	7,162	2,602	-	9,764	16,428
Traffic Lights	1,638,481	-	-	-	-	1,638,481	419,440	70,715	-	490,156	1,148,325
Road Banners	278,138	-	-	-	-	278,138	4,808	13,945	-	18,753	259,384
Total Sewerage	439,121,194	-	9,854,214	59,302,078	-	508,277,486	282,459,908	24,802,703	-	307,262,611	201,014,874
Sewerage											
Outfall Sewers	2,931,600	-	-	-	-	2,931,600	420,416	146,982	-	567,398	2,364,202
Purification Works	35,893	-	-	-	-	35,893	35,893	-	-	-	(0)
Sewerage Pumps	170,734	-	-	-	-	170,734	25,782	11,414	-	37,196	133,538
Sewers	99,198,788	(969,869)	3,131,476	31,787,505	-	133,147,900	42,447,515	4,102,314	-	46,550,328	86,597,572
Total Water	102,337,015	(969,869)	3,131,476	31,787,505	-	136,286,127	42,929,606	4,261,209	-	47,190,814	89,095,313
Water											
Mains	15,910,247	-	346,593	1,106,246	-	17,363,086	1,558,227	799,116	-	2,357,343	15,005,743
Meters	24,869,100	-	941,077	-	-	25,810,176	9,902,489	1,666,556	-	11,569,045	14,241,131
Reservoirs	427,395	-	-	1,004,862	-	1,432,257	60,502	21,428	-	81,930	1,350,327
Reticulation	148,767,036	-	7,259,016	733,027	(100)	156,758,980	71,052,880	6,430,540	(100)	77,483,020	79,275,960
Total Treatment Works	-	-	-	-	-	-	-	-	-	-	-
Treatment Works											
Footways	189,973,779	-	8,546,686	2,844,135	(100)	201,364,499	82,374,098	8,917,340	(100)	91,491,337	109,873,162
Footways	14,063,625	-	605,060	-	-	14,668,685	8,628,356	673,628	-	9,301,984	5,366,701
Kerbing	42,099,624	-	-	-	-	42,099,624	31,362,832	2,099,214	-	33,462,046	8,637,578
Total Airport	56,163,249	-	605,060	-	-	56,768,309	39,591,188	2,772,842	-	42,364,030	14,004,278
Airport											
Aprons	346,854	-	-	-	-	346,854	75,485	17,390	-	92,875	253,979
Runways	9,014,518	-	121,542	447,958	-	9,584,017	3,034,785	452,460	-	3,487,245	6,096,772
Taxiways	179,500	-	-	-	-	179,500	27,673	9,000	-	36,673	142,827
Radio Beacons	198,551	-	-	-	-	198,551	63,006	9,955	-	72,960	125,591
Total Security	9,739,422	-	121,542	447,958	-	10,308,922	3,200,948	488,805	-	3,689,753	6,619,169
Security											
Access Control Systems	51,334	-	36,686	-	-	88,020	51,334	603	-	51,937	36,083
Fencing	2,278,173	-	550,204	-	-	2,828,377	1,907,180	165,489	-	2,072,670	755,707
Security Systems	23,083,367	-	957,707	174,502	-	24,215,576	12,021,647	4,385,363	-	16,407,010	7,808,566
Total Infrastructure Assets	25,412,873	-	1,544,597	174,502	(31,600)	27,131,972	13,980,161	4,551,456	-	18,531,617	8,600,356
Total Infrastructure Assets	1,169,475,930	(1,754,275)	38,329,746	116,185,693	(31,600)	1,322,005,495	602,770,420	59,418,650	(622)	662,188,448	660,017,047

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B CONTINUED**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008**

	Cost				Accumulated Depreciation						
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
COMMUNITY ASSETS											
Buildings	2,064,675	-	388,355	-	-	2,453,031	319,070	66,638	-	385,708	2,067,323
Cemeteries	797,763	-	518,165	-	-	1,315,928	575,376	28,085	-	603,461	712,467
Civic Theatres	8,398,687	-	654,572	-	-	9,053,259	2,174,401	282,516	-	2,456,918	6,596,341
Clinics and Hospitals	54,859,978	-	4,027,483	645,948	-	59,533,009	7,323,183	1,839,487	-	9,162,670	50,370,339
Community Centres	1,974,252	-	406,633	234,877	-	2,615,761	841,109	59,324	-	900,433	1,715,328
Fire Stations	521,835	-	-	-	-	521,835	131,242	17,442	-	148,685	373,150
Gomes Reserves and Rest Camps	430,645	-	15,335	-	-	445,980	172,721	14,436	-	187,157	258,823
Indoor Sports Facilities	25,587,229	-	261,119	3,630,475	-	29,478,823	2,415,308	835,905	-	3,251,213	26,227,610
Library	4,843,996	-	122,049	-	-	4,966,044	2,246,123	161,909	-	2,408,032	2,558,012
Museums and Art Galleries	2,576,954	-	461,006	223,500	-	3,261,460	273,125	87,397	-	360,522	2,900,938
Parks	3,018,837	-	-	-	-	3,018,837	687,804	100,568	-	788,372	2,230,465
Public Conveniences	1,039,451	-	-	-	-	1,039,451	105,443	34,743	-	140,186	899,265
Recreation Centres	10,877,269	-	265,545	-	-	11,142,814	1,568,944	359,952	-	1,928,896	9,213,919
Stadiums	116,991,169	-	6,998,213	4,856,848	-	128,846,231	18,833,850	3,888,402	-	22,722,253	106,123,979
Recreational Facilities	2,285,497	-	-	-	-	2,285,497	900,631	112,706	-	1,013,338	1,272,159
Floodlighting	45,508,324	-	1,641,129	316,018	-	47,465,470	19,300,735	2,254,248	-	21,554,984	25,910,486
Outdoor Sports Facilities	6,219,949	-	92,023	-	-	6,311,972	2,772,563	248,092	-	3,020,614	3,291,358
Swimming Pools	189,950	-	-	-	-	189,950	106,365	9,504	-	115,868	73,682
Tennis Courts	54,203,320	-	1,733,152	316,018	-	56,252,489	23,080,294	2,624,510	-	25,704,804	30,547,686
Total Community Assets	171,194,489	-	8,731,365	5,172,866	-	185,098,721	41,914,144	6,512,912	-	48,427,056	136,671,664
OTHER ASSETS											
Other Properties	139,014	-	-	-	-	139,014	127,139	3,454	-	130,594	8,420
Caravan Parks	158,279	-	-	-	-	158,279	137,617	5,290	-	142,907	15,372
Abattoirs	632,152	-	-	-	-	632,152	71,195	21,060	-	92,255	539,898
Hostels Workers	198,599,386	(6,088,647)	1,801,353	6,189,508	(2,605)	200,498,995	8,854,734	6,384,594	(174)	15,239,155	185,259,840
Housing Schemes	23,133,100	-	99,754	-	-	23,232,855	7,248,000	706,140	-	7,954,140	15,278,714
Markets	525,408	-	38,604	-	-	564,012	99,772	17,667	-	117,439	446,573
Nurseries	1,162,850	-	-	-	-	1,162,850	292,240	38,868	-	331,108	831,742
Kilns	52,084,427	(5,371,019)	90,574	-	-	46,803,982	11,608,461	1,741,152	-	13,349,614	33,454,369
Tip Sites	142,115	-	173,204	28,188	-	343,507	564	7,125	-	7,709	335,798
Training facilities	663,494	-	-	-	-	663,494	203,458	22,177	-	225,635	437,859
Old Age Homes	29,007,819	-	-	-	-	29,007,819	2,078,133	773,207	-	2,851,340	37,877,042
Transport Facilities	4,716,820	-	264,380	11,720,563	-	15,701,763	1,198,404	158,301	-	1,356,705	3,624,496
Workshops and Depots	310,964,865	(11,459,666)	2,467,870	17,938,259	(2,605)	319,908,723	31,919,737	9,879,037	(174)	41,798,600	278,110,122
Plant and Equipment											
Graders	7,032,305	-	-	-	-	7,032,305	2,341,760	554,441	-	2,896,401	4,135,904
Compactors	138,950	-	-	-	-	138,950	138,950	-	-	138,950	-
Generators	1,767,178	-	-	-	-	1,767,178	109,924	118,135	-	228,059	1,539,119
Farm Equipment	103,323	-	-	-	-	103,323	25,001	20,721	-	45,722	57,601
General	12,381,568	-	749,735	977,291	-	14,108,594	10,113,359	827,780	-	10,941,139	3,167,454
Lawnmowers	2,430,608	-	-	2,017	-	2,432,625	2,383,003	47,605	-	2,430,609	2,016
Laboratory Equipment	753,947	-	734,873	-	-	1,488,820	196,216	152,814	-	349,031	1,139,389
Radio Equipment	1,603,858	-	15,000	-	-	1,618,858	1,368,494	69,145	-	1,437,639	181,219
Telecommunication Equipment	5,464,791	-	127,500	-	-	5,592,291	1,574,320	1,058,292	-	2,632,572	2,959,719
Tractors	6,307,757	-	-	-	-	6,307,757	3,454,258	347,508	-	3,801,766	2,505,991
Other Assets carried forward	37,983,884	-	1,627,108	979,307	-	40,590,300	21,705,286	3,196,602	-	24,901,888	15,688,411
	348,948,749	(11,459,666)	4,094,978	18,917,566	(2,605)	360,499,022	53,625,023	13,075,639	(174)	66,700,489	293,798,534

**THE MSUNDUZI MUNICIPALITY**  
**APPENDIX B CONTINUED**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008**

	Cost				Accumulated Depreciation			
	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Disposals	Carrying Value
Other Assets brought forward	348,948,749	(11,459,666)	4,094,978	18,917,566	(2,605)	360,499,022	-	293,798,534
Office Equipment	10,086,123	-	1,059,018	165,003	(2,882)	11,310,144	-	3,168,396
Air Conditioners	26,532,229	-	2,031,603	369,021	(64,563)	28,929,972	(336)	6,041,966
Computer Hardware	3,707,671	-	796,291	-	-	4,449,399	(13,370)	1,620,681
Computer Software	4,956,557	-	246,815	-	-	5,203,372	-	535,192
Office Machines	45,282,580	-	4,133,727	534,025	(57,445)	49,892,867	(13,707)	11,366,234
Furniture and Fittings	7,488,637	-	405,676	90,972	(180)	7,985,105	(9)	532,867
Cabinets and Cupboards	9,797,695	-	9,648	9,648	-	9,807,343	-	64,112
Chairs	7,763,846	-	27,185	6,781	(2,993)	7,797,811	-	840,418
Furniture and Fittings Other	8,344,739	-	89,508	-	(3,173)	8,431,254	(142)	84,227
Tables and Desks	33,394,917	-	522,368	107,401	(3,173)	34,021,513	(150)	1,521,625
Containers	256,014	-	-	-	-	256,014	-	76,562
Household Refuse Bins	1,082,581	-	208,560	-	-	1,291,141	-	353,613
Bulk Containers	1,338,595	-	208,560	-	-	1,547,155	-	1,014,090
Fire & Ambulance (Medical)	7,517,267	-	85,440	154,805	-	7,757,512	-	1,330,549
Fire Equipment	1,119,086	-	267,059	-	(63,649)	1,322,496	(5,069)	6,426,562
Medical Equipment - Clinics	8,636,353	-	352,499	154,805	(63,649)	9,080,008	(5,069)	739,115
Motor Vehicles	7,658,258	-	2,037,783	-	-	9,696,041	-	5,925,113
Fire Engines	451,139	-	-	-	-	451,139	-	451,139
Buses	16,809,360	-	2,714,442	977,286	(59,727)	20,440,360	(23,924)	7,606,263
Motor Vehicles	696,111	-	-	-	-	696,111	-	696,112
Motor Cycles	1,147,281	-	-	-	-	1,147,281	-	1,147,281
Trailers	87,634,494	-	2,472,651	721,375	-	90,828,521	-	83,172,473
Trucks and Bakkies	114,396,642	-	7,223,876	1,698,661	(59,727)	123,259,452	(23,924)	102,072,029
Capital leases	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-
General	3,308,513	-	200,368	-	-	3,509,480	-	2,042,069
Railway Lines	367,564	-	-	-	-	367,564	-	100,127
Aircraft	131,177	-	-	-	-	131,177	-	131,177
Watercraft	1,462,550	-	-	-	-	1,462,550	-	967,775
Rivers	1,581,817	-	46,500	-	-	1,628,317	-	158,590
Rivers	1,295,395	-	-	-	-	1,295,395	-	1,061,042
Land-Housing	1,730,853	-	62,000	-	-	1,792,853	-	1,792,853
Artworks	9,877,869	-	309,468	-	-	10,187,337	-	4,460,779
Total Other Assets	561,875,705	(11,459,666)	16,845,477	21,412,458	(186,598)	588,487,375	(43,023)	252,192,980
TOTAL	2,033,099,763	(13,213,940)	64,741,869	145,207,783	(496,621)	2,229,338,854	(43,645)	988,042,085
Intangible Assets	10,828,569	-	256,614	-	-	11,085,183	-	10,181,487
Agricultural/Biological Assets	520,943	-	81,727	-	-	602,670	-	602,670
Grand Total Assets	2,044,449,275	(13,213,941)	65,080,210	145,207,783	(496,621)	2,241,026,707	(43,645)	998,223,573
Asset Disposal - 06/07 & 07/08	2,044,449,275	-	-	-	-	2,044,449,275	(31,513)	1,242,803,134
General Ledger	-	-	-	-	-	-	(43,647)	998,223,573
	-	-	-	-	-	-	(43,647)	1,242,803,134



**THE MSUNDUZI MUNICIPALITY**

**APPENDIX C**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

Fixed Assets	Historical Cost						Accumulated Depreciation				Carrying Value	
	Description	Opening Balance	Under Construction Previous Year	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	Executive and Council Finance and Administration	7,996,345		1,235,752	10,036	(395,595)	8,846,539	3,826,211	691,219	-	4,517,430	4,329,108
		323,146,679		6,653,954	1,382,372	-	331,183,005	151,836,214	18,100,279	(37,630)	169,898,863	161,284,142
	Planning and Development	64,675,502	5,371,019	1,121,238	7,949,891	-	73,746,631	21,663,548	3,265,380	-	24,928,928	48,817,703
	Health	16,047,827		2,100,297	57,200	(180)	18,205,144	7,656,290	782,428	(9)	8,438,709	9,766,435
	Community and Social Services	32,122,858		1,246,770	3,752,523	-	37,122,152	8,902,443	1,497,609	-	10,400,052	26,722,100
	Housing	185,332,184	6,088,647	25,624	16,640	(2,605)	185,371,843	10,146,306	5,813,875	(174)	15,960,008	169,411,835
	Public Safety	49,577,896		5,714,042	1,808,486	(66,642)	57,033,782	32,426,931	3,233,228	(5,211)	35,654,948	21,378,834
	Sport and Recreation	111,534,190		3,647,844	316,018	-	115,498,052	42,482,932	4,654,878	-	47,137,810	68,360,242
	Road Transport	467,675,040		10,737,735	59,153,272	-	537,566,047	296,683,802	25,090,974	-	321,774,776	215,791,271
	Environmental Protection	520,943		217,902	-	-	738,845	-	91,500	-	91,500	647,345
	Water	192,635,874	784,406	9,718,630	3,347,365	(100)	205,701,769	87,231,887	8,703,335	(100)	95,935,122	109,766,647
	Waste Management	172,985,071	969,868	3,743,077	31,773,645	-	208,501,793	65,269,943	7,673,306	-	72,943,249	135,558,544
	Electricity	382,668,145		18,109,368	20,372,978	(31,500)	421,118,991	159,963,940	15,314,522	(522)	175,277,941	245,841,051
	Other	37,530,721		807,975	2,053,418	-	40,392,114	13,736,502	1,527,736	-	15,264,238	25,127,876
	TOTALS	2,044,449,275	13,213,940	65,080,210	131,993,843	(496,621)	2,241,026,707	901,826,949	96,440,271	(43,645)	998,223,573	1,242,803,134

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	2007		2008	
	Actual Income	Actual Expenditure	Actual Expenditure	Surplus/(Deficit)
Executive & Council	42,033	31,225,262	3,995	38,852,026
Finance & Admin	324,459,150	127,458,886	610,530,604	356,621,519
Planning & Development	17,569,289	43,923,134	10,885,740	49,659,900
Health	10,903,137	30,641,082	8,251,885	34,540,902
Community & Social Services	9,119,302	27,390,238	4,954,037	29,922,591
Housing	8,997,461	15,845,551	14,879,746	28,830,730
Public Safety	14,607,576	96,531,718	16,394,006	123,827,318
Sport And Recreation	1,431,163	47,746,088	905,462	50,094,232
Waste Management	138,743,095	142,347,888	169,441,044	146,270,361
Road Transport	4,037,908	84,975,344	48,680,733	92,712,699
Water	245,602,699	202,819,314	270,279,667	227,744,053
Electricity	644,462,287	541,450,182	663,079,205	556,442,620
Other	27,104,065	27,902,689	28,019,143	31,800,605
<b>Sub - Total</b>	<b>1,447,079,164</b>	<b>1,420,257,376</b>	<b>1,846,305,266</b>	<b>1,767,319,555</b>
<b>Less: Inter-Dept Charges</b>		<b>-39,496,275</b>		<b>-37,697,691</b>
<b>Total</b>	<b>1,447,079,164</b>	<b>1,380,761,101</b>	<b>1,846,305,266</b>	<b>1,729,621,863</b>
				<b>116,683,403</b>

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX E1**

**ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

Description	Actual 2008 R	Budget 2008 R	Variance 2008 R	Variance 2008 %	Explanation of Significant variances greater than 10% versus Budget
Revenue					
Property Rates	345,067,836	336,227,252	8,840,584	2.63	
Property Rates - Penalties and Collection Charges	23,565,464	15,784,852	7,780,612	49.29	
Service Charges	896,704,176	806,353,631	90,350,545	11.20	
Rentals Received	14,199,351	12,918,313	1,281,038	9.92	
Interest earned - External Investments	29,172,148	10,019,004	19,153,144	0.00	
Interest earned - Outstanding debtors	23,147,558	13,430,816	9,716,742	72.35	
Other Interest	0	0	0	0.00	
Fines	14,744,977	13,976,546	768,431	5.50	
Licences & Permits	0	0	0	0.00	
Income for Agency Services	14,645,733	13,950,288	695,445	4.99	
Governments Grants & Subsidies	142,974,380	142,899,000	75,380	0.05	
Public Contributions & Donations	0	0	0	0.00	
Other Income	342,083,643	387,483,366	-45,399,723	-11.72	
Total Revenue	1,846,305,266	1,753,043,068	93,262,198	5.32	
Expenditure					
Executive & Council	38,852,026	39,659,643	-807,617	-2.04	
Finance & Admin	356,621,519	355,042,027	1,579,492	0.44	
Planning & Development	49,659,900	49,948,191	-288,291	-0.58	
Health	34,540,902	34,290,742	250,160	0.73	
Community & Social Services	29,922,591	30,691,885	-769,294	-2.51	
Housing	28,830,730	23,022,463	5,808,267	25.23	
Public Safety	123,827,318	112,754,269	11,073,049	9.82	
Sport And Recreation	50,094,232	47,115,556	2,978,676	6.32	
Waste Management	146,270,361	151,073,645	-4,803,284	-3.18	
Road Transport	92,712,699	94,851,310	-2,138,611	-2.25	
Water	227,744,053	213,001,632	14,742,421	6.92	
Electricity	556,442,620	638,962,905	-82,520,285	-12.91	
Other	31,800,603	32,363,251	-562,198	-2.65	
Less: Inter-Dept Charges	-37,697,691	-76,647,854	38,950,163	-50.82	
Total Expenditure	1,729,621,863	1,746,129,665	-16,507,352	-0.95	
Operating Surplus/(Deficit)	116,683,403	6,913,403	109,770,000		

# THE MSUNDUZI MUNICIPALITY

## APPENDIX E2

### ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Description	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	840,157.60	10,036.04	850,193.64	1,964,272.00	(1,114,078)	(0.57)	
Finance and Administration	6,653,954.33	1,382,372.12	8,036,326.45	56,208,713.00	(48,172,387)	(0.86)	
Planning and Development	1,121,238.46	7,949,890.95	9,071,129.41	10,205,599.00	(1,134,470)	(0.11)	
Public Safety	5,637,400.51	1,808,485.68	7,445,886.19	8,726,470.00	(1,280,584)	(0.15)	
Community and Social Services	1,246,770.14	3,752,523.43	4,999,293.57	9,982,630.00	(4,983,336)	(0.50)	
Health	2,100,117.48	57,200.00	2,157,317.48	2,654,524.00	(497,207)	(0.19)	
Sport and Recreation	3,647,844.09	316,017.67	3,963,861.76	6,377,189.00	(2,413,327)	(0.38)	
Road Transport	10,737,735.29	59,153,271.51	69,891,006.80	83,174,236.00	(13,283,229)	(0.16)	
Environment Protection	217,902.18	0.00	217,902.18	650,000.00	(432,098)	(0.66)	
Water	9,718,529.95	3,347,365.06	13,065,895.01	14,890,726.00	(1,824,831)	(0.12)	
Waste Management	3,743,077.12	31,773,644.97	35,516,722.09	43,263,716.00	(7,746,994)	(0.18)	
Electricity	18,097,516.55	20,363,329.44	38,460,845.99	50,466,717.00	(12,005,871)	(0.24)	
Housing	23,018.88	16,640.00	39,658.88	7,271,578.00	(7,231,919)	(0.99)	
Other	807,974.65	2,053,417.85	2,861,392.50	3,279,774.00	(418,382)	(0.13)	
TOTALS	64,593,237	131,984,195	196,577,432	299,116,144	(102,538,712)		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX G**

**CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2008**

	UNSPENT BALANCE 1-Jul-2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE OPERATING EXPENDITURE	TRANSFER TO REVENUE CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30-Jun-2008
<b>NATIONAL GOVERNMENT</b>							
Various as per Appendix G1	- (62,750,823)	- (152,173,596)	-	-	-	- 112,448,238	- (102,476,181)
<b>PROVINCIAL GOVERNMENT</b>							
Various as per Appendix G1	- (5,410,837)	- (15,275,252)	-	-	-	- 4,024,162	- (16,661,927)
	- (68,161,660)	- (167,448,848)	-	-	-	- 116,472,400	- (119,138,107)
<b>OTHER GRANTS</b>							
Various as per Appendix G1	- (5,444,536)	- (235,807)	-	-	-	- 233,043	- (5,447,300)
	- (73,606,196)	- (167,684,655)	-	-	-	- 116,705,443	- (124,585,407)

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX G 1**

**DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2008**

Account No:	Account Description	Unspent Balance @ 1 July 2007	Transfers	Current Year Receipts	Unspent balance @ 30 June 2008	Grant Type	Source Code
PMB0108960001	GRANT COMMUNITY DEVELOPMENT WORKERS	-103,608	-	-	-103,608	COMM	UNSPENT C6 - NATIONAL GOVERNMENT
PMB0118960002	GRANT DPLG AMENDMENT IDP	-50,000	-	-	-50,000	IDP	UNSPENT C6 - NATIONAL GOVERNMENT
PMB0358980801	GRANT - FMG	-1,508,268	726,538	-510,544	-1,292,274	FMG	UNSPENT C6 - NATIONAL GOVERNMENT
PMB0358980803	GRANT - UNSPENT CONDITIONAL GRANT - RSG	-6,112,275	1,989,698	-385,629	-4,508,206	RSG	UNSPENT C6 - NATIONAL GOVERNMENT
PMB0358980804	RSG - INVESTMENT ACCOUNT - INTEREST REC.	-	385,629	-385,629	-	RSG	UNSPENT C6 - NATIONAL GOVERNMENT
PMB0608960012	UNSPENT CONDITIONAL GRANT - MIG	-13,939,467	94,789,240	-101,798,760	-20,948,988	MIG	UNSPENT C6 - NATIONAL GOVERNMENT
PMB2858960001	GEDI - GIJIMA FUNDS	-191,668	396,800	-233,739	-28,608	GEDI	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5018960001	GRANT DPLG PERFORMANCE MGT SYSTEM	-50,000	50,000	-	-	PFM	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5118960003	GRANT - WARD 3 5 6	-40,123	-	-	-40,123	WARD	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5118960018	UNSPENT CONDITIONAL GRANT - EDN CORRIDOR	-1,497	-	-	-1,497	EDN	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5268960001	ICT INTERDEPT MONITORING GRANT	-3,319	3,319	-	-	MON	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5308960001	SETA DISCRETIONARY GRANT	-29,061	164,160	-149,930	-14,831	SETA	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5308960003	UNSPENT COND.GRANT - HRD/LGSETA	-	-	-66,000	-66,000	SETA	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5488980001	DEVELOPMENT CAPACITY BUILDING PROJECT	-215,463	140,904	-3,516	-78,076	CAPAC	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5608960001	STORM DAMAGE - DOH FUNDING	-915,846	-	-	-915,846	STORM	UNSPENT C6 - NATIONAL GOVERNMENT
PMB5608960010	UNSPENT CONDITIONAL GRANT - PHB	-34,787,041	13,430,512	-47,863,146	-69,219,675	PHB	UNSPENT C6 - NATIONAL GOVERNMENT
PMB7138960015	UNSPENT CONDITIONAL GRANT - DEPT OF MINERALS	-4,303,186	-	-	-4,303,186	NER	UNSPENT C6 - NATIONAL GOVERNMENT
PMB7878960001	EDN 5 - UPGRADE WATER SUPPLY	-500,000	371,439	-776,702	-905,263	DWAF	UNSPENT C6 - NATIONAL GOVERNMENT
		-62,750,823	112,448,238	-152,173,596	-102,476,181		

**THE MSUNDUZI MUNICIPALITY**

**APPENDIX G1**

**DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2008**

Continuation		Unspent Balance @ 1 July 2007	Transfers	Current Year Receipts	Unspent balance @ 30 June 2008	Grant Type	Source Code
Account No:	Account Description						
PMB2028960002	RETENTION - MIG - VULINDLELA VIP CONSTR.	-32,811	0	0	-32,811	AWARDS	UNSPENT C6 - OTHER
PMB2848970001	AWARDS RECEIVED	-21,228	21,228	0	0	STORM	UNSPENT C6 - OTHER
PMB2938960001	DBSA - STORM REHAB. FUND	-200,000	157,667	0	-42,333		UNSPENT C6 - OTHER
PMB3588970003	USAID AIDS EDUCATOR TRAINING	-2,090	-	-21,851	-23,941	USAID	UNSPENT C6 - OTHER
PMB3588970004	USAID EDUCATIONAL TECHNIQUES	-2,400	2,400	0	-	USAID	UNSPENT C6 - OTHER
PMB3588970005	USAID PROJECT MANAGEMENT TRAINING	-2,211	2,211	0	-	USAID	UNSPENT C6 - OTHER
PMB3588970006	USAID MENTORING AND SUPPORT	-8,830	8,830	0	-	USAID	UNSPENT C6 - OTHER
PMB3588970008	USAID PAYMENT FOR COMMUNITY TRAINING	-4,561	4,561	0	-	USAID	UNSPENT C6 - OTHER
PMB3588970010	USAID DROPTIN CENTRES	-12,673	12,673	0	-	USAID	UNSPENT C6 - OTHER
PMB3588970011	USAID HOME BASED CARE TRAINING	-23,473	23,473	0	-	USAID	UNSPENT C6 - OTHER
PMB8328760903	TRUST - CEMETERY TRUST ACCOUNT	-13,131	-	-1,177	-14,308	TRUST	UNSPENT C6 - OTHER
PMB8348760907	TRUST - JOHN HARDY TRUST ACCOUNT	-217	-	-	-217	TRUST	UNSPENT C6 - OTHER
PMB8358760909	TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT	-43,925	-	-1,602	-45,527	TRUST	UNSPENT C6 - OTHER
PMB8368760911	TRUST - PEARSE TRUST ACCOUNT	-1,382,061	-	-36,624	-1,418,685	TRUST	UNSPENT C6 - OTHER
PMB8378760913	TRUST - WELCH TRUST ACCOUNT	-347,464	-	-12,295	-359,759	TRUST	UNSPENT C6 - OTHER
PMB8388760916	TRUST - MARIA KINSMAN TRUST ACCOUNT	-591,488	-	-	-591,488	TRUST	UNSPENT C6 - OTHER
PMB8388760920	TRUST - MARIA KINSMAN TRUST - NET INCOME	-19,456	-	-18,312	-37,768	TRUST	UNSPENT C6 - OTHER
PMB8398760908	TRUST - MAYORESS NECESSITY FUND	-74,109	-	-2,093	-76,202	TRUST	UNSPENT C6 - OTHER
PMB8398760924	TRUST - MAYORESS CHARITY BALL - CLEARING ACCOUNT	-925	-	-	-925	TRUST	UNSPENT C6 - OTHER
PMB8408760915	TRUST - CEMETERY TRUST ACCOUNT (M/RISE)	-2,293,364	-	-	-2,293,364	TRUST	UNSPENT C6 - OTHER
PMB8408760922	TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST	-144,450	-	-139,629	-284,079	TRUST	UNSPENT C6 - OTHER
PMB8418760906	TRUST - FLEMING TRUST ACCOUNT	-71,219	-	-2,224	-73,443	TRUST	UNSPENT C6 - OTHER
PMB8428010001	TRUST - CONT IMBAL FLOOD VICTIMS - PMB FLOOD VICTIMS	-60,858	-	-	-60,858	TRUST	UNSPENT C6 - OTHER
PMB8428760842	TRUST - PMB FLOOD DISASTER	-30,989	-	-	-30,989	TRUST	UNSPENT C6 - OTHER
PMB8438760925	TRUST - REFUGEES TRUST ACCOUNT	-60,604	-	-	-60,604	TRUST	UNSPENT C6 - OTHER
		-5,444,536	233,043	-235,807	-5,447,300		



**THE MSUNDUZI MUNICIPALITY**

**APPENDIX G1**

**DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2008**

Continuation		Unspent Balance @ 1 July 2007	Transfers	Current Year Receipts	Unspent balance @ 30 June 2008	Grant Type	Source Code
Account No:	Account Description						
PMB0138960002	PG-COMMUNITY COMMUNICATION INITIATIVE	-50,000	-	-	-50,000	COMM	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB0608960013	UNSPENT CONDITIONAL GRANT - PROVINCE	-393,680	205,093	-106,033	-294,620	PROV	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB0608960014	UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL	-292,075	2,705,058	-11,401,470	-8,988,487	LIBR	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB1008960002	PG - TECHNICAL SUPPORT	-500,000	5,710	0	-494,290	PROV	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB1318960001	PROVINCE - TRANSPORT GRANT	-	696,366	-3,150,000	-2,453,634	TRANS	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB2858960004	PROV - URBAN RENEWAL PROJECT	-2,928,150	226,549	-417,749	-3,119,349	GEDI	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB3458970006	FOOD AID PROGRAMME	-70,104	-	-	-70,104	FOOD	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB3478970001	ENVIRONMENTAL HEALTH	-1,823	-	-	-1,823	HEALTH	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB3578970025	WORLD AIDS DAY	32,954	-	-	32,954	AIDS	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB4008960002	ENVIRO MGT FRAMEWORK - DPLGTA GRANT	-	24,561	-200,000	-175,439	ENVIRO	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB5138960001	UNSPENT GRANT : LIBRARY SERVICES	-65,000	-	-	-65,000	LIBR	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB5278980001	I.D.P. FUND FROM DEPT. OF LG&H	-679,259	-	-	-679,259	IDP	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB7018960001	PG - INTERGRATION WITH REDS	-150,000	6,048	-	-143,952	ELECT	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB7878980801	GRANT - WATER SERVICE DELIVERY PLANNING	-310,288	151,365	-	-158,923	WATER	UNSPENT C6 - PROVINCIAL GOVERNMENT
PMB7878980802	GRANT - ASSESSMENT OF SERVICE DELIVERY MECHANISMS	-3,411	3,411	-	-	WATER	UNSPENT C6 - PROVINCIAL GOVERNMENT
		-5,410,837	4,024,162	-15,275,252	-16,661,927		
		-73,606,196	116,705,443	-167,684,655	-124,585,407		

**SAFE CITY PIETERMARITZBURG**  
**(Association incorporated under Section 21)**  
**(Registration Number: 2002/007386/08)**

**ANNUAL FINANCIAL STATEMENTS**  
**30 June 2008**

**SAFE CITY PIETERMARITZBURG**  
(Association incorporated under Section 21)  
**Registration Number: 2002/007386/08**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**CONTENTS**

	<u>Page</u>
Chairman's report.....	1
Independent auditors' report .....	2 - 3
Report of the directors.....	4
Income statement.....	5
Balance sheet.....	6
Cash flow statement .....	7
Notes to the cash flow statement .....	8
Accounting policies.....	9
Notes to the annual financial statements .....	10 - 11
Detailed income statement .....	12
List of contributors .....	13
Annexures to chairman's report	

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements and other financial information set out in this annual report were prepared by the directors in conformity with International Financial Reporting Standards applied on a consistent basis.

The manner of presentation of the annual financial statements, the selection of accounting policies and the integrity of the financial information are the responsibility of the directors.


The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the association will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 4 to 11 and the supplementary schedules on pages 12 to 13 were approved by the Board of Directors on 25 July 2008 and are signed on its behalf by:-

  
.....  
DIRECTOR - W D WINSHIP

  
.....  
CHIEF EXECUTIVE OFFICER - N K BHIKHA

  
.....  
DIRECTOR - P WARMINGTON

**SAFE CITY PIETERMARITZBURG**  
**CHAIRMAN'S REPORT**  
for the year ended 30 June 2008

This past year reflects the continuation of Safe City's successful operation. The CEO's report reflects the key performance indicators. The installation of key performance indicators has had a positive influence on the performance of the Control Centre. Each and every operator is monitored with regard to performance, which has ensured that the Control Centre remains highly vigilant.

The crime rate has continued to fall in the CBD as a result of SAPS initiatives and the partnership arrangement between Safe City and SAPS.

The latest technology in terms of radio communication using public Broad Band known as the "Canopy Access System" has proved to be successful. Direct line of site is essential so we will be looking into placing repeater stations throughout the city so as to render the mobile camera a lot more useful.

The Meridian Domes which completely cover the camera making it impossible to detect where the camera is viewing, have been so successful that we plan to increase the number of domes by an additional five. This process should continue until all cameras have been covered.

Safe City had an exhibition stand at the Royal Show for the second time running and sponsored by Business Fighting Crime. By all accounts it was far more successful than last year as we were in the same Hall as SAPS, NPA and BFC. The public showed great interest in all these exhibits.

The launch of the SMS crime reporting system has the potential to be very useful but we have had a slow start in that the public have not embraced the project as fully as we would have liked. The plan is to involve the schools that are closely associated with the CBD as we believe that High School children will more than likely take up the project with vigour.

Operating as a Municipal Entity has proved to be somewhat difficult. The City has unfortunately not yet appointed representatives to the Board and has also given the Board reason to be anxious as their contribution has been withheld on a number of occasions. I need to point out that our Operating Budget has been frozen for the next financial year to the same level as this year, regardless of the fact that Safe City has back to back contracts with other parties. Salary and staff increases therefore are a potential problem.

We hope to convince the City to increase the contribution at the mid year review. Secondly, the Capital Budget has been reduced to zero which poses a problem with regards to keeping the infrastructure up to standard.

We have been asked to look at camera installations at the new Taxi Rank in Freedom Square as well as the Edendale Development Project. In addition, the District Municipality has requested our input into installing cameras at Harry Gwala Stadium for the 2010 World Soccer event.

This year ending June 2008, is my last year as Chairman of the Board. I have been able to hand over most of my responsibilities to our CEO, making it possible for me to retire as Chairman. I plan to continue as a member of the Board and I am very pleased to report that Mr. Peter Warmington has been appointed by the Board as Chairman as of 1 July 2008.

I would like to take this opportunity to thank the Board of Directors for their support, particularly with the financial difficulties we had for a few months. The Board's support has been highly appreciated.

The staff of Safe City and iVision, thank you for your support and drive that has made the operation so successful.

I would like to thank our Project Manager for the major input he has made to this project. Finally, to SAPS, the Municipality, the NPA and BFC for their continued support and input, many thanks for making it all possible. I like to believe that our operation is one of the best in the country, if not the best.

**W.D. WINSHIP**

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG**

### **Report on the Financial Statements**

We have audited the annual financial statements of Safe City Pietermaritzburg which comprise the balance sheet as at 30 June 2008, the income statement and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 11.

### **Directors' Responsibility for the Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Audit . Tax . Consulting . Financial Advisory .**

A member firm of  
**Deloitte Touche Tohmatsu**

National Executive: GC Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Tax & Legal and Financial Advisory L Geering Consulting L Bam Corporate Finance CR Beukman Finance TJ Brown Clients & Markets NT Mthoba Chairman of the Board  
Regional Leader: GC Brazier

A full list of partners and directors is available on request

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG (continued)**

**Qualifications**

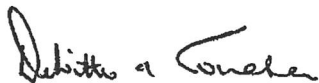
Cash collections and donations

In common with similar organisations, it is not feasible for Safe City Pietermaritzburg to institute accounting controls over cash collections and donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

**Opinion**

In our opinion, except for the effect on the annual financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the association as of 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The detailed income statements and list of contributors set out on pages 12 and 13 do not form part of the annual financial statements and are presented solely for the information of the members. Accordingly, we do not express an opinion on these schedules.



Deloitte & Touche  
Per D McArthur  
(Registered Accountant and Auditor)  
Partner  
Pietermaritzburg

25 July 2008

**SAFE CITY PIETERMARITZBURG  
REPORT OF THE DIRECTORS  
for the year ended 30 June 2008**

The directors have pleasure in presenting their report for the year ended 30 June 2008.

**REVIEW OF THE OPERATIONS FOR THE YEAR**

The financial position of the association at 30 June 2008 is set out in the attached annual financial statements. The income statement reflects an operating surplus/(deficit) for the year of R54 795 (2007: R100 294).

**SUBSEQUENT EVENTS**

No material fact or circumstances has occurred between the accounting date and the date of this report.

**DIRECTORS**

The following members acted as directors during the year under review:

W D Winship	(Chairman)	
P Warmington		
V C Biggs		
P Henwood		(retired in Nov 2007)
M Ghela		
R P Stuart		
P Maharaj		
N K Bhikha	(CEO)	(appointed 01/01/2007)
J A Vorster		(appointed 01/06/2007)
D Sokhela		(appointed 01/06/2007)
D Harrison		(appointed 01/06/2007)
D Kambouris		(appointed 01/06/2007)
I Dugmore		(appointed 01/06/2007)

**CHAIRMAN**

W D Winship (appointed 19/02/2007)

**CHIEF EXECUTIVE OFFICER**

N K Bhikha

**PLACE OF BUSINESS**

City Hall  
Chief Albert Luthuli Road  
PIETERMARITZBURG  
3201

**NATURE OF BUSINESS**

An Association between business, the local authority, the community, government and non-government organisations to proactively combat crime in Pietermaritzburg.

**AUDITORS**

Deloitte & Touche

**BANKERS**

First National Bank

**ACKNOWLEDGEMENTS**

Deloitte & Touche for their engagement in carrying out a partly honorary audit for Safe City.

**SAFE CITY PIETERMARITZBURG**  
**INCOME STATEMENT**  
for the year ended 30 June 2008

	<u>Note</u>	<u>2008</u> R	<u>2007</u> R
Revenue		2 631 579	2 159 779
Interest received		76 556	63 651
Total income		<u>2 708 135</u>	<u>2 223 430</u>
Operating expenses		<u>2 653 340</u>	<u>2 323 724</u>
Operating surplus/(deficit) for the year	3	54 795	(100 294)
Transfers to/from reserves		(54 795)	100 294
- Non-distributable reserve - General	4	<span style="border: 1px solid black;">54 795</span>	<span style="border: 1px solid black;">100 294</span>
 SURPLUS for the year		 <u><u>-</u></u>	 <u><u>-</u></u>



**SAFE CITY PIETERMARITZBURG**  
**BALANCE SHEET**  
as at 30 June 2008

	<u>Notes</u>	<u>2008</u> R	<u>2007</u> R
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	70 090	18 623
<b>CURRENT ASSETS</b>			
		1 056 074	1 089 022
Accounts receivable		4 499	65 921
Cash on hand and balances with banks		1 051 575	1 023 101
<b>TOTAL ASSETS</b>		<u>1 126 164</u>	<u>1 107 645</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY RESERVES</b>			
Non-distributable reserve - general	4	856 184	801 387
<b>CURRENT LIABILITIES</b>			
		269 980	306 258
Accounts payable		269 980	306 258
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1 126 164</u>	<u>1 107 645</u>

**SAFE CITY PIETERMARITZBURG**  
**CASH FLOW STATEMENT**  
for the year ended 30 June 2008

	<u>Notes</u>	<u>2008</u> R	<u>2007</u> R
<b>OPERATING ACTIVITIES</b>			
Cash receipts from donors		2 631 579	2 159 779
Cash paid to suppliers and employees		(2 605 794)	(2 172 497)
Cash utilised in operations	A	25 785	(12 718)
Interest received		76 556	63 651
Interest paid		(485)	(388)
Net cash generated from operating activities		101 856	50 545
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(73 382)	(12 700)
Net cash flow used in investing activities		(73 382)	(12 700)
NET INCREASE IN CASH AND CASH EQUIVALENTS		28 474	37 845
Cash and cash equivalents at beginning of the year		1 023 101	985 256
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	1 051 575	1 023 101

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 30 June 2008

	<u>2008</u> R	<u>2007</u> R
<b>A. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) FOR THE YEAR TO CASH UTILISED IN OPERATIONS</b>		
Operating surplus/(deficit) for the year	54 795	(100 294)
Adjustment for:		
Interest received	(76 556)	(63 651)
Interest paid	485	388
Depreciation	21 915	6 838
	<hr/> 639	<hr/> (156 719)
Working capital changes		
Decrease in accounts receivable	61 422	131 350
(Decrease)/increase in accounts payable	(36 276)	12 652
	<hr/> 25 785	<hr/> (12 718)
Cash utilised in operations	<hr/> <hr/> 25 785	<hr/> <hr/> (12 718)

**B. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank	<hr/> <hr/> 1 051 575	<hr/> <hr/> 1 023 101
------	-----------------------	-----------------------

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**1. Adoption of new and revised International Financial Reporting Standards ("IFRS")**

In the current year, the Board has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the company's accounting policies.

At the date of authorisation of these financial statements, the following Standard was in issue but not yet effective which may have an impact on the organisation.

**Standards**

**Effective for  
accounting periods  
beginning on/after**

**Revised Standards**

IAS 1	Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income.	1 January 2009
-------	--	----------------

**2. SIGNIFICANT ACCOUNTING POLICIES**

The annual financial statements are prepared in accordance with International Financial Reporting Standards. They incorporate the following principal accounting policies, which have been revised in order to comply with International Financial Reporting Standards.

**2.1 Revenue**

Revenue comprises cash contributions from the community and does not include contributions in specie.

**2.2 Interest**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**2.3 Property, plant and equipment**

Property, plant and equipment are depreciated over their estimated useful life to an estimated residual value.

	<u>Years</u>
Furniture & fittings	5
Computer equipment	3
Other	5

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2008

	<u>2008</u> R	<u>2007</u> R
<b>3. OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>		
Operating surplus/(deficit) for the year is stated after:		
Audit fees		
- current year	902	6 571
Depreciation	21 915	6 838
Administration salaries	2 152 294	1 998 793
Interest paid	485	388

**4. NON-DISTRIBUTABLE RESERVE - GENERAL**

The Association is registered under Section 21 of the Companies Act, 1973, as an incorporated association not for gain and, as such, no part of its income and property shall be transferred to members, directly or indirectly. All reserves of the Association are therefore non-distributable and may only be utilised towards the cost of projects and initiatives and meeting any shortfall in expenditure.

Balance at beginning of the year	801 388	901 682
Operating surplus/(deficit) for the year	54 796	(100 294)
Balance at end of the year	<u>856 184</u>	<u>801 388</u>

**5. TAXATION**

No provision for taxation is necessary, as the income of the Association is exempt in terms of section 10(1)(cB) of the Income Tax Act, 1962, as amended.

**6. PROPERTY, PLANT AND EQUIPMENT**

	<u>Cost</u> R	<u>Depreciation</u> R	Net Book Value R
<u>2008</u>			
Furniture and fittings	64 615	(11 931)	52 684
Computer equipment	23 442	(8 584)	14 858
Office equipment	3 948	(1 400)	2 548
	<u>92 005</u>	<u>(21 915)</u>	<u>70 090</u>

**SAFE CITY PIETERMARITZBURG**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 30 June 2008

2008  
R

2007  
R

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<u>Cost</u> R	<u>Depreciation</u> R	Net Book <u>Value</u> R
<u>2007</u>			
Computer equipment	22 833	(8 157)	14 676
Office equipment	7 000	(3 053)	3 947
	<u>29 833</u>	<u>(11 210)</u>	<u>18 623</u>

Reconciliation of net book value at beginning of the year to net book value at end of the year.

	Net Book value at beginning <u>of year</u> R	<u>Additions</u> R	<u>Disposals</u> R	<u>Depreciation</u> R	Net Book value at end of <u>year</u> R
Furniture and fittings	-	64 615	-	(11 931)	52 684
Computer equipment	14 675	8 767	-	(8 584)	14 858
Office equipment	3 948	-	-	(1 400)	2 548
Total - 2008	<u>18 623</u>	<u>73 382</u>	<u>-</u>	<u>(21 915)</u>	<u>70 090</u>
Total - 2007	<u>12 761</u>	<u>12 700</u>	<u>-</u>	<u>(6 838)</u>	<u>18 623</u>

**7. RELATED PARTY TRANSACTIONS**

Business Fighting Crime is a related party of Safe City and transactions conducted between these parties are at arms length.

**SAFE CITY PIETERMARITZBURG**  
**DETAILED INCOME STATEMENT**  
for the year ended 30 June 2008

	<u>2008</u> R	<u>2007</u> R
REVENUE		
Interest received	76 556	63 651
TOTAL INCOME	<u>76 556</u>	<u>63 651</u>
Less: ADMINISTRATION EXPENDITURE	(2 653 340)	(2 323 724)
Accounting fees	10 683	6 681
Administration salaries	366 148	344 494
Advertising and promotions	6 004	-
Assets written off	6 185	530
Audit fees		
- current	902	7 750
- overprovision	-	(1 179)
Bank charges	3 413	3 504
Cleaning	8 055	6 507
Computer expenses	43 670	-
Contractor staff costs	1 786 146	1 654 299
Courier and postage	312	-
Depreciation	21 915	6 838
Electricity and water	13 422	12 810
Entertainment expenses	1 545	-
General expenses	2 105	1 326
Interest paid	485	388
Motor vehicle expenses	589	-
Printing and stationery	45 915	24 399
Repairs and maintenance	297 063	222 325
Staff welfare	1 800	-
Telephone and fax	36 913	33 052
Travel and accommodation	70	-
OPERATING DEFICIT after administration expenditure	<u>(2 576 783)</u>	<u>(2 260 073)</u>
CONTRIBUTIONS received	2 631 579	2 159 779
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	<u><u>54 796</u></u>	<u><u>(100 294)</u></u>
<u>Administration expenditure</u>	%	%
Personnel costs	81	86
Repairs and maintenance	11	10
Other	8	4
	<u>100</u>	<u>100</u>

**SAFE CITY PIETERMARITZBURG**  
**LIST OF CONTRIBUTORS**  
for the year ended 30 June 2008

	<u>2008</u> R	<u>2007</u> R
Msunduzi Municipality (inclusive of VAT)	3 000 000	2 462 148

Contributions by business are referred to in the Chairman's report.



## **REPORT SUBMITTED BY CEO**

### **CONTROL CENTRE KEY PERFORMANCE INDICATORS (KPI)**

The success of the Safe City Project is dependant on the performance of the Control Centre 24hours/7days surveillance operation. A brief description of the operation (which is SABS approved) is as follows:

Having received the crime statistics from Central Pietermaritzburg Police Station every morning, we compare these statistics with the control room crime statistics. Every suspicious behaviour seen through the camera is regarded as an incident detected. The 24 hour presence of the police officer will determine whether a SAPS vehicle needs to be sent to the scene of suspicious behaviour or a crime. An arrest is made when the suspect is apprehended. There are many occasions when the crime is fully observed and followed via the camera. We have a recording capacity of 21 days after which footage is automatically over-recorded.

Table 1 shows the annual statistics of the Control Centre from July 2007 to June 2008. In the summary below we have highlighted the relevant KPI. Every year an annual target is set for the control centre and the operators also have their own performance target from which they are appraised. The summary of annual performance against KPI is as follows:

### **SUMMARY OF KEY PERFORMANCE INDICATORS**

See graphs attached

Description	Total for year	Target for year	Difference
No of Incidents Detected (A)	2041	1915	126
SAPS dispatch required	1619	1604	15
Response by SAPS Unit	1570	1604	-34
Arrests Affected (B)	259	332	-73
SAPS Response Time (D)	3.99 min	2.5 min	-1.49 min
Camera down time in % (C)	1.38	1	-0.38

On the number of incidents detected we have found that we have exceeded our annual target. This is because of the vigilance of the operators for detecting suspicious behaviour. We therefore find that the SAPS dispatch required has increased for the year. Response by SAPS unit has declined by 34. Sometimes for petty crimes and petty traffic violations, a SAPS vehicle is not despatched.

Arrests Affected is below target by 73. This is because in the case of common robberies many complainants refuse to open a case when their properties are returned to them, as a result a case is not opened and an arrest is not made.

Although our target for SAPS response time is 2.5 minutes, they have averaged just about 4 minutes.

Although camera downtime target is 1%, we have been 0.38% over target. This is because some cameras have been damaged due to accidents and it takes some time before insurance claims are processed through the municipality. Spares on hand are a problem when they need to be imported, as our capital budget was kept on hold by the Municipality for most of last year and was only released early this year.

### **TABLE 2 - COMPARISON OF CRIME STATISTICS IN PMB CBD**

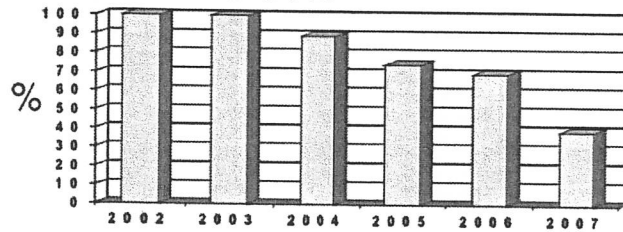
Due to the sensitivity of releasing crime figures in South Africa, the crime figures on the graphs have been converted to a percentage with a baseline of 100% being in the first year of 2002 before the cameras were installed in the city. At the end of the 5 year project (June 2007) crime in the following areas have decreased:

1. Common Assault: -61%
2. Common Robbery: -39%
3. All Contact Crimes: -39%
4. Burglary Business: -36%
5. All Property Crimes: -45%

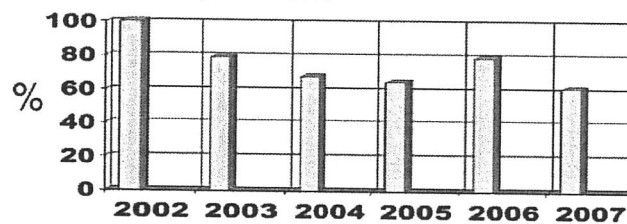
**CEO – SAFE CITY (PMB): Ms Nutan Bhikha**

# WE HAVE MADE YOUR CITY SAFER!

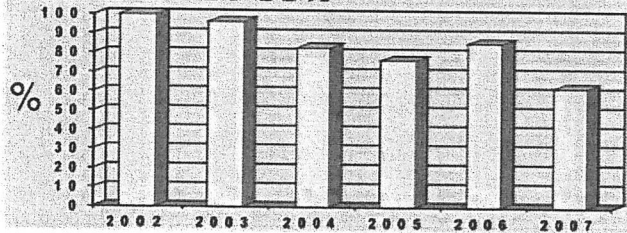
## COMMON ASSAULT DECREASE BY 61%



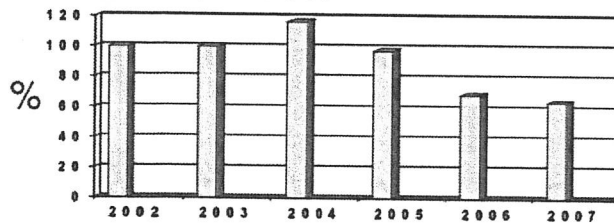
## COMMON ROBBERY: 2002-2007 DECREASE BY 39%



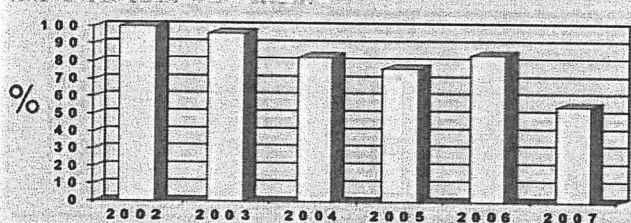
## ALL CONTACT CRIMES: 2002-2007 DECREASE BY 39%



## BURGLARY BUSINESS: 2002-2007 DECREASE BY 36%



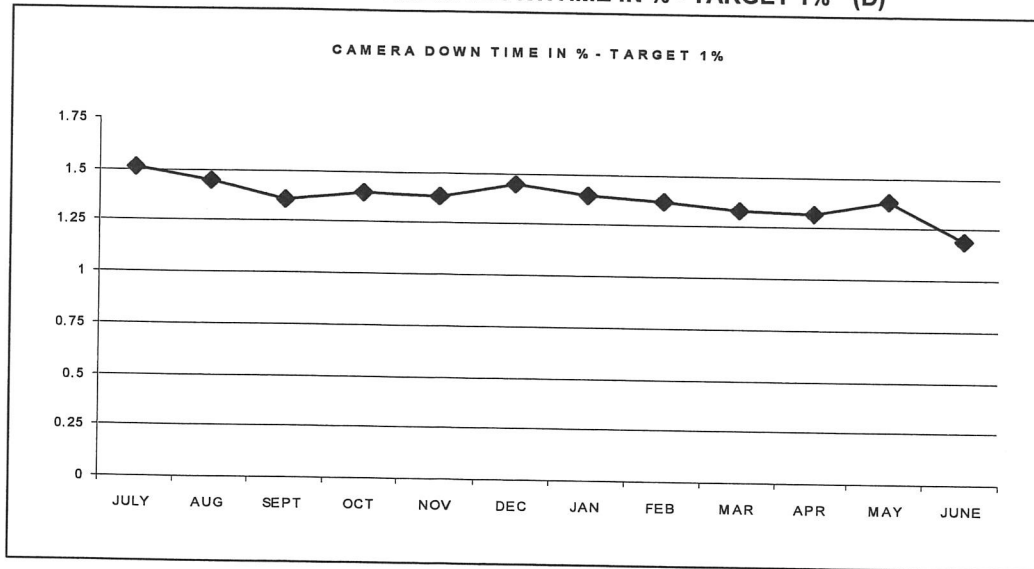
## ALL PROPERTY CRIMES: 2002-2007 DECREASE BY 45%



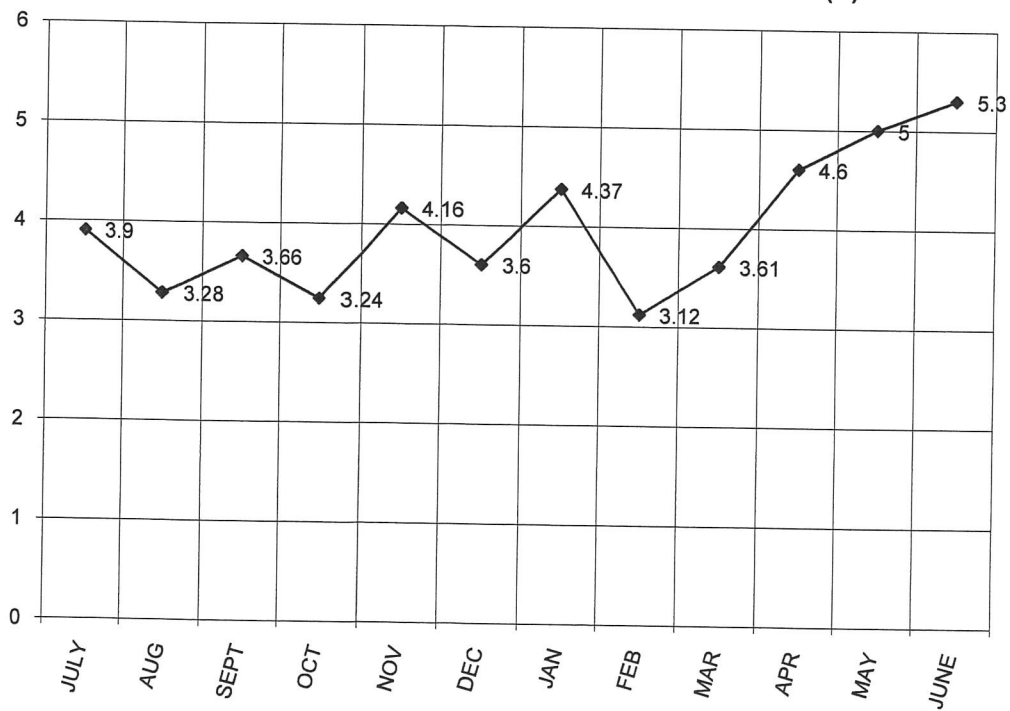


# KEY PERFORMANCE INDICATORS JULY 2007 - JUNE 2008

## CAMERA DOWNTIME IN % - TARGET 1% (D)



## RESPONSE BY SAPS UNITS - TARGET 2.5 MINUTES (C)

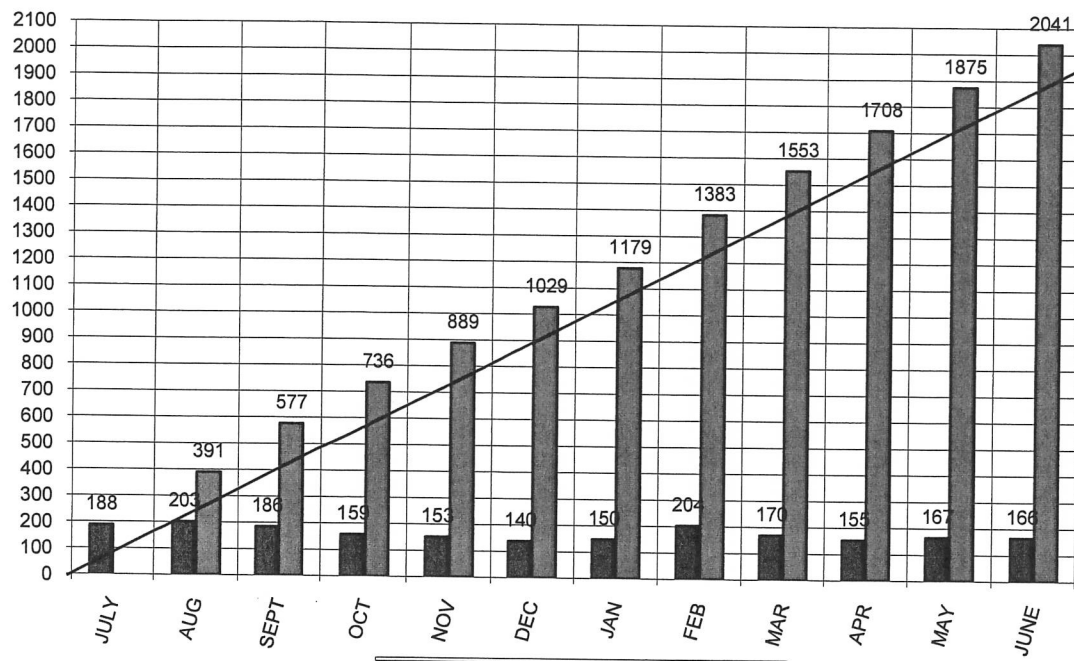




# **KEY PERFORMANCE INDICATORS** **JULY 2007 - JUNE 2008**

**INCIDENTS DETECTED - YEAR TARGET - 1915**

(A)



**NO OF ARRESTS - YEARLY TARGET - 332**

(B)

