

ANNUAL FINANCIAL STATEMENTS



**FOR THE YEAR ENDED
30 JUNE 2008**

ELUNDINI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

INDEX

CONTENTS	PAGE
1. General information	1-2
2. Foreword	3-4
3. Report of the Chief Financial Officer	5-9
4. Accounting Policies	10-13
5. Balance Sheet	14
6. Income Statement	15
7. Cash Flow Statement	16
8. Notes to the financial statements	17-24
 Appendices:	
A. Trust funds, Project funds and reserves	25
B. Internal advances	26
C. Analysis of fixed assets	27
D. Analysis of operating income and expenditure	28
E. Detailed income statement	29
F. Statistical Information	30

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

GENERAL INFORMATION

COUNCIL SPEAKER

-Councillor L. Baduza

MAYOR

- Councillor B. Salman

MEMBERS OF THE EXECUTIVE COMMITTEE

- Councillor B. Salman	Chairperson
- Councillor M.P.S. Leteba	Chairperson: Finance Standing Committee
- Councillor N.F. Mphithi	Chairperson: Corporate Services Standing Committee
- Councillor N.R. Lengs	Chairperson: Technical Services Standing Committee
- Councillor D.D. Mvumvu	Chairperson: Community Services Standing Committee
- Councillor Mqamelo	Member

GRADING OF LOCAL AUTHORITY

Grade 3

AUDITORS

The Auditor General

BANKERS

Standard Bank; First National Bank and ABSA

REGISTERED OFFICE

Elundini Local Municipality

1 Celler Street

P.O. Box 1

MACLEAR

5480

Tel: 045 - 932 8100

Fax:045 - 932 1777

MUNICIPAL MANAGER

Mr. K. GASHI

CHIEF FINANCE OFFICER

Mr. L. FOKAZI

ELUNDINI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008**


<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>
1	Cllr Bhomela	9	Cllr Mdiliva
2	Cllr Lengs	10	Cllr Memeza
3	Cllr Klaas	11	Cllr Sikhafungana
4	Cllr Zililo	12	Cllr Leteba
5	Cllr Funani	13	Cllr Molefe
6	Cllr Mfecane	14	Cllr Dlaza
7	Cllr Tsolo	15	Cllr Khiba
8	Cllr Motema	16	Cllr Ndlovu

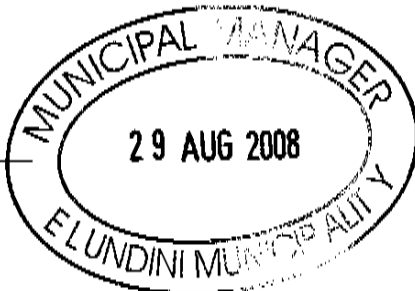
PR COUNCILORS

<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>
1	Cllr Mvumvu	9	Cllr Mphithi
2	Cllr Nkalitshana	10	Cllr Baduza
3	Cllr Ntaba	11	Cllr Salman
4	Cllr Mthi	12	Cllr Lebenya
5	Cllr Norman	13	Cllr Hokwana
6	Cllr Fokoto	14	Cllr Mqamelo & Cllr Fokoto
7	Cllr Rankutu	15	Cllr Naketsana
8	Cllr Lehana	16	Cllr Moni

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 3 to 30 have been approved by the Municipal Manager and will be presented to the next council meeting for ratification.


K. GASHI
MUNICIPAL MANAGER



FOREWORD

To the annual financial statements

for the year ended 30 June 2008

For the first time in the history of the Elundini Municipality, the Council adopted a performance management system, with clear performance indicators as a further effort to comply with legal prescribes while also ushering in a new ethos in the discharge of the municipality's service delivery obligations. Critical, though, has been the number of programmes and projects implemented during the 2007/2008 financial year, which are in concert with the municipality's vision of "a better life for all".

The primary task for the municipality has been to consolidate the institutional establishment processes, as would be vindicated by the number of policies and systems developed and implemented. This has been driven by the belief that effective service delivery can only be perched on a strong platform for good governance and transformation. The development of a municipal website, adoption of by-laws, the development of a public participation policy, as well as the delegations policies, definition of roles and responsibilities for the various municipal structures, office bearers and officials and a plethora of other good governance initiatives must be viewed in that context.

In terms of financial governance and management, there has been a steady reporting of the status of the implementation of the budget, and there have been visible signs of excellent improvement in the update of the accounting records and the collection of revenues due to the municipality.

In terms of the priorities for the 2008/2009 financial year, nothing could be more important than a closer cooperation and working relationship with the communities that we serve. This is a matter that will occupy pole position in the development strides of the municipality.

In conclusion, I express my sincere gratitude to the honourable Madam Speaker, the Executive Committee and council at large for their support during the year. The role played by the administration of the municipality in the recorded achievements cannot be downplayed.

Councilor B Salman

Mayor

ELUNDINI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS -
for the year ended 30 June 2008**

REPORT OF THE CHIEF FINANCE OFFICER

OPERATING RESULTS

1. Details of the operating results according to service classification and object of expenditure are included in appendices D and E. The operating results for the year ended 30 June 2008 are as follows:

	VARIANCE %	BUDGET 2008 R	ACTUAL 2008 R	ACTUAL 2007 R
<u>INCOME</u>				
Rates and general services	10	84 107 921	75 365 489	51 267 726
Trading Services	20	18 449 510	14 784 149	11 397 605
Total Budgeted Income	12	102 557 431	90 149 638	62 665 331
<u>EXPENDITURE</u>				
Rates and general services	(34)	71 010 198	94 901 919	45 575 159
Trading Services	41	31 432 896	18 406 318	13 189 094
Total expenses	(11)	102 443 094	113 308 237	58 764 253
(Deficit)/Surplus for the year		114 337	(23 158 599)	3 901 078

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS - for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCE OFFICER (continued)

Revenue

Rates and General Services

Current year actual revenue to prior year depicts a 33% increase. This is due to the fact that included in the budgeted revenue for rates and general services for the current financial year, is an amount of R20 million in lieu of sale of land to Steinhoff international. The entire proceeds from such a sale were fully received as at year end. Current year receipts compares fairly to the budgeted receipts with only a 10% under-recovery.

Trading Services

Current year actual revenue to prior year revenue depicts a 23% variance. This is due to additional budgeted revenue of R4,2 million in lieu of expenditure incurred in prior years for the water and sanitation function the municipality performs on an agency basis for the District Municipality. Actual receipts to budget indicate an under-recovery of 20%. Under the IMFO accounting method, revenue in respect of grants is only recognized to the extent of expenditure incurred. Revenue recognized in the NER grant equates only to approximately 48% of the funds received during the year, causing an under-recovery in revenue recognized in the income statement.

Expenditure

Rates and General Services

During the current financial year, budgeted expenditure increased by approximately 52% from the previous year, whilst actual expenditure to budgeted expenditure depicts a 34% over-expenditure. Current year actual expenditure includes a provision for bad debts of R36,9 million. If we were to discount such expenditure by the R36,9 million provision for bad debts, the actual variance would have been 22% for prior year actual versus current year, whilst for current year actual versus budget, it would have been 19% under expenditure.

Trading Services

Included in the budget on trading services for the year under review is an amount of R20m in lieu of the NER grant together with a provision for the installation of services at the Steinhoff development. As at year end, only 26% expenditure was incurred on both these categories.

ELUNDINI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS -
for the year ended 30 June 2008**

REPORT OF THE CHIEF FINANCE OFFICER (continued)

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R19 536 428. The actual expenditure consists of the following: -

	VARIANCE	ACTUAL 2008 R	ACTUAL 2007 R
Capital Development	100	11 097 088	-
Electricity Network	100	2 631 693	-
Office Equipment	44	364 823	204 074
Computer Equipment	83	541 828	94 361
Computer Software	100	36 720	-
Fencing	(100)	-	373 473
Machinery	(169)	95 524	256 594
Motor Vehicles	(42)	1 432 912	2 033 424
Land & Buildings	100	732 952	-
Library	(100)	-	128 579
Streets	(100)	2 291 810	-
Plant & Equipment	100	50 568	-
Tools & Equipment	100	2 540	-
Other Assets	100	257 970	-
Access Roads	(100)	-	1 387 821
Refuse	(100)	-	435 590
	75	19 536 428	4 913 916

Resources used to finance the fixed assets were as follows: -

	ACTUAL 2008 R
Operating account	14 612 925
Grants & Subsidies	4 923 503
	19 536 428

A detailed analysis of fixed assets can be examined on Appendix C of the annual financial statements.

ELUNDINI LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS -
for the year ended 30 June 2008**

REPORT OF THE CHIEF FINANCE OFFICER (continued)

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2008 amounted to R368 281 (2007: R253 676). These loans are payable over a period of 20 years and bear interest at rates of 16.72% and 17.36% per annum. They will be fully redeemed by 2009 and 2015 respectively.

As at 30 June 2008, external investments at approved financial institutions amounted to R55,2 million (2007: R37,2 million).

The main bank account shows an favorable cashbook balance of R1 952 437 (2006: R242 372 - overdrawn), whilst the new First National Bank Account had a favorable balance of R8 568.

More information regarding loans and investments are disclosed in the notes and Appendix B of the annual financial statements.

4. FUNDS AND RESERVES

TRUST FUNDS

The balance of Trust and Project funds at 30 June 2008 amounted to R21,4 million (2007: R18,8 million).

More information on these Trust and Project Funds is detailed in Appendix A to the financial statements.

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS -

for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCE OFFICER (continued)

5. CONTINGENT LIABILITIES

Declan Spark vs Elundini Municipality

Motor vehicle allegedly incorrectly registered by the municipality.

95 000

SALA Pension Fund vs Elundini Municipality

Allegedly outstanding pension contributions by the municipality.

244 000

Matyeni vs Elundini Municipality

Alleged failure by the municipality to pay subsistence allowance due to him.

80 000

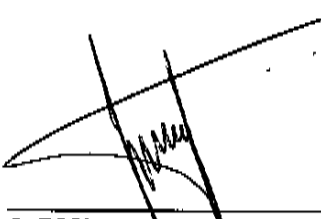
Department of Housing vs Elundini Municipality

Alleged mismanagement of funds transferred to the municipality in lieu of a housing project at Mt Fletcher that resulted in a contractor being paid for work not carried out.

936 047

6. EXPRESSION OF APPRECIATION

I wish to express my appreciation to the Mayor, the Chairperson of the Standing Committee on Finance, the Council at large, the Municipal Manager, my fellow managers as well as to the staff members at large for their invaluable support during the past year. A special word of thanks is extended to the representatives of the Auditor General for their assistance during the year.



L. FOKAZI
CHIEF FINANCE OFFICER

ELUNDINI MUNICIPALITY
CHIEF FINANCIAL OFFICER
2008 -08- 29
P.O. BOX 1, MACLEAR, 5480

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2008

ACCOUNTING POLICIES

1. Basis of presentation

These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition – January 1996).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

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

- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
- Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include the Rate and General services and Trading services and the different funds and reserves. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premiums charged by the insurance fund, which are treated as income and expenditure in the respective departments.

3. Fixed Assets

3.1 Fixed Assets are stated:

- At historical cost, or
- At valuation (based on the market price at date of acquisition), where assets have been acquired by grant of donation, whilst they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

3.2 Depreciation

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

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

3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

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

3.5 Expenditure relating to the construction of gravel access roads is accounted for as an expense immediately in the income statement.

4. Inventory

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. Funds and Reserves

Revolving Fund

The Revolving Fund records proceeds from the sale of land which are then utilized to finance capital infrastructure development projects and any capital projects as might be determined by council from time to time.

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2008

Working Capital

Appropriations are made on an annual basis from the operating account to the working capital account. The working capital account should over time be equal to the Council's investment in inventory.

Funds

In addition to Funds and Reserves listed above, a local authority can have other funds and reserves. These need to be listed and the purpose of and operation of the fund/reserve described.

6. Retirement Benefits

Elundini Municipality and its employees contribute to the Cape Joint, SAMWU and SALA Fund and Elundini Municipality and its Councillors contribute to the Municipal Councillors Pension Fund which provides retirements benefits to such employees and councillors.

7. Surpluses and Deficits

Any surpluses or deficits arising from the operation of the Electricity, Transport and Water services is accounted for in its respective service area.

8. Leased assets

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

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

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

ELUNDINI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

9. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per the Regulations issued by the National Treasury.

10. Deferred charges

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved.

11. Income recognition

Electricity and Water Billings

Meters in industrial areas, schools, Government properties and residential areas are read and billed monthly.

For consumers without meters, a flat rate is charged as approved by the Municipal Council policy.

Assessment Rates

Elundini Municipality applies a differential rating system depending upon the zoning and usage of the property as duly approved by the Council. In terms of this system the assessment rates are levied on the land value of property, and on the value of dwellings erected.

ELUNDINI LOCAL MUNICIPALITY

BALANCE SHEET

as at 30 June 2008

	Notes	2008 R	2007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		29 349 962	20 036 888
Statutory Funds	1	29 349 962	20 036 888
ACCUMULATED SURPLUS		4 888 014	69 450 206
NON CURRENT LIABILITIES		460 087	319 994
Long - Term Loans	3	266 612	138 397
Consumer Deposits	4	193 475	181 597
		<u>34 698 062</u>	<u>89 807 089</u>
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT & EQUIPMENT	5	368 281	64 822 947
NET CURRENT ASSETS		34 329 785	24 984 144
CURRENT ASSETS		64 737 133	52 826 169
Inventory	7	649 472	287 618
Accounts Receivable	8	6 846 752	15 225 848
Short term investments	6	55 279 904	37 312 703
Cash	9	1 961 005	-
CURRENT LIABILITIES		30 407 349	27 842 025
Accounts payable	10	8 864 782	8 373 559
Provisions	11	-	300 000
Trust and Project Funds	2	21 440 897	18 810 814
Short-term Portion of Long-term Loans	3	101 669	115 279
Bank Overdraft	12	-	242 372
		<u>34 698 062</u>	<u>89 807 089</u>

ELUNDINI LOCAL MUNICIPALITY

INCOME STATEMENT for the year ended 30 June 2008

2007 R	2007 R	2007 R		2008 R	2008 R	2008 R
Actual Income	Actual Expenditure	Surplus / (deficit)		Actual Income	Actual Expenditure	Surplus / (deficit)
51 267 726	45 575 159	5 692 567	RATES AND GENERAL SERVICES	75 365 489	94 901 919	(19 536 430)
44 774 264	34 722 027	10 052 237	Community Services	71 185 485	88 875 964	(17 690 479)
1 175	1 327 181	(1 326 006)	Subsidised Services	308 646	2 711 230	(2 402 584)
6 492 288	9 525 951	(3 033 663)	Economic Services	3 871 358	3 314 726	556 632
11 397 605	13 189 094	(1 791 489)	Trading Services	14 784 149	18 406 318	(3 622 169)
<u>62 665 331</u>	<u>58 764 253</u>	<u>3 901 078</u>	TOTAL	<u>90 149 638</u>	<u>113 308 237</u>	<u>(23 158 599)</u>
		(450 698)	Appropriations for the year			(41 403 594)
		3 450 380	Adjusted (deficit)/surplus for the year			(64 562 193)
		65 999 826	Accumulated surplus at the beginning of the year			69 450 206
		<u>69 450 206</u>	Accumulated surplus at the end of the year			<u>4 888 014</u>

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT

for the year ended 30 June 2008

	Notes	2008 R	2007 R
CASH (UTILIZED)/GENERATED FROM OPERATING ACTIVITIES		(44 412 305)	8 088 940
Cash (utilized)/generated by operations	16	(66 618 703)	6 992 341
Investment income	16	2 134 831	1 419 616
Decrease in working capital	17	10 836 815	243 647
		(53 647 058)	8 655 604
Cash (utilized)/generated from operations		(53 725 378)	8 655 604
Increase/(Decrease) in funds		9 313 073	(566 664)
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		64 454 666	(7 956 663)
Increase/(Decrease) in long term debtors		128 216	(231 212)
		<u>20 170 579</u>	<u>(98 950)</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
(Increase)/Decrease in investments		(17 967 200)	195 029
Decrease in cash	18	(2 203 377)	(96 079)
		<u>(20 170 579)</u>	<u>98 950</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	2008 R	2007 R
1 STATUTORY FUNDS		
Revolving Fund	11 412 987	2 099 914
Equitable Share Fund	17 936 974	17 936 974
	<u>29 349 962</u>	<u>20 036 888</u>
2 TRUST & PROJECT FUNDS		
Housing Personnel Fund	56 226	52 318
Town Register Fund	20 127	19 124
Drought Relief Fund	865 120	792 745
Intervention Fund	887 872	1 120 714
MIG Fund	125 527	1 456 404
CMIP Fund	1 047 822	210 725
Elundini Housing Fund	66 683	62 048
IDP/LDO Fund	110 877	56 646
Leave Reserve Fund	11 549	11 018
NER Fund	10 756 599	7 380 290
Survey Fund	210 684	194 096
Transitional Grant Fund	913 502	1 064 180
Capacity Building Fund	1 335 853	1 221 523
MSP Fund	1 575 242	2 291 151
Katlehong Housing Fund	2 660	2 537
LED Open Market Fund	33 238	426 171
Housing Pilot Fund	114 684	224 092
Maclear Greenfields Fund	739 557	702 670
Financial Management Grant Fund	761 118	736 002
MSIG Fund	216 425	409 771
Enkululekweni Fund	406 399	376 589
Library Fund	285 152	-
Municipal Admin. Fund	68 656	-
Tourism Fund	829 326	-
	<u>21 440 897</u>	<u>18 810 814</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

3 LONG TERM LOAN	2008	2007
	R	R
DBSA Loan	368 281	253 676
Short Term Portion	(101 669)	(115 279)
Long Term Portion	<u>266 612</u>	<u>138 397</u>

These loans bear interest at rates of 16,72% and 17,36% per annum. They will be fully redeemed over a period of 20 years (2009 and 2015 respectively). The loan balance has been adjusted to reflect the actual amount due.

4 CONSUMER DEPOSITS

Deposits - Houses	15 858	16 698
Deposits - Water	30 868	27 830
Deposits - Electricity	146 749	137 069
	<u>193 475</u>	<u>181 597</u>

5 PROPERTY, PLANT & EQUIPMENT

Fixed assets at the beginning of the year	65 163 346	62 250 177
Capital expenditure during the year	19 536 426	2 913 169
Less: Assets written off during the year	(13 650 688)	-
TOTAL FIXED ASSETS	<u>71 049 084</u>	<u>65 163 346</u>
Less: Loans Redeemed and other capital receipts	(70 680 802)	(31 727 599)
Add: Capital Work in Progress	-	31 387 200
NET FIXED ASSETS	<u>368 281</u>	<u>64 822 947</u>

For more details on Fixed Assets, Refer to Appendix C.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008 R	2007 R
6 SHORT TERM INVESTMENTS		
<u>UNLISTED</u>		
Town Register Investment	20 127	19 124
Elundini Housing Investment	66 683	62 048
IDP/LDO Investment	60 877	56 646
Intervention Investment	1 214 997	1 120 714
Leave Reserve Investment	11 549	11 018
Drought Relief Investment	865 119	792 745
Equitable Share Investment	20 987 462	17 172 001
NER Investment	6 756 594	4 880 285
Survey Investment	210 684	194 096
Personal Housing Investment	56 226	52 318
Coloured Housing Investment	19 234	18 255
Equitable Share Investment	-	26 114
MIG Investment	1 175 964	128 089
Capacity Building Investment	1 335 853	1 221 523
Katlehong Investment	-	2 447
Transitional Grant Investment	913 503	1 064 180
LED Open Market Investment	199 904	426 171
MSP Investment	1 812 221	2 221 151
CMIP Investment	895 235	255 977
Katlehong Housing Investment	2 660	2 538
Housing Pilot Investment	114 684	224 092
Maclear Greenfields Investment	764 622	702 670
Electricity Investment	1 873 920	1 713 538
Surplus Investment	1 152 776	1 116 917
Financial Management Grant Investment	761 118	736 002
Investments - Deposits	11 841	11 296
Investment - Revolving Fund	11 175 976	2 099 914
MSIG Investment	844 759	578 674
Testing Centre	3 150	3 005
Mount Fletcher Balance	7 228	6 895
Motor Registration Investment	1 635	1 635
Training/Cemetery/Golf Course	14 714	14 037
Enkululekweni Housing Investment	406 399	376 589
Tourism Investment	941 842	-
Library Investment	531 690	-
Municipal Administration Investment	68 656	-
	55 279 904	37 312 703

ELUNDINI LOCAL MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008**

	2008 R	2007 R
7 INVENTORY	<u>649 472</u>	<u>287 618</u>
8 ACCOUNTS RECEIVABLE		
Rates & Taxes	6 702 301	5 579 221
Health Rates	6 558	7 147
Electricity	3 564 272	2 133 147
Water	11 802 554	9 824 656
Sanitation	6 813 389	6 113 655
Refuse	12 226 502	7 211 719
Commonage	15 474	14 277
Housing Rental	738 288	612 047
Sundry Billings	111 791	257 891
Grazing	55 943	56 134
Outstanding Balances	92 411	93 161
Selfhelp Housing	196 170	161 586
Subsidy	-	4 074 897
Dept of Roads & Transport	-	15 000
Bank Errors	2 356	-
R/D Cheques	36 428	38 204
VAT	1 462 966	-
Internal Loan	4 506	4 506
	<u>43 831 907</u>	<u>36 197 247</u>
Less: Provision for bad debts	<u>(36 985 154)</u>	<u>(20 971 399)</u>
	<u>6 846 752</u>	<u>15 225 848</u>
Provision for bad debts has been made for all debts outstanding for more than 180 days. Refer to note 19.		
9 CASH & CASH EQUIVALENTS		
Bank & Cash	<u>1 961 005</u>	<u>-</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	2008 R	2007 R
10 ACCOUNTS PAYABLE		
Trade Creditors	7 994 980	1 934 409
Other Creditors	-	5 098 206
SARS (P.A.Y.E; U.I.F & S.D.L.)	316 278	-
Dept of Roads & Transport	297 860	-
Deposits - Mt Fletcher	-	209
Provision - Leave Pay	255 665	-
VAT Control	-	1 340 736
	<u>8 864 782</u>	<u>8 373 559</u>
SARS is in lieu of an assessment that has been raised for under-deductions effected for the years 2000-2006, whilst the Dept. of Roads and Transport relates to monies collected but never paid over to the department.		
11 PROVISIONS		
Provision for Audit Fees	<u>-</u>	<u>300 000</u>
12 BANK OVERDRAFT	<u>-</u>	<u>242 372</u>
13 FINANCE TRANSACTIONS		
Interest earned	<u>2 134 831</u>	<u>1 419 616</u>
Interest paid	<u>78 321</u>	<u>-</u>
14 COUNCILOR'S REMUNERATION		
Mayor	464 896	407 901
Speaker	374 698	365 798
Other Councilors	4 736 596	4 420 254
	<u>5 576 190</u>	<u>4 436 276</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

	2008 R	2007 R
15 APPROPRIATIONS		
Accumulated surplus/(deficit) at the beginning of the year	69 450 206	65 999 826
Operating (deficit)/surplus for the year	(23 158 599)	3 901 078
Appropriations for the year	(41 403 594)	(4 450 698)
	<u>4 888 014</u>	<u>69 450 206</u>
16 CASH (UTILIZED)/GENERATED BY OPERATIONS		
(Deficit)/Surplus for the year	(23 158 599)	3 901 078
Adjustments in respect of:		
Prior year transactions	(41 403 594)	(4 450 698)
Contribution to fixed assets	-	4 961 578
Interest received	(2 134 831)	(1 419 616)
Interest paid	78 321	-
	<u>(66 618 703)</u>	<u>6 992 341</u>
17 DECREASE IN WORKING CAPITAL		
Decrease/(Increase) in accounts receivable	8 379 095	(4 290 672)
Increase in Inventory	(361 854)	(143 929)
Increase in accounts payable, consumer deposits	2 819 573	4 678 248
	<u>10 836 815</u>	<u>243 647</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	2008 R	2007 R
18 DECREASE IN BANK AND CASH		
Cash balance at the beginning of the year	242 372	338 451
Less: Cash balance at the end of the year	1 961 005	(242 372)
	<u>2 203 377</u>	<u>96 079</u>
19 SUMMARY OF CONSUMER DEBTORS		
<30 days	1 247 854	617 369
<60 days	1 171 013	548 111
<90 days	1 074 899	489 582
<120 days	1 039 717	629 117
<150 days	1 036 732	468 255
<180 days	36 985 154	29 569 389
	<u>42 555 369</u>	<u>32 321 822</u>
20 EMPLOYEE RELATED COSTS		
Remuneration of Municipal Manager		
Annual Remuneration	575 080	376 891
Travelling Allowance	60 000	55 343
Housing Allowance	120 000	90 412
Contribution to Provident Fund	-	18 246
	<u>755 080</u>	<u>540 892</u>
Remuneration of Chief Finance Officer		
Annual Remuneration	339 612	104 040
Housing Allowance	73 590	24 000
Travelling Allowance	256 211	83 791
	<u>669 413</u>	<u>211 831</u>
Remuneration of Manager - Technical Services		
Annual Remuneration	295 945	160 615
Travelling Allowance	181 940	64 042
Housing Allowance	186 473	68 996
Contribution to Provident Fund	-	13 797
	<u>664 358</u>	<u>307 450</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	2008 R	2007 R
Remuneration of Manager - Community Services		
Annual Remuneration	363 873	232 096
Travelling Allowance	210 320	82 670
Housing Allowance	88 778	58 852
Contribution to Provident Fund	-	22 170
	<u>662 971</u>	<u>395 788</u>
Remuneration of Manager - Corporate Services		
Annual Remuneration	339 612	104 040
Housing Allowance	256 211	24 000
Travelling Allowance	73 590	83 791
	<u>669 413</u>	<u>211 831</u>
21 OTHER COMPULSORY DISCLOSURES AS PER SECTION 125 OF MFMA		
Included in the personnel and general expenditure during the current are the following amounts:		
Audit fees paid	511 985	361 726
Pension fund contributions	2 211 952	1 888 631
Medical aid contributions	1 047 416	606 299
	<u>3 771 352</u>	<u>2 856 656</u>
22 RELATED PARTY TRANSACTIONS		
Matubatuba and Associates	97 580	70 088
SIV Construction and Catering	22 023	-
Ganta Trading Enterprise	10 485	-
	<u>130 087</u>	<u>70 088</u>
23 COUNCILOR DEBTORS		
Cllr Mthi	731	9 139
Cllr Mvumvu	50 644	53 850
Cllr Lengs	4 134	1 334
Cllr Baduza	2 700	824
Cllr Lehana	885	968
Cllr Ntaba	2 799	12 839
Cllr Ndlovu	-	6 260
	<u>61 893</u>	<u>85 215</u>

Garnishee's have been instituted on all councilors with outstanding accounts.

24 FRUITLESS & WASTEFUL EXPENDITURE - S.A.R.S. 316 278

Under-deduction of P.A.Y.E; U.I.F and S.D.L. from employees and councilors for the tax years ending February 2000 - 2007 including interest and penalties.

FRUITLESS & WASTEFUL EXPENDITURE - INKCIYO EVENT 38 132

Expenditure incurred on an Inkciyo event by an employee that far exceeded the approved budgetary limit. The said employee was put before a disciplinary committee for which he was subsequently charged.

TRUST FUNDS, PROJECT FUNDS AND RESERVES

	Balance at 30 June 2007	Contr during the period	Interest on investment	Other income	Operating expenditure during the year	Capital expenditure during the year	Transfers	Prior year Adjustment	Balance at 30 June 2008
PROJECT FUNDS									
Housing Personnel Fund	52 318		3 908						56 226
Town Register Fund	19 124		1 003						20 127
Drought Relief Fund	792 745		72 375						865 120
Intervention Fund	1 120 714		104 836		(337 678)				887 872
MIG Fund	1 456 404	12 211 463	85 322			(13 627 662)			125 527
CMP Fund	210 725	2 003 918	103 125		(1 315 198)			45 251	1 047 821
Etundini Housing Fund	62 048		4 635						66 683
IDP/LDO Fund	56 646	50 000	4 231						110 877
Leave Reserve Fund	11 018		531						11 549
NER Fund	7 380 290	6 000 000	502 111			(3 125 802)			10 756 599
Survey Fund	194 096		16 588						210 684
Transitional Grant Fund	1 064 180		88 048		(238 726)				913 502
Capacity Building Fund	1 221 523		114 331						1 335 854
MSP Fund	2 291 151	200 000	201 112			(1 117 021)			1 375 242
Katlehong Housing Fund	2 537		122						2 659
LED Open Market Fund	426 171		30 127		(166 667)	(256 394)			33 237
Housing Pilot Fund	224 092		13 699			(123 106)			114 685
Maclear Greenfields Fund	702 670		61 952		(25 065)				739 557
F M G Fund	736 002	500 000	79 192		(554 077)				761 117
MSIG Fund	409 771	734 000	63 791		(993 137)				216 425
Enkululekweni Funds	376 589		29 810						406 399
Library Fund	-	370 000	22 874		(307 722)				285 152
Municipal Admin. Fund	-	118 858	4 026		(54 228)				68 656
Tourism Fund	-	900 000	53 880		(124 554)				829 326
	18 810 814	23 288 239	1 663 629	-	(4 117 052)	(18 249 985)	-	45 251	21 440 896
STATUTORY FUNDS									
Revolving Fund	2 099 914	20 137 443	1 326 045			(12 150 415)			11 412 987
Equitable Share Fund	17 936 974								17 936 974
	20 036 888	20 137 443	1 326 045	-	-	(12 150 415)	-	-	29 349 961

INTERNAL LOANS/(INTERNAL ADVANCES)

	30 June 2007	Received during the year	Interest capitalised	written off during the year	30 June 2008
INTERNAL LOANS					
Financial Management Grant	4 506				4 506
Library Fund	-	246 538			246 538
Intervention Fund	-	327 126			327 126
MIG Fund		971 686			971 686
Tourism Fund		112 515			112 515
MSIG Fund	168 903	459 431			628 334
MSP Fund		236 980			236 980
LED Open Market Fund		166 667			166 667
Maclear Greenfields Fund		25 065			25 065
CMIP Fund	45 241			45 241	-
	218 650	2 546 008	-	45 241	2 719 417
INTERNAL ADVANCES					
MIG Fund	2 300 000			2 300 000	-
NER Fund	2 500 000			2 500 000	-
MSP Fund	70 000			70 000	-
Revolving Fund	-	237 011			237 011
CMIP Fund	-	152 587			152 587
IDP/LDO Fund	-	50 000			50 000
NER Fund		4 000 000			4 000 000
	4 870 000	4 439 598	-	4 870 000	4 439 598

ANALYSIS OF FIXED ASSETS

	Balance at 30 June 2007	Expenditure during the year	Written off / transferred	Disposal	Balance at 30 June 2008
Rates and General Services	65 163 345	19 536 428	13 650 688	40 096	71 008 989
Community Services	64 727 755	19 536 428	13 650 688	40 096	70 573 399
Office Equipment	239 916	364 823			604 739
Capital Development	-	11 097 088			11 097 088
Computer Equipment	188 147	541 828			729 975
Computer Software	-	36 720			36 720
Commonage	8 002 060				8 002 060
Electricity Network	-	2 631 693			2 631 693
Fencing	609 223		609 223		-
Plantations	2 224 546		2 224 546		-
Plant & Equipment	-	50 568			50 568
Dam	205 407		205 407		-
Buildings	2 503 715				2 503 715
Busstop	9 223 331		9 223 331		-
Television	360		360		-
Machinery	2 583 302	95 524		18	2 678 808
Streets	-	2 291 810			2 291 810
Land & Buildings	35 397 924	732 952			36 130 876
Library	128 579				128 579
Motor Vehicles	2 033 424	1 432 912		40 078	3 426 258
Tools & Equipment	-	2 540			2 540
Other Assets	-	257 970			257 970
Access Roads	1 387 821		1 387 821		-
Economic Services	435 590	-	-	-	435 590
Refuse	435 590	-	-	-	-
Sewerage Reticulation	-	-	-	-	-
Add: Capital Work-in-progress	31 387 200	-	31 387 200		-
Less: Loans Redeemed and other Capital Receipts	(31 727 599)	-	38 953 205	(40 096)	(70 640 708)
NET FIXED ASSETS	64 822 946	19 536 428	83 991 093	-	368 281

ELUNDINI LOCAL MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
for the year ended 30 June 2008

INCOME	VAR. %	BUDGET 2008 R	ACTUAL 2008 R	ACTUAL 2007 R
Grants and subsidies	(2)	25 239 480	24 712 573	38 550 187
National Government - Equitable Share	0	24 350 622	24 350 623	28 578 077
Provincial Government(Finance, Tourism; HR)	(59)	888 858	361 950	-
Grants in Aid		-	-	9 972 110
Operating income	(22)	56 708 774	44 256 511	24 115 144
Assessment Rates	102	1 800 000	3 628 823	2 328 307
Sale of Electricity	4	4 520 000	4 700 227	4 379 078
Sale of Water	26	2 690 510	3 396 315	3 334 039
Other Service Charges	(32)	47 698 264	32 531 146	14 073 720
TOTAL INCOME	(16)	81 948 254	68 969 084	62 665 331
Add: Government Grants in Funds (FMG; MSIG; NER & MIG)	3	20 609 177	21 180 554	
		<u>102 557 431</u>	<u>90 149 638</u>	
EXPENDITURE				
Salaries, wages and allowances	4	28 706 763	27 454 405	23 440 692
General expenditure	(23)	64 005 313	78 830 482	30 042 049
Purchases of Electricity	20	5 541 939	4 433 224	3 643 129
Repairs and maintenance	37	4 129 079	2 590 126	1 638 383
Gross expenditure	(11)	102 443 094	113 308 237	58 764 253
Net expenditure	(11)	102 443 094	113 308 237	58 764 253
Net (Deficit)/Surplus for the year		114 337	(23 158 599)	3 901 078

ELUNDINI LOCAL MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT
for the year ended 30 June 2008

2007 R	2007 R	2007 R		2008 R	2008 R	2008 R
Actual Income	Actual Expenditure	Surplus / (deficit)		Actual Income	Actual Expenditure	Surplus / (deficit)
51 267 726	45 575 159	5 692 567	RATES AND GENERAL SERVICES	75 365 489	94 901 919	(19 536 430)
44 774 264	34 722 027	10 052 237	Community services	71 185 485	88 875 964	(17 690 479)
-	2 456 060	(2 456 060)	Council Committees	-	2 657 865	(2 657 865)
215 983	7 118 570	(6 902 587)	Councillors	222 811	6 656 158	(6 433 347)
-	1 407 016	(1 407 016)	Community Serv - Admin	-	1 287 277	(1 287 277)
71 795	308 346	(236 551)	Community Serv - LED	547 614	694 679	(147 065)
-	502 067	(502 067)	Community Serv - SPU	-	713 599	(713 599)
-	50 261	(50 261)	Community Serv - Pound	-	97 825	(97 825)
122 615	4 662 086	(4 539 471)	Administration	109 022	4 805 644	(4 696 622)
-	-	-	ICT	-	1 217 647	(1 217 647)
-	-	-	Human Resources	208 610	2 027 398	(1 818 788)
564 441	373 914	190 527	Buildings	-	71 789	(71 789)
2 328 307	394 297	1 934 010	Estates	-	-	-
-	20 930	(20 930)	Disaster Management	11 767	-	11 767
1 153 832	2 105 712	(951 880)	Traffic	1 253 942	2 649 855	(1 395 913)
33 957 178	8 371 897	25 585 281	Treasury	55 367 705	44 522 833	10 844 872
178 734	240 244	(61 510)	Commonage	16 616	-	16 616
5 969 773	6 117 055	(147 282)	Maintenance	13 371 142	19 263 214	(5 892 072)
203 903	10 700	193 203	Town Planning	69 683	670 069	(600 386)
-	578 496	(578 496)	Admin - Stores	-	1 069 104	(1 069 104)
-	-	-	Housing	-	443 636	(443 636)
7 703	4 376	3 327	Cemetery	6 573	27 370	(20 797)
1 175	1 327 181	(1 326 006)	Subsidised Services	308 646	2 711 230	(2 402 584)
-	1 148 929	(1 148 929)	Sports, Parks and Public Places	-	2 134 826	(2 134 826)
1 175	178 252	(177 077)	Libraries	308 646	576 404	(267 758)
6 492 288	9 525 951	(3 033 663)	Economic Services	3 871 358	3 314 726	556 632
3 001 614	3 867 214	(865 600)	Sewerage	185 090	1 673 244	(1 488 154)
3 490 674	5 658 737	(2 168 063)	Refuse Removal	3 686 268	1 641 482	2 044 786
11 397 605	13 189 094	(1 791 489)	Trading Services	14 784 149	18 406 318	(3 622 169)
5 221 519	6 684 631	(1 463 112)	Electricity	7 977 154	14 759 254	(6 782 100)
6 176 086	6 504 463	(328 377)	Water	6 806 995	3 647 064	3 159 931
62 665 331	58 764 253	3 901 078	TOTAL	90 149 638	113 308 237	(23 158 599)
		(450 698)	Appropriation for the year			(41 403 594)
			Accumulated surplus:			
		65 999 826	beginning of the year			69 450 206
		69 450 206	Accumulated surplus: end of the year			4 888 014

STATISTICAL INFORMATION

			2007/2008
1)	Population		137,580
	Registered Voters		-
2)	Valuation of Property		
	Land	Taxable	24,473,165
	Land	Non- Taxable	19,135,443
	Improvements	Taxable	138,843,252
	Improvements	Non- Taxable	29,085,170
Residential	Land		20,619,955
	Improvements		107,192,143
Commercial	Land		3,642,930
	Improvements		31,636,949
Number of Properties	Residential		2,447
	Residential (Non-rateable)		3,147
	Commercial		94
3) Assessment Rates - Land & Improvements	Residential		0,02
	Government		0,03
	Business		0,025
4) Number of employees as at 30 June 2008			197
5) Electricity Statistics	Units Purchased		15,352,740
	Units Sold		6,605,485
	Cost Per Unit Sold		0,35cents
6) Water Statistics	Units Purified		153,952
	Units Sold		153,952
	Cost Per Unit Sold (Residential & Commercial)		4,46