uMGUNGUNDLOVU
UMASIPALA WESIFUNDA
DISTRICT MUNICIPALITY
DISTRIK MUNISIPALITEIT

uMgungundlovu District Municipality

Annual Financial Statements

For the Year Ended 30 June 2008

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ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GAAP	Generally Accepted Accounting Practices
MFMA	Municipal Finance Management Act
HDF	Housing Development Fund
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Taxation
PPE	Property Plant and Equipment
SALA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DBSA	Development Bank of South Africa
IMFO	Institute of Municipal Finance Officers
MIG	Municipal Infrastructure Grant (previously CMIP)
MEs	Municipal Entities
ANC	African National Congress
DA	Democratic Alliance
IFP	Inkatha Freedom Party

General Information

EXECUTIVE COMMITTEE	Mayor: Y Bhamjee (ANC) (Appointed 25 April 2008) Deputy Mayor : T Zondi (ANC) (Appointed 25 April 2008) Mayor BN Sithole(ANC) Resigned 25 April 2008 Deputy Mayor A Lukhele (ANC) Resigned 25 April 2008 N.B.Z. Cele (ANC) Zuma (ANC)(Appointed 25 April 2008) J.B. Mtolo (ANC) M.M. Thebolla (ANC) Resigned 25 April 2008 S Mchunu (DA) Appointed 25 April 2008 P. Bhengu (IFP) R P Ashe (DA) Resigned 30 April 2008
SPEAKER	G. H. Hloni (ANC)
WHIP	A. Lukhele (ANC) Appointed 25 April 2008 V Ntshangase (Resigned 25 April 2008)
PART-TIME COUNCILLORS	N.B. Ahmed (ANC) M.M. Cekwane (ANC) L.P. Chiya (ANC) N.V. Duze (ANC) M. Inderjit (ANC) N.C. Mabhida (ANC) A.D. Mbhense (ANC) M.P. Mkhize (ANC) S.N. Mkhize (ANC) M.L. Msimang (ANC) M.S. Mthethwa (ANC) R. Naidoo (ANC) D.A. Ndlela (ANC) S.M. Ngubane (ANC) M.M. Nkala (ANC) E.Z. Ntombela (ANC) Z.Z. Sithole (ANC) T.T. Zondi (ANC) T.R. Zuma (ANC) T.R. Zungu (ANC) (Appointed EXCO Member 25 April 2008) M.S. Bond (DA) P.R. Barnard (DA) P. Cele (ANC) S. Majola (ANC) M.E. Ngcongo (ANC) M.E. Madlala (ANC) S.D. Mbanjwa (ANC) B.E. Zuma (ANC) M.V. Mncwabe (ANC) B.I. Mncwabe (ANC) BN Sithole (Appointed 25 April 2008 -Former Mayor)

General Information

MANAGEMENT	
Acting Municipal Manager	T.L.S. Khuzwayo(Appointed 5 February 2008)
Municipal Manager	M N Mngadi (Resigned 31 January 2008)
Acting Strategic Executive Manager Community Services	S D Mkhize
Acting Strategic Executive Manager Corporate Services	S E Gwala
Acting Strategic Executive Manager Financial Services	C W Muwandi
Strategic Executive Manager : Financial Services	B Ndlovu (Resigned 31 January 2008)
Acting Strategic Executive Manager Technical Services	E B Mbambo
GRADING OF LOCAL AUTHORITY	Grade 4
REGISTERED OFFICE	242 Langalibalele Street (Longmarket) Pietermaritzburg 3201
POSTAL ADDRESS	P.O. Box 3235 Pietermaritzburg 3200
BANKERS	First National Bank
AUDITORS	Auditor General South Africa

I am responsible for the preparation of these annual financial statements, which are set out on pages 5-51, in terms of Section 126(1) of the Municipal Finance Management 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 9 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 Bearers Act and the Minister of Provincial and Local Government's determination in ccordance with this Act.

The Municipal Manager is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records It is the Municipal Manager's responsibility to ensure that the annual financial statements fairly present the state of affairs of the uMgungundlovu District Municipality in conformity with Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP).

The annual financial statements are prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and are based upon appropriate accounting policies

The Municipal Manager acknowledges that he is ultimately responsible for the system of internal financial control established by the uMgungundlovu District Municipality. To enable the municipal manager to meet these responsibilities. These controls are monitored throughout the uMgungundlovu District Municipality by the Internal Audit Unit Risk Management Audits The focus of risk management in the uMgungundlovu District Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the uMgungundlovu District Municipality endeavours to minimise fraud and error

The annual financial statements set out on pages 5 to 51 were approved by the Acting Municipal Manager and Strategic Executive Manager: Financial Services on 29 August 2008.

FOREWORD

The 2007/08 financial year, was a relatively successful year for service delivery, with focus being placed on the delivery of basic infrastructure and the provision of support to the poor through programmes aimed at poverty alleviation. During the year under review we were able to respond to the challenges by refocusing the District Municipality towards its core business, namely water and sanitation in line with the turnaround strategy adopted during the course of the year. This demonstrated our commitment to creating a better life for all our citizens and communities during the year in which we celebrated the 50th Anniversary of the Freedom Charter.

The to budget for the year amounted to R308 million , with R103 million 33% of the budget allocated towards capital expenditure. By 30 June 2008, The municipality performed poorly in the utilisation of Capital Expenditure grants resulting in approximately R71 Million of Capital grants being deferred to the 2008/2009 Financial Year. However

The processes towards the finalization of the takeover of water services intensified during the 2007/08 financial year. All service level agreements were signed with local municipalities. The District continued to fund water services operations, with certain local municipalities acting as Water Service Providers. As a result, the financial results from Water Services will be included in full for the first time in the financial statements of the District.

The takeover of environmental health services is yet to be finalized. As a result, local municipalities will continue to play a key role in the performance of this function. The funding of this function will not be reflected in the financial statements of the District, pending the conclusion of service level agreements, as provided for by the relevant legislation.

The municipality continues to implement the Municipal Finance Management Act (Act 56 of 2003), which is aimed at enhancing financial governance and service delivery.In this regard, the alignment of the IDP to the budget is being enhanced on an annual basis to ensure improved service delivery.

We would like to express our appreciation to the Full Council ,Executive Committee, Management and the Staff for their support, cooperation and dedication during the year under review.

The Municipal Manager is required by the Municipal Finance Management Act, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

C.W Muwandi (Acting Chief Financial Officer)

T.L.S Khuzwayo (Acting Municipal Manager)

29 August 2008

Report of The Chief Financial Officer

1. INTRODUCTION

Since its inception on 11 January 2000, the uMgungundlovu District Municipality has made impressive progress in executing its developmental mandate in partnership with our local municipalities, sector departments and the communities that we serve. In spite of experiencing severe budgetary constraints we were still able to achieve our main developmental objectives contained in the 2007 / 2008 IDP.

Having achieved one of our main objectives of being awarded the capital status of the Province of KwaZulu-Natal together with all the secondary benefits associated with being the capital of a vibrant province, we need to now raise the bar and look to growing into a metropolitan city in the foreseeable future. For this to happen we need to work hard at leveraging funds that will enable us to execute the powers and functions of an aspiring metropolitan city.

In addition to striving towards achieving metro status, we will continue to practice participatory governance and to promote democratisation, empowerment and social transformation. To this end we will focus on the attainment of national and provincial development priorities that are associated with:

> The elimination of urban and rural imbalances through the provision of basic services such as water and sanitation to all households;
> Support emerging economies by revitalising investment support and targeting specific industries that will unlock the potential of outlying local municipal areas; and
> Capitalise on the economic upswing in the Msunduzi area, together with the envisaged N3 development corridor encompassing Mkhambathini, Msunduzi and uMngeni.

IDP implementation will be monitored on a monthly basis by means of Service Delivery and Budget Implementation Plans (SDBIPs). We are confident that we will meet this challenge through the hard work and dedication of all the people and staff of the District.city and optimize transformation with the administration having the capacity to execute its mandate.

2. REVIEW OF OPERATION RESULTS

The 2007/08 budget of the uMgungundlovu District Municipality was approved by Council on 31 May 2007 and the Adjustments Budget was approved by Council on 25 January 2008. Figures with regard to the 2007/08 original budget as well as the adjusted budget of the municipality only are included in this report.

The statement of financial performance and financial position of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 2,525,898 (2007: deficit R 1,116,648). **General**

Details of the 2007/08 financial performance per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. A graphical presentation of the operating results is shown in the graph below:.

The overall operating results for the year ending 30 June 2008 are as follows:

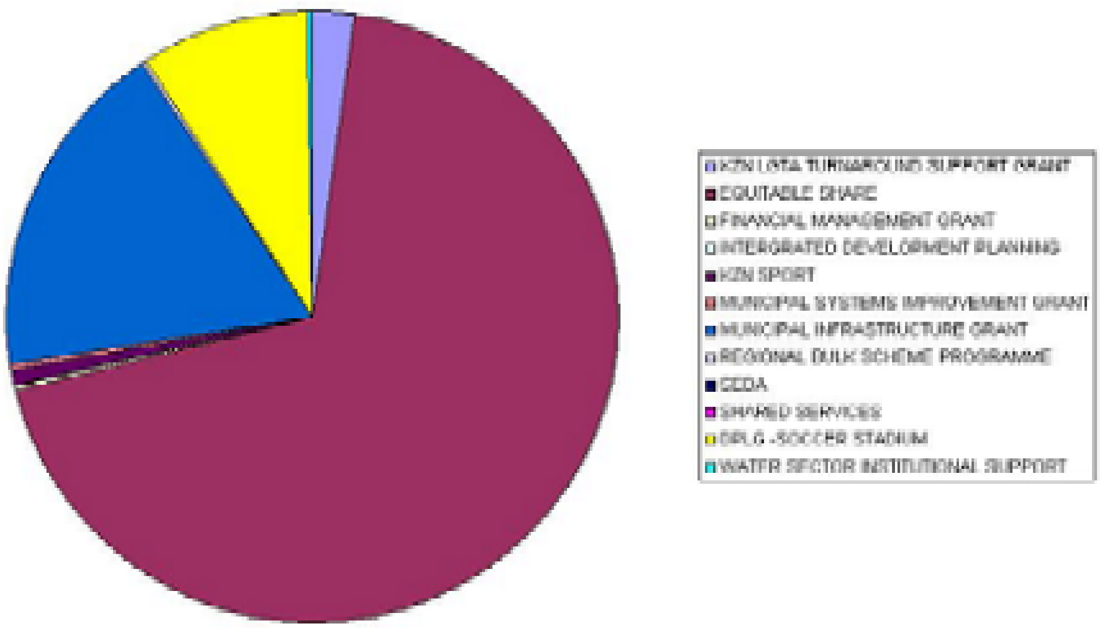
The actual net expenditure of the municipality reflects an increase of %) while the actual revenue of the municipality has increased by) since 2007. The Water Income fell well below budget as the district struggled to collect water revenue as local municipalities continued to render this function on agency basis. Expenditure increased from R172 Million in the prior years to R195 in the current year. The municipality had expenditure escalating in the month of November and December resulting in Provincial Treasury and Department of Local Governement assisting to curtail the expenditure.following this intervention there has since been a signicant drop in operational expenses but increased spending on the capital grants. Salaries stil constitute a large % of our operational budget for instance the % Wage bill to Operational Budget for the year was 45%. efforts are being put in place to reduce this % to below 35%

Net deficit of the municipality was R 2,525,898 (2007: deficit R 1,116,648), The deficit has been reduced by the amortisation of grants from prior years.

2.1. Operating Revenue

tThe Municipality relies heavily on National and Provincial Grants. The following graph indicates a break down of the grants received

Grant Revenue Received by Source



Report of The Chief Financial Officer

2.2 Operating expenditure

The expenditure of the year was distributed mainly into salaries(R88Million, general overheadsR50 Million, Bulk water Purchase (R24 Million, Bad debts peaked at R30 Million. Efforts are being put in place to reduce this signicantly.

Remuneration: The total wage bill for the municipality is R88 Million including councillors remuneration of about R6 Million

2.3 Government grants and subsidies

Government Grants totalling R230 Million were received during the year however not all of them were recognised as revenue in the currentl year due to failure to implement all the projects that were funded.Capital Grants are amortised to income over the depreciable life of the asset.

3. DEBTORS

Details regarding the debtors are provided in the Note for Trade and Other Reccivablesg-term receivables),The municipality has over the years been relying on Local Municipalities to collect debts on its behalf through an agency agreement. The district now has a billing and financial management system in place and hopefully this will enabe the district to expand its revenue base and improve the repayment rates.

The increase can mainly be attributed to the failure by local municipalities to collect, some of the debtors such as Umngeni water had not been billed until end of june when they receibed 10 Months statments.

3.1. Consumer debtors

Consumer debtorss are presently kept by the local municipalities, there has not been much movement as there were limited connections during the year.

4. CAPITAL EXPENDITURE AND FINANCING (ONLY WITH REGARDS TO THE MUNICIPALITY)

The Municipality's has perfomreed poorly in terms of utilising Capital Grants. A large portion of capital Expenditure is financed through the Municpal Infrastructure Grant. However the process has been fast tracked post year end and 100% utilisation of these grants is expectd by 31 March 2009.

The following is a graphic presentation according to financing sources:

5. ACCOUNTING RATIOS

5.1. Operating capital ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure. This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets.The District Municipality's Operating Capital Ratio was is low.

5.2. Quick asset ratio (Acid test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable.

5.3. Solvability

In this ratio, the total assets are compared to the total liabilities, and it shows the ability of the municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

5.4 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years has moved from 16:4 (4 times in 2007 to 40: 4) that is from 4 times interest cover to 10 times cover, this implies that the municipality is not heavily reliant on borowings and comfortably repay external obligations.

5.5 Debt to cash ratio

This ratio indicated below is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial yearshas moved from 16:30 to 40:30 meaning that it would take almost two years for the municipality to settle its debt were it to direct all cash generated to servicing its debt, this rate has since moved to almost 1 Year, thereby further confirming that the municipality can still comforably borrow and be able to service its debts.

5.6 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. The ratio for the past two financial years indicates that the Municipality is using less and less debt for financing as projects are generally funded by the Municipal IMprovement Grant, No Loans were utilised over the last two financial years to finance capital expenditure.:

A ratio smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure.

6. MUNICIPAL ENTITIES

Local Municipalities under the District
Impendle Municipality
Mkhambathini Municipality
Mpofana Municipality
Msunduzi Municipality
Richmond Municipality
uMngeni Municipality
uMshwathi Municipality

7. CHALLENGES EXPERIENCED DURING 2007/08

7.1. IMPLEMENTATION OF ACCOUNTING STANDARDS

The District of uMgungundlovu has adopted GRAP Standards earlier than required. This has necessitated significant chnages to prior year figures and prior years adjustments.

As required by the stipulations of the Government Gazette, implementation plans were drawn up and submitted to National Treasury. We did not have some of the comparative information for some of the years such as clasifcation by function of some information for the prior years, forcing us to only present some annexures without comparatives.

APPRECIATION

I am grateful to the Councillors, The Mayor, Members of the Executive Committee, the Municipal Mayor, Strategic Executive Managers, Executive Managers and all the staff for the support they have given me and my personnel during the 2007/08 financial year. A special word of appreciation to everybody for the months of hard work, sacrifices and concentrated efforts during the financial year to enable my Department to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August).

C.W. MUWANDI
ACTING CHIEF FINANCIAL OFFICER

Statement of Financial Position as at 30 June 2008

	Note(s)	2008 R	2007 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus (Deficit)		30,643,455	146,096,971
Capital replacement Reserve		-	47,169,489
Government grant reserve		99,365,595	-
		130,009,050	**193,266,460**
LIABILITIES			
Non-Current Liabilities			
Borrowings	2	30,434,350	29,373,995
Current Liabilities			
Trade and Other Payables	6	29,538,277	28,289,719
VAT	11	-	1,762,839
Unspent Conditional Grants and Receipts	12	63,260,749	22,660,906
Current provisions	7	3,714,665	82,911,824
Borrowings	13	3,312,648	3,713,811
Bank Overdraft	15	2,503,974	-
		102,330,313	**139,339,099**
Total Liabilities		**132,764,663**	**168,713,094**
Total Net Assets and Liabilities		**262,773,713**	**361,979,554**
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	130,219,999	177,456,236
Current Assets			
Trade and Other Receivables	21	48,127,863	156,718,633
VAT	11	15,481,818	-
Cash and Cash Equivalents	15	68,944,033	27,804,685
		132,553,714	**184,523,318**
Total Assets		**262,773,713**	**361,979,554**

Statement of Financial Performance

	Note(s)	2008 R	2007 R
Revenue	23	227,362,996	209,953,939
Operational Grant Expenditure	27	(39,914,915)	(39,461,832)
Gross Surplus		**187,448,081**	**170,492,107**
Other Income	26	4,418,657	1,342,373
Operating Expenses	31	(195,249,474)	(172,125,567)
Operating Deficit	28	**(3,382,736)**	**(291,087)**
Investment Revenue	24	4,584,496	3,607,092
Interest Paid	30	(3,727,658)	(4,432,653)
Deficit For The Year		**(2,525,898)**	**(1,116,648)**

Statement of Financial Performance

	Note(s)	2008 R	2007 R
Revenue			
Government grants and subsidies	25	21,653,221	-
Grants, Water and Sanitation		205,709,775	209,953,939
Gross Surplus		**187,448,081**	**170,492,107**
Other Income	26	4,418,657	1,342,373
Interest Received - Investment	24	4,584,496	3,607,092
Total Revenue		**196,451,234**	**175,441,572**
Expenditure			
Employee Related Costs	8	(88,005,150)	(69,263,112)
Bad Debts	29	(29,692,875)	(8,802,100)
Collection Costs		(647,967)	(113,517)
Depreciation		(25,099,635)	(473,705)
Repairs and Maintenance		(655,840)	(628,727)
Interest Paid	30	(3,727,658)	(4,432,653)
Cost of Housing Sold		(812,246)	-
General Expenses	31	(50,335,761)	(92,844,406)
Total Expenditure		**(198,977,132)**	**(176,558,220)**
Deficit for the year		**(2,525,898)**	**(1,116,648)**

Refer to Appendix E(1) for comparison with the approved budget

Statement of Changes in Net Assets

	Note(s)	Pre-GAMAP reserves and funds	Capital replacement reserve	Government grant reserve	Total reserves	Accumulated Surplus (Deficit)	Net Assets
		R	R	R	R	R	R
Balance at 01 July 2006		**-**	**47,169,489**	**-**	**47,169,489**	**47,213,619**	**94,383,108**
Changes In Net Assets							
Deficit For The Year					-	(1,116,648)	(1,116,648)
Total Changes		-	-	-	-	(1,116,648)	(1,116,648)
Opening Balance As Previously Reported		-	47,169,489	-	47,169,489	46,096,974	93,266,463
Adjustments							
Prior Year Adjustments					-	12,927,621)	12,927,621)
Balance At 01 July 2007 As Restated		**-**	**47,169,489**	**-**	**47,169,489**	**33,169,353**	**80,338,842**
Changes In Net Assets							
Deficit For The Year						(2,525,898)	(2,525,898)
Insurance claims processed				99,365,595	99,365,595		99,365,595
Offsetting of depreciation			47,169,489)		47,169,489)		47,169,489)
Total Changes		-	47,169,489)	99,365,595	52,196,106	(2,525,898)	49,670,208
Balance at 30 June 2008		**-**	**-**	**99,365,595**	**99,365,595**	**30,643,455**	**30,009,050**

Note(s)

UMGUNGUNDLOVU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Cash Flow Statement

	Note(s)	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated From Operations	32	75,714,256	16,483,786
Interest Income		4,584,496	3,607,092
Interest Paid		(3,727,658)	(4,432,653)
Other non-cash item (Prior Year Adjustments)		(112,927,621)	4,766,919
Net Cash From Operating Activities		**(36,356,527)**	**20,425,144**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase Of Property, Plant And Equipment	4	(166,050,221)	(14,725,956)
Proceeds From Sale Of Property, Plant And Equipment	4	188,186,825	-
Proceeds from Borrowings		-	14,203,798
Net Cash From Investing Activities		**22,136,604**	**(522,158)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment Of Long-Term Liabilities		1,060,355	(696,577)
Movement In Short Term Loans		(401,163)	1,614,211
Creation of Government Grant Reserve Due to GRAP Conversion		99,365,595	-
Funding Sources Reclassified due to Conversion		(47,169,489)	-
Net Cash From Financing Activities		**52,855,298**	**917,634**
Total Cash Movement For The Year		**38,635,375**	**20,820,620**
Cash at the beginning of the year		27,804,685	6,984,065
Total Cash At End Of The Year	15	**66,440,060**	**27,804,685**

1. Basis Of Preparation

The annual 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 years, except if otherwise indicated

These accounting policies are consistent with the previous year.

1.1 Reserves

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the transfer of power and functions from local Municipalities to the District Municipalities as the water services Authorities and Water Services Provider, at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transfered to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items o property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve relating to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such itam is transferred to the accumulated surplus.

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number … dated…..) A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

1.1.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the

Government Grant Reserve to the accumulated surplus/(deficit). 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/(deficit).

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, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).
When items of property, plant and equipment are financed from public contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the Municipality (state basis of determining balance of self-insurance reserve) and past claims history in terms of a Council Resolution XX and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The Municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

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.

Amounts are transferred to the COID Reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, (Act No. 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the Reserve is adequate to offset potential claims.

The balance of the COID Reserve is based on 0.75% of the annual remuneration of employees that qualify for COID benefits. Individual claims greater than R500 000 are reinsured.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus.

The Municipality is exempted in terms of Section 84 of the COID Act. In terms of section 19 of the COID Act employers are required to keep a reserve. This reserve is made up of the capitalized value of pensions for all the dependants and widows or widowers of employees who died on duty and is based on the calculation by the Compensation Commissioner. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.2 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The cost of each asset category include costs incurred initially to acquire an item of property, plant and equipment equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Cost model

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are stated at cost less accumulated depreciation. 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. Land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previoulsy recognised as an expense

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.

Property, Plant and Equipment is held for use in the supply of goods or services or for administrative purposes are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment excluding land and assets under construction, which is held for use in the production or supply of goods or services or for administrative purposes are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses.

Depreciation commences when the assets are ready for their intended use.

Assets under construction are carried at cost, and are depreciated from the date the assets are technically complete. Assets-under-construction are disclosed as a separate category of assets.

Repairs and maintenance expenses are charged to the statement of financial performance during the financial year in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company and the cost of the items can be measured reliably.

Land is not depreciated.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

Depreciation is provided on all property, plant and equipment other than freehold land and assets under construction, to write down the cost, less estimated residual value, on a straight line basis over their useful lives as follows:

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

1.2 Property, Plant and Equipment (continued)

Details	**Years**
Land	
• Landfillsites	15 years
Buildings	20 years
Plant and machinery	6 years
• Transformers	40 years
• Transmission cables	30 years
• Mini-substantions	40 years
• Medium voltage equipment	20 - 40 years
• Low voltage equipment	20 - 40 years
Furniture and fixtures	6 years
Motor vehicles	4 years
• Specialist vehicles	
• Other vehicles	
• Watercraft	
Office equipment	6 years
IT equipment	3 years
Computer software	2 years
Infrastructure	
• Rivers and Coastal Engineering	30 years
• Roads and Motorways	15 years
• Economic Development	20 years
• Traffic Equipment	20 years
• Stormwater Drainage	20 years
• Airport Infrastructure	20 years
• Solid Waste	10 - 30 years
• Water and Sanitation	15 - 20 years
• Major Substations: Buildings	30 years
• Transformers and Related Equipment	20 years
• Mains	20 years
• Street Lighting	20 years
• Buildings	30 years
• Recreational Facilities	20 - 30 years
Other property, plant and equipment	
• Buildings	30 years
• Markets and Informal Markets	30 years
• Fire Engines	20 years
• Landfill Sites	15 years
• Car Parks	10 years
• Lifts	10 years
• Building Improvements	10 years
• Heavy and Mobile Plant	10 years
• Furniture and fittings	7 years
• Vehicles	5 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 years
• Other items of Plant and Equipment	3-5 years
Capital work in progress	Not Depreciated (Until Completed)
Specialised vehicles	12 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

1.2 Property, Plant and Equipment (continued)

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same bases as owned assets or, where shorter, the term of the relevant lease

The componentisation of the water and waste water network in terms of IAS 16 Property, plant and equipment has been performed and updated in the fixed asset register.

The surplus or deficit arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The surplus or deficit arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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 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 1.9 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.3 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are initially recognised at cost and comprise of software and servitudes.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Cost Model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.3 Intangible assets (continued)

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.4 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated

1.4 Impairment of assets (continued)

as a revaluation increase.

1.5 Financial assets, investments and liabilities

Initial recognition

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Debtors

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against municipality in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. 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. Amounts that are receivable within 12 months from the reporting date are classified as current.

Creditors

Creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade creditors are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents comprise cash on hand . These are initially and subsequently recorded at fair value.

1.5 Financial assets, investments and liabilities (continued)

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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 overdraft are expensed as incurred.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

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

Loans and receivables

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the annual financial statements establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments in Derivative Financial Instruments

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss.

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

1.5 Financial assets, investments and liabilities (continued)

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality has the positive intention and ability to hold to maturity.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the Statement of Financial Performance in the period in which they arise.

1.6 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired are not held for trading, and consists of consumables in stock.

Consumable stores, maintenance materials, work-in-progress, finished goods, water stock, uniform stock, merchandise, food and beverage are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to

1.7 Inventories (continued)

their estimated economic or realisable values.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in the Statement of Financial Performance.

1.9 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.10 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.10 Revenue (continued)

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Revenue represents the invoiced value of goods supplied to customers and connection fees below R100,000 and exclude value added tax. Revenue from the sale of prepaid meter vouchers is recognised immediately on receipt of cash.

Included in revenue are adjustments to customer accounts that are related to prior years. The volume and the continuous nature of the adjustments makes it impractical to determine to which years the adjustments relate to. In this particular instance GAAP has not been adhered to.

Revenue comprises the invoiced value of sales in respect of operations in the provision of water and wastewater services and excludes investment and other income and value-added taxation (VAT). Revenue from the distribution of water and the provision of sanitation services is recognised as and when the service has been provided. Average consumption is invoiced when meter readings have not been performed. Revenue from the sale of prepaid water meters is recognised at the point of sale and not when the water is consumed.

Deemed consumption areas are billed based on between 5kl and 20kl of water per stand per month, regardless of actual consumption.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality’s activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. 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 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.

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.

1.10 Revenue (continued)

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.

All other revenue is recognised as it accrues.

1.10.2 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, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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.

1.11 Conditional grants and receipts

Government grants are recognised when there is reasonable assurance that:
- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately) .

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Capital grants are recorded as deferred income when they become receivable and are recognised as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate.

The deferred income relating to grants are recognised on the following basis:

Capital contributions on property, plant and equipment: Credited on a straight-line basis to the Statement of Financial Performance based on the estimated useful life of the relevant plant and equipment.

Grants subsidising interest on shareholders loans are recognised as income on a systematic and rational basis that matches the related costs, which they are intended to compensate.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the

1.11 Conditional grants and receipts (continued)

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.

1.12 Investment income

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the 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 its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

Finance leases - The Municipality as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality’s net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality’s net investment outstanding in respect of the leases or instalment sale agreements.

Finance leases – The Municipality as lessee

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statementm of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.14 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, 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. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.15 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. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.16 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. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.17 Comparatives Information

1.17.1 Current year comparatives

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

1.17.2 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.

	2008 R	2007 R

2. BORROWINGS

	2008 R	2007 R
Liabilities		
Other financial liabilities	30,434,350	29,373,995
See Appendix A for details		
Non-current liabilities		
Total external loans	30,434,350	29,373,995

3. CONSUMER DEPOSITS

No interest accrues on consumer deposits as Umgungundlovu is not a deposits-taking organisation in terms of the Banking Act.

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4. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	21,598,879	-	21,598,879	20,344,634	-	20,344,634
Buildings	-	(5,572,744)	(5,572,744)	-	(3,884,661)	(3,884,661)
Plant and machinery	13,074,012	(1,558,684)	11,515,328	11,619,346	(5,103,100)	6,516,246
Furniture and fixtures	2,389,947	(1,163,057)	1,226,890	2,700,130	(2,093,887)	606,243
Motor vehicles	5,697,610	(2,729,219)	2,968,391	6,085,378	(2,817,781)	3,267,597
IT equipment	1,803,599	(1,462,562)	341,037	8,175,768	(7,954,380)	221,388
Infrastructure	155,768,400	(103,131,853)	52,636,547	153,786,534	(3,401,745)	150,384,789
Work in Progress	45,505,671	-	45,505,671	-	-	-
Total	**245,838,118**	**(115,618,119)**	**130,219,999**	**202,711,790**	**(25,255,554)**	**177,456,236**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Difference	Additions	Disposals	Total
Land	20,344,634	**1,278,439**	-	(24,194)	21,598,879
Buildings	(3,884,661)	**(2,356,090)**	2,109,996	(1,441,989)	(5,572,744)
Plant and machinery	6,516,246	**(524,392)**	5,546,909	(23,435)	11,515,328
Furniture and fixtures	606,243	**(479,298)**	2,058,833	(958,888)	1,226,890
Motor vehicles	3,267,597	**(1,420,783)**	1,939,029	(817,452)	2,968,391
IT equipment	221,388	**(289,104)**	7,302,823	(6,894,070)	341,037
Infrastructure	150,384,789	**(21,308,405)**	101,586,960	(178,026,797)	52,636,547
Work in progress	-	**-**	45,505,671	-	45,505,671
	177,456,236	**(25,099,633)**	**166,050,221**	**(188,186,825)**	**130,219,999**

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Total
Land	20,158,512	186,122	20,344,634
Buildings	(3,884,661)	-	(3,884,661)
Plant and machinery	6,667,710	(151,464)	6,516,246
Furniture and fixtures	1,494,106	(887,863)	606,243
Motor vehicles	700,610	2,566,987	3,267,597
IT equipment	1,994,510	(1,773,122)	221,388
Infrastructure	135,599,493	14,785,296	150,384,789
	162,730,280	**14,725,956**	**177,456,236**

5. CALL INVESTMENT DEPOSITS(INCLUDED IN CASH AND CASH EQUIVALENTS)

Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.

LIST OF INVESTMENTS

	2008 R	2007 R
Standard Bank	5,000,000	5,000,000
First National Bank	7,000,000	7,027,316
ABSA	8,000,000	8,000,000
New Republic Bank	1,341,663	1,043,515
	21,341,663	**21,070,831**

	2008 R	2007 R

6. TRADE AND OTHER PAYABLES

	2008 R	2007 R
Trade payables	25,315,634	2,399,777
Other payables 1	-	1,190,882
Accrued staff 13th cheques	74,729	-
Retentions	1,610,711	-
Sundry Creditors	2,537,203	24,699,060
Total Creditors	**29,538,277**	**28,289,719**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Notes to the Annual Financial Statements

Figures in Rand

7. PROVISIONS

Reconciliation of provisions - 2008

	Opening Balance	Difference	Additions	Total
Other Provisions	82,911,824	**(6,728,335)**	(72,468,824)	3,714,665

Reconciliation of provisions - 2007

	Opening Balance	Additions	Total
Other Provisions	10,237,719	72,674,105	82,911,824

8. EMPLOYEE RELATED COSTS

Basic	64,128,691	54,274,872
Medical aid - company contributions	2,013,355	1,377,233
UIF	431,680	300,967
SDL	(28,809)	5,552
Leave pay provision charge	4,559,475	1,383,843
Other short term costs	9,407,233	7,254,795
Post-employment benefits - Pension - Defined contribution plan	7,493,525	4,665,850
	88,005,150	**69,263,112**

Remuneration of the Municipal Manager

Annual Remuneration	633,852	-

Remuneration of the Chief Finance Officer

Annual Remuneration	506,694	-

Corporate and Human Resources (Corporate Services)

	2008 R	2007 R
Annual Remuneration	730,065	-

9. REMUNERATION OF COUNCILLORS

	2008 R	2007 R
Executive Major	84,258	-
Deputy Executive Mayor	446,072	-
Speaker	387,758	-
Whip	299,630	-
Total Councillors' Remuneration	**1,217,718**	**-**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has Eight full-time bodyguards . The Deputy Mayor and speaker has Eight Fulll-time bodyguards.

10. AUDITORS' REMUNERATION

	2008 R	2007 R
Fees	626,175	1,050,938

11. VAT

	2008 R	2007 R
Net VAT receivable	15,481,818	-
Net VAT payable	-	(1,762,839)
Total	**15,481,818**	**(1,762,839)**

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

Notes to the Annual Financial Statements

	2008 R	2007 R

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government:

	2008 R	2007 R
Conditional Grants from other spheres of Government		
Other Conditional Receipts		
Other Grants and Subsidies	63,260,749	22,460,906
Undefined Difference	**-**	**200,000**
Total Conditional Grants and Receipts	**63,260,749**	**22,660,906**

See Note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. SHORT-TERM LOANS

	2008 R	2007 R
Call Bonds	(5,102,516)	(3,713,811)
Short term loans	**1,789,868**	**-**
	(5,102,516)	**(3,713,811)**

14. OTHER LIABILITY 3

	2008 R	2007 R

15. BANK BALANCES AND CASH

Refer to the supplementary information schedule 3 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

	2008 R	2007 R
Cash on hand	18,100	17,600
Bank balances	68,925,933	27,787,085
Bank overdraft	(2,503,974)	-
	66,440,059	**27,804,685**
Current assets	68,944,033	27,804,685
Current liabilities	(2,503,974)	-
	66,440,059	**27,804,685**

Prior year comparatives have been restated to ensure compliance with the Specimen Financial Statements issued by National Treasury.

The total amount of undrawn facilities available for future operating activities and commitments	15,000,000	-

16. OTHER INVESTMENTS

Investments at fair value

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

[Where the Municipality did make reclassifications from fair value to cost or amortised cost or visa versa, details must be given of reason for reclassification, and the amount reclassified must be disclosed]

There were no gains or losses realised on the disposal of held to maturity financial assets in 2008 and 2007, as all the financial assets were disposed of at their redemption date.

17. RECEIVABLES

Long-term receivables

18. INSURANCE FUND

19. SHORT-TERM LOANS

Notes to the Annual Financial Statements

		2008 R	2007 R

20. INVENTORIES

Notes to the Annual Financial Statements

		2008 R	2007 R

21. TRADE AND OTHER RECEIVABLES

		2008 R	2007 R
Trade debtors	21.1	47,475,937	102,653,891
Sundry debtor		660,266	47,620,249
Other debtors #2		(8,340)	6,444,493
		48,127,863	**156,718,633**

21.1. Trade debtors

	2008 R	2007 R
Gross trade receivables	47,475,937	102,653,891

22. CONSUMER DEBTORS

23. REVENUE

Grants Water and Sanitation Income	205,709,775	209,953,939
Government grants	21,653,221	-
	227,362,996	**209,953,939**

24. INVESTMENT REVENUE

Interest revenue		
Other interest	4,584,496	3,607,092

25. GOVERNMENT GRANTS AND SUBSIDIES

Government grants	21,653,221	-

Financial management grant

Additional text

Other Grants and Subsidies

Other Grants and Subsidies were utilised during the year to fund various Council projects.

26. OTHER INCOME

Cold storage charges	4,418,657	1,342,373

27. COST OF SALES

Sale of goods		
Other item 1	39,133,249	38,772,658

28. OPERATING SURPLUS

Operating profit for the year is stated after accounting for the following:

Operating lease charges			
Premises			
• Contractual amounts		2,386,508	28,500
Depreciation on property, plant and equipment		25,099,635	473,705
Employee costs	8	88,005,150	69,263,112
Research and development		659,478	46,920
Bad debts	29	29,692,875	8,802,100
Consulting and professional fees		7,018,508	5,776,221
Insurance		1,185,338	967,748
Legal expenses		882,744	950,075
Repairs and maintenance	2	655,840	628,727
Security (Guarding of municipal property)		1,668,977	1,276,421
Billing and meter reading charges		1,704,615	10,287,916

29. BAD DEBTS

Bad debts	29,692,875	8,802,100

30. INTEREST PAID

Non-current borrowings	3,077,068	4,351,260
Other interest paid	650,590	81,393
Total Interest on External Borrowings	**3,727,658**	**4,432,653**

		2008 R	2007 R
31. GENERAL EXPENSES			
Administration and management fees		5,576,415	6,939,792
Advertising		238,742	3,618,254
Auditors remuneration	10	626,175	1,050,938
Bank charges		72,438	98,428
Billing and meter reading charges		1,704,615	10,287,916
Computer expenses		377,478	190,602
Consulting and professional fees		7,018,508	5,776,221
Donations		141,500	389,903
Entertainment		170,187	599,303
Laboratory charges		10,202	3,580
ME - charges		8,913,549	6,292,295
Expense 7		221	-
Expense 8		33,274	(182)
Settlement costs		557,499	175,583
Hire		422,786	481,015
Insurance		1,185,338	967,748
Other expenses		372,907	384,237
Lease rentals on operating lease		2,386,508	28,500
Magazines, books and periodicals		37,989	65,539
Motor vehicle expenses	1	3,206,007	3,431,188
Placement fees		19,837	84,163
Postage and courier		6,448	96,190
Printing and stationery		1,900,753	1,231,893
Project maintenance costs		5,919,613	42,083,525
Protective clothing		51,808	416,591
Research and development costs		659,478	46,920
Security (Guarding of municipal property)		1,668,977	1,276,421
Staff welfare		802,609	544,033
Subscriptions and membership fees		1,128,182	740,793
Telecommunication costs (Telephone, faxes and cell phones)		3,900,615	3,443,690
Training		666,668	1,275,511
Travel - local		558,435	823,816
		50,335,761	**92,844,406**

Notes to the Annual Financial Statements

32. CASH GENERATED FROM OPERATIONS

	2008 R	2007 R
Deficit before taxation	(2,525,898)	(1,116,648)
Adjustments for:		
Depreciation and amortisation	25,099,635	473,705
Contribution to bad debt provision	29,692,875	8,802,100
Interest received	(4,584,496)	(3,607,092)
Interest Paid	3,727,658	4,432,653
Movements in provisions	(79,197,159)	72,674,105
Changes in working capital:		
Trade and Other Receivables	108,590,770	(95,804,501)
Decrease/(increase) in consumer debtors	(29,692,875)	-
Trade and Other Payables	1,248,560	13,482,705
(Decrease)/Increase in VAT	(17,244,657)	1,479,987
Unspent Conditional Grants and Receipts	40,599,843	15,666,772
	75,714,256	**16,483,786**

33. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION

	2008 R	2007 R
Long-term liabilities	30,434,350	29,373,995
Sub- total	30,434,350	29,373,995

Supplementary information

	Note(s)	2008 R	2007 R

1. MOTOR VEHICLE AND BUS EXPENSE

Undefined Difference		**(3,206,007)**	**(3,431,188)**

2. REPAIRS AND MAINTENANCE

Undefined Difference		**(655,840)**	**(628,727)**

3. BANK BALANCES

Account number - Bank - Account Description			
Undefined Difference		**(71,429,907)**	**(27,787,085)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008 - ALL FROM DBSA

Loan Number	Municipality Loaned to	Interest Rate	Redemption Date	Balance at 1 July 07	Received during the period / Interest Capitalised during the year	Redeemed off during the period	Balance at 30 June 2008	Carrying Value of Property, Plant & Equipment Financed	Other Costs in accordance with MFMA
				R	R	R	R	R	R
9370	Umgungundlovu District	10%	31-Mar-15	2,389,736	228,004	224,695	2,393,045	499,674	-
10181	Umgungundlovu District	10%	31-Mar-15	193,459	18,518	17,421	194,556	-	-
10155	Umgungundlovu District	10%	31-Mar-15	3,533,155	338,199	318,166	3,553,187	1,635,081	-
10157	Umgungundlovu District	10%	31-Mar-15	1,275,606	122,103	114,870	1,282,838	738,874	-
10434	Umgungundlovu District	10%	31-Mar-15	4,071,024	391,780	339,898	4,122,905	-	-
10394	Umgungundlovu District	10%	31-Mar-15	71,562	6,887	5,975	72,474	-	-
10180	Umgungundlovu District	10%	31-Mar-15	4,070,279	392,525	339,898	4,122,905	2,627,589	-
10392	Umgungundlovu District	10%	31-Mar-15	417,925	40,119	36,179	421,865	-	-
10158	Umgungundlovu District	10%	31-Mar-15	4,940,667	476,530	399,007	5,018,191	1,030,028	-
10395	Umgungundlovu District	10%	31-Mar-15	1,518,644	146,765	118,938	1,546,471	409,558	-
13851	Umgungundlovu District	10%	31-Mar-15	6,595,034	776,240	522,256	6,849,017	3,259,428	-
				29,077,090	**2,937,668**	**2,437,302**	**29,577,455**	**10,200,233**	**-**
12358	(Mooi Mpofana Local)	14.50%	31-Dec-15	159,942	38,329	53,249	145,021	1	-
12359	(Mooi Mpofana Local)	14.5%	31-Dec-15	141,227	31,572	46,209	126,590	1	-
12360	(Mooi Mpofana Local)	14.9%	31-Dec-15	44,668	10,332	13,134	41,865	1	-
12361	(Mooi Mpofana Local)	15.6%	31-Dec-15	158,071	40,828	68,281	130,618	1	-
12363	(Mooi Mpofana Local)	16.3%	31-Dec-15	376,056	101,537	185,667	291,926	1	-
12698	(Richmond TLC Natal)	8%	30-Jun-14	57,643	6,553	15,557	48,640	1	-
12699	(Richmond TLC Natal)	9%	31-Dec-14	48,607	5,903	12,749	41,761	1	-
15346	(Richmond TLC Natal)	10%	31-Mar-15	34,514	4,965	9,186	30,293	1	-
				1,020,728	**240,019**	**404,032**	**856,715**	**8**	**-**
GRAND TOTAL				**30,097,818**	**3,177,687**	**2,841,335**	**30,434,170**	**10,200,241**	**-**

UMGUNGUNDLOVU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS -
YEAR ENDED 30 JUNE 2008

APPENDIX C

DEPARTMENT	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
	R	R	R	R	R	R	R	R	R	R
Community & Social Services	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Executive and Council	20,320,438	2,109,996	-	831,555	21,598,879	3,884,661	1,077,650	610,433	4,351,877	17,247,001
Finance and Admin	16,961,276	11,300,685	-	8,349,121	19,912,840	12,866,048	2,189,186	321,289	14,733,945	5,178,895
Fire	11,619,346	5,546,909		23,435	17,142,821	5,103,100	524,393		5,627,493	11,515,327
Health	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-
Planning and Development	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Water	143,955,672	87,609,578	45,505,671	75,796,851	201,274,071				-	201,274,071
Other	9,830,862	13,977,382		18,098,560	5,709,683	3,401,745	21,308,405	84,131,386	(59,421,236)	65,130,919
TOTALS	**202,687,595**	**120,544,550**	**45,505,671**	**103,099,522**	**265,638,293**	**25,255,553**	**25,099,635**	**85,063,108**	**135,418,296**	**130,219,997**

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE				
	Current Year Actual	Current Year Budget	Variance	
	Rand	Rand	Rand	
Executive & Council	34,988,091	38,443,849	3,455,758	Adjustments had to be made on the Mayors budget as water collections were poor.
Finance and Admin	151,278,247	53,183,173	(98,095,074)	The take over of the water and sanitation function was finalised during this financial period. This resulted in salary costs increasing as and the litigation costs rose.There was an increase in the Provision for Doubtful Debts as Local Municipalities have not been collecting water sales as effectively as they could under the Service Level Agreement.Adjustments also had to be made for catch up Depreciation.
Health	-	-		
Planning & Development	197,560	1,055,362	857,802	
Community & Social Services	11,821,198	24,594,308	12,773,110	
Housing				
Public Safety	29,550	637,500	607,950	
Sport & Recreation	1,461,210	1,096,500	(364,710)	Due to limited cash flow problems during this financial year, the Municipality has had to reduce operational expenditure and re prioritise expenditure
Environmental Protection	-	-	-	
Road Transport	-	-	-	
Water	39,064,161	70,754,495	31,690,334	There was no collection of these revenues due to the transitional period, the implementation of this service had to be limited and staggarred due to cash flow problems
Electricity	-		-	
Other	5,752,407	11,068,431	5,316,024	Due to limited cash flow problems during this financial year, the Municipality has had to reduce operational expenditure and re prioritise expenditure and limit to what has to be paid
TOTAL	**238,840,018**	**200,833,618**	**(38,006,400)**	