

UMKHANYAKUDE DISTRICT
MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
FOR The YEAR ENDED

30 JUNE 2008



UMKHANYAKUDE DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2008

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 27, 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 17 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 accordance with this Act.

Mr. M.T.G Mchunu
Municipal Manager

Date

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

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The reports and statements set out below comprise the Financial Statements presented to the Councillors

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**UMKHANYAKUDE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net Assets		577 949 164	502 920 203
Capital replacement reserve		487 569 065	-
Government grant reserve		90 380 099	409 051 274
Accumulated surplus/ (deficit)			93 868 929
Non - Current Liabilities		17 065 868	21 258 965
Long - term liabilities	1	17 065 868	21 258 965
Current Liabilities		98 903 235	66 075 116
Consumer deposits	2	366 038	431 208
Provisions	3	788 598	406 537
Creditors	4	56 507 786	24 896 701
Unspent conditional grants and receipts	5	35 034 633	29 668 566
Bank overdraft	13	3 395 434	9 408 895
Current Tax Payable	4.1	-	-
Current portion of long - term liabilities	1	2 810 646	1 263 209
Investment loan		100	-
Total Net Assets and Liabilities		<u>693 918 267</u>	<u>590 254 284</u>
ASSETS			
Non - Current Assets		634 310 484	552 943 875
Property, plant and equipment	6	621 949 464	544 473 529
Investments	7	12 115 547	8 231 439
Long - term receivables	8	245 473	238 907
Investment in subsidiary	7.1	100	
Current Assets		59 607 683	37 310 409
Inventories	9	1 809 256	117 935
Consumer debtors	10	27 213 440	4 422 139
Other debtors	11	9 205 620	6 930 557
Vat	12	18 657 201	12 441 637
Current portion of long - term receivables	8	-	20 777
Bank balances and cash	13	2 722 166	13 377 364
Total Assets		<u>693 918 267</u>	<u>590 254 284</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 <u>R</u>	2007 <u>R</u>
REVENUE			
Government grants and subsidies	15	184 579 172	251 098 388
Water sales	14	33 603 764	16 489 824
Sanitation sales	14	1 643 520	1 803 969
Electricity sales	14	4 526 454	3 114 157
Other services/ levies		-	41 423
Rental income		36 613	54 009
Interest earned		1 871 987	1 077 252
Other Income - tender document income			
Total Revenue		226 261 510	273 679 022
EXPENDITURE			
Employee related costs	16	30 507 252	27 949 344
Remuneration of councillors	17	2 569 127	2 402 967
General expenses		25 916 514	16 522 855
Electricity purchases		3 167 127	3 577 209
Water purchases		56 394 245	18 008 428
Bad debts		-	29 656 946
Legal fees		116 269	47 349
Levy collections		8 371	97 201
Rent		22 738	182 771
Lease payments		1 926 493	2 098 801
Contract services		1 251 678	332 045
Repairs and maintenance		2 056 095	19 435 376
Interest paid	18	2 176 142	2 049 715
Drought relief		7 078 853	0
Economic development fund		1 228 176	
Thusong MPCC		69 500	
FMG Contribution		40 000	
Development Agency		56 380	
Depreciation		19 987 949	18 075 512
Bursaries		565 863	0
Loss on disposal of property, plant & equipment		11 377	0
Total Expenditure		155 150 149	140 436 520
SURPLUS FOR THE YEAR		71 111 361	133 242 502

UMKHANYAKUDE DISTRICT MUNICIPALITY

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

	<u>Capital Replacement Reserve</u>	<u>Government Grant Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
2007				
Balance as at 1 June 2006	0	202 885 478	111 773 654	314 659 132
Surplus for the year			133 242 502	133 242 502
Transfer to CRR	310 831		-310 831	0
PPE purchased	-310 831		310 831	0
Capital grants used to purchase PPE		220 141 295	-220 141 295	0
Off setting of depreciation		-14 734 272	14 734 272	0
Gamap/Grap adjustments			56 992 550	56 992 550
Other adjustments			5 763 965	5 763 965
Prior year adjustments (note 19)			-7 737 946	-7 737 946
Balance at 30 June 2007 as previously stated	0	408 292 501	94 627 702	502 920 203
Adjustment to depreciation		758 773	-758 773	0
Restated balance as at 1 July 2007	0	409 051 274	93 868 929	502 920 203
Surplus for the year			71 111 361	71 111 361
Transfer to CRR	1 127 387		-786 818	340 569
PPE Purchased	-1 127 387		786 818	-340 569
Capital grants used to purchase PPE		95 745 082	-95 745 082	0
Offsetting of depreciation		-17 227 291	17 227 291	0
Other adjustments			3 917 600	3 917 600
Balance at 30 June 2008	0	487 569 065	90 380 099	577 949 164

UMKHANYAKUDE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Municipality	
		2008	2007
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts for ratepayers, government and other		298 895 117	476 281 021
Cash paid to suppliers and employees		-199 176 711	(261 252 436)
Cash generated from/ (utilised in) operations	20	<u>99 718 406</u>	<u>215 028 585</u>
Interest received		1 871 987	1 077 252
Interest paid		-2 176 142	(2 049 715)
NET CASH FROM OPERATING ACTIVITIES		<u>99 414 251</u>	<u>214 056 122</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-97 475 261	-209 837 765
Proceeds on disposal of property, plant and equipment		0	-
(Increase)/ decrease in non-current receivables		14 211	-76 470
Increase in non-current investments		-3 884 108	-706 439
NET CASH FROM INVESTING ACTIVITIES		<u>-101 345 158</u>	<u>(210 620 674)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans (repaid)/ raised		-2 645 660	-1 213 785
Increase in consumer deposits		-65 170	22 154
NET CASH FROM FINANCING ACTIVITIES		<u>-2 710 830</u>	<u>(1 191 631)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>-4 641 737</u>	<u>2 243 817</u>
Cash and cash equivalents at the beginning of the year		3 968 469	1 724 652
Cash and cash equivalents at the end of the year	21	<u>-673 268</u>	<u>3 968 469</u>
Net increase (decrease)		<u>-4 641 737</u>	<u>2 243 817</u>

ACCOUNTING POLICIES

30 JUNE 2008

1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and the Standard of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

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

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements and Annexure 2.

The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

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

4 RESERVES**4.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus/ (deficit) 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.

4.2 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 the 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).

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).

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is 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. Similarly, land is not depreciated as it is deemed to have an infinite 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. The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for 2006/ 2007 financial year due to the exemption granted in Gazette 30013. No impairment losses have been recognised in the 2007/ 2008 financial year also due to the exemption granted in Gazette 30013.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

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

	<u>Years</u>		<u>Years</u>
Infrastructure		Other	
Electricity	20-30	Bins and containers	5
Water	15-20	Computer equipment	5
Sewerage	15-20	Computer software	3-5
Roads	20	Emergency equipment	15
		Furniture and fittings	7-10
Community		Motor vehicles	5
Buildings	30	Office equipment	5
Recreational facilities	20-30	Office machines	3-5
Airport	20	Plant and equipment	2-10
Security measures	5	Telecommunication	5

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

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.

6 INVESTMENTS

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

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.

7 ACCOUNTS RECEIVABLES

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.

8 TRADE CREDITORS

Trade creditors are stated at their nominal value.

9 INVENTORY

Water stock and prepaid water metres are valued at the lower of cost and net realisable value

10.1 Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Interest and rentals are recognised on a time proportion basis.

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

10.2 Revenue from non - exchange transactions

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.

11 CONDITIONAL GRANTS AND RECEIPTS

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

12 PROVISIONS

A provision is recognised when the municipality has a present or constructive obligation as a result of a past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

13 CASH AND CASH EQUIVALENTS

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.

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

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 and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15 IRREGULAR EXPENDITURE

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

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. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 COMPARATIVE INFORMATION**17.1 Current year comparatives**

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

17.2 Prior year adjustments

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.

18 LEASES**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 are charged to the statement of financial performance over the period of the lease.

19 EMPLOYEE BENEFITS**19.1 Pension obligations**

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years.

20 TAXATION

The District Municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act of 1962

21 BORROWING COSTS

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

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9

	2008 R	2007 R
1 LONG-TERM LIABILITIES		
Long-term loans	18 342 088	19 605 297
Government loans	1 534 426	2 916 877
Sub-total	<u>19 876 514</u>	<u>22 522 174</u>
Less : Current portion transferred to current liabilities	2 810 646	1 263 209
Long-term loans	2 810 646	1 263 209
Government loans	<u>0</u>	<u>0</u>
Total External Loans	<u>17 065 868</u>	<u>21 258 965</u>
Refer to Appendix A for more detail on long-term liabilities		
The ABSA long-term loan is secured by the ABSA Investment - Refer to Note 7		
2 CONSUMER DEPOSITS		
Water		54 195
KZ272	81 051	81 051
KZ273		34 407
KZ275	284 987	261 555
Total Consumer Deposits	<u>366 038</u>	<u>431 208</u>
3 PROVISIONS		
Provision for Performance bonuses	788 598	406 537
Provision - SARS employee taxes	-	-
Provision for leave pay	-	-
	<u>788 598</u>	<u>406 537</u>
The movement in current provisions are reconciled as follows:		
Balance at beginning of year	406 537	-
Contributions to provision	382 061	406 537
Expenditure incurred	-	-
Balance at end of year	<u>788 598</u>	<u>406 537</u>
4 CREDITORS		
Trade creditors	33 500 096	0
Sundry creditors	10 623 540	17 391 288
Other creditors	1 732 424	1 745 280
Retentions	8 267 585	3 369 332
Creditors suspense	2 014	8 674
Staff leave	1 792 706	1 792 706
Staff bonus - 13th cheque	589 421	589 421
Total Creditors	<u>56 507 786</u>	<u>24 896 701</u>
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
5.1 Conditional grants from other spheres of government	20 625 386	26 812 009
5.2 Other grant receipts	14 409 247	2 856 557
Total Conditional Grants and Receipts	<u>35 034 633</u>	<u>29 668 566</u>
Refer to Note 15 and Annexure 1 for more detail on conditional grants and receipts		

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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6 PROPERTY, PLANT AND EQUIPMENT

30 June 2008 Municipality

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying Values at 1 July 2007	26 559 555	469 458 767	43 763 535	3 932 898	543 714 755
Cost	30 073 718	498 332 991	44 655 775	12 879 350	585 941 835
Prior year adjustment to depreciation	-551 038	-86 674	247	-121 308	-758 773
Accumulated depreciation	-2 963 125	-28 787 550	-892 488	-8 825 144	-41 468 307
Acquisitions		107 889 262	31 834 513	338 700	140 062 475
Capital under construction		145 567 364	18 496 173		164 063 538
Removal from prior year WIP		171 723 211	34 168 767		205 891 978
Depreciation	-963 206	-16 610 017	-563 945	-1 850 781	-19 987 949
Carrying value of disposals					
Cost	0	0	0	1 802 425	1 802 425
Accumulated depreciation	0	0	0	-1 791 047	-1 791 047
Carrying Values at 30 June 2008	25 596 349	534 582 167	59 361 508	2 409 440	621 949 464
Cost	30 073 718	580 066 407	60 817 694	11 415 626	682 373 445
Accumulated depreciation	-4 477 369	-45 484 241	-1 456 186	-9 006 186	-60 423 981

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying Values at 1 July 2006	27 373 798	312 264 045	7 116 440	5 956 993	352 711 276
Cost	29 373 718	326 629 140	7 532 694	12 568 519	376 104 071
Accumulated depreciation	-1 999 920	-14 365 095	-416 254	-6 611 526	-23 392 794
Acquisitions	700 000	108 233 810	2 954 315	310 831	112 198 956
Capital under construction	0	63 470 041	34 168 767	0	97 638 808
Depreciation	-963 206	-14 422 455	-476 234	-2 213 619	-18 075 512
Carrying value of disposals					
Cost	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0
Carrying Values at 30 June 2007	27 110 593	469 545 441	43 763 288	4 054 206	544 473 528
Cost	30 073 718	498 332 991	44 655 775	12 879 350	585 941 835
Correction of error					0
Accumulated depreciation	-2 963 125	-28 787 550	-892 488	-8 825 144	-41 468 307

The Municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2006/2007 financial year due to the exemption granted in Gazette 30013. No impairment losses have been recognised in the 2007/2008 financial year also due to the exemption granted in Gazette 30013. The municipality has taken advantage of the transitional provisions set out in Gamap 17. Any errors identified will be corrected in the next financial period during the exercise of physical verification and componentisation of the fixed assets. The assets register has been prepared by ICHAIN according to and reconciled to the financial records of the Municipality. Bulk infrastructure assets (which comprise the major portion of assets) not previously included, have now been included in the financial statements at the accumulated costs as reflected in the municipal records. Physical verification of the bulk infrastructure assets is performed by ICHAIN. In the forthcoming year complete physical verification, componentisation and valuation of assets.

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11

	2008 R	2007 R
7 INVESTMENTS		
Call account - ABSA Bank	3 336 743	8 231 439
Term Deposit - ABSA Bank	8 778 804	0
Total Investments	12 115 547	8 231 439
7.1 INVESTMENT IN SUBSIDIARY		
	Municipality	
	% Holding 2008	% Holding 2007
Name of company		
Umhlosinga Development Agency (Proprietary Limited)	100%	0%
As at 30th June 2008		
Issued share capital	100	
Percentage owned by Council	100	
	Municipality	
	Carrying Amount 2008	Carrying Amount 2007
Umhlosinga Development Agency (Proprietary Limited)	100	0
8 LONG-TERM RECEIVABLES		
Vehicle loans	69 939	69 939
Housing loan	85 101	99 312
Avis loan - Cllr. L.M. Mthombeni	90 433	90 433
	<u>245 473</u>	<u>259 684</u>
Less : current portion transferred to current receivables	0	20 777
Total receivables	245 473	238 907
9 INVENTORY		
Water stock	142 208	
Water Metres	1 667 048	117 935
Total Inventory	1 809 256	117 935
10 CONSUMER DEBTORS		
Gross Balance		
Water	51 188 895	33 712 157
Sewerage	5 097 603	3 474 965
Electricity	6 075 004	2 873 014
Gross Total	62 361 502	40 060 136
Less: Provision for bad debts		
Water	30 976 108	31 466 043
Sewerage	2 942 772	2 942 772
Electricity	1 229 182	1 229 182
Provision Total	35 148 062	35 637 997
Net Balance		
Water	20 212 787	2 246 114
Sewerage	2 154 831	532 193
Electricity	4 845 822	1 643 832
Net Balance Total	27 213 440	4 422 139
Water, Sewerage and Electricity : (Ageing)		
Current	2 346 270	1 176 514
30 Days	2 238 057	2 147 179
60 Days	3 059 427	1 098 447
90 Days	1 769 692	1 068 209
120 Days and more	52 948 056	34 569 788
Total	62 361 502	40 060 136

The Municipality did not measure revenue at fair value discounting all future receipts using an imputed rate of interest. Exemption has been granted in terms of Gazette 30013

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12

<u>Reconciliation of the bad debt provision</u>	2008 R	2007 R
Balance at beginning of the year	37 064 262	7 407 316
Contributions to provision		29 656 946
Bad debts written off against provision	-489 935	0
Balance at end of year	<u>36 574 327</u>	<u>37 064 262</u>
11 OTHER DEBTORS		
Sundry debtors	8 174 993	7 633 239
Other debtors		6 474
Debtors suspense	2 456 892	717 109
Less provision for bad debts	-1 426 265	-1 426 265
	<u>9 205 620</u>	<u>6 930 557</u>
12 VAT		
VAT receivable	<u>18 657 201</u>	<u>12 441 637</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
13 BANK BALANCES AND CASH		
The Municipality has the following bank accounts: -		
<u>Cheque Account (Primary Bank Account)</u>		
ABSA Bank - Account Number 40 - 5310 - 7423		
Cash book balance at beginning of year	11 619 239	1 814 019
Cash book balance at end of year	<u>426 514</u>	<u>11 619 239</u>
Bank statement balance at beginning of year	11 619 239	1 814 019
Bank statement balance at end of year	<u>426 514</u>	<u>11 619 239</u>
<u>Commercial Cheque Account</u>		
FNB - Account Number 62026865321		
Cash book balance at beginning of year	-9 408 895	-791 483
Cash book balance at end of year	<u>-3 395 434</u>	<u>-9 408 895</u>
Bank statement balance at beginning of year	12 543 534	6 977 985
Bank statement balance at end of year	<u>10 505 038</u>	<u>12 543 534</u>
<u>Commercial Cheque Account</u>		
FNB - Account Number 620 99156 864		
Cash book balance	302 608	302 395
Bank statement balance	<u>302 608</u>	<u>302 395</u>
<u>Commercial Cheque Account</u>		
FNB - Account Number 620 99155 387		
Cash book balance	136 038	164 482
Bank statement balance	<u>136 038</u>	<u>164 482</u>
<u>Commercial Cheque Account</u>		
FNB - Account Number 620 99156 046		
Cash book balance	213 163	213 207
Bank statement balance	<u>213 163</u>	<u>213 207</u>
<u>Commercial Cheque Account</u>		
FNB - Account Number 620 9299 3809		
Cash book balance	1 077 179	980 846
Bank statement balance	<u>1 077 179</u>	<u>980 846</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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	2008 R	2007 R
Call account		
FNB - Account Number 62027696478		
Cash book balance	82 830	83 096
Bank statement balance	82 830	83 096
Call account		
ABSA - Account Number 9115315268		
Cash book balance	0	12 599
Bank statement balance	0	12 599
Club Save		
Ithala - Account Number 23247671		
Cash book balance	482 336	0
Bank statement balance	482 336	0
Current account		
ABSA - Account Number 406976260		
Cashbook Balance	0	0
Bank Statement Balance	0	0
Call Account		
ABSA - Account Number 9200378551		
Cashbook Balance	0	0
Bank Statement Balance	0	0
Refer to Note 21 for total cash and cash equivalents		

14 SERVICE CHARGES

Water sales	33 603 764	16 489 824
Sanitation sales	1 643 520	1 803 969
Electricity sales	4 526 454	3 114 157
Total Service Charges	39 773 738	21 407 951

15 GOVERNMENT GRANTS AND SUBSIDIES

	2008 R	2007 R
Equitable share	56 164 000	51 826 000
Levy income	14 052 698	10 155 979
Conditional grants: Conditions met – transferred to revenue	114 362 474	189 116 409
Industrial Development Corporation	0	
Total Government Grants and Subsidies	184 579 172	251 098 388

15.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members in terms of the indigent register. Households with a total monthly income less than R800 (2006: R800) may apply to be registered as indigent.

15.2 Levy Income

In terms of the discontinued levies received from businesses National Government has included this levy as part of the equitable share.

15.3 Conditional grants

Balance unspent at beginning of year	25 833 209	28 235 557
Current year receipts	100 233 596	170 702 525
Adjustments receipts	0	5 289 705
Adjustments conditions met	0	-18 769 847
Transfer to counter funding	-12 434 055	0
Conditions met - transferred to revenue	-93 027 364	-159 624 731
Conditions still to be met - transferred to liabilities (see note 5)	20 625 386	25 833 209

These grants are used for capital expenditure

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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	2008 R	2007 R
15.4 Other grant receipts		
Balance unspent at beginning of year	3 835 357	7 089 346
Current year receipts	31 909 000	7 467 842
Conditions met - transferred to revenue	-21 335 110	-10 721 831
Conditions still to be met - transferred to liabilities (see note 5)	<u>14 409 247</u>	<u>3 835 357</u>

These grants are used for operating expenditure

	2008 R	2007 R
15.5 Total Conditional and Other grants		
Balance unspent at beginning of year	29 668 566	35 324 903
Current year receipts	132 162 596	178 170 367
Adjustments to receipts	0	5 289 705
Transfer to counter funding	-12 434 055	
Less expenditure	-114 362 474	-189 116 409
Conditions still to be met - transferred to liabilities (see note 5)	<u>35 034 633</u>	<u>29 668 566</u>

Refer to Annexure 1 for more information on Government grants and subsidies

16 EMPLOYEE RELATED COSTS

Salaries and wages	19 412 188	17 515 191
Contribution for UIF, medical aid and pension funds	3 851 183	3 534 322
Housing benefits and allowances	361 917	3 639 516
Overtime payments	1 384 796	1 428 834
Leave pay provision	617 324	1 424 944
Performance bonus provision	382 061	406 537
Industrial Council	6 726	0
Group Life	321 314	0
Vehicle Allowances	3 236 667	0
Skills Development Levy	300 633	0
Insurance WCA	3 000	0
Cell Phone Allowance	629 444	0
	0	0
Total Employee Related Costs	<u>30 507 252</u>	<u>27 949 344</u>

Remuneration of the Municipal Manager

Annual remuneration	500 678	281 393
Cell allowance	28 647	16 100
Performance bonuses	0	31 603
Housing allowance	17 850	10 032
Travel allowance and claims	223 565	105 256
Subsistence	714	181
Back pay	18 947	38 289
Leave pay	0	43 217
Contributions to UIF, medical and pension funds	24 072	24 879
Total	<u>814 471</u>	<u>550 951</u>

Remuneration of the Chief Financial Officer

Annual remuneration	326 431	208 206
Cell allowance	21 882	22 796
Performance bonuses	96 443	0
Housing allowance	10 352	12 632
Travel allowance and claims	290 138	226 318
Subsistence	520	0
Back pay	16 726	0
Leave pay	0	0
Contributions to UIF, medical and pension funds	90 844	58 967
Total	<u>853 335</u>	<u>528 919</u>

Remuneration of Individual Executive Directors

	Technical Services	Corporate Services	Planning & Tourism	Water & Sanitation
30 June 2008	R	R	R	R
Annual remuneration	150 248	199 170	365 177	202 587
Cell allowance	11 000	4 000	8 400	12 211
Performance bonuses	0	0	0	26 328
Housing allowance	0	0	33 788	22 568
Travel allowances and claims	84 785	31 923	154 530	131 802
Subsistence	0	102	0	8 377
Back pay	0	0	16 454	65 062
Leave pay	0	0	0	0
Acting allowance	0	0	0	4 443
Contributions to UIF, medical and pension funds	27 676	36 485	75 915	51 821
Total	<u>273 710</u>	<u>271 680</u>	<u>654 265</u>	<u>525 198</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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30 June 2007	Technical	Corporate	Planning &	Water &
	Services	Services	Tourism	Sanitation
	R	R	R	R
Annual remuneration	96 085	145 526	238 084	293 851
Cell allowance	5 918	8 878	14 431	17 755
Performance bonuses	20 601	24 721	0	24 721
Housing allowance	5 053	7 579	16 316	15 159
Travel allowances and claims	55 417	80 806	116 190	169 841
Subsistence	30	66	0	15 615
Back pay	2 799	2 799	7 813	6 869
Leave pay	6 230	56 957	0	0
Acting allowance	0	0	10 530	0
Contributions to UIF,medical and pension funds	27 244	45 627	39 258	84 566
Total	219 376	372 959	442 623	628 376

	2008 R	2007 R
Remuneration paid by Municipal Entities		
Umhlosinga Development Agency (Proprietary Limited)		
Salaries, allowances and benefits	-	-
Directors Emoluments	-	-

17 REMUNERATION OF COUNCILLORS

Executive Mayor	355 993	290 357
Deputy Mayor, Speaker and Exco members	1 087 885	947 236
Councillors	1 125 250	965 828
Other		199 546
Total Councillors' Remuneration	2 569 127	2 402 967

The salaries, allowances and benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution.

18 INTEREST PAID

Long-term liabilities	2 168 233	2 049 715
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19 CORRECTION OF ERROR

During the year ended 30 June 2008 it was identified that depreciation for the 30 June 2007 year end was understated.

The amount was corrected in the 2007 comparative year as follows:

Correction of depreciation charge	758 773	-
Net effect of accumulated surplus for the year	758 773	

During the year ended 30 June 2007 it was identified that interest income for the year 30 June 2006 year end was recorded in the incorrect financial period:

The comparative amount has been restated as follows:

Correction of interest income		131 327
Net effect on accumulated surplus for the year		131 327

During the year ended 30 June 2007 it was identified that certain bank accounts, relating to prior years, were not accounted for in the financial records

This amount was corrected in the 2007 comparative year as follows:

Recognition of bank accounts		95 695
Net effect on accumulated surplus for the year		95 695

During the year ended 30 June 2007 it was identified that water purchases for the 2005/2006 financial period were incorrectly recorded in the 2006/2007 financial period

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

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This amount was corrected in the 2007 comparative year as follows:

Correction of water purchases expense	-4 568 612
Net effect on accumulated surplus for the year	<u>-4 568 612</u>

During the year it was identified that the fleet management suspense account had not been cleared for the 2005/2006 financial period

This amount has been corrected in the current year as follows:

Clearing of fleet management suspense account	-3 396 357
Net effect on accumulated surplus for the year	<u>-3 396 357</u>

20 CASH GENERATED BY OPERATIONS

	2008 R	2007 R
Surplus for the year	71 111 361	133 242 502
Adjustment for:-		
Depreciation	19 987 949	18 075 512
Non-operating income	78 517 791	205 407 023
Loss on disposal of assets	11 377	0
Contribution to bad debt provision	-	29 656 946
Capital grants used to purchase property, plant and equipment	-95 745 082	-220 141 295
Offsetting of depreciation	17 227 291	14 734 272
Other adjustments	3 917 600	5 763 965
Prior year adjustments	-	-7 737 946
Gamap adjustments	-	56 992 550
Investment income	-1 871 987	-1 077 252
Interest paid	2 176 142	2 049 715
Operating surplus before working capital changes:	95 332 442	236 965 992
(Increase) in inventories	-1 691 321	-117 935
(Increase)/Decrease in consumer and other debtors	-25 066 364	5 157 611
(Increase)/Decrease in conditional grants and receipts	5 366 067	-5 656 337
(Increase)/Decrease in creditors	31 611 085	-18 386 693
Increase/ (Decrease) in provisions	382 061	406 537
(Increase)/Decrease in VAT	-6 215 564	-3 340 590
Cash generated by operations	99 718 406	215 028 585

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	2 722 166	13 377 364
Bank overdraft	-3 395 434	-9 408 895
Total cash and cash equivalents	-673 267	3 968 469

22 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 1)	19 876 514	22 522 173
Used to finance property, plant and equipment – at cost	19 876 514	22 522 173
Sub-total	0	0
Cash set aside for the repayment of long-term liabilities	0	0
Cash invested for repayment of long-term liabilities	0	0

23 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

23.1 Contributions to organized local government

	2008 R	2007 R
Opening balance	0	0
Council subscriptions	-	95 647
Amount paid - current year	-	-95 647
Balance unpaid (included in creditors)	0	0

UMKHANYAKUDE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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<u>23.2 Audit fees</u>	2008 R	2007 R
Opening balance	0	0
Current year audit fee	2 118 583	1 110 057
Amount paid - current year	<u>-2 118 583</u>	<u>-1 110 057</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

23.3 VAT
VAT inputs receivables and VAT outputs receivables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.

<u>23.4 PAYE and UIF</u>	2008 R	2007 R
Opening balance	0	0
Current year payroll deductions	4 961 275	4 442 727
Amount paid - current year	<u>-4 961 275</u>	<u>-4 442 727</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

<u>23.5 Pension and Medical Aid Deductions</u>	2008 R	2007 R
Opening balance	0	0
Current year payroll deductions	6 398 433	5 046 348
Amount paid - current year	<u>-6 398 433</u>	<u>-5 046 348</u>
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

<u>23.6 Councillor's arrear consumer accounts</u>	2008 R	2007 R
Councillor's in arrears more than 90 days during the financial year		
Name of Councillor		
SS Mhlongo	-	7 765
MC Zungu	-	12 183
BB Ntombela	<u>-</u>	<u>10 170</u>
		<u>25 433</u>

24 CAPITAL COMMITMENTS

<u>Commitments in respect of capital</u>	2008 R	2007 R
- Approved and contracted for	134 037 817	90 618 264
Infrastructure	110 608 097	71 210 402
Community	14 182 470	17 765 624
Heritage	-	-
Other	9 247 250	1 642 237
- Approved but not yet contracted for	0	7 000 000
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	7 000 000
Total	<u>134 037 817</u>	<u>97 618 264</u>

This expenditure will be financed from:

- Government Grants	117 577 000	90 618 264
- Capital Replacement Reserve	-	-
- External Loans	12 800 000	7 000 000
- Own Resources	3 660 817	-
- District Council Grants	<u>-</u>	<u>-</u>
	<u>134 037 817</u>	<u>97 618 264</u>

Operating leases - as lessee

All operating leases over motor vehicles have been extended to the 31 December 2008. As the lease payments are variable (based on kilometres travelled) the future minimum lease payments cannot be determined.

25 RELATED PARTIES

<u>Related Parties</u>	2008 R	2007 R
Relationships		
Municipal Entities		
Umhlosinga Development Agency (Proprietary Limited)		
Related Party Balances		
Loan accounts - owing by related parties	0	0
Amounts included in Trade receivable regarding related parties	0	0
Amounts included in Trade payable regarding related parties	0	0

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

18

Related Party Transactions

Sales to related parties	0
Purchases from related parties	0

26 POST BALANCE SHEET EVENTS

There have been no post balance sheet events

27 COMPARISON WITH BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

**APPENDIX A
ANNUAL FINANCIAL STATEMENTS
UMKHANYAKUDE DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2007/06/30	Received during the period	Redeemed written off during the period	Balance at 2008/06/30
LONG-TERM LOANS			R	R	R	R
ABSA Loan @ 10,5%	30-1455-7367	2015/06/01	6 108 179	0	513 369	5 594 810
DBSA Loan @ 10.924%	Loan 1	2025/03/31	13 497 118	0	749 840	12 747 278
Total long-term loans			19 605 297	0	1 263 209	18 342 088
GOVERNMENT LOANS						
External loan transferred from KZ 273			856 659	0	856 659	0
External loan transferred from KZ 275			2 060 217	0	525 791	1 534 426
Total government loans			2 916 876	0	1 382 450	1 534 426
TOTAL EXTERNAL LOANS			22 522 173	0	2 645 659	19 876 514

APPENDIX B
ANNUAL FINANCIAL STATEMENTS
UMKHANYAKUDE MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/ Revaluation						Accumulated Depreciation						Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Removal of WIP	Closing Balance	Opening Balance	Depreciation 2007-2008	Additions	Disposals	Closing Balance		
Land and Buildings													
Land	1 177 551		0	0	0	1 177 551	477 551	0	0	0	477 551	700 000	
Office Buildings	28 896 167		0	0	0	28 896 167	3 036 612	963 206	0	0	3 999 818	24 896 349	
	30 073 718	0	0	0	0	30 073 718	3 514 163	963 206	0	0	4 477 369	25 596 349	
Infrastructure													
Electricity Supply and Reticul	2 252 385		0	0	0	2 252 385	348 031	112 619	0	0	460 650	1 791 735	
Sewerage Pumps	372 600		0	0	0	372 600	126 269	24 840	0	0	151 109	221 491	
Sewers	0		0	0	0	0	0	0	0	0	0	0	
Purification Works	89 421 821	19 497 321	1 296 292	0	19 395 568	90 819 866	5 707 303	3 501 313	54 159	0	9 262 774	81 557 092	
Street Lighting	28 520		0	0	0	28 520	3 517	1 141	0	0	4 658	23 861	
Water Reservoirs and Tanks	36 471	453 300	0	0	0	489 771	6 914	1 824	5 666	0	14 403	475 367	
Water Supply and Reticulation	405 611 260	87 938 642	144 271 072	0	152 327 643	485 493 331	22 438 999	12 664 181	244 274	0	35 347 454	450 145 877	
	497 723 057	107 889 262	145 567 364	0	171 723 211	579 456 473	28 631 033	16 305 917	304 099	0	45 241 050	534 215 423	
Community Assets													
Aiports	7 500 000	335 387	8 398 615	0	0	16 234 002	780 822	375 000	932	0	1 156 754	15 077 248	
Indoor Sports Facilities	28 824 790	24 609	0	0	28 324 790	524 609	16 667	16 667	68	0	33 402	491 207	
Outdoor Sports Facilities	5 843 977	31 426 893	10 097 558	0	5 843 977	41 524 451	0	0	87 297	0	87 297	41 437 154	
Security Measures	10 000	0	0	0	0	10 000	8 718	1 282	0	0	10 000	0	
Community Centres	2 454 315	47 624	0	0	0	2 501 939	81 811	81 810	132	0	163 753	2 338 185	
Public Conveniences and Batho	22 694	0	0	0	0	22 694	4 223	756	0	0	4 980	17 714	
	44 655 775	31 834 513	18 496 173	0	34 168 767	60 817 694	892 240	475 516	88 429	0	1 456 185	59 361 509	
Other Assets													
Air Conditioners	56 138	0	0	0	0	56 138	52 640	839	0	0	53 479	2 659	
Cabinets and Cupboards	579 421	0	0	0	0	579 421	282 951	80 609	0	0	363 560	215 861	
Car Ports	21 434	0	0	0	0	21 434	5 580	1 072	0	0	6 652	14 782	
Chairs	514 811	0	0	0	0	514 811	248 431	71 542	0	0	319 973	194 838	
Compressors	5 500	0	0	0	0	5 500	5 500	0	0	0	5 500	0	
Bins and Containers	440	0	0	0	0	440	306	84	0	0	390	50	
Computer Hardware	2 101 097	304 776	0	0	0	2 405 874	1 582 696	211 217	24 648	0	1 818 560	587 314	
Computer Software	581 224	33 924	0	0	0	615 147	536 856	27 195	8 481	0	572 533	42 615	
Fire Equipment	22 395	0	0	0	0	22 395	2 844	1 493	0	0	4 337	18 058	
Fire Engines	0	0	0	0	0	0	0	0	0	0	0	0	
Furniture and Fittings	188 085	0	1 112	0	0	186 974	108 536	26 569	966	0	134 139	52 835	
Motor Vehicles	736 638	0	0	224 474	0	512 165	555 840	62 069	0	224 474	393 435	118 730	
Office Machines	784 953	0	0	98 026	0	686 927	757 364	16 866	0	98 026	676 203	10 723	
Office Equipment	0	0	0	0	0	0	0	0	0	0	0	0	
Plant and Equipment	346 573	0	0	0	0	346 573	318 004	8 137	0	0	326 140	20 433	
Telecommunication Equipment	23 183	0	0	139	0	23 044	9 122	4 634	0	139	13 618	9 426	
Non Assets	7 054	0	0	0	0	7 054	0	0	0	0	0	7 054	
Radio Equipment	24 120	0	0	0	0	24 120	18 492	4 020	0	0	22 512	1 608	
Tables and Desks	414 586	0	0	0	0	414 586	212 401	56 706	0	0	269 107	145 479	
Tractors	310 000	0	0	0	0	310 000	157 584	34 444	0	0	192 028	117 972	
Trucks and Bakkies	6 771 632	0	0	1 478 674	0	5 292 957	4 334 498	1 210 156	0	1 467 442	4 077 211	1 215 746	
	13 489 286	338 700	0	1 802 425	0	12 025 562	9 189 643	1 817 652	33 129	1 791 047	9 249 377	2 776 185	
TOTAL	585 941 836	140 062 475	164 063 538	1 802 425	205 891 978	682 373 447	42 227 080	19 562 291	425 658	1 791 047	60 423 981	621 949 466	

RECONCILIATION ACCUM DEPREC OPENING BALANCE
41 468 307 CLOSING BALANCE 2006/2007
3 946 388 CR ACC DEPREC 2005/2006
3 187 616 DR ACC DEPREC 2006/2007
42 227 080

**APPENDIX C
ANNUAL FINANCIAL STATEMENTS
UMKHANYAKUDE MUNICIPALITY: SEGMENT ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

30 JUNE 2008

	Cost						Accumulated Depreciation					Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Removal of WIP	Closing Balance	Opening Balance	Depreciation 2007-2008	Additions	Closing Disposals	Closing Balance	
Airport	7 500 000	0	8 398 615	0	0	15 898 615	780 822	375 000	0	0	1 155 822	14 742 793
Board General	144 514	335 387	0	0	0	479 901	111 587	10 569	932	0	123 088	356 813
Community	0	31 499 105	10 097 558	0	34 168 767	7 427 896	0	87 839	0	0	87 839	7 340 057
Corporate Services	39 587 844	34 587	0	668 015	0	38 954 416	1 406 457	284 393	4 077	663 008	1 031 919	37 922 497
Development Agency	83 366	0	0	0	0	83 366	3 541	14 990	0	0	18 531	64 835
Financial Services	3 176 502	126 329	0	5 690	0	3 297 141	2 103 353	357 425	14 974	5 690	2 470 063	827 078
Municipal Manager	30 784 567	0	0	170 166	0	30 614 401	4 442 414	1 230 206	0	170 166	5 502 454	25 111 947
Sanitation	0	19 497 321	1 296 292	0	0	20 793 613	0	0	54 159	0	54 159	20 739 454
Planning & Tourism	711 759	20 379	0	166 035	0	566 103	572 534	47 937	4 239	166 035	458 675	107 428
Technical Services	935 931	132 838	0	499 253	0	569 516	687 350	132 325	9 087	492 882	335 881	233 636
Water	503 017 354	88 416 529	144 271 072	293 266	171 723 211	563 688 478	32 119 021	17 109 445	250 350	293 266	49 185 550	514 502 928
TOTAL	585 941 836	140 062 475	164 063 538	1 802 425	205 891 978	682 373 447	42 227 080	19 562 291	425 658	1 791 047	60 423 981	621 949 466
							RECON CLOSING BAL ACC DEPREC 2006/2007 41 468 307 3 946 388 CR ACC DEPR 2005/2006 3 187 616 DR ACC DEPR 2006/2007 42 227 080					

**APPENDIX D
ANNUAL FINANCIAL STATEMENTS
UMKHANYAKUDE DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**

30 JUNE 2008

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)		2008 Actual Income	2008 Actual expenditure	2008 Surplus/ (Deficit)
R	R	R		R	R	R
43 197 187	14 242 264	28 954 923	Council General	77 684 111	18 876 997	58 807 114
13 623 428	9 961 049	3 662 379	Corporate Services	7 649 917	13 339 226	-5 689 309
0	1 471 744	-1 471 744	Municipal Manager	0	13 448	-13 448
97 900 028	8 444 290	89 455 738	Technical Services	6 598 374	9 630 003	-3 031 629
540 236	3 427 271	-2 887 035	Development Planning	399 869	4 597 444	-4 197 575
28 449 519	9 001 003	19 448 516	Financial Services	6 056 893	9 031 911	-2 975 018
75 914 727	90 572 293	-14 657 566	Water Service Authority	119 498 664	99 661 120	19 837 544
12 021 541	979 592	11 041 949	Sanitation	5 229 660	0	5 229 660
2 032 356	2 337 014	-304 658	Electricity	3 144 022	0	3 144 022
273 679 021	140 436 520	133 242 501	TOTAL	226 261 510	155 150 149	71 111 361

APPENDIX E(1)
ANNUAL FINANCIAL STATEMENTS
UMKHANYAKUDE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	<u>2008</u> <u>Actual</u> <u>R</u>	<u>2008</u> <u>Budget</u> <u>R</u>	<u>2008</u> <u>Variance</u> <u>R</u>	<u>2008</u> <u>Variance</u> <u>%</u>	<u>Explanation of Significant Variances greater than 10% versus budget</u>
Grants and subsidies	184 579 172	172 392 070	12 187 102	7	The increase was due to the allocations not being available during the preparation of the budget
Water sales	33 603 764	26 791 810	6 811 954	25	An increase is due to an increase in the consumption compared to the previous year due to take over of more water schemes
Electricity sales	4 526 454	3 348 868	1 177 586	35	An increase is due to an increase in consumption and more connections during the year
Sanitation sales	1 643 520	1 965 000	-321 480	-16	
Rent income	36 613	151 000	-114 387	-76	Office space at Mtuba that was previously leased to the Dept of Transport is now occupied by the Umkhanyakude Municipality officials, resulting in a decrease of rental income.
Interest earned	1 871 987	13 274 810	-11 402 823	-86	The variance is due to interest on vat refunds expected during the year.
Other services/ levies		477 766	-477 766	-100	
Total Revenue	226 261 510	218 401 324	7 860 186	0	
EXPENDITURE					
Council general	18 876 997	19 774 120	-897 123	-6	A number of vacant posts were not filled during the year under review
Corporate services	13 339 226	13 990 762	-651 536	-5	Less than 10% therefore no explanation required
Municipal manager	13 448		13 448	0	
Technical services	9 630 003	26 394 906	-16 764 903	-64	Less than 10% therefore no explanation required
Development planning	4 597 444	9 561 469	-4 964 025	-52	A number of vacant posts were not filled during the year under review
Financial services	9 031 911	26 998 100	-17 966 189	-67	Less than 10% therefore no explanation required
Water service authority	99 661 120	145 987 336	-46 326 216	-32	a variation is due to a decrease in expenditure on operation and maintenance of boreholes compared to the previous year.
Sewer reticulation	0		0	0	
Electricity	0		0	0	
Total Expenditure	155 150 149	242 706 693	-87 556 544	-	
NET SURPLUS/ (DEFICIT) FOR THE YEAR	71 111 361	-24 305 369			

APPENDIX E(2)
ANNUAL FINANCIAL STATEMENTS

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

	<u>2008</u> <u>Actual</u> <u>R</u>	<u>2008</u> <u>Under</u> <u>Construction</u> <u>R</u>	<u>2008</u> <u>Total Additions</u> <u>R</u>	<u>2008</u> <u>Budget</u> <u>R</u>	<u>2008</u> <u>Variance</u> <u>R</u>	<u>2008</u> <u>Variance</u> <u>%</u>	<u>Explanation of Significant Variances greater than</u> <u>10% versus budget</u>
Airport	335 387	8 398 615	8 734 002	0	0	0	External grant funding and construction
Council General	0	0	0	0	0	0	
Community Services	31 499 105	10 097 558	41 596 663	20 000 000			Costs related to uncompleted projects b/fwd from previous year (MIG) not included in the budget for the 07/08 year
Corporate Services	34 587	0	34 587	312 000	277 413	89	budget reduced in adjustment budget
Development Agency	0	0	0	0	0		
Financial Services	126 329	0	126 329	269 433	143 104	53	budget reduced in adjustment budget
Municipal Manager	0	0	0	0	0		
Development Planning	20 379	0	20 379	250 000	229 621	92	budget reduced in adjustment budget
Technical Services	132 838	0	132 838	2 800 000	2 667 162	95	Loan not yet taken up
Sanitation Services	19 497 321	1 296 292	20 793 613	10 000 000			Costs related to uncompleted projects b/fwd from previous year (MIG) not included in the budget for the 07/08 year
Water Service Authority	88 416 529	144 271 072	232 687 601	73 275 000	-159 412 601	-218	Costs related to uncompleted projects b/fwd from previous year (MIG) not included in the budget for the 07/08 year
	140 062 475	164 063 537	304 126 012	106 906 433	-197 219 579	-184	
							NB Comparisons of current year actuals with budget are not appropriate because of W.I.P.

ANNEXURE 1

GRANT FUNDING - 30 JUNE 2008

VOTE	DESCRIPTION	BALANCE at 30 June 2007	Contributions during the year	Expenditure during the year	Opex	Capex	Balance at 30 June 2008
OTHER GRANTS EX - RESERVES							
0051 001	Lake Tete	-267 001					-267 001
0051 000	KwaDapha	-578 891					-578 891
0051 000	Vukukhanye Mashabane	46 108					46 108
0051 000	Nyezi Community Hiv Centre	-351 194		47 624	47 624		-303 570
0051 000	UMKHOMBE TOURS	-908 690					-908 690
	Sub total	-2 059 669		47 624	47 624		-2 012 044
OTHER GRANTS EX CONDITIONS GRANTS							
0022 000	PIMMS / NDT OPS		-300				-300
0031000	MAP GRANT	100 000		931 969	931 969		1 031 969
0028 000	FINANCIAL MONITORING GRANT	91 905	-500 000	665 381	665 381		257 286
0039 000	DEVELOPMENT AGENCY	80 756	-723 000	20 788	20 788		-621 456
0110 004	AIRPORT DEVELOPMENT		-9 750 000	8 398 615		8 398 615	-1 351 385
0190 200	UMQOBOKAZI SPORTFIELD			144 255		144 255	144 255
4540 000	QONGWANA SPORTFIELD (NATIONAL LOTTERY)	-478 800	-978 800	1 145 080		1 145 080	-312 520
4550 000	KWAZIBI (NATIONAL LOTTERY)	-166 667					-166 667
4560 000	MQOBELA (NATIONAL LOTTERY)	-166 667					-166 667
4570 000	MABIBI (NATIONAL LOTTERY)	-166 666					-166 666
8550 000	KWAJOBE - CEZWANA (WATER PURIFICATION)		-915 000				-915 000
8514000	KWZIBI WATER PURIFICATION		-915 000				-915 000
5160 000	KWAJOBE - NONGOWOZA (WATER PURIFICATION)		-915 000				-915 000
5170 000	BAZANINI - RIVER WATER PURIFICATION		-756 400				-756 400
8512 000	MTUBA WATER CONSERVATION AND DEMANG MNGT			3 444 979	3 444 979		3 444 979
0320 000	CAPACITY BUILDING		-784 000				-784 000
0170 000	DEBT MANAGEMENT GRANT		-6 000 000				-6 000 000
0035 000	DEPARTMENT OF TRANSPORT GRANT		-200 000				-200 000
0060 000	IDP GRANT		-50 000	2 542	2 542		-47 458
0075 000	DROUGHT RELIEF GRANT	-100 079	-8 000 000	6 533 877	6 533 877		-1 566 202
0085 000	DISASTER MANAGEMENT GRANT	-277 177					-277 177
0106 000	SHARED SERVICES GRANT		-1 421 500				-1 421 500
0190 196	LED CAPACITY BUILDING	-165 370					-165 370
0190 197	OPPORTUNITIES FOR LOCAL SMME'S	-302 402					-302 402
0190 198	LED INSTITUTIONAL ARRANGEMENTS	-224 521					-224 521
	Sub total	-1 775 689	-31 909 000	21 287 486	11 599 536	9 687 950	-12 397 203
	Total other grants	-3 835 357	-31 909 000	21 335 110	11 647 160	9 687 950	-14 409 247

CONDITIONAL GRANTS							
0190 189	BHAMBANANA SPORTS FIELD	-312 330	-607 977	604 039		604 039	-316 268
0190 190	MANGUZI SPORT FIELD - SPORT & RECREATION	-3 329 123	-1 838 717	1 208 730		1 208 730	-3 959 110
0190 192	MAKHASA SPORTFIELD		-141 496	141 496		141 496	0
0190 193	MANGUZI SPORT COMPLEX		-500 000				-500 000
0190 194	JOZINI SPORT COMPLEX			24 609		24 609	24 609
0190 120	MIG RESERVE	-8 975 059		11 386 696		11 386 696	2 411 637
8506000	ISIHLANGWINI WATER PHASE 2		-502 051	440 396		440 396	-61 655
8505000	MPUKUNYONI WATER PHASE 3		-98 753	98 753		98 753	0
8503000	SHEMULA SANITATION PHASE 3		-2 548 504	2 188 229		2 188 229	-360 275
8504000	OTHOBOTHINI WATER PHASE 2		-947 181	830 861		830 861	-116 320
8057 000	MDLETSHE WATER SUPPLY		-15 920	15 920	15 920		0
8119 000	MDLETSHE WATER SANITATION		-9 944	9 944	9 944		0
8315 000	BIG 5 SANITATION	-320 955		2 917		2 917	-318 038
8321 000	MAKHATHINI SANITATION	-51 275					-51 275
8323 000	MPOPHOMENI WATER SUPPLY	-491 445	-703 175	497 436		497 436	-697 184
8324 000	SHEMULA 2 COMMUNITY WATER SUPPLY PHASE 2	749 320	-749 320				0
8325 000	SHEMULA 2 COMMUNITY WATER SUPPLY PHASE 3	-4 302 584		4 302 584	4 302 584		0
8326 000	SHEMULA 2 COMMUNITY WATER SUPPLY PHASE 4	-2 224 722		2 224 722	2 224 722		0
8332 000	JOZINI TREATMENT WORKS	-3 160 735	-3 168 352	2 859 104		2 859 104	-3 469 983
8435 000	MDLETSHE SANITATION		-6 065	6 065	6 065		0
8436 000	HLUHLUWE PHASE 3	2 672 245	-4 008 261	3 551 212		3 551 212	2 215 196
8439 000	PHELANDABA VIP SANITATION PHASE 1	709 903	-169 665	165 842		165 842	706 080
8440 000	ENKANYEZINI CWSS	-1 569 533	-20 582 333	19 977 874		19 977 874	-2 173 992
8441 000	EZIBAYENI WATER SUPPLY PHASE 1	-557 570					-557 570
8442 000	PHELANDABA WATER SUPPLY	-2 200 938	-8 277 016	5 150 609		5 150 609	-5 327 345
8443 000	MABHOKISINI WATER SUPPLY	-67 282	-2 347 801	1 990 084		1 990 084	-424 999
8444 000	KWANGWANASE CWS PHASE 3	-1 057 629	-22 398 951	18 707 393		18 707 393	-4 749 187
8445 000	MTUBATUBA SPORT COMPLEX	271 520	-2 358 991	2 354 124		2 354 124	266 653
8446 000	EZIBAYENI WATER SUPPLY PHASE 2	-2 097 252	-15 884 566	15 054 118		15 054 118	-2 927 700
8447 000	MAKHASA SPORT COMPLEX	374 187	-1 843 894	1 899 458		1 899 458	429 751
8448 000	EZIBAYENI SANITATION PHASE 2	-7 871	-1 345 512	1 232 203		1 232 203	-121 180
8450 000	MPOPHOMENI WATER SCHEME	-73 837	-8 990 161	8 332 635		8 332 635	-731 363
8452 000	MTUBA BULK WATER SUPPLY	-7 574	-208 990	203 367		203 367	-13 197
8453 000	NTSHONGWE/ MALOBENI WATER PHASE 2	490 431					490 431
8241 000	THONGWE / MALOBENI	-293 101					-293 101
	Total conditional grants	-25 833 209	-100 253 596	105 461 420	6 559 235	98 902 185	-20 625 386
TOTAL		-29 668 566	-132 162 596	126 796 530	18 206 395	108 590 135	-35 034 633

ANNEXURE 2

**UMKHANYAKUDE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
ADDITIONAL DISCLOSURES IN THE ANNUAL FINANCIAL STATEMENTS**

Preparation of Annual Financial Statements based on Exemption Gazette 30013 dated 29 June 2007 where applicable

Financial Reporting Standard	Extent of Exemption from Standard	Progress made by the Municipality with complying with exemptions	Adjustments to the Annual Financial Statements for full compliance with the exemptions
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements (paragraphs 59 - 61, and 77)	The municipality through its MAP process will be developing an asset management plan and will be decomponentising assets which will be revalued thereafter.	The values of assets will be restated and all assets accounted for, applying reviewed depreciation methods.
	Review of depreciation method applied to PPE recognised in the annual financial statements (paragraphs 62 and 77)	As above	As above
	Impairment of non - cash generating assets (paragraphs 64 - 69 and 75(e)(v) - (vi))	As above	As above
	Impairment of cash generating assets (paragraphs 63 and 75(e)(v) - (vii))	As above	As above
Impairment of assets (IAS 36/ AC128)	Entire Standard	As above	As above
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	As above	As above
Investment Property (IAS 40/ AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	As above	As above
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard (paragraphs 79(e)(i)-(iii))	As above	As above
Employee Benefits (IAS 19/ AC 116)	Defined benefit accounting as far as it related to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48 - 119, 120(c) - (q)).	To be reviewed	None at present
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)	An analysis of all trade receivables is currently being undertaken.	Adjustment in terms of provision for doubtful debt.
Financial Instruments: Disclosures (IAS 39/ AC133)	Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG 64 of IAS 39/ AC133).	An analysis of all financial assets and financial liabilities is currently being undertaken.	Adjustment in terms of assets and liabilities where applicable.
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/ AC 142)	Classification, measurement and disclosure of non-current assets held for sale. (paragraphs 6-14, 15 - 29 (in so far as it related to non-current assets held for sale), 38 - 42).	Will be undertaken with revaluation of assets as referred to above.	Re-stating of asset values in the Annual Financial Statements