

Ukhahlamba

DISTRICT MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2009

UKHAHLAMBA DISTRICT MUNICIPALITY

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UKHAHLAMBA DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION

NATURE OF BUSINESS

Ukhahlamba District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Ukhahlamba Municipality includes the following areas:

Gariep Local Municipality (Burgersdorp, Venterstad and Steynsburg) Maletswai Local Municipality (Aliwal North and Jamestown) Senqu Local Municipality (Lady Grey, Sterkspruit and Barkly East) and Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: Cllr T L Marawu
Executive Councillor - Cllr G S Brown (Portfolio head: Financial Services)
Executive Councillor - Cllr L Magqashela (Portfolio head: Technical Services)
Executive Councillor - Cllr X G Motloi (Portfolio head: Corporate Services)
Executive Councillor - Cllr N Mtyali (Portfolio head: Community Services)

MUNICIPAL MANAGER

Mr Z A Williams - Municipal Manager

CHIEF FINANCIAL OFFICER

Mr A F Bothma - Chief Financial Officer

OTHER DIRECTORS

Mr R J Fortuin - Director: Technical Services
Me F J Sephton - Director: Community Services & Planning
Mr H Z Jantjie - Director: Corporate Services

REGISTERED OFFICE

P/Bag X102
Barkly East
9786

C/o Graham and Cole Streets
Barkly East
9786

AUDITORS

Office of the Auditor General
Private Bag X5045
Umtata
5100

PRINCIPLE BANKERS

ABSA

ATTORNEYS

Appointed on roster system - Currently:
Douglas and Botha
Aliwal North
9750

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)	Electricity Act (Act no 41 of 1987)
Division of Revenue Act	Skills Development Levies Act (Act no 9 of 1999)
The Income Tax Act	Employment Equity Act (Act no 55 of 1998)
Value Added Tax Act	Unemployment Insurance Act (Act no 30 of 1966)
Municipal Structures Act (Act no 117 of 1998)	Basic Conditions of Employment Act (Act no 75 of 1997)
Municipal Systems Act (Act no 32 of 2000)	Supply Chain Management Regulations, 2005
Municipal Planning and Performance Management Regulations	Collective Agreements
Water Services Act (Act no 108 of 1997)	Infrastructure Grants
Housing Act (Act no 107 of 1997)	SALBC Leave Regulations
Municipal Property Rates Act (Act no 6 of 2004)	

UKHAHLAMBA DISTRICT MUNICIPALITY

MEMBERS OF THE UKHAHLAMBA DISTRICT MUNICIPALITY

Proportional Elected Councillors

Executive Mayor

Cllr T L Marawu Ukhahlamba District Municipality

Speaker

Cllr X ka Solani Ukhahlamba District Municipality

Councillors

Cllrs: L Maqgashela Ukhahlamba District Municipality
G S Brown Ukhahlamba District Municipality
E N Sokudela Ukhahlamba District Municipality
D F Hartkopf Ukhahlamba District Municipality
X G Motloi Ukhahlamba District Municipality
N Mtyali Ukhahlamba District Municipality
L N Gova Ukhahlamba District Municipality
M E Manzi Ukhahlamba District Municipality

Representative Councillors

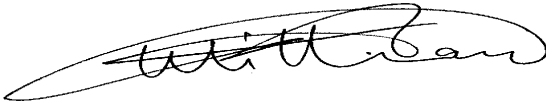
Cllrs: M C E Stanley Senqu Local Municipality
Z Dumzela Senqu Local Municipality
V Mbulawa Senqu Local Municipality
G Mbonzana Senqu Local Municipality
P August Senqu Local Municipality
M P Leteba Elundini Local Municipality
N F Mphithi Elundini Local Municipality
N R Lengs Elundini Local Municipality
B Salman Elundini Local Municipality
D D Mvumvu Elundini Local Municipality
Z Phungwani Maletswai Local Municipality
N B B Mokhantso Maletswai Local Municipality
N Ngogo Gariep Local Municipality

UKHAHLAMBA DISTRICT MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 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 remuneration of Councillors and in-kind benefits 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.



31/08/2009

Mr Z A Williams
Municipal Manager

Date

UKHAHLAMBA DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Notes	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		359,338,846	264,327,626
Accumulated Surplus/(Deficit)		359,338,846	264,327,626
Non-Current Liabilities		22,850,438	22,897,228
Long-term Liabilities	2	7,509,140	7,927,283
Non-current Provisions	3	15,341,298	14,969,946
Current Liabilities		78,598,793	81,917,894
Provisions	4	4,990,219	4,930,070
Trade and other payables	5	22,485,558	37,223,073
Unspent Conditional Government Grants and Receipts	6	50,717,863	35,566,554
Short-term Loans	8	-	-
Cash and Cash Equivalents	15	-	3,775,468
Current Portion of Long-term Liabilities	2	405,153	422,729
Total Net Assets and Liabilities		460,788,078	369,142,748
ASSETS			
Non-Current Assets		357,449,477	285,181,438
Property, Plant and Equipment	9	356,850,814	284,172,720
Intangible Assets	10	-	428,865
Investments	11	598,663	579,853
Long-Term Receivables	12	-	-
Current Assets		103,338,601	83,961,310
Inventory	13	637,250	841,575
Other Receivables from non-exchange transactions	14	31,374,862	9,576,158
Unpaid Conditional Government Grants and Receipts	6	4,013,631	4,919,793
Taxes	7	6,039,241	11,623,525
Current Portion of Long-term Receivables	12	-	169,667
Cash and Cash Equivalents	15	61,273,617	56,830,593
Total Assets		460,788,078	369,142,748

UKHAHLAMBA DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 Restated R
REVENUE			
Revenue from Non-exchange Transactions		283,198,908	297,290,046
Transfer Revenue		252,547,277	297,125,466
Government Grants and Subsidies	16	252,547,277	297,125,466
Other Revenue		30,651,631	164,580
Fines		5,350	164,580
Reversal of provision of impairments		29,763,630	
Actuarial Gains	3	882,651	
Revenue from Exchange Transactions		9,479,244	10,706,170
Rental of Facilities and Equipment		6,342	18,816
Interest Earned - external investments		6,155,312	4,234,645
Interest Earned - outstanding debtors		24,734	16,920
Other Income	17	3,292,856	6,435,789
Total Revenue		292,678,152	307,996,216
EXPENDITURE			
Employee related costs	18	50,358,415	48,976,873
Remuneration of Councillors	19	3,326,401	3,157,238
Debt Impairment	20	-	7,383,393
Depreciation and Amortisation		12,138,744	12,579,878
Repairs and Maintenance		10,626,360	17,944,974
Actuarial losses	3	-	864,021
Finance Charges	21	2,554,065	2,825,988
Contracted services		39,241,723	29,237,267
Other Operating Grant Expenditure		59,519,039	39,315,716
General Expenses	22	19,902,181	15,713,386
Total Expenditure		197,666,929	177,998,734
Operating Surplus for the Year		95,011,223	129,997,482
Gain on disposal of Property, Plant and Equipment			272,459
NET SURPLUS/(DEFICIT) FOR THE YEAR		95,011,223	130,269,941

Refer to Appendix E(1) for explanation of variances

Refer to note 25 for changes to the surplus for the comparative year

UKHAHLAMBA DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Capitalisation Reserve	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 30 JUNE 2006	290,203	466,514	(8,624,554)	(7,867,836)
2007				
Correction of error - Note 24.02	-	-	16,703,367	16,703,367
Restated balance	290,203	466,514	8,078,814	8,835,531
2008				
Net surplus/(deficit) for the year	-	-	(32,088,495)	(32,088,495)
Prior year adjustments - 2007 financial statements	(162,431)	27,738,684	12,462,615	40,038,868
Capital grants used to purchase PPE	-	19,547,429	(19,547,429)	-
Offsetting of depreciation	(12,138)	(2,593,962)	2,606,100	-
Balance at 1 July 2007	115,634	45,158,666	(28,488,395)	16,785,905
Change in accounting policy - Note 23		102,386,660	17,445,926	119,832,586
Correction of error - Note 24.02	7,000		11,315,305	11,322,305
Restated balance	122,634	147,545,326	272,836	147,940,796
Net Surplus/(Deficit) for the year			130,269,941	130,269,941
Capital Grants used to purchase PPE		117,787,757	(117,787,757)	-
Offsetting of depreciation	(4,057)	(8,934,247)	8,938,304	-
2009	118,577	256,398,836	21,693,324	278,210,737
Change in accounting policy - Note 23			(13,369,170)	(13,369,170)
Correction of error - Note 24.16	(118,577)	(256,398,836)	256,003,470	(513,943)
Restated Balance 30 June 2008	-	-	264,327,624	264,327,624
Net surplus for the year			95,011,223	95,011,223
Balance 30 June 2009	-	-	359,338,846	359,338,846

UKHAHLAMBA DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		303,627,088	322,647,069
Cash paid to suppliers and employees		(214,337,008)	(166,339,876)
Cash generated/(absorbed) by operations	26	89,290,080	156,307,194
Interest Received		6,155,312	4,234,645
Interest Paid		(2,554,065)	(2,825,988)
Net Cash from Operating Activities		92,891,326	157,715,851
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(84,387,974)	(117,661,976)
Proceeds on Disposal of Fixed Assets		-	337,777
(Increase)/Decrease in Long-term Receivables		169,667	139,208
(Increase)/Decrease in Non-current Investments		(18,809)	(62,487)
Net Cash from Investing Activities		(84,237,116)	(117,247,478)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(435,718)	(1,741,306)
Net Cash from Financing Activities		(435,718)	(1,741,306)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		8,218,493	38,727,066
Cash and Cash Equivalents at the beginning of the year		53,055,125	14,328,059
Cash and Cash Equivalents at the end of the year	27	61,273,617	53,055,125
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,218,493	38,727,066
Refer to Notes 23 and 24 for restatement of comparatives			

UKHAHLAMBA DISTRICT MUNICIPALITY

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

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis and are in accordance with historical cost convention unless specified otherwise.

The statements have also been prepared in accordance with the various standards emanating from Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

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

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 3: "Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipality" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 17 – Property, Plant and Equipment;
GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100 -Non-current assets and discontinued operations;
GRAP 16 - Investment Properties;
GRAP 102 - Intangible Assets;
GRAP 12 – Inventories.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

UKHAHLAMBA DISTRICT MUNICIPALITY

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 *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 the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

UKHAHLAMBA DISTRICT MUNICIPALITY

1.8. LEASES

1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

1.9. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

UKHAHLAMBA DISTRICT MUNICIPALITY

1.10. PROVISIONS

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 resource 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. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.11. EMPLOYEE BENEFITS

(a) *Pension obligations*

The municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

UKHAHLAMBA DISTRICT MUNICIPALITY

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.12.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.12.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Water	15-20	Buildings	30
Sewerage	15-20	Specialist vehicles	10-20
		Other vehicles	5-7
<u>Community</u>		Office equipment	3-7
Buildings	30	Furniture and fittings	5-15
Recreational Facilities	20-30	Watercraft	15
Security	5	Specialised plant and	
Halls	30	Equipment	5-15
Libraries	30	Other plant and	
Parks and gardens	15-20	Equipment	2-5
Other assets	15-20	Emergency equipment	5-15
		Computer equipment	5
<u>Heritage Assets and Land</u>			
Heritage Assets	50-Infinite		
Land	Infinite		
<u>Finance lease assets</u>			
Office equipment	5		
Other assets	5-6		

1.12.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. 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.

UKHAHLAMBA DISTRICT MUNICIPALITY

1.13. INTANGIBLE ASSETS

1.13.1 *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2 *Subsequent Measurement – Cost Model*

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 *Amortisation and Impairment*

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

1.13.4 *De-recognition*

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference

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between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.14.2 Subsequent Measurement – Cost Model

Investment property is measured using the cost model. Under the cost model, investment property is carried at its cost at the reporting date.

1.14.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.16. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

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1.18. INVENTORIES

1.18.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.18.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.19.1 *Initial Recognition*

Financial instruments are initially recognised at fair value.

1.19.2 *Subsequent Measurement*

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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1.19.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. 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.

1.19.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). 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 Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.19.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known

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amounts of cash 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, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

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1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by 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.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

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Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22. 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 a 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.

1.23. 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, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

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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.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.25. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.26. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
2 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	7,898,918	8,268,042
Restatement-Correction of error- Note 24		(13,866)
Capitalised Lease Liability - At amortised cost	15,376	95,836
	7,914,294	8,350,012
Less: Current Portion transferred to Current Liabilities	(405,153)	(422,729)
Annuity Loans - At amortised cost	(389,777)	(342,269)
Capitalised Lease Liability - At amortised cost	(15,376)	(80,460)
Total Long-term Liabilities - At amortised cost using the effective interest rate method.	7,509,140	7,927,283
Interest rates charged on loans are market related		
The obligations under finance leases are scheduled below:		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	15,840	95,040
Payable within two to five years		15,840
	15,840	110,880
Less: Future finance obligations	(464)	(15,044)
Present value of lease obligations	15,376	95,836
Less : Amounts due for settlement within 12 months	(15,376)	(80,460)
Amount due for settlement after 12 months	-	15,376
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
Leases are secured by property, plant and equipment - Note 9		
3 NON-CURRENT PROVISIONS		
Provision for Post Retirement Benefits- Restatement : Change in Accounting policy - Note 23.06	13,997,248	13,353,611
Provision for Long Service Awards - Restatement : Change in accounting policy - Note 23.06	1,344,050	1,616,335
Total Non-current Provision Liabilities- 2008 restated	15,341,298	14,969,946
<u>Post Retirement Benefits</u>		
Balance 1 July	14,142,533	12,553,923
Contribution for the year	2,053,595	1,551,091
Expenditure for the year	(788,922)	(759,483)
Actuarial Loss/(Gain)	(548,143)	797,002
Total provision 30 June	14,859,063	14,142,533
Less: Transfer of Current Portion to Current Provisions - Note 4	(861,815)	(788,922)
Balance 30 June	13,997,248	13,353,611
<u>Long Service Awards</u>		
Balance 1 July	1,689,335	1,495,952
Contribution for the year	505,866	374,327
Expenditure for the year	(73,000)	(247,963)
Actuarial Loss/(Gain)	(334,508)	67,019
Total provision 30 June	1,787,693	1,689,335
Less: Transfer of Current Portion to Current Provisions - Note 4	(443,643)	(73,000)
Balance 30 June	1,344,050	1,616,335

	2009 R	2008 R
<u>TOTAL NON-CURRENT PROVISIONS</u>		
Balance 1 July	15,831,868	14,049,875
Contribution for the year	2,559,461	1,925,418
Expenditure for the year	(861,922)	(1,007,446)
Actuarial Loss/(Gain)	(882,651)	864,021
Total provision 30 June	16,646,756	15,831,868
Less: Transfer of Current Portion to Current Provisions - Note 4	(1,305,458)	(861,922)
Balance 30 June	15,341,298	14,969,946

3.1 Provision for Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members :	92	92
Continuation members (e.g. Retirees, widows, orphans):	43	43
Total Members	135	135

The liability in respect of past service has been estimated to be as follows:

In-service members	6,528,000	6,212,815
Continuation members	8,331,000	7,929,718
Total Liability	14,859,000	14,142,533

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 593 578, whereas the Interest Cost for the next year is estimated to be R1 326 057.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	9.18	10.88
Health Care Cost Inflation Rate	7.65	9.71
Net Effective Discount Rate	1.42	1.07

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years : Males.
The normal retirement age for employees of the municipality is 58 years : Females.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	14,859,063	14,142,533
Fair value of plan assets	-	-
	14,859,063	14,142,533
Net liability/(asset)	14,859,063	14,142,533

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

	2009 R	2008 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	14,142,534	12,553,924
Total expenses	1,264,673	791,608
Current service cost	557,716	529,421
Interest Cost	1,495,879	1,021,670
Benefits Paid	(788,922)	(759,483)
Actuarial (gains)/losses	(548,143)	797,002
Present value of fund obligation at the end of the year	14,859,064	14,142,534

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	2,385,500	1,784,800

3.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 296 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R 436 193 whereas the Interest Cost for the next year is estimated to be R 140 271.

Key actuarial assumptions used:

	%	%
i) Rate of interest		
Discount rate	8.47	10.98
General Salary Inflation (long-term)	6.17	9.25
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.17	1.59

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,787,693	1,689,335
Fair value of plan assets	-	-
	1,787,693	1,689,335
Net liability/(asset)	1,787,693	1,689,335

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,689,335	1,495,952
Total expenses	432,866	126,364
Current service cost	339,584	257,848
Interest Cost	166,282	116,479
Benefits Paid	(73,000)	(247,963)
Actuarial (gains)/losses	(334,508)	67,019
Present value of fund obligation at the end of the year	1,787,693	1,689,335

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	524,979	488,198

3.3 Retirement funds

CAPE JOINT PENSION FUND

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R 200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.

CAPE JOINT RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined contribution section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R 20,22) million with a funding level of 103,3% (105,3%) and is in a sound financial position as at 30 June 2008.

	2009 R	2008 R
<u>MUNICIPAL COUNCILLORS PENSION</u>		
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.		
4	PROVISIONS	
Change in accounting policy - Staff Leave transferred from Trade Payables - Note 23.05	-	4,068,148
Staff leave	3,684,759	
Current Portion of Non-Current Provisions	1,305,458	861,922
Current Portion of Post Retirement Benefits - Note 3	861,815	788,922
Current Portion of Long-Service Provisions - Note 3	443,643	73,000
Total Provisions	4,990,217	4,930,070

The movement in current provisions are reconciled as follows:

Post Retirement Benefits

Balance at beginning of year	788,922	-
Transfer from non-current	72,893	788,922
Balance at end of year - 2008- restated	861,815	788,922

Long-service Awards

Balance at beginning of year	73,000	-
Transfer from non-current	370,643	73,000
Balance at end of year - 2008 Restated	443,643	73,000

Staff Leave

Balance at beginning of year	4,068,148	4,068,148
Expenditure incurred	(383,389)	
Balance at end of year - 2008 Restated see also note 5	3,684,759	4,068,148

TOTAL - CURRENT PROVISIONS

Balance at beginning of year	4,930,070	4,068,148
Transfer from non-current	443,536	861,922
Transfer to Trade Payables	-	-
Contribution to provision	-	-
Expenditure incurred	(383,389)	-
Balance at end of year - restated 2008	4,990,217	4,930,070

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 3 to the Financial Statements, Other Defined Benefit Plan Information

5 TRADE AND OTHER PAYABLES

Trade Payables	19,550,105	12,643,818
Plus : Correction of error - Note 24	-	7,744,126
Balance at 30 JUNE 2008		20,387,944
Payments received in advance	-	9,767,861
Staff Leave Liability	-	4,068,148
Less: :Staff Leave Liability - Change in accounting policy - Note 23.07	-	(4,068,148)
Other Creditors	2,935,452	6,859,871
Plus : Correction of error - Note 24	-	207,397
Total Trade Payables	22,485,558	37,223,073

Staff Leave Reconciliation

Balance at beginning of year	-	4,068,148
Less : Change in accounting policy -Transferred to provisions - Note 23.07		(4,068,148)
Balance at end of year	-	-

6	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2009	2008
		R	R
6.1	Conditional Grants from other spheres of Government		
	Unspent Grants	50,717,863	35,566,554
	National and Provincial Government Grants	50,717,863	34,914,954
	Correction of error - Note 24		651,600
	Restated balance 30 June 2008		35,566,554
	Less: Unpaid conditional grants	(4,013,631)	(4,919,793)
	National and Provincial Government Grants	(4,013,631)	(4,919,793)
	Total Conditional Grants and Receipts - restated 2008	46,704,232	30,646,761

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. It is not expected that there will be a significant change in grants allocated to the municipality.

7	TAXES		
	VAT Payable	-	-
	VAT Receivable	6,039,241	11,623,525

Vat is payable on the receipt basis. Only once payment is received from debtors is Vat paid to SARS.

8	SHORT-TERM LOANS
	The Municipality has no short term loans.

UKHAHLAMBA DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying value at 1 JULY 2008	10,049,103	269,971,111	64,309	4,088,197	284,172,720
Cost	11,443,918	316,913,898	274,854	9,969,694	338,602,365
Original Cost	11,443,918	316,913,898	274,854	9,133,694	337,766,365
Change in Accounting Policy - Note 23.01	-	-	-	836,000	836,000
Accumulated Depreciation	(1,394,815)	(46,942,788)	(210,545)	(5,881,497)	(54,429,645)
Depreciation - based on cost	(1,394,815)	(46,942,788)	(210,545)	(5,726,201)	(54,274,349)
Change in Accounting Policy - Note 23.02	-	-	-	(155,296)	(155,296)
Acquisitions	-	-	-	2,456,924	2,456,924
Capital under construction	-	81,931,050	-	-	81,931,050
Depreciation	(333,547)	(10,073,307)	(54,971)	(1,248,055)	(11,709,879)
Normal Depreciation	(333,547)	(10,073,307)	(54,971)	(1,248,055)	(11,709,879)
Carrying value at 30 JUNE 2009	9,715,556	341,828,854	9,338	5,297,066	356,850,814
Cost	11,443,918	398,844,948	274,854	12,426,618	422,990,338
Original Cost	11,443,918	398,844,948	274,854	12,426,618	422,990,338
Revaluation	-	-	-	-	-
Accumulated Depreciation	(1,728,362)	(57,016,094)	(265,516)	(7,129,552)	(66,139,524)
Original Cost	(1,728,362)	(57,016,094)	(265,516)	(7,129,552)	(66,139,524)
Revaluation	-	-	-	-	-

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying value at 1 JULY 2007	10,247,653	162,777,038	119,430	4,081,001	177,225,122
Cost	11,311,163	200,037,908	274,854	8,736,124	220,360,050
Original Cost	11,311,163	59,956,187	-	8,736,124	80,003,474
Change in accounting policy - Note 23	-	140,081,721	274,854	-	140,356,699
Accumulated Depreciation	(1,063,510)	(37,260,871)	(155,424)	(4,655,123)	(43,134,928)
Original Cost	(1,063,510)	(16,249,426)	-	(4,651,666)	(21,964,602)
Change in accounting policy - Note 23	-	(21,011,445)	(155,424)	(3,456)	(21,170,326)
Acquisitions	132,755	14,435,751	-	782,170	15,350,676
Capital under construction	-	102,440,239	-	-	102,440,239
Depreciation	(331,305)	(9,681,917)	(55,121)	(1,390,360)	(11,458,703)
Normal Depreciation	(331,305)	(9,681,917)	(55,121)	(1,390,360)	(11,458,703)
Backlog Depreciation previously not recorded	-	-	-	-	-
Carrying value of disposals	-	-	-	(65,318)	(65,318)
Cost	-	-	-	(384,600)	(384,600)
Accumulated Depreciation	-	-	-	319,282	319,282
Carrying value at 30 JUNE 2008	10,049,103	269,971,111	64,309	3,407,493	283,492,016
Cost	11,443,918	316,913,898	274,854	9,133,694	337,766,365
Original Cost	11,443,918	316,913,898	274,854	9,133,694	337,766,365
Revaluation	-	-	-	-	-
Accumulated Depreciation	(1,394,815)	(46,942,788)	(210,545)	(5,726,201)	(54,274,349)
Original Cost	(1,394,815)	(46,942,788)	(210,545)	(5,726,201)	(54,274,349)
Revaluation	-	-	-	-	-

The leased property, plant and equipment is secured as set out in Note 3.

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

The Municipality has taken advantage of the transitional provisions set out in Directive 3. The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets and other property plant and equipment using global or other

Exemptions taken according to the exemptions in terms Directive 3 - Transitional Provisions for High Capacity Municipalities relating to the transfer of functions:

- Measurement of Property, Plant and Equipment, including land and buildings transferred with the water and sewerage functions, including:
 - Review of useful life of item of PPE recognised in the annual financial statements.
 - Review of the depreciation method applied to PPE recognised in the annual financial statements.
 - Impairment of non-cash generating assets.
 - Impairment of cash generating assets.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

	2009 R	2008 R
10 INTANGIBLE ASSETS		
Net Carrying amount at 1 July 2008	428,865	3,354,336
Cost	3,354,336	3,354,336
Accumulated Amortisation	(2,925,471)	
Acquisitions	-	-
Amortisation	(428,865)	(2,925,471)
Net Carrying amount at 30 June	-	428,865
Cost	3,354,336	3,354,336
Accumulated Amortisation	3,625,703	(2,925,471)

Intangible assets worth R3 354 336 at cost are fully amortised at 30 June 2009 . The assets are still in limited use.

Exemptions taken according to Directive 3 - Transitional Provisions for High Capacity Municipalities.

11 INVESTMENTS

Financial Instruments

Unlisted

Long term deposits	598,663	579,853
Total Investments	598,663	579,853

The average interest rate was 11.45% (2008: 10.2%)

The non-current investments serves as collateral security for staff housing loans and the DBSA loan

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

12 LONG-TERM RECEIVABLES

Staff Car Loans - At amortised cost	-	169,667
	-	(169,667)
Less: Current portion transferred to current receivables		
Staff Car Loans - At amortised cost	-	(169,667)
Total Long Term Receivables	-	-

The loan is in respect of a vehicle loan to the former Municipal Manager. The loan was transferred to Other receivable from non-exchange transactions. Provision for impairment is made, as it is not certain if the outstanding amount will be collected.

13 INVENTORY

Consumable Stores - Stationery and materials - At cost	18,863	23,091
Maintenance Materials - At cost	522,999	751,035
Water - At purification cost		
Spare Parts - At cost	95,388	67,449
Total Inventory	637,250	841,575

Exemptions taken according to Directive 3 - Transitional Provisions for High Capacity Municipalities.

14 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Debtors	45,030,823	64,168,235
Fruitless- and Wasteful expenditure - Note 29.2	52,860	
Staff debtors	1,894,668	
Establishment levies received in 2009 - Note 23.08	-	642,881
Plus: Correction of error- Note 24.14	-	8,071,685
	46,978,352	72,882,801
Less: Provision for bad debts	(15,603,490)	(63,306,643)
Total Other Receivables from non-exchange transactions - restated 2008	31,374,862	9,576,158

The fair value of other receivables approximate their carrying value.

	2009 R	2008 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	63,306,643	55,923,250
Contribution to provision	(47,703,153)	7,383,393
Balance at end of year	15,603,490	63,306,643
The total amount of this provision is R 47703153 and consist of:		
Other	63,306,643	63,306,643
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	63,306,643	63,306,643

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Roads debtors amounting to R 29 726 497 was understated with R 7 704 191 for the prior financial year and provision for impairment of this amount was made due to uncertainty on the collectability thereof. The full amount was, however, paid after close of the financial year. The debtor, amongst others, was restated for the prior financial year.

15 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	51,463,435	56,787,768
Current Account -Correction of error- Note 24.06	45,223	42,525
Primary Bank Account	9,764,659	-
Cash Floats	300	300
Total Cash and Cash Equivalents - Assets - restated 2008	61,273,617	56,830,593

Liabilities

Primary Bank Account- Cashbook balance	-	(3,775,468)
Total Cash and Cash Equivalents - Liabilities	-	(3,775,468)

Call Investments Deposits to an amount of R 50717863 are held to fund the Unspent Conditional Grants (2008: R35 566 554).

The effective interest rate for call investments were 11.45% (2008) 10.2%

The municipality has the following bank accounts:

Current Accounts

Absa - account nr 4050457691 -(2008) restated - Correction of error - Note 24	45,223	42,525
Absa - account nr 23800000 19 (primary account)	9,764,659	(3,775,468)
	9,809,882	(3,732,943)

Absa - account nr 23800000 19 (primary account)


Cash book balance at beginning of year - overdrawn	(3,775,468)	(8,586,450)
Cash book balance at end of year - overdrawn 2008	9,079,321	(3,775,468)
Bank statement balance at beginning of year - overdrawn	(2,293,458)	1,987,368
Bank statement balance at end of year- overdrawn 2008-(Favourable 2009)	21,487,993	(2,293,458)

16 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	80,943,536	65,792,459
Other Grants	171,603,742	231,333,007
Other - Capital Grants		
Total Government Grants and Subsidies	252,547,277	297,125,466

The municipality does not expect any significant changes to the level of grants.

	2009 R	2008 R
17 OTHER INCOME		
Sundry Income	2,308,129	649,298
Plant charges and Store handling fees	984,717	5,786,491
Surplus cash	10	-
Total Other Income	3,292,856	6,435,789
18 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	32,563,380	40,408,986
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7,311,965	8,018,019
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5,443,810	
Housing Benefits and Allowances	416,272	
Overtime Payments	1,274,635	795,181
Bonuses	2,451,054	
Contribution to provision - Long Service Awards - Note 4	339,584	
Contribution to provision - Post Retirement Medical - Note 4	557,716	
Total Employee Related Costs	50,358,415	49,222,186
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	802,884	903,947
Traveling Allowance	112,200	-
Contributions to UIF, Medical and Pension Funds	119,989	79,596
Total	1,035,073	983,543
Remuneration of the Chief Finance Officer		
Annual Remuneration	666,346	575,963
Car Allowance	152,000	-
Contributions to UIF, Medical and Pension Funds	137,351	83,380
Total	955,697	659,343
2008 was only for 10 months		
Remuneration of Director : Technical Services		
Annual Remuneration	570,346	743,610
Car Allowance	170,000	
Contributions - UIF, Medical, Pension	138,416	86,815
Total	878,762	830,425
Remuneration of Director : Community and Social Services		
Annual Remuneration	672,714	772,287
Car Allowance	156,000	-
Contributions - UIF, Medical, Pension	133,750	54,533
Total	962,464	826,820
Remuneration of Director : Corporate and Support Services		
Annual Remuneration	681,941	754,561
Car Allowance	151,964	-
Contributions - UIF, Medical, Pension	43,293	36,010
Total	877,198	790,571

	2009 R	2008 R
19 REMUNERATION OF COUNCILLORS		
Mayor	514,135	524,271
Speaker (2008 included in Councillors below)	432,454	-
Executive Committee Members (2008 included in Councillors below)	1,502,884	-
Councillors	644,577	2,325,925
Councillors' pension and medical aid contributions	232,351	307,042
Total Councillors' Remuneration	3,326,401	3,157,238
<i>In-kind Benefits</i>		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
<i>Certification by the Municipal Manager</i>		
I certify that the remuneration of Councillors and in-kind benefits 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.		
		
.....		
Signed: Municipal Manager		
20 DEBT IMPAIRMENT		
Other Receivables from non-exchange transactions - Note 14	(29,763,630)	7,383,393
Total Contribution (Recover) to (from) Bad Debts Provision	(29,763,630)	7,383,393
21 FINANCE CHARGES		
Longterm Liabilities	877,324	1,656,191
Finance leases	14,580	31,648
Non current provision interest	1,662,161	1,138,149
Total finance charges	2,554,065	2,825,988
22 GENERAL EXPENSES		
General Expenses	19,902,181	15,713,386
General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
23 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
23.01 Property, plant and equipment - GRAP 17		
Balance previously reported	337,766,366	80,003,475
Implementation of GRAP		
Property, Plant and Equipment (Cost) previously not recognised (2009 = measured) credited to Accumulated Surplus - Note 23.03	836,000	140,356,576
Total	338,602,366	220,360,050
23.02 Accumulated Depreciation - GRAP 17		
Balance previously reported	54,274,349	21,964,602
Implementation of GRAP 17		
Property, Plant and Equipment (Depreciation) previously not recognised (2009 = measured) debited to Accumulated Surplus - Note 23.03	155,296	21,166,869
Total	54,429,645	43,131,472

		2009 R	2008 R
23.03	Accumulated Surplus/(Deficit)		
	Implementation of GRAP		
	Property, Plant and Equipment previously not recognised credited to Accumulated Surplus - Note 23.01	836,000	140,356,576
	Backlog depreciation - Note 23.02	(155,296)	(21,166,869)
	Less: Property, Plant and Equipment funded by Government Grants - Note 23.04		(102,386,660)
	Non-current provisions previously not recognised - Notes 23.05, 23.06 and 25	(14,049,874)	
	Establishment levies received in 2009 - Note 23.08		642,881
	Total	(13,369,170)	17,445,926
23.04	Government Grant Reserve		
	Balance previously reported		45,158,666
	Property, Plant and Equipment previously not recognised credited to Government Grant Reserve - Notes 23.01 and 23.02		102,386,660
			147,545,326
23.05	Provisions		
	Balance previously reported:	-	-
	Implementation of GRAP		
	Transfer from trade payables : Staff Leave -Note 23.07	4,068,148	
	Current portion of non-current provisions - Note 23.06	861,922	
	Total Restated	4,930,070	
23.06	Non-Current Provisions		
	Balance previously reported		-
	Implementation of GRAP		
	Transfer to Surplus/(Deficit) - Notes 23.03 and 25	14,969,946	
	Post-Employment Medical Benefit Fund - Note 3	14,142,533	
	Plong Service awards - Note 3	1,689,335	
	Less: Current portion transferred to Provisions - Note 23.05	(861,922)	
	Total	14,969,946	
23.07	Trade Payables		
	Balance previously reported	33,339,699	
	Less: Staff leave transferred to Provisions - Note 23.05	(4,068,148)	
	Restated	29,271,551	
23.08	Trade receivables from non-exchange transactions		
	Establishment levies received in 2009 - Note 23.03 and 14		642,881
	Nett adjustment to trade receivables	-	642,881
24	CORRECTION OF ERROR IN TERMS OF GRAP 3		
24.01	Other Receivables from non-exchange transactions		
	Regional Services Council levies restated to the due date of 30 June 2006 and now received - Note 24.02		61,446
	Raising of subsidies on losses on roads due in 2005/2006 and 2006/2007 - Notes 24.02		22,022,307
	Raising of subsidies on losses on Health in prior years - Notes 24.02		4,512,058
	Incorrect classification of VAT as receivables transferred to VAT - Notes 24.09		(5,430,164)
	Correction of Water- and Sanitation service providers' balances after investigation - Sintec - Note 24.02		30,731
	Correction of Water- and Sanitation service providers' balances after investigation- Note 24.02		8,037,118
	Provision for impairment of roads and health debtors - Note 24.02		(26,534,365)
	Restated balance 30 June 2006		2,699,131

	2009 R	2008 R
24.02		
Accumulated Surplus		
2006		
Regional Services Council levies restated to the due date of 30 June 2006 and now received - Note 24.01		61,446
Reversal of incorrect classification of prior year revenue as current year revenue - 2007 Audit report		21,622,047
Depreciation of PPE not previously recognised due to program fault - Note 24.04		(3,456)
Adjustment to VAT due to SARS audit findings for 2005 and 2006 - Notes 24.09		(4,976,670)
Raising of subsidies on losses on Health in prior years - Notes 24.01		4,512,058
Raising of subsidies for losses on roads due in 2005/2006 - Note 24.01		11,034,055
Provision for impairment of roads and health debtors - Note 24.01		(15,546,113)
Restatement 2006		16,703,367
2007		
Accumulated Surplus		
Adjustment to non-current liabilities - Note 24.05		(544,116)
Reversal of receipts for cash in transit.- Note 24.06		(89,066)
Correction of Water- and Sanitation service providers' balances after investigation- Note 24.01		8,037,118
Correction of Water- and Sanitation service providers' balances after investigation- Note 24.08		(3,332,344)
Correction of Water- and Sanitation service providers' balances after investigation- Note 24.01		30,731
Intangible Assets not previously recognised - Note 24.03		1,550,040
Under statement of investments in prior year- Note 24.06		5,669,942
Adjustment in Capitalisation Reserve credited to Accumulated Surplus - Understated 2007 - Note 24.07		(7,000)
Raising of subsidies for losses on roads due in 2006/2007 - Note 24.01		10,988,252
Provision for impairment of roads debtors - Note 24.01		(10,988,252)
Restatement of Income and Expenditure line-items for water and sanitation services outsourced - See allocations in revised Statement of Financial Performance and notes above		-
Restatement 2007		11,315,305
24.03		
Intangible Assets		
Balance previously reported		-
Intangible Assets not previously recognised - Note 10 and Note 24.02		1,550,040
Total		1,550,040
24.04		
Accumulated Depreciation		
2006		
Depreciation of PPE not previously recognised due to program fault - Note 24.02		3,456
Restatement 2006		3,456
24.05		
Long-term Liabilities		
Balance previously reported	7,941,148	-
Incorrect payment due to incorrect DBSA loan schedule reversed - Note 24.02		(90)
New loan transferred from Senqu Municipality for Sanitation function transferred - Note 24.02		(384,799)
Leased liability not previously disclosed transferred from Accumulated Surplus - Note 24.02		(159,227)
Less:- Redemption on loan DBSA paid but not allocated as redemption - Note 24.16	(13,866)	
Total	7,927,282	(544,116)
24.06		
Cash and Cash equivalents		
Balance previously reported	53,012,600	17,850,997
Reversal of receipts for cash in transit.- Note 24.02		(89,066)
Over statement of short-term investments in prior year - transfer to Non-current Investments - Note 24.1		(517,366)
Under statement of short-term investments in prior year.- Note 24.01		5,669,942
Bank account previously not recognised - Note 24.16	42,525	
Total	53,055,125	22,914,507
24.07		
Capitalisation Reserve		
Balance previously reported		115,634
Adjustment charged to Accumulated Surplus due understatement in 2007 - Note 24.02		7,000
Total		122,635
24.08		
Trade Payables		
Balance previously reported		50,871,271
Recognition of prior year amount owing to Maletswai Municipality for agency services - Note 24.02		3,332,344
Total		54,203,615

		2009	2008
		R	R
24.09	VAT		
	Balance previously reported		14,555,971
	Adjustment to VAT due to SARS audit findings for 2005 and 2006 - Notes 24.02		(4,976,670)
	Incorrect classification of Vat transferred from Other receivables from non-exchange transactions - Notes 24.01		5,430,164
			<u>15,009,465</u>
24.10	Non-current Investments		
	Balance previously reported		-
	Under statement of non-current investments in prior year -transfer from Cash and Cash Equivalents - Note 24.06		517,366
			<u>517,366</u>
24.11	CORRECTION OF ERROR		
	During the 2 financial years , the Accumulated Surplus was restated due to significant prior year adjustments for the years.		12,462,615
	Non cash entries in prior year adjustments		(6,111,400)
	The comparative amount has been restated as follows: -		
	Net effect on surplus/(deficit) for the year		<u>6,351,215</u>
	For more information refer to Statement of Changes in Net Assets. Water & Sanitation assets previously under control of the Local Municipalities are taken into the financial records of Council. Outstanding invoices to Bloem Water is taken into account (R 5 586 462)		
24.12	Reserves		
	Balance previously reported:		
	Capitalisation reserve	118,577	
	Government Grant Reserve	256,398,836	
	Total	<u>256,517,413</u>	-
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 24.16	(256,517,413)	-
	Total Restated	<u>(256,517,413)</u>	<u>-</u>
24.13	Trade Payables		
	Balance previously reported	33,339,699	
	Payables under provided 2007/2008 - Note 24.16	7,744,126	
	Prior years under payment - Contracted staff - Note 24.16	207,397	
	Restated 2008	<u>41,291,222</u>	
	See Change in accounting policy - Transfer to provisions for the difference- Note 23.05	<u>(4,068,148)</u>	
24.14	Other Receivables from non - exchange transactions		
	Balance previously reported	861,592	
	Prior years overpayment of contract employees - Notes 24.16 and 25	175,917	
	Understated road subsidy prior years - Note 24.16	7,704,191	
	Prior years interest on motor loan not raised - Notes 24.16 and 25	33,427	
	Prior years overpayment of councillors - Note 24.16	158,150	
	Restated 2008	<u>8,933,277</u>	
24.15	Unspent Conditional Government Grants and Receipts		
	Balance previously reported	34,914,954	
	Understatement of prior years conditional grants - Note 24.16	651,600	
	Restated 2008	<u>35,566,554</u>	

	2009 R	2008 R
24.16	Accumulated Surplus/(Deficit)	
The following adjustments were made to the accumulated surplus during the 2008 financial year:		
Transfer from reserves 2006 - Note 24.12	756,717	
Transfer from reserves 2007 - Note 24.12	44,517,582	
Payables under provided 2008- Note 24.13	(7,744,126)	
Overpayments Contract employees - Note 24.14	150,783	
Underpayments of contract employees- Note 24.13	(207,397)	
Motor loan interest not raised in prior years - Note 24.14	19,665	
Understated road subsidy - Note 24.14	7,704,191	
Overpayments to councillors in prior years - Note 24.14	158,150	
DBSA loan redemption- Note 2	13,866	
Understatement of unspent conditional grants - Note 24.15	(651,600)	
Current account not previously recognized- Note 24.06	42,525	
Transfer from reserves 2008 - Note 24.12	211,243,114	
Restated	256,003,470	
25	STATEMENT OF FINANCIAL PERFORMANCE	
The following changes were made to the Statement of Financial Performance of the prior year due to the implementation of GRAP:		
Surplus for the year previously recorded	132,013,039	
Non current provisions previously not recognised - Note 23.06	(1,781,994)	
Overpayments on contract employees -Note 24.14	25,134	
Motor loan interest not raised in prior years - _ Note 24.14	13,762	
Total	130,269,941	
26	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH	
Surplus/(Deficit) for the year	95,011,223	130,269,941
Adjustments for prior year		
Adjustments for:		
Depreciation and amortisation	12,138,744	12,579,878
(Gain)/Loss on disposal of property, plant and equipment	-	(272,459)
Contribution from/to provisions - Non-Current	2,559,461	1,925,418
Contribution from/to provisions - Non-Current - Expenditure incurred	(861,922)	(1,007,446)
Contribution from/to provisions - Non-Current - Actuarial losses	-	864,021
Contribution from/to provisions - Non-Current - Actuarial gains	(882,651)	-
Contribution to provisions – current	-	4,068,148
Contribution to provisions – current - Expenditure incurred	(383,389)	-
Contribution / (Reversal) to/of provisions – Bad debt	(29,763,630)	7,383,393
Bad debts written off	(17,939,523)	
Investment income	(6,155,312)	(4,234,645)
Interest paid	2,554,065	2,825,988
Operating Surplus/(Deficit) before changes in working capital	56,277,066	154,402,237
Changes in working capital	33,013,013	1,904,957
Increase/(Decrease) in Trade and Other Payables - restated 2008	(14,737,515)	(16,980,542)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts - restated 2008	15,151,309	24,608,030
Increase/(Decrease) in Taxes	5,584,284	3,385,940
(Increase)/Decrease in Inventory	204,325	(246,652)
(Increase)/Decrease in Other Receivables from non-exchange transactions- restated 2008	25,904,449	(5,740,862)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	906,162	(3,120,958)
Cash generated/(absorbed) by operations	89,290,080	156,307,194
27	CASH AND CASH EQUIVALENTS	
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 15	51,463,435	56,787,768
Cash Floats - Note 15	300	300
Bank - Note 15	9,764,659	-
Bank restatement - Note 15	45,223	42,525
Bank overdraft - Note 15	-	(3,775,468)
Total cash and cash equivalents	61,273,617	53,055,125

	2009 R	2008 R
28 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	7,914,294	8,350,012
Used to finance property, plant and equipment - at cost	(7,914,294)	(8,350,012)
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act		
29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
29.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	102,689,310	42,761,266
Unauthorised expenditure current year	25,790,570	59,928,044
Approved by Council or condoned	(89,785,218)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	38,694,662	102,689,310
Incident	Disciplinary steps/criminal proceedings	
<i>Over expenditure of approved budget</i>	<i>None</i>	
29.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	4,976,670	4,976,670
Fruitless and wasteful expenditure current year	52,860	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	5,029,530	4,976,670
Incident	Disciplinary steps/criminal proceedings	
<i>Double payment for internal audit function - Amount recovered in 2009/2010</i>	<i>None</i>	
29.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	824,778
Irregular expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	(824,778)
Irregular expenditure awaiting condonement	-	-
Incident	Disciplinary steps/criminal proceedings	
<i>None</i>	<i>None</i>	
30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
30.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	473,423	356,496
Amount paid - current year	(473,423)	(356,496)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

	2009 R	2008 R
30.2 <u>Audit fees - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year audit fee	4,444,625	-
External Audit - Auditor-General	4,054,606	
Internal Audit	390,019	
Audit Committee		
Amount paid - current year	(4,444,625)	
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-
30.3 <u>VAT - [MFMA 125 (1)(b)]</u>		
Opening balance	11,623,525	
Amounts received - current year	(40,591,249)	
Amounts claimed - current year (payable)	35,006,965	
Closing balance	6,039,241	11,623,525
30.4 <u>PAYE and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	-	
Current year payroll deductions	6,247,794	
Amount paid - current year	(6,247,794)	
Balance unpaid (included in creditors)	-	-
30.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	-	
Current year payroll deductions and Council Contributions	3,201,906	
Amount paid - current year	(3,201,906)	
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-
30.6 <u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
The municipality does not raise debtors accounts where Councillors are involved.		
31 <u>CAPITAL COMMITMENTS</u>		
Commitments in respect of capital expenditure:		
Approved and contracted for:	6,810,950	75,062,882
Infrastructure	6,810,950	75,062,882
Approved but not yet contracted for:	11,090,000	11,304,118
Infrastructure	11,090,000	9,003,118
Community		1,000,000
Other		1,301,000
Total	17,900,950	86,367,000
This expenditure will be financed from:		
External Loans	17,900,950	86,367,000
Government Grants		
	17,900,950	86,367,000

32 **RETIREMENT BENEFIT INFORMATION**

Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2008.

33 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from Higher order levels of government.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

(e) Other Risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of High credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as

Investments	598,663	579,853
Other receivables from non-exchange transactions	46,978,352	72,882,801
Other Debtors	10,052,872	16,543,318
Current Portion of Long-term Receivables	-	169,667
Short-term Investment Deposits	51,463,435	56,787,768
Bank and Cash Balances	9,764,959	300
Maximum Credit and Interest Risk Exposures	118,858,280	146,963,707

FINANCIAL INSTRUMENTS**2009**
R**2008**
R

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Fixed Deposits	Held to maturity	598,663	579,853
Other receivables from non-exchange transactions			
Other receivables from non-exchange transactions	Loans and Receivables	46,978,352	72,882,801
Other Debtors			
Payments made in Advance	Loans and Receivables		
VAT	Loans and Receivables	6,039,241	11,623,525
Government Subsidies and Grants	Loans and Receivables	4,013,631	4,919,793
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables	-	169,667
Short-term Investment Deposits			
Call Deposits	Held to maturity	51,463,435	56,787,768
Bank Balances and Cash			
Bank Balances	Held to maturity	9,764,659	-
Cash Floats and Advances	Held to maturity	300	300
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	598,663	579,853
Short-term Investment Deposits	Call Deposits	51,463,435	56,787,768
Bank Balances		9,764,659	-
Cash Floats and Advances		300	300
		61,827,057	57,367,921
Loans and Receivables			
Other Debtors	Government Subsidies and Grants	4,013,631	4,919,793
Other receivables from non-exchange transactions		46,978,352	72,882,801
Current Portion of Long-term Receivables	Staff Loans	-	169,667
VAT	VAT	6,039,241	11,623,525
		57,031,224	89,595,786
Total Financial Assets		118,858,280	146,963,707
Financial liabilities			
Long-term Liabilities			
Annuity Loans	At amortised cost	7,509,141	7,911,907
Capitalised Lease Liability	Not valued at FVTPL	-	15,376
Provisions		4,990,219	4,930,070
Cash and Cash Equivalents			
Bank Overdraft			3,775,468
Payables			
Trade payables	At amortised cost	22,485,558	37,223,073
Unspent Conditional Grants and Receipts			
Other Spheres of Government	At amortised cost	50,717,863	35,566,554
Current Portion of Long-term Liabilities			
Annuity Loans	At amortised cost	405,153	422,729
		86,107,934	89,845,177

	2009 R	2008 R
35	EVENTS AFTER THE REPORTING DATE	
	None	
36	PRIVATE PUBLIC PARTNERSHIPS	
	Council has not entered into any private public partnerships during the financial year.	
37	COMPARISON WITH THE BUDGET	
	The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "D".	
38	CONTINGENT LIABILITY	
	Claims against Council	
	-	-
	<hr/> <hr/>	<hr/> <hr/>
	The municipality is currently engaged in a litigation regarding a land claim (Erf 111 and 809 - Elliot). As at 30 June 2009 there is no certainty regarding the possible outflow of resources nor the timing of this litigation.	
39	RELATED PARTIES	
	Key Management and Councillors do not receive services from the municipality.	
39.01	Related Party Loans	
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 12 to the Annual Financial Statements.	
39.02	Compensation of key management personnel	
	The compensation of key management personnel is set out in note 18 to the Annual Financial Statements.	
39.03	Other related party transactions	
	No purchases were made during the year where Councillors or Sect 57 Managers have an interest.	
40	IMPLEMENTATION OF GRAP	
	Exemptions taken according to Directive 3 - Transitional Provisions for High Capacity Municipalities.	
40.1	GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets	
	The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise possible provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment as a result of the transfer of functions.	
	The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.	
	Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:	
	Post retirement benefits	
	-	14,142,533
	Long service awards	
	-	1,689,335
	<hr/> <hr/>	<hr/> <hr/>
	-	15,831,868

	2009 R	2008 R
40.2 GRAP 100 -Non-current assets and discontinued operations		
The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:		
40.3 GRAP 16 - Investment Properties		
The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality possibly did not recognise all the Investment Properties as a result of the transfer of functions.		
The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:		
Land transferred as a result of the transfer of functions; and	-	-
Buildings transferred as a result of the transfer of functions.	-	-
Total not previously recognised now restated retrospectively	<u>-</u>	<u>-</u>
40.4 GRAP 102 - Intangible Assets		
The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:		
Intangible assets transferred as a result of the transfer of functions; and		
Servitudes transferred as a result of the transfer of functions.		
The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:		
	-	-
Total not previously recognised now restated retrospectively	<u>-</u>	<u>-</u>
40.5 GRAP 12 - Inventories		
The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality did not measure the following inventories relating to the transfer of functions:		
Water ; and	32 554 kl	
Possible Land held for sale; and		
Possible Other .		
The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:		
Water;	-	-
Land held for sale; and	-	-
Other (list).	-	-
	<u>-</u>	<u>-</u>
40.6 GRAP 17 - Property, Plant and Equipment		
The municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all of the the following Property, Plant and Equipment relating to the transfer of functions:		
Land transferred as a result of the transfer of functions; and		
Buildings transferred as a result of the transfer of functions.		
Infrastructure (Provisional amounts are included in PPE); and		
Other classes.		

Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a High capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 3 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011..

APPENDIX A
UKHAHLAMBA DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2008	Balance at 30 June 2008 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2009
LONG-TERM LOANS								
ANNUITY LOANS								
DBSA - Building (R7.4m)	11.53%	100878	6 monthly	7,077,392	7,077,392	-	157,156	6,920,236
DBSA-Sanitation (R1.4m)	10.00%	9980	6 monthly	898,875	885,008	-	76,724	808,284
DBSA Sanitation (Senqu transfer)	13.08%	12175	6 monthly	291,775	291,775	-	121,378	170,398
Total Annuity Loans				8,268,042	8,254,176	-	355,258	7,898,918
LEASE LIABILITY								
Office Equipment-ITEC Finance				95,836	95,836	-	80,460	15,376
Total Lease Liabilities				95,836	95,836	-	80,460	15,376
TOTAL EXTERNAL LOANS				8,363,878	8,350,012	-	435,718	7,914,294

APPENDIX B
UKHAHLAMBA DISTRICT MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated Depreciation			Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions		Closing Balance
Land and Buildings									
Land	871,948	45,892	-	-	917,840	-	-	-	917,840
Buildings	10,006,412	519,666	-	-	10,526,078	1,394,815	333,547	1,728,362	8,797,716
	10,878,360	565,558	-	-	11,443,918	1,394,815	333,547	1,728,362	9,715,556
Infrastructure									
Sewerage Mains & Purif	117,952,294	10,500	-	28,884,732	146,847,525	9,176,853	2,385,892	11,562,745	135,284,780
Water Mains & Purification	35,570,328	361,500	-	43,865,532	79,797,360	9,061,037	1,889,002	10,950,039	68,847,321
Reservoirs - Water	51,320,605	16,000	-	1,061,631	52,398,236	6,807,821	2,421,805	9,229,626	43,168,611
Water Mains	111,677,672	5,000	-	8,119,154	119,801,826	22,046,589	3,376,608	25,423,197	94,378,629
	316,520,898	393,000	-	81,931,050	398,844,948	47,092,300	10,073,307	57,165,607	341,679,341
Other Assets									
Office Equipment	431,292	22,533	-	-	453,826	399,161	30,475	429,637	24,189
Furniture & Fittings	2,138,619	112,559	20,056	-	2,271,234	1,429,152	296,249	1,725,401	545,833
Motor Vehicles	2,289,724	608,259	503,447	-	3,401,430	992,197	301,120	1,293,317	2,108,113
Fire Engines	1,654,948	87,103	-	-	1,742,050	690,395	330,963	1,021,359	720,691
Computer Equipment	1,665,256	86,404	246,783	-	1,998,444	1,515,217	164,134	1,679,351	319,093
Special Vehicles	26,700	9,300	1,440,779	-	1,476,779	12,364	63,159	75,522	1,401,257
Tools and Equipment	795,148	41,850	245,859	-	1,082,857	693,497	61,954	755,451	327,406
Non-Capital	-	-	-	-	-	-	-	-	-
	9,001,687	968,008	2,456,924	-	12,426,619	5,731,984	1,248,055	6,980,038	5,446,580
Leased Assets									
Leased Assets	274,854	-	-	-	274,854	210,546	54,971	265,517	9,338
	274,854	-	-	-	274,854	210,546	54,971	265,517	9,338
Total	336,675,799	1,926,566	2,456,924.04	81,931,049.79	422,990,339	54,429,645	11,709,879	66,139,524	356,850,814

APPENDIX C
UKHAHLAMBA DISTRICT MUNICIPALITY
SEMENTAL ANALYSIS OF PROPERTY PLANT & EQUIPMENT

	Cost				Accumulated Depreciation			Carrying Value	
	Opening Balance	Residual Value Opening Bal	Additions	Under Construction	Closing Balance	Opening Balance	Additions		Closing Balance
Executive & Council	876,416.56	46,127.19	8,899.00	-	931,442.75	680,335.89	114,603.13	794,939.02	136,503.73
Finance & Admin	12,666,734.94	644,617.43	364,430.88	-	13,675,783.25	2,787,001.57	587,846.87	3,374,848.44	10,300,934.81
Planning & Development	436,882.32	22,993.81	36,754.39	-	496,630.52	355,648.01	74,608.71	430,256.72	66,373.80
Health	1,472,994.50	77,359.82	1,186,994.77	-	2,737,349.09	1,187,974.87	187,200.88	1,375,175.75	1,362,173.34
Community & Social Services	2,262,721.50	317,249.24	510,800.00	-	3,090,770.74	702,897.54	481,501.29	1,184,398.83	1,906,371.91
Waste Management	72,962,838.10	-	-	-	72,962,838.10	90,239.79	299,843.78	390,083.57	72,572,754.53
Waste Water Management	49,857,533.36	111,918.48	-	33,021,524.96	82,990,976.80	10,720,306.98	2,463,372.06	13,183,679.04	69,807,297.76
Road Transport	512,200.00	323,800.00	-	-	836,000.00	-	-	-	836,000.00
Water	195,627,477.82	382,500.00	-	48,909,524.83	244,919,502.65	37,905,240.57	7,491,339.68	45,396,580.25	199,522,922.40
TOTAL	336,675,799.12	1,926,565.96	2,456,924.04	81,931,049.79	422,990,338.91	54,429,645.22	11,709,879.28	66,139,524.50	356,850,814.41

APPENDIX D
UKHAHLAMBA DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
5,291,865	13,702,744	(8,410,879)	EXECUTIVE&COUNCIL	49,038,180	(11,473,387)	37,564,793
34,114,895	29,037,972	5,076,923	FINANCE& ADMIN	21,623,061	(23,105,702)	(1,482,641)
1,196,252	1,310,585	(114,333)	PLANNING+DEVELOPMENT	3,960,910	(1,869,814)	2,091,096
16,291,495	15,771,515	519,980	HEALTH	14,042,331	(18,514,807)	(4,472,476)
20,529,280	19,977,963	551,317	COMMUNITY&SOCIAL SERVICES	15,558,321	(25,641,169)	(10,082,848)
32,468,206	32,468,206	-	ROAD TRANSPORT	117,827,753	(21,930,833)	95,896,920
9,876,722	9,892,684	(15,962)	WASTE MANAGEMENT	11,187,314	(12,625,207)	(1,437,894)
46,507,918	37,527,729	8,980,189	WATER	30,438,030	(64,420,998)	(33,982,968)
141,978,281	24,507,422	117,470,859	OTHER	29,002,254	(25,575,788)	3,426,466
308,254,914	184,196,820	124,058,094	Sub Total	292,678,152	(205,157,704)	87,520,448
-	(7,954,945)	7,954,945	Less Inter-Departmental Charges	-	7,490,775	7,490,775
308,254,914	176,241,875	132,013,039	Total	292,678,152	(197,666,929)	95,011,223

APPENDIX E(1)
UKHAHLAMBA DISTRICT MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances
REVENUE					
Government grants and subsidies	252,547,277	297,887,813	(45,340,536)	-15.22%	Budgeted for full grants revenue, but not all projects implemented
Fines	5,350	150,000	(144,650)	-96.43%	
Reversal of provision of impairments	29,763,630	-	29,763,630	0.00%	Not budgeted for
Actuarial Gains	882,651	-	882,651	0.00%	Not budgeted for
Rental of facilities and equipment	6,342	10,000	(3,658)	-36.58%	Rental of facilities less than anticipated
Interest earned-external investments	6,155,312	7,802,778	(1,647,466)	-21.11%	Over budgeted
Interest earned-outstanding debtors	24,734	25,000	(266)	-1.06%	
Income from agency services	-	-	-	0.00%	Expenditure re-allocated under "Other income"
Other income	3,292,856	4,043,043	(750,187)	-18.56%	Revenue from Agency Services budget re-allocated
Total Revenue	292,678,152	309,918,634	(17,240,482)	-5.56%	
EXPENDITURE					
EXECUTIVE&COUNCIL	(11,473,387)	(11,098,882)	(374,505)	3.37%	
FINANCE& ADMIN	(23,105,702)	(25,229,175)	2,123,473	-8.42%	
PLANNING+DEVELOPMENT	(1,869,814)	(3,387,185)	1,517,371	-44.80%	Savings realized on salaries and Gen Exp
HEALTH	(18,514,807)	(17,063,589)	(1,451,218)	8.50%	
COMMUNITY&SOCIAL SERVICES	(25,641,169)	(45,375,894)	19,734,725	-43.49%	Savings realized on salaries and Gen Exp
ROAD TRANSPORT	(21,930,833)	(42,145,461)	20,214,628	-47.96%	Savings realized on salaries and Gen Exp
WASTE MANAGEMENT	(12,625,207)	(16,968,837)	4,343,630	-25.60%	Savings realized on salaries and Gen Exp
WATER	(64,420,998)	(48,977,447)	(15,443,551)	31.53%	Claims from WSP's included Bad Debts
OTHER	(25,575,788)	(33,898,488)	8,322,700	-24.55%	Savings realized on salaries and Gen Exp
Less Internal Charges	7,490,775	7,981,636	(490,861)	-6.15%	
Total Expenditure	(197,666,929)	(236,163,322)	38,496,393	-16.30%	
0	95,011,223	73,755,312	21,255,911	28.82%	

APPENDIX E (2)
UKHAHLAMBA DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
EXECUTIVE&COUNCIL	8,899	-	8,899	-	8,899	0.00%	
FINANCE& ADMIN	364,431	-	364,431	756,000	(391,569)	-51.79%	Savings on vehicles and server purchased
PLANNING+DEVELOPMENT	36,754	-	36,754	30,000	6,754	22.51%	Laptops more expensive than budgeted
HEALTH	1,186,995	-	1,186,995	2,948,500	(1,761,505)	-59.74%	Upgrading of buildings not completed
COMMUNITY&SOCIAL SERVICES	510,800	-	510,800	845,330	(334,530)	-39.57%	Fire vehicles specifications resulted in saving
ROAD TRANSPORT	-	-	-	-	-	0.00%	
WASTE MANAGEMENT	-	33,021,525	33,021,525	43,662,500	(10,640,975)	-24.37%	Bucket eradication costs less than expected
WATER	-	48,909,525	48,909,525	40,403,882	8,505,643	21.05%	Rural water supply needed additional grant
OTHER	-	-	-	-	-	0.00%	
Total	2,107,879	81,931,050	84,038,929	88,646,212	(4,607,283)	-5.20%	

APPENDIX F
UKHAHLAMBA DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Quarterly Received					Expenditure	
	Balance 1 July 2008	Sept	Dec	March	June	2009	Balance 30 June 2009
Aids Secretary Salaries	150,000						150,000
Bucket Eradication	0						0
CMIP / MIG	(4,705,546)	29,074,000	31,625,000	1,337,000	43,565,368	92,170,365	8,725,457
DBSA Environmental Health	0						0
DBSA Municipal Support and Developm	0		123,281				123,281
DBSA Municipal Support Framework	0					45,995	(45,995)
DDC Training	101,027					104,472	(3,445)
DEAET	0	5,600,000				5,207,018	392,982
Dept Water Affairs	(194,688)						(194,688)
DGLTA Aliwal North WTP	0			1,207,174		2,578,326	(1,371,152)
Disaster Management Comm Awareness	162,545					67,556	94,989
Disaster Management Forum	98,763					11,496	87,268
Disaster Management Est of Centres	2,511,747					730,711	1,781,035
Disaster Management	(19,546)					169,298	(188,844)
Disaster Management Plan	1,500,000					657	1,499,343
Disaster Management Fire & Emerg Serv	1,445,992				5,450,000	427,665	6,468,327
Disaster Management Policy Framework	384,789						384,789
Disaster Management Rebuild Houses	0					832,151	(832,151)
Disaster Management Training of Volun	212,259					26,912	185,347
Drought Relief Elundini	2,066,534						2,066,534
Drought Relief Senqu	580,992						580,992
Economic Affairs	0						0
Elungini Community Hall & Road	223,392						223,392
Equitable Share	0	26,898,136	20,173,602	33,622,669		80,694,407	0
European Union Grants	0						0
Finance Management Grant	562,983	750,000				1,536,674	(223,690)
Financial Assistance	0						0
Gariep Implement Lake	1,999,741						1,999,741
Herchell Plan	0						0
Housing MPMS	0						0
IDP	0		719,000	470,000		279,120	909,880
IMBISO	0						0
ISRDP Nodal Support	0		1,000,000	(75,030)		342,961	582,009
IT Implementation	351,600					353,238	(1,638)
LED Capacity	0		350,000				350,000
LED ISRDP	300,000						300,000
LED Profiling	0			(219,915)		573,862	(793,778)
LG Seta	0	40,177		176,465		189,592	27,049
Libraries	0					78,290	(78,290)
MSIG	0	735,000				1,014,902	(279,902)
Oranje Fontein Housing	0						0
Other Grants	0	433,896		1,200,000	2,423,542	4,057,438	0
Prentjiesberg Housing	0			7,226,170		7,226,170	0
Public Work - Special Programme	12,374,470	4,401,690	7,673,960	6,193,331	7,999,551	23,333,380	15,309,622
Remuneration Of Cdw's	796,497						796,497
Setion 78 on Health Services	0						0
Sinenjongo Sewing Project	78,503					53,767	24,737
Subsidy Environmental Health	0	900,554	900,554	900,555	900,555	3,602,218	0
Subsidy Health	0	2,067,413	2,067,413	2,067,413	2,067,412	8,269,651	0
Subsidy Health - Tick registers	0						0
Subsidy SCDOH	0				826,965	826,965	0
Water Affairs - FNT	0						0
Water Service Authority (WSA)	0						0
Working For Water	5,482,927	1,236,062	5,633,506	3,736,410	1,124,365	15,715,714	1,497,557
Working for Wetland	4,181,792	1,195,691	1,005,588	428,057	1,372,156	2,026,306	6,156,978
Total	30,646,774	73,332,619	71,271,904	58,270,298	65,729,915	252,547,277	46,704,232