

Planning by	Reviewed	Performed by	Final review





Client details

Client name: UMGUNGUNDLOVU DISTRICT MUNICIPALITY
Year end: 30 June 2009

File details

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Builder mode has been entered

Balance Check		Company	
		2009	2008
	Balance Sheet is out of balance	-	(92)
	Cash flow statement is out of balance	1	-
	Net Income per the Income Statement does not agree with the NETINC account	320,629	-
	Opening Retained Income does not match the closing balance for the prior year	(60,881,634)	(2,407,041)

Print Details

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UMGUNGUNDLOVU DISTRICT MUNICIPALITY
Financial statements
for the year ended 30 June 2009

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

General Information

Executive Committee

Mayor

Y Bhamjee (ANC)

Deputy Mayor: T Zondi (ANC)

Councillors

N B Z Cele (ANC)

T R Zuma (ANC)

J B Mtolo (ANC)

S Mchunu (DA) Resigned May 09

P Bhengu (IFP)

T R Zungu (ANC)

J S Majola (DA) Appointed May 09

PART TIME COUNCILLORS

M S Bond (DA)

D Buthelezi (ANC)

M M Cekwane (ANC)

N B Z Cele (ANC)

L P Chiya (ANC)

B A Dlamini (ANC)

N V Duze (ANC)

S C Gabela (ANC)

J E P Green (DA)

R T Khanyile (IFP)

A M Lukhele (ANC)

N C Mabhida (ANC)

M E Madlala (IFP)

N B Ahmed (ANC)

S D Mbanjwa (IFP)

A D Mbense (ANC)

B A Mchunu (ANC)- Appointed August 2008

M P Mkhize (ANC)

R Naidoo (ANC) - Resigned August 2008

S E Mkhize (ANC) - Appointed October 2008

S N Mkhize (ANC)

M S Mthethwa (ANC) - October 2008

V J Mkhize (ANC)- Appointed November 2008

B I Mncwabe (IFP)

Z Z Sithole (ANC) - Resigned November 2008

V M Mncwabe (IFP)

M Inderjit (ANC) - Withdrawn November 2008

M L Msimang (ANC)

S N Naidoo (ANC)

D A Ndlela (ANC)

M D Ndlovu (DA)- Appointed September 2008

M E Ngcongco (DA)

P R Barnard (DA) - Deceased July 2008

S M Ngubane (ANC)

M M Nkala (ANC)

E Z Ntombela (ANC)

G H Zondi (ANC)

B E Zuma (IFP)

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

General Information

Grading of local authority

Grade 4

SPEAKER

G H Zondi

MANAGEMENT

Municipal Manager- T L S Khuzwayo
Strategic Executive Manager - Community Services - S E Gwala
Acting Strategic Executive Manager - Corporate Services - S D Mkhize
Acting Strategic Executive Manager - Financial Services - B Ndlovu
(Appointed 01 November 2008)
Strategic Executive Manager - Financial Services - C W Muwandi
(Resigned 31 October 2008)
Acting Strategic Executive Manager - Technical Services - E B
Mbambo

Registered Office Address

242 Langalibalele Street (Longmarket)
Pietermaritzburg
3201
P O Box 3235
Pietermaritzburg
3200

Other Information

Bankers: First National Bank
Auditors:- Auditor General
Website: www.umdm.gov.za

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Index

The reports and statements set out below comprise the financial statements presented to the Council.:

Index	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Accounting Policies	11 - 16
Notes to the Financial Statements	17 - 23

The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income statement	24
Appendixes:	
Appendix A: Schedule of External loans	{T#}
Appendix D: Segmental Statement of Financial Performance	{T#}

Abbreviations

GRAP	Generally Recognised Accounting Practice
COID	Compensation for Occupational Injuries and Diseases
GEPF	Government Employees Pension Fund
GAAP	Generally Accepted Accounting Practices
MFMA	Municipal Finance Management Act
HDF	Housing Development Fund
CRR	Capital Replacement Reserve
VAT	Value Added Tax
PPE	Property Plant and Equipment
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government Association
ME's	Municipal Entities
NJMP	Natal Joint Municipal Pension
MIG	Municipal Infrastructure Grant (Previously CMIP)
GAMAP	Generally Accepted Municipal Accounting Practice
DBSA	Development Bank of Southern Africa

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Index

ANC	African National Congress
DA	Democratic Alliance
IFP	Inkatha Freedom Party

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the financial statements.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

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

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

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 24, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:
The Accounting Officer submits his report for the year ended 30 June 2009:

Accounting Officer

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Officer's Report

Operating capital ratio 1,34:1 (1:0,71)

There is an improvement in nett current assets compared to prior year, we have enough short term assets to finance short term liabilities.

Solvability ratio 2,54:1 (1,63:1)

Assets are almost 2.5 times the liabilities, the Municipality will be able to meet all its short and long term obligations.

Cash to interest cover ration 25.03:1 (4,3:9,63)

The cash flow is sufficient enough to finance interest from long term liabilities.

Debt to cash ratio 39% (10 from 2.91)

It indicates the remaining pay back period.

1. Going concern

We draw attention to the fact that at 30 June 2009 , the municipality had accumulated a surplus of R 30 808 926.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Trade and other receivables	3	3,565,205	966,529
VAT	4	5,263,111	15,162,899
Consumer debtors	5	27,149,571	13,782,849
Bank Balances and Cash	6	75,585,348	36,338,310
		111,563,235	66,250,587
Non-Current Assets			
Property, plant and equipment	2	174,870,890	132,024,528
		174,870,890	132,024,528
Non-Current Assets		174,870,890	132,024,528
Current Assets		111,563,235	66,250,587
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		286,434,125	198,275,115
Liabilities			
Current Liabilities			
Trade and other payables	12	42,813,579	18,168,007
Unspent conditional grants and receipts	9	29,966,216	33,095,772
Provisions	10	7,106,055	5,360,145
Consumer Water Deposits	11	3,453,478	2,408,977
		83,339,328	59,032,901
Non-Current Liabilities			
Long term liability	8	25,594,064	30,434,350
Unspent conditional grants and receipts	9	3,905,154	5,846,036
		29,499,218	36,280,386
Non-Current Liabilities		29,499,218	36,280,386
Current Liabilities		83,339,328	59,032,901
Liabilities of disposal groups		-	-
Total Liabilities		112,838,546	95,313,287
Assets		286,434,125	198,275,115
Liabilities		(112,838,546)	(95,313,287)
Net Assets		173,595,579	102,961,828
Net Assets			
Reserves			
Government grant reserve	7	142,786,651	94,804,572
Accumulated surplus		30,808,928	8,157,164
Total Net Assets		173,595,579	102,961,736

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Statement of Financial Performance

Figures in Rand	Note(s)	2009	2008
Revenue	13	234,216,933	201,372,690
Revenue		234,216,933	201,372,690
Cost of sales		-	-
Other income		193,291,752	60,046,361
Operating expenses		(340,956,591)	(247,127,187)
		234,216,933	201,372,690
		(147,664,839)	(187,080,826)
Operating surplus		86,552,094	14,291,864
Finance costs	19	(3,023,312)	(3,727,658)
Profit (loss) for the period from continuing operations		83,528,782	10,564,206
Profit (loss) from discontinued operations		-	-
Surplus for the year		83,528,782	10,564,206

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	-	(6,436,032)	(6,436,032)
Adjustments			
Prior year adjustments	-	4,028,991	4,028,991
Balance at 01 July 2008 as restated	-	(2,407,041)	(2,407,041)
Changes in net assets			
Transfer to Government Grant Reserve	- 67,882,868	(67,882,868)	-
Amortisation of Government Grant Reserve	- (19,699,263)	19,699,263	-
Disposal of assets financed by grant	- (201,526)	-	(201,526)
Net income (expenses) recognised directly in net assets	- 47,982,079	(48,183,605)	(201,526)
Surplus for the year	-	10,564,206	10,564,206
Total recognised income and expenses for the year	- 47,982,079	(37,619,399)	10,362,680
Nett of ammortisation and income received (non exchange)	- 46,822,493	48,183,604	95,006,097
Total changes	- 94,804,572	10,564,205	105,368,777
Balance at 01 July 2008	- 94,804,572	8,157,164	102,961,736
Changes in net assets			
Surplus for the year	-	83,528,782	83,528,782
Nett movement in accumulated surplus	- 47,982,079	(60,877,018)	(12,894,939)
Total changes	- 47,982,079	22,651,764	70,633,843
Balance at 30 June 2009	- 142,786,651	30,808,928	173,595,579
Note(s)	7		

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash generated from operations	21	116,698,671	64,599,620
Finance costs		(3,023,312)	(3,727,658)
Interest income		-	4,562,088
Net cash from operating activities		113,675,359	65,434,050
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(70,982,314)	(44,569,446)
Disposal of property, plant and equipment	2	349,779	-
Net cash from investing activities		(70,632,535)	(44,569,446)
Cash flows from financing activities			
Repayment of long term liability		(4,840,286)	1,060,355
Movement in consumer water deposits		1,044,501	412,785
Net cash from financing activities		(3,795,785)	1,473,140
Total cash movement for the year		39,247,039	22,337,744
Cash at the beginning of the year		36,338,310	14,000,566
Net increase (decrease) in cash and cash equivalents	6	75,585,349	36,338,310

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The standards are summarised as follows:

Standard of GRAP

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 & 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 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities & Contingent Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 100	Non Current Assets Held for Sale & Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Buildings	20 Years
Furniture and fixtures	5 Years
Motor vehicles	4 Years
Office equipment	5 Years
IT equipment	3 Years

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1.1 Property, plant and equipment (continued)

Computer software	2 Years
Infrastructure	
• Roads and paving	6 Years
• Water	6 Years
• Sewerage	6 Years
Capital work in progress	Not depreciated (Until Completed)

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. The depreciation method used is straight line over the useful life of the asset

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

1.2 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables. We have used the method of recovery in the current year and non recovery was then used to create a doubtful debt provision hence we did not discount the debtors because of the materiality of the provision.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

1.3 Leases

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

1.4 Impairment of assets

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period..

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1.4 Impairment of assets (continued)

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

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

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

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

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.6 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1.6 Provisions and contingencies (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

1.7 Government grants

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

Grants related to income are .

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

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.8 Types of revenue

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

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by .

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1.8 Types of revenue (continued)

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.9 Revenue

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

1.10 Investment income

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

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The following balances have been restated, retained income brought forward and property, plant and equipment.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Reserves

Government grant reserve

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Accounting Policies

1.15 Reserves (continued)

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

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

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

1.16 Conditional Grants and receipts

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

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand 2009 2008

2. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	1,843,767	-	1,843,767	1,843,767	-	1,843,767
Buildings	20,809,092	(6,120,685)	14,688,407	20,136,361	(5,104,572)	15,031,789
Plant and machinery	13,254,580	(2,044,871)	11,209,709	13,247,697	(1,513,497)	11,734,200
Furniture and fixtures	2,202,094	(1,436,566)	765,528	2,389,947	(1,163,057)	1,226,890
Motor vehicles	5,846,110	(4,259,316)	1,586,794	5,846,110	(2,803,469)	3,042,641
IT equipment	2,452,064	(1,764,395)	687,669	1,878,094	(1,338,836)	539,258
Capital work in progress	83,172,317	-	83,172,317	46,443,062	-	46,443,062
Wastewater network	182,686,285	(121,769,586)	60,916,699	153,970,142	(101,807,221)	52,162,921
Total	312,266,309	(137,395,419)	174,870,890	245,755,180	(113,730,652)	132,024,528

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Prior Year Adjustment	Restated Opening balance	Additions	Disposals	Depreciation	Total
Land	1,843,767	-	1,843,767	672,822	-	-	22,650
Buildings	15,031,789	-	15,031,789	-	-	(1,016,113)	(6,120)
Plant and machinery	11,566,834	167,366	11,734,200	180,568	-	(531,374)	11,209
Furniture and fixtures	1,226,890	-	1,226,890	125,289	(167,188)	(419,462)	(1,436)
Motor vehicles	2,968,391	74,250	3,042,641	-	-	(1,455,846)	1,586
Office equipment	-	-	-	-	-	-	2,202
IT equipment	539,258	-	539,258	761,454	(182,591)	(430,452)	687
Capital work in progress	42,646,237	3,796,825	46,443,062	40,526,080	-	-	83,172
Wastewater network	52,162,921	-	52,162,921	28,716,101	-	(19,962,365)	60,916
	127,986,087	4,038,441	132,024,528	70,982,314	(349,779)	(23,815,612)	174,870

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Trade and other receivables

Trade debtors	27,149,571	13,877,695
Other debtors	3,565,205	871,682
	30,714,776	14,749,377

4. VAT

VAT	5,263,111	15,162,899
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

5. Consumer debtors

Gross balances

Water	115,606,907	167,899,126
Regional services levies	-	15,976,560
Other	-	(788,261)
	115,606,907	183,087,425

Less: Provision for bad debts

Water	88,457,336	154,859,988
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UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand	2009	2008
5. Consumer debtors (continued)		
Regional services levies	-	(15,052,849)
	88,457,336	139,807,139
Net balance		
Water	27,149,571	13,039,138
Regional services levies	-	743,711
	27,149,571	13,782,849
Water		
Current (0 -30 days)	30,397,741	4,864,033
31 - 60 days	1,046,787	62,219,500
61 - 90 days	2,977,396	4,619,480
91 - 120 days	2,176,392	32,402,761
121 - 150 days	51,760,848	2,729,168
151 - 180 days	27,247,743	45,266,261
Over 180 days	-	15,749,844
> 365 days	-	15,236,378
TOTAL	115,606,907	183,087,425
<p>The Debtors are initially recorded at the Fair value being the invoice value, these are subsequently amortised at an effective rate determined as current average interest on FNB's call accounts. We calculated the estimated effect of discounting resulting in an insignificant amount which we consider to be immaterial and have therefore not adjusted our debtors balances and interest expense.</p>		
6. Bank Balances and Cash		
Cash and cash equivalents consist of:		
Bank balances	71,834,748	14,852,621
Short-term deposits	3,750,000	21,341,663
Other cash and cash equivalents	600	144,026
	75,585,348	36,338,310
7. Government grant reserve		
Opening Balance	94,804,572	47,169,489
Capitalisation Reserve Created	-	(10,664,144)
Transfer to Government Grant Reserve	67,882,868	10,664,144
Amortisation of Government Grant Reserve	(19,699,263)	68,197,771
Disposal of assets financed by grants	(201,526)	(20,562,688)
	142,786,651	94,804,572
8. Long term liability		
Held at amortised cost		
Long term liability	25,594,064	30,434,350
Less: Short term portion	(5,124,257)	(5,146,849)
Terms and conditions		
	20,469,807	25,287,501
	-	-
	20,469,807	25,287,501

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand

8. Long term liability (continued)

Non-current liabilities

At amortised cost - Refer to Appendix A The external loans represent interest bearing liabilities acquired from DBSA for various projects. The loans bear interest at 10 percent per annum and repayments are made after six months i.e. 31 October and 31 March for the duration of the loans.	25,594,064	30,434,350
	25,594,064	30,434,350
	-	-

9. Unspent conditional grants and receipts

Unspent conditional grants	3,905,154	5,846,036
Unspent conditional grants	29,966,216	33,095,772
	33,871,370	38,941,808

10. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Movement	Total
Provision for leave pay	5,360,145	1,745,910	7,106,055

The accruals for leave pay is expected to realise during the 2010 financial year. The accruals for leave pay was not discounted as the accrual is already reflected as its present value on the reporting date. When the accruals for leave pay is calculated it is based on the employees' salary scales as at the reporting date, but when the accruals realises during the 2010 financial year, it will realise at the employees' new salary scales ie after their annual salary increase.

11. Consumer Water Deposits

The water deposits relates to amounts paid by customers and are refundable as and when the customer closes their water account. The Municipality does not accrue nor pay interest on these deposits.

12. Trade and other payables

Trade payables	33,369,328	16,310,681
Retention	8,984,251	1,610,711
Other payables	460,000	246,615
	42,813,579	18,168,007

Trade Creditors are paid within 30 Days, we discounted creditors over a maximum period of 30 days and the resultant discounting amount was immaterial to report a discounted amount..

13. Revenue

Equitable Share	188,294,729	158,256,028
Rendering of services	45,922,204	43,116,662
	234,216,933	201,372,690

The amount included in revenue arising from exchanges of goods or services included in revenue are as follows:

Rental Income	339,126	336,392
Government grants	184,066,495	54,981,872
Interest received	8,715,423	4,728,097
	193,121,044	60,046,361

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand	2009	2008
14. General expenses		
Advertising	257,269	238,742
Auditors remuneration	1,210,263	626,175
Bank charges	79,994	83,517
Consulting and professional fees	3,263,239	7,018,508
Donations	-	10,000
Entertainment	84,558	159,722
Hire	502,085	422,786
Insurance	614,546	872,316
Lease rentals on operating lease	154,420	2,386,508
Levies	357,958	356,387
Motor vehicle expenses	3,992,703	3,206,007
Postage and courier	137,214	6,448
Printing and stationery	902,695	1,396,432
Protective clothing	327,609	51,808
Project costs- Stadium upgrade	55,839,952	-
Project costs - Sanitation	30,162,401	2,122,789
Project costs - Roads	12,283,718	-
Project costs - Corridor Development	17,000,000	-
Security (Guarding of municipal property)	1,196,507	610,657
Telephone and fax	3,629,250	3,900,615
Training	201,672	98,662
Travel - local	268,527	558,435
Electricity	785,318	781,666
Other Expenses	18,960,630	26,366,430
Bulk water purchases	29,150,728	26,972,344
Maintenance	27,193,695	9,230,266
	208,556,951	87,477,220

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand	2009	2008
15. Employee related costs		
Basic	53,440,085	48,104,164
Bonus	4,247,259	3,614,409
Medical aid - company contributions	2,487,228	2,013,355
Travel, motor car, accommodation, subsistence and other allowances	4,553,137	4,356,646
Overtime payments	2,735,599	2,209,966
Long-service awards	422,291	274,287
Other	19,764,405	19,552,162
	87,650,004	80,124,989

Remuneration of municipal manager

Annual Remuneration	850,000	971,550
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Remuneration of chief finance officer

Annual Remuneration	-	750,000
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Post Employment Benefits

The Municipality's people are members of the following Benefit Schemes

Natal Joint Municipal Pension Fund (Retirement Registration Number 12/8/6676/2 - a State and Multi Employer Defined Benefit Plan)

Natal Joint Municipal Pension Fund (a State and Multi Employer Defined Benefit Plan)

Kwazulu Natal Provident Fund (a State and Multi Employer Defined Contribution Plan)

Along with other Municipalities in the province of Kwazulu Natal, Umgungundlovu participates in a multi employer defined plan. Because the plan exposes the participating entities to actuarial risks associated with the current and former employees of other municipalities participating in the plan there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. Umgungundlovu therefore accounts for the plan as if it were defined contribution plan. A funding valuation which is not drawn up on the basis of assumptions of assumptions compatible with GRAP Exposure Draft # 49 - Employee benefits as at 31 March 2009 reflected an overall plan deficit of R17.8Million of which the Municipality's portion is estimated at.

The shortfall will be funded through a surcharge of 17% of salaries, this surcharge is spread across supernation members. The fund could not produce Audited Financial Statements on time hence we are unable to report on the performance of 2009.

16. Remuneration of councillors

Mayor	426,811	460,943
Deputy Mayor	341,449	446,072
WHIP	320,108	299,630
Speaker	341,449	387,758
All other Councillors' Remuneration and Benefits	5,158,724	4,786,922
Councillors' pension contribution	694,714	573,956
	7,283,255	6,955,281

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

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

The Mayor and Deputy Mayor each has eight full time bodyguards.

The reason for the decrease in the Mayor's salary is due to the fact that the predecessor Mayor was paid on a personal to holder benefit which was changed after the Municipality was regraded from level 5 to level 4.

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand	2009	2008
17. Bad debts		
Bad debts	34,349,515	-
Provision	(22,844,085)	47,333,329
	11,505,430	47,333,329
18. Depreciation and amortisation		
Property, plant and equipment	23,815,612	24,307,559
19. Finance costs		
Other interest paid	3,023,312	3,727,658
20. Auditors' remuneration		
Fees	1,210,263	626,175
21. Cash generated from operations		
Surplus before taxation	83,528,782	10,564,206
Adjustments for:		
Depreciation and amortisation	23,815,612	24,307,559
Finance costs	3,023,312	3,727,658
Movements in provisions	1,745,910	(4,944,327)
Adjustment to Fixed Assets	(1,001,248)	65,842,095
Transfers to Government Grant	67,882,868	68,197,771
Amortisation of Government Grant	(19,699,263)	(20,562,688)
Interest received	(8,715,423)	(4,562,088)
Prior year adjustments	(47,296,574)	(161,434,410)
Changes in working capital:		
Trade and other receivables	(16,060,228)	54,978,658
Trade and other payables	24,645,573	1,871,078
VAT	9,899,788	(16,925,735)
Unspent conditional grants and receipts	(5,070,438)	43,539,843
	116,698,671	64,599,620
22. Commitments		
Already contracted for but not provided for		
• Infrastructure	180,505,718	106,690,610
<p>This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.</p>		
23. Prior year adjustments		
<p>Errors, misstatements have been adjusted in the current financial year against the retained earnings account brought forward. The comparative figures have been restated to reflect the fair value of the comparative total. We have changed the method of accounting from non revenue to non exchange transactions. We recognise revenue to income statement and transfer the corresponding amount to statement of changes in net assets as per National Treasury circular No:18.</p>		
Statement of financial position		
De-recognition of prior year expense - Disputes with suppliers	1,058,320	-
Work in progress projects understated	3,796,825	-
Umngeni Environmental Health Expenditure (Previously reported as a contingent liability)	(7,890,913)	-
Depreciation incorrectly calculated	(80,569)	-

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Notes to the Financial Statements

Figures in Rand	2009	2008
23. Prior year adjustments (continued)		
Assets Incorrectly Expensed	173,685	-
Motor vehicle addition misposted	148,500	-
Disputed Expenses written off(local Municipalities)	3,927,706	-
Correction of other errors	909,868	-
TOTAL	2,043,422	-
24. Going concern		
<p>We draw attention to the fact that at 30 June 2009, the Municipality had accumulated a surplus of R30 808 926.</p> <p>The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.</p> <p>The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.</p>		
25. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	-	192,000

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009

Detailed Income statement

Figures in Rand	Note(s)	2009	2008
Revenue			
Sale of goods		188,294,729	158,256,028
Rendering of services		45,922,204	43,116,662
Rental income		339,126	336,392
Interest received		8,670,898	4,728,097
Other Grants		4,442,056	4,059,729
Government grants		179,839,672	50,922,143
Total Revenue		427,508,685	261,419,051
Expenditure			
Employee related costs	15	(89,781,318)	(81,096,868)
Remuneration of councillors	16	(7,276,846)	(6,941,007)
Depreciation and amortisation	18	(23,815,612)	(24,307,559)
Finance costs	19	(3,023,312)	(3,727,658)
Bad debts	17	(11,505,430)	(47,333,329)
Repairs and maintenance		(17,538)	-
General Expenses	14	(208,559,847)	(87,448,424)
Total Expenditure		(343,979,903)	(250,854,845)
Revenue		427,508,685	261,419,051
Expenditure		(343,979,903)	(250,854,845)
Other		-	-
Surplus for the year		83,528,782	10,564,206
Attributable to:			
Municipality		83,528,782	10,564,206

UMGUNGUNDLOVU DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2009