UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

uThukela District Municipality
Annual financial statements
for the year ended 30 June 2009

General Information

Legal form of entity	District Municipality
Mayor	Cllr SM Sithole
Deputy Mayor	Cllr SA Mvelase
	Cllr NM Hadebe (Speaker)
Councillors	Mr S Bandu
	Mr MJ Ntshaba
	Ms BC Buthelezi
	Mr DS Nhlangothi
	Mr RM Mlaba
	Ms TY Nqubuka
	Ms ST Ntshalinthali
	Dr FA Khan
	Mr MN Mlotshawa
	Mr JMH Wood
	Mr SN Zwane
	Mr ZJ Dlaedwa
	Mr PJ Hurter
	Mr DS Ndaba
	Ms SG Mabaso
	Mr TA Sigubudu
	Mr MG Hlubi
	Mr MC Mchunu
	Mr BA Mnculwane
	Mr TP Mazibuko
	Mr CJS Nunes
	Mr TM Cele
	Mr EN Lushaba
	Ms SP Hadebe
	Ms MD Mazibuko
	Mr BH Sithole
Grading of local authority	4
Accounting Officer	Mr SSB Nkehli
Chief Finance Officer (CFO)	Mr JN Madondo
Registered office	76 Murchison Street Ladysmith 3370
Business address	76 Murchison Street Ladysmith 3370
Postal address	Po Box 116 Ladysmith 3370
Bankers	ABSA - Ladysmith
Auditors	Office of the Auditor General
Attorneys	Ramkhelawan INC

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
PSL	Past Service Liability
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

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

The annual 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 annual 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 2010 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 dependent on the grants and subsidies and internal funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality 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 annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 46, 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:

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

Financial year 2008/2009 saw various reforms facing Local Government in general and our municipality in particular among these were financial report reforms which was the conversion process of annaul financial statements from IMFO Statemsnt to GRAP/GAMAP Standards, (refer to 40 of the notes to financial statements) for standards adopted, in compiling the same.

It is always difficult to match communities' expectations (needs) to available financial resources, this has been aggravated by the country's recession, which saw an increase in consumers' debtors' book and provisions thereof, thus impacting negatively on our financial position. This confirms that as the municipality we were immune from the global economic melt down.

Despite all odds, we remain committed as the municipality to render quality and sustainable service to our communities. To achieve this goal, we are striving within available means to stretch each rand as far as possible.

Lastly, I would like to thank my council and staff for support during this challenging financial year.

SSB Nkehli

MUNICIPAL MANAGER

Statement of Financial Position

	Note(s)	2009 R	2008 R
Assets			
Current Assets			
Cash and cash equivalents	3	2 953 319	11 258 968
Consumer debtors	4	52 820 203	23 232 027
Trade and other receivables from exchange transactions	5	16 635 177	15 362 103
Inventories	6	5 403 392	5 229 318
Prepayments	7	277 809	197 281
Vat	8	-	851 123
		78 089 900	**56 130 820**
Non-Current Assets			
Property, plant and equipment	10	625 234 978	592 996 288
Total Assets		**703 324 878**	**649 127 108**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	11	104 622 494	74 300 602
Other payable from non-exchange transaction	12	15 135 730	2 285 863
Retirement benefit obligation	13	13 449 950	-
Consumer deposits	14	6 040 518	3 934 183
Unspent conditional grants and receipts	15	31 684 969	42 902 536
Other financial liabilities	17	3 323 970	3 054 544
Finance lease obligation	18	840 286	608 876
Operating lease liability	16	283 024	234 816
Vat payable	9	9 144 739	-
		184 525 680	**127 321 420**
Non-Current Liabilities			
Other financial liabilities	17	17 623 405	20 920 302
Finance lease obligation	18	1 728 800	1 069 311
		19 352 205	**21 989 613**
Total Liabilities		**203 877 885**	**149 311 033**
Net Assets		**499 446 993**	**499 816 075**
Net Assets			
Accumulated surplus		499 446 993	499 816 075

Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue			
Service charges	19	93 159 574	65 927 991
Interest received		19 657 032	9 010 128
Fines		5 000	-
Government grants and subsidies	20	238 189 045	193 246 566
Other income		3 329 042	2 202 487
Total Revenue		**354 339 693**	**270 387 172**
Expenditure			
Employee related costs	21	75 054 039	68 296 897
Remuneration of councillors	22	3 419 976	3 191 039
Debt impairment	23	49 905 070	71 459 773
Collection costs		672 697	900 320
Repairs and maintenance		18 696 865	14 839 014
Finance costs	24	3 128 701	3 829 039
Bulk purchases	25	2 454 919	2 369 385
Impairment loss	26	5 258 717	585 085
Depreciation and amortisation	27	24 839 288	24 887 424
General Expenses	28	79 954 103	55 350 266
Special projects		136 152 733	107 869 700
Total Expenditure		**399 537 108**	**353 577 942**
Gains/(loss) on disposal of assets		18 251	(20 851 341)
Deficit for the year		**(45 179 164)**	**(104 042 111)**

Statement of Changes in Net Assets

	Share capital / contributions from owners R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	**-**	**(18 979 411)**	**(18 979 411)**
Changes in net assets			
Change in Accounting policy	-	622 837 597	622 837 597
Net income (expenses) recognised directly in net assets	-	622 837 597	622 837 597
Surplus for the year	-	(104 042 111)	(104 042 111)
Total recognised income and expenses for the year	-	518 795 486	518 795 486
Total changes	-	518 795 486	518 795 486
Balance at 01 July 2008	**-**	**499 816 075**	**499 816 075**
Changes in net assets			
Change in accounting policy	-	50 355 328	50 355 328
Prior year adjustments	-	(5 545 246)	(5 545 246)
Net income (expenses) recognised directly in net assets	-	44 810 082	44 810 082
Surplus for the year	-	(45 179 164)	(45 179 164)
Total recognised income and expenses for the year	-	(369 082)	(369 082)
Total changes	-	(369 082)	(369 082)
Balance at 30 June 2009	**-**	**499 446 993**	**499 446 993**

Note(s)

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash receipts from customers		311 095 015	316 607 889
Cash paid to suppliers and employees		(307 411 999)	(303 268 938)
Cash generated from operations	29	3 683 016	13 338 951
Finance costs		(2 837 307)	(3 583 274)
Net cash from operating activities		**845 709**	**9 755 677**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(3 924 130)	(6 272 143)
Sale of property, plant and equipment	10	353 120	(1)
Impairment loss		(5 258 717)	(585 085)
Net cash from investing activities		**(8 829 727)**	**(6 857 229)**
Cash flows from financing activities			
Repayment of Long term loans		(3 027 471)	(3 339 730)
Movement in Consumer deposits		2 106 335	2 821 987
Finance lease payments		599 505	84 107
Long term Debtor		-	585 085
Net cash from financing activities		**(321 631)**	**151 449**
Total cash movement for the year		**(8 305 649)**	**3 049 897**
Cash at the beginning of the year		11 258 968	8 209 071
Net increase (decrease) in cash and cash equivalents	3	**2 953 319**	**11 258 968**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

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 or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, 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 operating in the manner intended by the municipality. 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 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 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality experts 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 equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, item 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.

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 average asset lives:

Item	**Average useful life**
Buildings	
• Dams	80
Plant and equipment	

Accounting Policies

1.1 Property, plant and equipment (continued)

• Graders	5
• Tractors	5
• Mechanical horses	5
• Compressors	2
• Lawnmowers	5
• Laboratory equipment	5
• Radio equipment	5
• Telecommunication equipment	5
• Irrigation systems	10
• Lathes & Milling equipment	5
• Tippers	5
• Tools	5
• General	5
Water:	
• Meters	10
• Supply/reticulation	20
• Reservoirs and tanks	30
• Water pumps	5
• Mains	30
• Rights	30
• Boreholes	15
Sewerage:	
• Sewers	30
• Outfall sewers	40
• Purification works	30
• Sewerage pumps	5
• Sludge machines	15
Office equipment	
• Computer equipment	3
• Office machines	3-5
• Air conditioners	3
• Furniture and fittings	7
• Emergency equipment	5
• Security equipment	5
Other Assets	
• Office building	30
• Motor vehicles	5
• Truck/bakkies	5

The residual value and the useful life of each asset and depreciation method is reviewed at the end of each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Incomplete Construction work

Incomplete construction work is stated at cost. Depreciation only commences when the asset is brought into use.

Derecognition

Item of property, plant and equipment is derecognised when the asset is disposed of 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.

1.2 Intangible assets

1.2 Intangible assets (continued)

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.
- Intangible assets are initially recognised at cost.

An intangible asset is recognised 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.

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.

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 average asset lives:

Item	Useful life
Computer software	2

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when the are no further economic benefits or services 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 between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through surplus or deficit, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through surplus or deficit 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.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. 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.

1.3 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

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.

Trade payables are categorised as financial liabilities held at amortised cost.

Cash and cash equivalents

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

Cash and cash equivalents are categories as financial assets: loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost. Finance charges on bank overdraft are expensed as incurred.

Bank overdraft are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.4 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

1.5 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Presentation of currency

These annual financial statements are presented in South African Rand.

1.7 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.8 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as 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.

1.9 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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures 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 municipality 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.

1.9 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required.

Provisions are not recognised for future operating Surplus.

If an entity has a contract that is onerous, the present obligation net of recoveries 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 activity/operating unit or part of a activity/operating unit 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.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

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. 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. Contingencies are disclosed in note 31.

1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.11 Revenue from exchange transactions

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

- the municipality has transferred to the purchaser 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 end of the reporting period. 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 or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting 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.

1.11 Revenue from exchange transactions (continued)

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

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.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

1.13 Grants, transfers and donations

Grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any conditions, criteria or obligations associated with the grant

To the extent that the conditions, criteria or obligations have not been met, a liability shall be recognised in the Statement of Financial Position.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- 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.

1.14 Unauthorised expenditure (continued)

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.

1.15 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.

1.16 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.17 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 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.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to retirees. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and the Council for the remaining 60%. The medical aid contribution are charged to the Statement of Financial Performance as they fall due.

The additional cost effect of the post retirement obligations is immaterial and the cost thereof are charged to the Statement of Financial Performance as they fall due. The Municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their in

Accounting Policies

1.17 Employee benefits (continued)
current and prior periods whereby that benefit is discounted to determine its present value.

The actuarial valuation is performed by an independent qualified actuary on a annual basis using the projected unit credit method. When the calculation results in a benefit to the Municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

Notes to the Annual Financial Statements

	2009	2008
	R	R

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice GRAP, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act no 56 of 2003).

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

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

The accounting policies are applied 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 policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the accounting Standards Board, are summarised as follows:

Standard Title of Standard
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 Associate
GRAP 8 Interest 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
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 12 (AC 102)Income Taxes
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, as issued by the accounting Standards Board.Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2008 is as follows:

Statement of financial position

Property, plant and equipment

Notes to the Annual Financial Statements

	2009 R	2008 R
2. Changes in accounting policy (continued)		
Previously stated	-	765 614 061
Transfer from Accumulated surplus	-	(765 614 061)
Additions transferred from accumulated surplus	-	729 717 339
	-	**729 717 339**
Accumulated depreciation		
Previously stated	-	-
Transfer from accumulated surplus	-	91 733 307
	-	**91 733 307**
Reserves		
Previously stated	-	888 533
Transferred to Accumulated Surplus/(Deficit)	-	888 533
	-	**1 777 066**
Statutory Fund		
Previously stated	-	16 532 062
Transferred to Accumulated Surplus/(Deficit)	-	(16 532 062)
	-	**-**
Loans Redeemed and Other Capital Receipts		
Previously stated	-	738 520 386
Transferred to Accumulated Surplus/(Deficit)	-	(738 520 386)
	-	**-**
Long-term Debtors		
Previously stated	-	585 085
Transferred to impairment of asset	-	(585 085)
	-	**-**
Operating lease Liability		
Transferred from Accumulated Surplus/(Deficit)	-	(234 981)
Finance lease liability		
Previously stated	-	1 190 404
Capitalised operating leases that are defined as Finance leases	-	751 019
Transferred payments from Accumulated Surplus/(Deficit)	-	(140 962)
Reallocation of Payments from lease rentals	-	(122 670)
	-	**1 677 791**
Inventory		
Previously stated	-	246 652
Transferred from accumulated surplus	-	503 798
	-	**750 450**
Opening retained earnings		
Previously stated	-	(18 979 181)
Reversal of contribution to prior year deficit	-	(2 000 000)
Transfer of Statutory fund	-	16 532 062
Reserves no longer permitted	-	888 533
Changes in Fixed assets	-	(39 276 064)

Notes to the Annual Financial Statements

	2009 R	2008 R
2. Changes in accounting policy (continued)		
Transfer of Loans redeemed and other Capital receipts	-	738 520 386
Operating liability	-	(234 981)
Change in the recognition of leases	-	140 962
Backlog depreciation	-	(91 733 307)
	-	**603 858 410**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2009 R	2008 R
Cash on hand	7 700	7 700
Bank balances	2 097 420	2 085 542
Short-term deposits	848 199	9 165 726
	2 953 319	**11 258 968**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA Bank (Ladysmith) Account no - 4048800058	1 744 383	1 056 865	(2 854 422)	1 493 934	1 056 865	(1 902 046)
ABSA Bank (Ladysmith) Account no - 4062520058	603 487	1 028 677	933 822	603 487	1 028 677	1 245 759
Cash on Hand	7 700	7 700	7 700	7 700	7 700	7 700
Total	**2 355 570**	**2 093 242**	**(1 912 900)**	**2 105 121**	**2 093 242**	**(648 587)**

4. Consumer debtors

	2009 R	2008 R
Gross balances		
Water	208 198 841	129 368 406
Less: Provision for debt impairment		
Water	(155 378 638)	(106 136 379)
Net balance		
Water	52 820 203	23 232 027
Water and sanitation		
Current (0 -30 days)	14 439 673	16 982 446
31 - 60 days	7 598 533	4 478 588
61 - 90 days	13 229 555	1 770 993
91 - 120 days	17 552 442	-
	52 820 203	**23 232 027**

Summary of debtors by customer classification

	2009 R	2008 R
Consumers		
Current (0 -30 days)	13 239 439	9 340 345
31 - 60 days	7 016 370	2 463 223
61 - 90 days	12 482 322	1 989 886
91 - 120 days	16 978 276	2 054 862
121 - 365 days	150 877 974	54 649 790
> 365 days	1 189 847	1 189 847

Notes to the Annual Financial Statements

	2009 R	2008 R
4. Consumer debtors (continued)		
	201 784 228	71 687 953
Less: Provision for debt impairment	(152 067 921)	(58 375 008)
	49 716 307	**13 312 945**
Industrial/ commercial		
Current (0 -30 days)	815 027	4 245 612
31 - 60 days	159 455	1 119 647
61 - 90 days	345 750	904 494
91 - 120 days	180 697	934 028
121 - 365 days	2 108 750	24 840 859
	3 609 679	32 044 640
Less: Provision for debt impairment	(2 108 750)	(26 534 095)
	1 500 929	**5 510 545**
National and provincial government		
Current (0 -30 days)	385 207	3 396 489
31 - 60 days	422 707	895 718
61 - 90 days	401 483	723 595
91 - 120 days	393 469	747 223
121 - 365 days	1 202 068	19 872 687
	2 804 934	25 635 712
Less: Provision for debt impairment	(1 202 068)	(21 227 276)
	1 602 866	**4 408 436**
Total		
Current (0 -30 days)	14 439 673	16 982 446
31 - 60 days	7 598 532	4 478 588
61 - 90 days	13 229 555	3 617 975
91 - 120 days	17 552 442	3 736 113
121 - 365 days	155 378 639	100 553 284
	208 198 841	129 368 406
Less: Provision for debt impairment	(155 378 638)	(106 136 379)
	52 820 203	**23 232 027**
Less: Provision for debt impairment		
Current (0 -30 days)	-	(1 846 882)
31 - 60 days	-	(3 736 113)
61 - 90 days	(155 378 638)	(100 553 384)
	(155 378 638)	**(106 136 379)**
Reconciliation of debt impairment provision		
Balance at beginning of the year	106 136 379	43 284 948
Contributions to provision	49 242 259	62 851 431
	155 378 638	**106 136 379**

Fair value of consumer debtors

Consumer debtors	52 820 203	23 232 027

The fair value of trade and other receivables approximate their carrying values.

	2009 R	2008 R

4. Consumer debtors (continued)

Consumer debtors impaired

The amount of the provision was R 155 378 638 as of 30 June 2009 (2008: R 106 136 379).

The ageing of these receivables is as follows:

	2009	2008
3 to 6 months	17 552 442	1 770 993
Over 6 months	154 188 791	-

5. Trade and other receivables from exchange transactions

	2009	2008
Deposits - Fuel & Electricity	1 184 579	1 171 819
Outstanding deposit	13 962 839	2 361 924
Unreconciled stock	112 831	90 418
Metropolitan Life - Investment	-	5 258 717
Sundry debtors	1 374 928	6 479 225
	16 635 177	**15 362 103**

6. Inventories

	2009	2008
Consumable stores	6 823	8 973
Water	5 396 569	5 220 345
	5 403 392	**5 229 318**

7. Prepayments

	2009	2008
Prepayments	277 809	197 281

8. Vat

	2009	2008
Vat receivable	-	851 123

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

9. Vat payable

	2009	2008
Vat payables	9 144 739	-

Vat is payable on the receipts basis. Vat is paid over to SARS only once payment is received from debtor.

10. Property, plant and equipment

	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	1 037 872	-	1 037 872	1 037 872	-	1 037 872
Buildings	6 322 757	(2 329 010)	3 993 747	6 322 757	(2 131 097)	4 191 660
Infrastructure	737 703 935	(124 891 265)	612 812 670	682 249 171	(102 376 986)	579 872 185
Other property, plant and equipment	15 916 100	(11 435 264)	4 480 836	15 669 487	(10 408 592)	5 260 895
Finance lease assets	4 397 819	(1 487 966)	2 909 853	3 586 713	(953 037)	2 633 676
Total	**765 378 483**	**(140 143 505)**	**625 234 978**	**708 866 000**	**(115 869 712)**	**592 996 288**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Capital under construction	Depreciation	Total
Land	1 037 872	-	-	-	-	-	1 037 872
Buildings	4 191 660	-	-	-	-	(197 913)	3 993 747
Infrastructure	579 872 185	1 966 045	-	-	53 488 719	(22 514 279)	612 812 670
Other property, plant and equipment	5 260 895	471 117	(59 432)	212 942	-	(1 404 686)	4 480 836
Finance lease assets	2 633 676	1 486 968	(275 437)	(212 942)	-	(722 412)	2 909 853
	592 996 288	**3 924 130**	**(334 869)**	**-**	**53 488 719**	**(24 839 290)**	**625 234 978**

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Implementation of GRAP	Disposals	Capital under construction	Backlog depreciation	Depreciation	Total
Land	-	-	1 037 872	-	-	-	-	1 037 872
Buildings	-	-	7 527 807	(1 205 050)	-	(1 933 184)	(197 913)	4 191 660
Infrastructure	677 806 533	4 210 778	(12 448 011)	(19 646 290)	32 326 161	(79 961 516)	(22 415 470)	579 872 185
Other property, plant and equipment	13 312 504	890 293	1 466 690	-	-	(8 704 550)	(1 704 042)	5 260 895
Finance lease assets	-	420 050	3 166 664	-	-	(383 038)	(570 000)	2 633 676
	691 119 037	**5 521 121**	**751 022**	**(20 851 340)**	**32 326 161**	**(90 982 288)**	**(24 887 425)**	**592 996 288**

Notes to the Annual Financial Statements

	2009 R	2008 R

10. Property, plant and equipment (continued)

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.

The uThukela District Municipality have opted to take advantage of Directive 4, issued by the Accounting Standard Board. The municipality have physically verified all assets, tagged movable assets and captured GPS coordinates of immovable assets.

11. Trade and other payables from exchange transactions

Trade payables	71 519 803	47 353 135
DWAF	8 503 483	5 291 437
Loan - Endumeni	8 000	8 000
Trust funds	2 345 077	2 144 257
Retentions	7 382 308	5 784 748
Other Creditors	3 795 112	4 869 339
DBSA - accrued interest	586 232	681 593
Provision for leave	10 482 479	8 168 093
	104 622 494	**74 300 602**

Fair value of trade and other payables

The fair value of trade and other payables approximate their carrying amounts.

Notes to the Annual Financial Statements

	2009 R	2008 R

12. Other payables from non-exchange transactions

Unidentified receipts	-	889 114
Unidentified water deposits	14 583 435	1 186 591
Levies suspense control	-	1 107
Payment tfr main account/water	42 057	80 338
Unclaimed salaries/wages	267 059	128 713
	14 892 551	**2 285 863**

13. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

This is the first post retirement medical assistance valuation to be performed for the uThukela District Municipality. As such no reconciliation between a prior valuation can be performed. Also, the liabilities for the previous four annual periods cannot be shown.

The following shows the present value of the defined benefit obligation for the current period.

IAS (19)	PSL (Rand's)
Accrued PS liability as at 30 June 2009	13 449 950

Below shows the projected past service liability as at 30 June 2010. It also shows the change in liability due to changes in **medical inflation**.

PSL (Rand's)

Real discount rate	2.00%	1.00% (base)	0.00%
Accrued PSL as at 30 June 2009	10 842 451	13 449 950	16 995 924
Plus Service cost	1 333 699	1 631 294	2 031 044
Plus interest cost	855 185	1 061 491	1 342 055
Less Employer contributions paid during 2009/2010	69 078	69 430	69 788
Projected PSL as at 30 June 2010	12 962 257	16 073 305	20 299 235

- The service cost in the above represents the increase in the liability due to the additional years of service accrued by active members. For the base case, where we assumed that the gap, or real discount rate was 1.00%, we project a service cost of R1 631 294 for the year ahead. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service.
- The interest cost is based on the discount rate assumption for the current valuation which is based on the zero-coupon South African bond yield curve as at 30 June 2009, the liability accrued as at 30 June 2009 and the contributions paid during the financial year.
- The employer contribution paid during 2009/2010 is the estimated medical scheme contributions paid by uThukela District Municipality with respect to PRMA receiving members during the periods 1 July 2009 to 30 June 2010.
- The liability as at 30 June 2010 is projected to be R16, 073 million.

Notes to the Annual Financial Statements

	2009 R	2008 R

14. Consumer deposits

Water	6 040 518	3 934 183

15. Unspent conditional grants and receipts

Unspent Conditional Grants from other spheres of Government

Conditional grants and receipts		
MIG Grants	4 234 093	3 485 102
DWAF	13 228 498	26 454 169
KZN Projects	12 661 048	11 692 821
Sport and Recreation	1 416 140	621 169
Disaster management	145 190	649 275
	31 684 969	**42 902 536**

Movement during the year

Balance at the beginning of the year	42 902 536	28 598 911
Additions during the year	94 091 075	98 644 245
Income recognition during the year	(105 308 642)	(84 340 620)
	31 684 969	**42 902 536**

See note 20 for reconciliation of grants. These amounts are invested in ring-fenced investment until utilised.

16. Operating lease (accrual)

Opening balance	234 816	234 816
Transfer to Operating lease liability	48 208	-
Current liabilities	(283 024)	(234 816)
	-	**-**

The properties occupied by the municipality is leased from third party. These leases is operating lease as defined. The operating lease liability is the difference between actual payments made in terms of the lease agreement and the straight lining the lease payments.

17. Other financial liabilities

Held at amortised cost		
Loans - DBSA Loans bear an interest rate between 10% and 15.25% per annum and are repayable over periods between five and twenty years. The loans compromises of 7 Loans approved by the Development Bank of South Africa amounting to R36 511 976.	20 947 375	23 974 846
Non-current liabilities		
At amortised cost	17 623 405	20 920 302
Current liabilities		
At amortised cost	3 323 970	3 054 544
	20 947 375	**23 974 846**

Notes to the Annual Financial Statements

	2009 R	2008 R

18. Finance lease obligation

Minimum lease payments due		
- within one year	1 065 005	806 388
- in second to fifth year inclusive	1 980 615	1 220 519
	3 045 620	2 026 907
less: future finance charges	(476 534)	(349 116)
Present value of minimum lease payments	**2 569 086**	**1 677 791**
Present value of minimum lease payments due		
- within one year	840 286	609 428
- in second to fifth year inclusive	1 728 800	1 068 363
	2 569 086	**1 677 791**
Non-current liabilities	1 728 800	1 069 311
Current liabilities	840 286	608 876
	2 569 086	**1 678 187**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2008: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Refer to Appendix A for more detail on finance lease.

19. Service charges

Sale of water	78 137 267	54 093 437
Sewerage and sanitation charges	15 022 307	11 834 554
	93 159 574	**65 927 991**

20. Government grants and subsidies

Equitable shares	128 819 703	104 885 781
MIG Grant	87 335 793	77 485 199
DWAF	17 947 372	5 926 163
KZN Projects	2 137 192	2 300 465
Sport and recreation	735 868	998 480
Disaster management	1 213 117	1 650 478
	238 189 045	**193 246 566**

Equitable Shares

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent members.

MIG Grant

Balance unspent at beginning of year	3 485 102	858 314
Current-year receipts	85 371 000	77 738 123
Conditions met - transferred to revenue	(84 622 009)	(75 111 335)
	4 234 093	**3 485 102**

	2009 R	2008 R

20. Government grants and subsidies (continued)

Conditions for the balance still needs to be met - disclosed as current liability (see note 15).

KZN Projects

Balance unspent at beginning of year	11 692 821	11 168 963
Current-year receipts	2 985 075	2 824 323
Conditions met - transferred to revenue	(2 016 848)	(2 300 465)
	12 661 048	**11 692 821**

Conditions for the balance still to be met - disclosed as current liability (see note 15).

DWAF

Balance unspent at beginning of year	26 454 169	14 552 232
Current-year receipts	3 500 000	16 181 800
Conditions met - transferred to revenue	(16 725 672)	(4 279 863)
	13 228 497	**26 454 169**

Conditions for the balance still to be met - disclosed as current liability (see note 15).

Sport and Recreation

Balance unspent at beginning of year	621 167	719 647
Current-year receipts	1 500 000	900 000
Conditions met - transferred to revenue	(705 029)	(998 480)
	1 416 138	**621 167**

Conditions for the balance still needs to be met - disclosed as current liability (see note 15).

Disaster Management

Balance unspent at beginning of year	649 275	1 299 753
Current-year receipts	735 000	1 000 000
Conditions met - transferred to revenue	(1 239 085)	(1 650 478)
	145 190	**649 275**

Conditions for the balance still needs to be met - disclosed as current liability (see note 15).

21. Employee related costs

Basic	63 129 435	59 315 421
Medical aid - company contributions	1 902 689	-
UIF	449 019	-
WCA	-	224 619
SDL	616 523	554 595
Leave pay provision charge	2 675 510	2 254 832
Travel, motor car, accommodation, subsistence and other allowances	1 562 738	1 250 446
	70 335 914	**63 599 913**

Notes to the Annual Financial Statements

	2009 R	2008 R

21. Employee related costs (continued)

Remuneration of municipal manager

Annual Remuneration	782 357	685 476
Car Allowance	226 922	200 156
Performance Bonuses	-	131 192
Contributions to UIF, Medical and Pension Funds	35 838	37 072
	1 045 117	**1 053 896**

Remuneration of chief finance officer

Annual Remuneration	576 391	580 013
Car Allowance	106 097	93 559
Performance Bonuses	-	95 768
Entertainment	59 197	-
Housing subsidy	22 151	-
	763 836	**769 340**

Manager: Technical Services

Annual Remuneration	500 774	441 596
Car Allowance	221 218	195 076
Performance Bonuses	-	90 519
Contributions to UIF, Medical and Pension Funds	-	3 968
	721 992	**731 159**

Manager: Corporate Services

Annual Remuneration	520 917	464 906
Car Allowance	144 726	127 652
Performance Bonuses	-	30 173
Contributions to UIF, Medical and Pension Funds	50 790	44 114
Housing subsidy	5 559	-
	721 992	**666 845**

Manager: Health Services

Annual Remuneration	519 329	464 134
Car Allowance	195 660	172 538
Performance Bonuses	-	90 519
Housing subsidy	7 003	-
	721 992	**727 191**

Manager: Water Services

Annual Remuneration	543 128	476 781
Car Allowance	181 665	160 184
Performance Bonuses	-	93 185
Contributions to UIF, Medical and Pension Funds	18 403	18 403
	743 196	**748 553**

Notes to the Annual Financial Statements

	2009 R	2008 R

22. Remuneration of councillors

	2009 R	2008 R
Executive Major	399 686	386 919
Deputy Executive Mayor	448 506	403 805
Mayoral Committee Members	696 663	628 750
Speaker	447 136	402 562
Councillors	1 427 985	1 369 003
	3 419 976	**3 191 039**

In-kind benefits

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 have the use of a Council owned vehicles for official duties.

The Mayor has three full-time bodyguards.

23. Debt impairment

	2009 R	2008 R
Contributions to bad-debt provision	49 874 987	71 456 489
Bad debts written off	30 083	3 284
	49 905 070	**71 459 773**

24. Finance costs

	2009 R	2008 R
Non-current borrowings	2 661 788	3 153 467
Finance leases	291 394	245 765
Bank	175 519	429 807
	3 128 701	**3 829 039**

25. Bulk purchases

	2009 R	2008 R
Water	2 454 919	2 369 385

26. Impairment of assets

	2009 R	2008 R
Impairments		
Long-term Debtors : Car loan	5 258 717	-
Reversal of impairments		
Other financial assets	-	585 085
Total impairment losses (recognised) reversed	**5 258 717**	**585 085**

27. Depreciation and amortisation

	2009 R	2008 R
Property, plant and equipment	24 839 288	24 887 424

Notes to the Annual Financial Statements

	2009 R	2008 R
28. General expenses		
Advertising	569 546	133 336
Assessment rates & municipal charges	-	146 907
Auditors remuneration	835 999	648 307
Bank charges	498 151	298 169
Cleaning	366 403	336 346
Computer expenses	484 003	629 541
Consulting and professional fees	275 631	374 881
Consumables	7 877	9 908
Entertainment	713 632	684 269
Hire	7 160 958	3 613 049
Insurance	1 238 100	1 069 152
Conferences and seminars	19 633	31 651
Lease rentals on operating lease	2 265 026	1 918 076
Magazines, books and periodicals	7 669	6 344
Motor vehicle expenses	136 171	108 205
Fuel and oil	3 400 004	3 527 875
Postage and courier	7 777	8 975
Printing and stationery	695 047	837 962
Promotions	856 577	766 423
Protective clothing	258 447	493 816
Security (Guarding of municipal property)	254 595	205 861
Subscriptions and membership fees	1 053	303 967
Telephone and fax	2 724 346	2 419 408
Training	53 333	150
Assets expensed	1 445 262	1 080 400
Electricity	16 165 411	11 463 735
Water	270 593	227 657
Water tankering	28 410 496	16 951 246
Cost of sales	(460 601)	(503 798)
Chemicals	11 248 384	7 557 380
Other expenses	136 197 313	107 870 768
	216 106 836	**163 219 966**

29. Cash generated from operations		
Deficit before taxation	(45 179 164)	(104 042 111)
Adjustments for:		
Depreciation and amortisation	24 839 288	24 887 424
(Surplus) deficit on sale of assets	(18 251)	20 851 341
Finance costs	3 128 701	3 829 039
Impairment deficit	5 258 717	585 085
Movements in operating lease assets and accruals	48 208	234 816
Movements in retirement benefit assets and liabilities	(13 449 950)	-
Capital under construction	(53 230 387)	(32 326 161)
Other payables from non-exchange transaction	12 606 688	1 679 916
Change in accounting policy	77 240 077	40 228 580
Prior year adjustments	(5 545 246)	-
Changes in working capital:		
Inventories	(174 074)	180 681
Trade and other receivables from exchange transactions	(1 273 074)	7 098 614
Consumer debtors	(29 588 176)	25 234 771
Prepayments	(80 528)	(144 755)
Trade and other payables from exchange transactions	30 321 892	12 697 609
VAT	9 995 862	(1 959 523)
Unspent conditional grants and receipts	(11 217 567)	14 303 625
	3 683 016	**13 338 951**

	2009 R	2008 R

30. Commitments

Authorised capital expenditure

The municipality currently have not committed any capital expenditure.

Operating leases – as lessee (expense)

	2009 R	2008 R
Minimum lease payments due		
- within one year	2 266 718	2 070 381
- in second to fifth year inclusive	3 976 852	3 976 852
	6 243 570	**6 047 233**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of four years. No contingent rent is payable.

31. Contingencies

	2009 R	2008 R
Claim Dispute - D. Kistadu	20 000	20 000

A fire hydrant manhole cover was removed from the road. The claimant damaged his motor cycle when he drove over the exposed fire hydrant. Both the Emnambithi Local Municipality and uThukela District Municipality have being summoned to identify which municipality is liable.

	2009 R	2008 R
Claim dispute - uMtshezi Crisis Committee	-	500 000

uMtshezi crisis committee has taken the municipality to the high court disputing the water tariffs.

	2009 R	2008 R
Claim dispute - L. Rugnath	91 158	91 158

The municipality had disconnected the water supply to a school for non-payment. However the claimant maintained the account was paid in full. The claimant is suing the council for illegal disconnection.

	2009 R	2008 R
Claim dispute - Aon South African (Pty) Ltd	90 000	90 000

Aon lodged an appeal against the tender process and procurement of the appointment of Indwe Risk Services as the brokers for the Council's insurance portfolio.

	2009 R	2008 R
Leave Dispute - M. Molakwane	-	600 000

The Official resigned and did not serve his notice period. When the municipality made its final payment to the official, a deduction was made from his salary for the days not worked. The official is claiming payment for these days. This have being finalised and the subsequent appeal was dismissed.

	2009 R	2008 R
Claim dispute - Telkom	43 000	15 000

Telkom lodged a claim against Council for damages caused to telkom cables in Main Road C section Ezakheni during repairs done to burst water pipes.

	2009 R	2008 R
Claim dispute - Telkom	20 000	15 000

Telkom lodged a claim against Council for damages caused to telkom cables in Pendy Street, Ladysmith during repairs done to burst water pipes.

	2009 R	2008 R
Claim dispute - M.E. Ndlovu	150 000	150 000

A child had been injured whilst playing on a windmill in the Thawa area. The claimant is suing the Council for injuries sustained. A settle of R150 000. agreed between the insurance company and the municipal lawyers, has been offered as settlement. The Council's insurers subsequently indicated that the matter must be decided in court and there should be no further negotiations. The matter is accordingly proceeded to Court.

Notes to the Annual Financial Statements

	2009 R	2008 R

31. Contingencies (continued)

NURCHA	270 000	-

The municipality is being sued for monies payable in terms of a cession agreement.

AQUAMANZI	621 000	-

Municipality is being sued for work done.

J. Potgieter	7 000	-

Municipality is being sued for damage to a wall during a repair to a burst pipe.

J vd Merwe	4 000	-

uThukela District Municipality and Enambithi Local Municipality is being sued for a reservoir that was constructed on the plaintiff's land.

32. Comparative figures

Certain comparative figures have been reclassified. The nature and reason for the reclassification is disclosed. Where 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.

33. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The municipality is going to independently rate their customers. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

34. Going concern

We draw attention to the fact that at 30 June 2009, the municipality had accumulated Surplus of R 499 446 993 and that the municipality's total assets exceed its liabilities by R 499 446 993.

The annual 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.

Notes to the Annual Financial Statements

	2009 R	2008 R

35. Events after the reporting date

There is no matters or events arising after year end.

36. Fruitless and wasteful expenditure

Eskom	63 464	20 546
KZN Joint municipal pension	6 434	-
DWAF	-	352 548
Compu Supplies	-	3 632
	69 898	**376 726**

Eskom accounts are paid in bulk on a monthly basis via EFT. The invoices have different due dates therefore penalty interest is raised on some for late payment. Management is currently negotiating with Eskom to have the same due dates for all invoices.

KZN joint municipal pension fund was paid late. Therefore penalty interest is raised on these late late payment.

The Department of Water Affairs and Forestry has raised interest on the District's accounts for non payment of raw water purchases. Management is in the process of reconciling the account and negotiating with DWAF regarding the write off of the interest raised.

Compu Supplies instituted legal action against the council for the late payment of outstanding invoices.

37. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	38 209	36 027
Amount paid - current year	(38 209)	(36 027)
	-	**-**

Audit fees

Opening balance	565 121	850 000
Current year subscription / fee	836 000	500 000
Amount paid - current year	(324 068)	-
Amount paid - previous years	(565 121)	(784 879)
	511 932	**565 121**

PAYE and UIF

Opening balance	720 675	505 484
Current year subscription / fee	8 500 058	9 047 258
Amount paid - current year	(8 500 058)	(8 326 583)
Amount paid - previous years	(720 675)	(505 484)
	-	**720 675**

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid in July 2008.

Pension and Medical Aid Deductions

Opening balance	-	826 141
Current year subscription / fee	11 092 351	10 174 109
Amount paid - current year	(11 092 351)	(10 174 109)
Amount paid - previous years	-	(826 141)

	2009 R	2008 R
37. Additional disclosure in terms of Municipal Finance Management Act (continued)		
	-	**-**

VAT

VAT receivable	-	851 123
VAT payable	9 144 739	-
	9 144 739	**851 123**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

39. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

40. New standards and interpretations

40.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the municipality's financial instruments.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or

40. New standards and interpretations (continued)

- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for

40. New standards and interpretations (continued)
capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 8: Interests in Joint Ventures

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 11: Construction Contracts

The definition for “construction contract” was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for “cost plus or cost based contract” has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospect application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property 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 an entity’s operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

40. New standards and interpretations (continued)

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property 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.

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

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the

40. New standards and interpretations (continued)
social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

Additional disclosure is required of biological assets for which the entity’s use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied

40. New standards and interpretations (continued)
to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

40.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2009 or later periods but are not relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Notes to the Annual Financial Statements

40. New standards and interpretations (continued)

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

	2009 R	2008 R

Appendix A: Schedule of external loans

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Loan Number	Redeemable	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
LONG-TERM LOANS								
ABSA	67804584	2008/07/10	3 280	-	3 280	-	-	-
ABSA	67804592	2008/07/10	3 280	-	3 280	-	53 236	-
ABSA	67804606	2008/07/10	3 280	-	3 280	-	53 236	-
ABSA	67804614	2008/07/10	3 280	-	3 280	-	-	-
ABSA	67804622	2008/07/10	3 280	-	3 280	-	-	-
ABSA	67804630	2008/07/10	3 280	-	3 280	-	-	-
ABSA	67804886	2008/07/10	3 280	-	3 280	-	53 236	-
ABSA	72179418	2009/09/19	49 587	-	39 058	10 529	79 680	-
ABSA	72179426	2009/09/19	49 587	-	39 058	10 529	79 680	-
ABSA	72174950	2009/09/19	49 587	-	39 058	10 529	79 680	-
ABSA	72179434	2009/09/19	49 587	-	39 058	10 529	79 680	-
ABSA	72179442	2009/09/19	49 587	-	39 058	10 529	79 680	-
ABSA	70851968	2011/06/14	73 241	-	21 475	51 766	78 020	-
ABSA	70851984	2011/06/14	73 241	-	21 475	51 766	78 020	-
ABSA	70851992	2011/06/14	73 241	-	21 475	51 766	78 020	-
ABSA	70852000	2011/06/14	73 241	-	21 475	51 766	78 020	-
ABSA	70852018	2011/06/14	73 241	-	21 475	51 766	78 020	-
ABSA	70852026	2011/06/14	73 242	-	21 475	51 767	78 020	-
ABSA	70851976	2011/06/14	73 242	-	21 475	51 767	78 020	-
ABSA	76759320	2013/03/14	406 820	-	67 204	339 616	280 993	-
ABSA	77450721	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77452767	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77451310	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77451426	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77451604	2013/08/06	-	138 584	16 514	122 070	117 796	-
ABSA	77451787	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77452481	2013/08/06	-	138 584	16 562	122 022	117 796	-
ABSA	77452961	2013/08/06	-	138 585	16 562	122 023	117 796	-
ABSA	77453070	2013/08/06	-	138 585	16 562	122 023	117 796	-
ABSA	77451205	2013/08/06	-	138 585	16 562	122 023	117 796	-
ABSA	77579341	2013/09/06	-	309 300	33 138	276 162	344 441	-
			1 190 404	**1 695 143**	**634 489**	**2 251 058**	**2 907 642**	**-**
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA @ 12.00%	10346/202	2018/03/31	3 953 011	-	221 605	3 731 406	2 388 633	-
DBSA @ 10.00%	9631/101	2015/03/31	7 728 790	-	808 734	6 920 056	-	-
DBSA @ 12.00%	9631/201	2017/03/31	5 510 135	-	367 555	5 142 580	7 167 616	-
DBSA @ 15.25%	9631/401	2019/03/31	819 578	-	32 215	787 363	525 741	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	Loan Number Rand	Redeemable Rand	Balance at 30 June 2008 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2009 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DBSA @ 9.71%	9631/502	2019/09/30	178 250	-	15 500	162 750	176 457	-
DBSA @ 9.81%	13674/101	2020/09/30	2 179 500	-	174 360	2 005 140	1 406 136	-
DBSA @ 11.00%	2955/102	2010/09/30	3 479 150	-	1 281 070	2 198 080	-	-
DBSA @ 14.65%	13154/1	2009/12/31	100 505	-	100 505	-	-	-
DBSA @ 13.75%	13155/1	2009/12/31	25 926	-	25 926	-	-	-
			23 974 845	**-**	**3 027 470**	**20 947 375**	**11 664 583**	**-**
TOTAL EXTERNAL LOANS			**25 165 249**	**1 695 143**	**3 661 959**	**23 198 433**	**14 572 225**	**-**

Supplementary Information

Appendix B: Analysis of Property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Land										
Land	1 037 872	-	-	-	**1 037 872**	-	-	-	**-**	**1 037 872**
	1 037 872	**-**	**-**	**-**	**1 037 872**	**-**	**-**	**-**	**-**	**1 037 872**
Buildings										
	-	-	-	-	**-**	-	-	-	**-**	**-**
Buildings	6 322 757	-	-	-	**6 322 757**	2 131 097	197 913	-	**2 329 010**	**3 993 747**
	6 322 757	**-**	**-**	**-**	**6 322 757**	**2 131 097**	**197 913**	**-**	**2 329 010**	**3 993 747**
Infrastructure										
	-	-	-	-	**-**	-	-	-	**-**	**-**
Roads	-	-	-	-	**-**	-	-	-	**-**	**-**
Sewerage Mains & Purif	249 783 848	138 885	-	-	**249 922 733**	29 722 834	6 803 735	-	**36 526 569**	**213 396 164**
Water Mains & Purification	413 766 042	1 827 160	53 488 719	-	**469 081 921**	67 245 159	15 064 478	-	**82 309 637**	**386 772 284**
Reservoirs – Water	12 217 311	-	-	-	**12 217 311**	3 011 286	285 061	-	**3 296 347**	**8 920 964**
Water Meters	6 481 967	-	-	-	**6 481 967**	2 397 707	361 005	-	**2 758 712**	**3 723 255**
	682 249 168	**1 966 045**	**53 488 719**	**-**	**737 703 932**	**102 376 986**	**22 514 279**	**-**	**124 891 265**	**612 812 667**

APPENDIX B
June 2009

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance Rand	**Additions Rand**	**Under Construction Rand**	**Disposals Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Additions Rand**	**Disposals Rand**	**Closing Balance Rand**	**Carrying Value Rand**
Other assets										
Office Equipment	1 205 034	31 003	-	-	**1 236 037**	908 920	146 847	-	**1 055 767**	**180 270**
Furniture & Fittings	2 641 067	49 491	-	26 004	**2 664 554**	1 659 866	188 743	19 081	**1 829 528**	**835 026**
Emergency & Fire Equipment	511 343	-	-	-	**511 343**	359 082	-	-	**359 082**	**152 261**
Motor vehicles	5 887 363	319 311	-	365 482	**5 841 192**	4 229 912	475 161	320 104	**4 384 969**	**1 456 223**
Computer Equipment	2 697 921	52 826	-	44 368	**2 706 379**	1 656 233	207 372	37 502	**1 826 103**	**880 276**
Computer software	154 078	-	-	-	**154 078**	70 676	17 163	-	**87 839**	**66 239**
Other Assets	2 572 681	18 486	-	1 591	**2 589 576**	1 523 903	369 398	1 326	**1 891 975**	**697 601**
	15 669 487	**471 117**	**-**	**437 445**	**15 703 159**	**10 408 592**	**1 404 684**	**378 013**	**11 435 263**	**4 267 896**
Finance lease assets										
Office Equipment	751 020	-	-	-	**751 020**	372 402	135 184	-	**507 586**	**243 434**
Motor vehicles	2 835 693	1 486 968	-	462 920	**3 859 741**	580 636	587 227	187 483	**980 380**	**2 879 361**
	3 586 713	**1 486 968**	**-**	**462 920**	**4 610 761**	**953 038**	**722 411**	**187 483**	**1 487 966**	**3 122 795**
Total	**708 865 997**	**3 924 130**	**53 488 719**	**900 365**	**765 378 481**	**115 869 713**	**24 839 287**	**565 496**	**140 143 504**	**625 234 977**

Supplementary Information

Appendix C: Segmental analysis of Property, plant and equipment

APPENDIX C
June 2009

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Council	217 082	-	-	-	**217 082**	137 398	13 199	-	**150 597**	**66 485**
Municipal manager	829 225	-	-	-	**829 225**	231 915	54 671	-	**286 586**	**542 639**
Corporate services	3 370 548	133 320	-	-	**3 503 868**	2 461 563	269 543	-	**2 731 106**	**772 762**
Satellite offices	820 973	-	-	-	**820 973**	415 251	62 735	-	**477 986**	**342 987**
Finance	1 957 346	-	-	77 133	**1 880 213**	1 213 377	135 493	62 666	**1 286 204**	**594 009**
Technical - regional	21 854	-	-	-	**21 854**	16 452	1 684	-	**18 136**	**3 718**
Technical - Planning & IT	1 706 343	-	-	-	**1 706 343**	1 160 856	57 652	-	**1 218 508**	**487 835**
Project management	702	-	-	-	**702**	632	-	-	**632**	**70**
Corporate Social	146 319	-	-	-	**146 319**	110 481	6 573	-	**117 054**	**29 265**
Health	490 103	-	-	-	**490 103**	154 949	72 959	-	**227 908**	**262 195**
Water services	468 087 332	3 651 925	53 488 719	823 232	**524 404 744**	80 593 433	17 915 217	502 830	**98 005 820**	**426 398 924**
Sanitation	231 218 170	138 885	-	-	**231 357 055**	29 373 406	6 249 562	-	**35 622 968**	**195 734 087**
	-	-	-	-	**-**	-	-	-	**-**	**-**
	-	-	-	-	**-**	-	-	-	**-**	**-**
	708 865 997	**3 924 130**	**53 488 719**	**900 365**	**765 378 481**	**115 869 713**	**24 839 288**	**565 496**	**140 143 505**	**625 234 976**

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

APPENDIX D for the period ended 30 June 2009
June 2009

GOVERNMENT TEMPLATE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

Current year 2009 Yrly Per. Act. Bal. June Year to Date Rand	Prior Year # 1 2008 Yrly Per. Bud. Amt June Year to Date Rand	Variance Rand		Current year 2009 Yrly Per. Act. Bal. June Year to Date Rand	Current year 2009 Yrly Per. Bud. Amt June Year to Date Rand	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
-	-	-	Less Inter-Dep Charges	-	-	-	
-	-	-	Total	-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

APPENDIX E(1) for the ended 30 June 2009
June 2009

Actual versus Budget (Revenue and Expenditure)

	Current year 2009 Act. Bal. R'000	Current year 2009 Bud. Amt R'000	Variance R'000	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	93 160	91 389	1 771	1,9	
Interest received from investments	1 168	811	357	44,0	Difference represents interest earned in the municipality's primary bank account.
Fines	5	-	5	-	Municipal does not budget for fines. Fines is raised when a member of the community contravenes the Bylaws.
Government grants	238 189	278 483	(40 294)	(14,5)	Conditions of conditional grants were not met during the financial year therefore not recognised as income.
Interest received from consumers	18 489	5 776	12 713	220,1	Increase in consumer debts.
	351 011	376 459	(25 448)	(6,8)	
Other income					
Other income	3 329	2 031	1 298	63,9	Under budgeted administration income to implement MIG.
Property, plant and equipment	18	400	(382)	(95,5)	
	3 347	2 431	916	37,7	
Total Revenue	354 358	378 890	(24 532)	(6,5)	
Expenses					
Employee related costs	(75 054)	(78 082)	3 028	(3,9)	
Remuneration of councillors	(3 420)	(4 088)	668	(16,3)	Councilors and Mayoral allowance was over provided.
Debt impairment	(49 905)	(700)	(49 205)	7 029,3	Change in muncipality's accounting policy.
Collection costs	(673)	(613)	(60)	9,8	
Depreciation	(24 839)	(1 400)	(23 439)	1 674,2	Current depreciation was calculated at financial year.
Repairs and maintenance	(18 697)	(22 735)	4 038	(17,8)	New vehicles was purchased during year. Old vehicles were disposed off. Car allowance is awarded to the Supervisors. Wh service these vehicles at their own cost.
Finance costs	(3 129)	(4 173)	1 044	(25,0)	Change in interest rate and DBSA loans settled during the financial year.
Bulk purchases	(2 455)	-	(2 455)	-	Purchase of water was not budgeted for the 08/09 year.
General expenses	(216 106)	(267 098)	50 992	(19,1)	Conditions of conditional grants were not met therefore expenditure not recognised.
Impairments	(5 259)	-	(5 259)	-	Irrecoverability of the debtor was identified at year end.
	(399 537)	(378 889)	(20 648)	5,4	
Operating profit	(45 179)	1	(45 180)	(4 518 000,0)	
Net surplus/ (deficit) for the year	(45 179)	1	(45 180)	(4 518 000,0)	

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

APPENDIX E(2)
June 2009

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Infrastructure							
Sewerage Mains, Purification & Sanitation	138 885	-	**138 885**	889 105	(750 220)	(540)	Project contiued into the 2009/2010 financial year.
Water Mains & Purification	1 827 160	532 488 719	**534 315 879**	50 245 491	484 070 388	91	Change in prices of contraction matrial.
	1 966 045	**532 488 719**	**534 454 764**	**51 134 596**	**483 320 168**	**90**	**-**
Finance lease assets							
Motor vehicles	1 486 968	-	**1 486 968**	1 486 968	-	-	
	1 486 968	**-**	**1 486 968**	**1 486 968**	**-**	**-**	**-**
Other property, plant and equipment							
Office Equipment	31 003	-	**31 003**	71 851	(40 848)	(132)	Delay procurement process to acquire office equipment.
Furniture & Fittings	49 491	-	**49 491**	38 000	11 491	23	The budget was reduced during the budget review.
Computer equipment	52 826	-	**52 826**	-	52 826	100	UPS burnt and to purchase a replacement.
Motor vehicles	319 311	-	**319 311**	319 311	-	-	
Other assets	18 486	-	**18 486**	13 500	4 986	27	The budget was reduced during the budget review.
	471 117	**-**	**471 117**	**442 662**	**28 455**	**6**	**-**
Total	**3 924 130**	**532 488 719**	**536 412 849**	**53 264 226**	**483 148 623**	**90**	**-**

Supplementary Information

Appendix F: Disclosure of Grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2009
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2009

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		Yes/ No	
MIG	National Treasury	25 000	20 000	16 371	24 000	27 399	13 238	10 343	33 641	-	-	-	-		Yes	
Water conservation & demand management	DWAF	-	-	1 000	1 000	-	-	-	813	-	-	187	1 000	Training of 20 plumbers had to be completed before Retrofitting could be performed.		
Drought relief grant	DWAF	-	1 500	-	-	-	-	201	1 299	-	-	-	-		Yes	
Finance management grant	National Treasury	735	-	-	-	-	-	253	382	100	-	-	-	Delays in procurement process followed for the purchase of computer equipment.		
uMtshezi sport field	KZN Sport & Recreation	375	-	1 125	-	-	-	-	569	-	-	931	-	Delays in procurement process. Project manager and contractor appionted in 09/2010		
DWAF staff subsidy	DWAF	321	321	321	225	321	321	321	225	-	-	-	-		Yes	
DWAF operating subsidy	DWAF	10	10	7	7	10	10	7	7	-	-	-	-		Yes	
Shared service centre	KZN LGTA	-	-	1 000	-	-	-	-	-	-	-	1 000	-	We are waiting for invoices from the local municipalities.		
Finance management grant	National Treasury	-	250	-	-	-	-	-	-	-	250	-	-	We are waiting for invoices from the internal auditors.		
Growth and development summit	KZN LGTA	100	-	-	-	-	-	-	-	100	-	-	-	This funding is for the IDP cycle for 09/2010.		
Arts, culture and tourism	KZN Arts, culture and tourism	-	1	-	-	-	-	-	-	-	1	-	-		Yes	
Develop Information system	KZN LGTA	1 000	-	-	-	-	-	-	-	1 000	-	-	-	KZN LGTA requested the municipality to delay any expenditure.		
Waste management plan	KZN Agriculture	-	-	300	-	-	-	180	-	-	-	120	-	The plan is work in progress. When the service provider completes the plan the balance will be paid.		
Staff Training	LGSETA	96	132	105	-	-	27	86	79	-	36	105	-	Some of the expenditure was earmarked for 09/2010.		
		27 637	22 214	20 229	25 232	27 730	13 596	11 391	37 015	1 200	287	2 343	1 000			

Note: All amounts is shown in R' 000. This excludes allocations from the Equitable Share.